



City Research Online

City, University of London Institutional Repository

Citation: Falegan, Johri Ibitoye (1991). State intervention and control of insurance business in Nigeria. (Unpublished Doctoral thesis, The City University)

This is the draft version of the paper.

This version of the publication may differ from the final published version.

Permanent repository link: <https://openaccess.city.ac.uk/id/eprint/18318/>

Link to published version:

Copyright: City Research Online aims to make research outputs of City, University of London available to a wider audience. Copyright and Moral Rights remain with the author(s) and/or copyright holders. URLs from City Research Online may be freely distributed and linked to.

Reuse: Copies of full items can be used for personal research or study, educational, or not-for-profit purposes without prior permission or charge. Provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.

State Intervention and Control of Insurance Business in Nigeria

Thesis for the Degree of Ph.D

by

Falegan, John Ibitoye B.A Dip. Ed., FCII .

Department of Insurance & Actuarial Science,

University of Lagos,

Lagos,

Nigeria.

Thesis submitted in fulfilment of the requirements

for the Degree of Doctor of Philosophy

Department of Business Studies,

The City University Business School,

London.

November 1990

020167986

PART FOUR

IMPACT OF POLICY

BEST COPY AVAILABLE.

VARIABLE PRINT QUALITY

CHAPTER 10

ASSESSING THE EFFECTS OF REGULATION IN NIGERIA

10.1 Introduction

In this chapter the economic effects of official regulation and control of the insurance business are analysed under three headings, after Carter and Dickinson (1979) as follows: (1) the insurance consumer, (2) market stability and development and (3) other wider economic effects.

10.2 Effects on the Consumers

The appraisal of the effects of the government measures will be considered in turn under the major determinants of policyholder welfare. These, in the main are premium rates, settlement of claims, innovation and consumer advice.

10.2.1 Premium Rates

The most important effects of government intervention on the consumers of insurance products is that premium rates have risen sharply. Three reasons account for this. First, the virtual restriction of the market's portfolios to local risks only has resulted in limited total loss reserves (Falegan, 1986). Second although the legal cessions to Nigeria Re and the regional pools are intended to rationalise a hitherto fragmented market and reduce premium rates, the opposite has been the effect. Instead, the compulsory cessions have unnecessarily added another link to the production chain so increasing the cost of insurance for policyholders. This result is inevitable since the legal cessions are made on terms less advantageous than those available on the international market.

Thirdly, the policy of the state exclusively insuring government risks is detrimental to competition and efficiency because it encourages increasing concentration of business in the hands of state companies (chapter 8.5.1), so that these firms have little or no concern for cost efficiency. This explains why the investments of the companies are dull (chapter 7.7.7) and the management expenses, are high (table 10.1). The management expenses averaging 22.88 and 35.80 percent per annum respectively for life and non-life business during 1977 to 1984 (table 10.1) are higher than what obtains in developed markets. It is instructive to note that in 1960, when the market for life insurance was not regulated, these expenses amounted to less than 10 percent of the retained premiums (Smith, 1981:34); but by 1977 when the 1976 regulations came into force, they had risen to 22.30 percent of the retained premium. The continually high management expenses confirm the view that policy is unwittingly creating an unwarranted transfer of income and wealth from those who buy insurance to those who sell it (Hindley, 1981).

Year	Non-life business			Life Business		
	Retained Premium	Management Expenses	Expense Ratio	Retained Premium	Management Expenses	Expense Ratio
1977	149.89	30.90	20.62	45.21	10.08	22.30
1978	141.62	40.10	28.32	54.34	12.77	23.51
1979	145.22	54.70	37.67	65.31	13.95	21.36
1980	158.90	54.10	40.34	87.37	19.51	22.33
1981	207.20	75.50	36.44	113.05	23.90	21.14
1982	244.42	100.94	41.30	112.63	27.53	24.44
1983	322.83	108.98	33.76	134.63	32.00	23.77
1984	220.03	105.44	35.80	121.46	29.34	22.88

Source: Insurance Department, Federal Ministry of Finance

Table 10.1

Expense Ratios of Nigerian Insurance Companies

1977 - 1984 (N' Million)

10.2.2 Settlement of Claims

The performance of the market regarding the settlement of claims has hardly improved since 1960 when the Obande Commission was set up (Okwor, 1984). Some insurance companies are reputed for not paying claims (Olotu, 1983 and Uzomah, 1978). Most of the insurers deliberately delay settlement of claims so as to discourage the insured who suffered a loss from filing claims. These insurers succeed to a large extent in saving for themselves large sums of money which should have been used to pay genuine claims. In an earlier study of the market carried out by the researcher (Falegan, 1982), respondents complained that the usual excuses were that "the MD is not in" or "the Chief Accountant is on a course." A commentator¹ observed that he personally experienced an incident where a friend whose car was treated on a total loss basis, was asked by the insurance company to surrender his ignition key and other keys to the said insurance company even before the company made any offer as to the amount the claim would be settled for. The company then went on to pay a small amount without any regard to the market value of the subject matter insured. The same commentator went on to cite the case of an insurance company which refused to pay compensation to a third party claimant on the ground that his stationary vehicle was hit by the insured vehicle at the railway station and the railway station was not a highway.²

The feed-back from questionnaires completed by policyholders in the study mentioned above, show significant revelations regarding the public image of the insurance industry in Nigeria. About 78 percent of those replying had policies with foreign associated companies and 20 percent

with government owned companies, particularly NICON. They believed that NICON, being government owned, would be willing to settle claims promptly. The remaining two percent insured abroad. Many of those questioned who had been exposed to insurance practice abroad said they had no trust in indigenous, private sector companies.³ It would appear from the study that top government functionaries had no confidence in these companies as witness a government directive that only advance payment bonds, issued by insurance companies with Federal Government's equity participation, would be acceptable as security for mobilisation fee for contractors.⁴

It is clear from the above analysis that the insuring public have not been getting a fair deal from the insurance industry. Table 10.2 confirms this position since it shows that the insurance companies take much more from the public in premiums receipt than they pay back to the public in loss reparation. In other words Nigerian insurers return by way of claims payments far smaller proportion of the premiums paid by Nigerian policyholders than in the United Kingdom as revealed by the 1951-85 published statistics of the Association of British Insurers. Since the percentage of premiums returned to policyholders in the form of claims is an important measure of the efficiency of the insurance market the low claims ratios noted above, show that the price regulations have favoured the insurers at the expense of the consumers. See table 10.2 on page 295.

10.2.3 Innovation

Although most of the insurance companies employ professionals to administer the various classes of insurance business, attempts at innovation are few and far between. The market is mostly

providing traditional covers like standard fire, motor, cargo insurance, etc. In the accident branch, there are some exclusions which leave much to be desired. There is the widespread complaint about "the small print" which the insuring public feel the industry deliberately adopts in order to dupe them (Lijadu, 1985). A leading practitioner in the market, after observing that underwriting is no longer scientific, went on to say that he

"... discovered to my dismay that quite a number of companies shy away from risks. They are often reluctant to go off beaten tracks and develop new ideas of business. They are not what one might describe as risk takers. The market has not been sufficiently innovative. As a result, a number of insurance covers are not given and when ^{given} the restrictions and exclusions are far too many. Examples which readily come to mind are professional indemnity for the various professions, bankers' blanket policy, goods and cash in transit, agricultural and medical insurance." (Ogunlana, 1985).

He then proceeded to give reasons for the poor quality of service:

" I made the point earlier that underwriting in most cases has not been scientific (and that the quality of the service provided by companies and brokers... has become exceedingly poor). This is because most companies lack the skilled manpower required to underwrite. The supporting services ___ surveyors and other risk management practitioners ___ are terribly lacking. The absence of adequate fire fighting facilities in Nigeria has been brought home time and time again, especially in recent times. When a fire starts the property involved will almost certainly become a total loss... Perhaps one other inhibiting factor which is not often closely examined is the lack of co-operation as a group or organisation within the insurance industry. All these (organisations)² notwithstanding we have for too long been paying lip service to the saying that insurers are friendly competitors" (Ogunlana, 1985).

	<u>Direct Transactions</u>					<u>Net Transactions</u>				
	1979	1980	1981	1982	1983	1979	1980	1981	1982	1983
Accident	31.6	18.5	23.44	24.47	28.75	25.3	12.1	17.40	24.61	21.15
Fire	23.8	29.8	50.75	42.00	6.11	22.2	33.3	29.42	17.01	25.29
Motor	46.1	46.1	40.64	45.40	39.60	46.9	44.4	39.13	43.11	34.75
Marine & Aviation	47.8	29.5	21.62	23.04	6.87	56.9	24.8	21.50	17.33	(2.42)
Workmen's Comp	17.7	18.3	13.00	12.06	12.41	19.4	18.4	13.02	12.50	191.51
Miscellaneous	19.7	17.5	27.30	20.68	7.45	24.7	23.3	18.82	31.13	35.66
Total (Non-life)	37.1	34.6	33.17	33.91	17.78	39.9	34.6	30.05	31.18	9.44
Life	11.2	11.8	11.26	13.55	15.17	11.2	11.7	11.13	13.43	11.26
Total(Life & non-life)	32.1	29.6	28.14	29.67	17.14	31.1	26.5	23.37	25.58	5.31

Source: Insurance Department Federal Ministry of Finance
 Figures are percentages.

Table 10.2
Combined Claims Ratios of the Nigerian
Direct Writing Companies,
1979 to 1983

Owing to the poor image of the industry, it is not clear to the average Nigerian entrepreneur the role insurance plays or can play in the economy. Similarly it is not clear to the average Nigerian businessman the role insurance plays or should play in his business enterprises. This situation has prompted a prominent businessman to remark that

"... the industry remains an enigma to the ordinary entrepreneur in Nigeria. If you ask the businessman or woman how banks, for example, operate and what role they play in the economic development of the country, he or she will give some comprehensible account of their basic role. But ask the same person the role of insurance companies in economic development and the answer may not be as comprehensible. In fact, some Nigerian entrepreneurs may say that apart from the industry providing employment (which is not peculiar to the insurance industry) they are not aware of any significant way the industry is a major force in economic and business development (Onyemelukwe, 1984).

This misunderstanding and ignorance of the role of insurance means that the ordinary Nigerian entrepreneur (unlike the big private, often foreign associated enterprises) does not "go" to the insurance companies in the same way as he does to banks.⁶

10.2.4 Consumer Advice

The parties to a contract of insurance are both the insurer and the policyholder, who constitute the seller and buyer respectively. In practice most prospective policyholders negotiate with and are induced to buy their policies by insurance intermediaries rather than the full time employees of the insurer. In these circumstances, it is clear that the power of the middlemen to influence prospective buyers and sellers, for good or ill, is enormous.

In Nigeria, the activities of insurance intermediaries have always created problems for the operators of insurance and tarnished their image (chapter 7.7.2). To combat these problems government had had to intervene to stamp out the malpractices, but without success (Falegan, 1984).

In analysing the short-comings of the intermediaries, the case of the insurance agents will be considered first (chapter 7.7.2.3). Many of the agents have superficial understanding of the business they offer to the public. Either because of their limited knowledge or because they deliberately wish to deceive the prospective insured, many insurance agents do often misrepresent insurance to the insuring public. Examples abound about those who represented to the insured that he was entitled to obtain a housing loan on the basis of the total sum insured even the next day after effecting a life insurance policy.⁷ Agents are known to have informed the insured that after insuring their lives for five years, the sum insured payable would be doubled every five years in compound proportion. They still induce members of the public to insure their lives for an amount far above their station in life with the result that the subsequent payments of the premiums become onerous, leading to frequent policy lapses accompanied by the problems of surrenders. The agents resort to these various wrong practices with the main intention to earn fat commissions.

As for the insurance brokers (chapter 7.7.2.2), they are more interested in the commission they earn than the service they are supposed to render to their clients as well as the insurance companies. Seven years after the promulgation of the Insurance Act of 1976, a Federal Minister of Finance correctly identified one of the serious problems of the industry:

"... This is the failure by some insurance brokers and other intermediaries to remit to the insurance companies, the premiums collected. The Insurance Act of 1976 made adequate provisions for payment of commission to intermediaries for their services; but unfortunately a good number of them collect the premiums and retain them. I am informed that insurance companies for fear of losing the business have equally failed to enforce their contractual rights in this direction. This situation, as you will appreciate, could affect the viability and solvency of some insurance companies, to the detriment of the insuring members of the public..." (Soleye, 1984).

10.3 Market Stability and Development

Market stability development will be considered under six sub-headings: poor image of insurance companies, entry of foreign companies into the market, foreign expansion by Nigerian companies, the profitability of the business, the solvency of the insurers and the retention capacity of the market.

10.3.1 Poor Image of Insurance Companies

The major problems which account for the poor image of Nigeria's insurance industry and relegate insurance companies to a minor sector of the national economy are not unconnected with the role of the state in the industry. Apart from the problem of the complacency of insurance managers (Falegan, 1983), government participation in the industry as witness its full or partial ownership of the leading companies coupled with its powers of fiduciary control (chapter 7.6) confirms its virtual domination of the market. While government ownership may secure some preferential treatment in matters of resource allocation by government, it has some disadvantages which may more than offset the preferential treatment. These disadvantages have been identified to derive from:

"... two characteristics of government in Nigeria: partisan politics and bureaucracy. The introduction of a partisan politics into management of operations brings about a high degree of instability in top management personnel of industrial establishments and encourages a general level of inefficiency in use of resources. There is also a tendency to subject government establishments to excessive bureaucratic control which further impedes the efficiency of operations..."
(Iyanda, 1985).

A leading practitioner in the industry virtually concretized these issues before the 15th Annual Educational Conference of the Insurance Institute of Nigeria:

"The Federal and State Governments in between them own the controlling share of Nigeria's insurance industry. Usually, the role of government nominees on boards of these companies and other government functionaries involved with them is inimical to the interests of the companies. Another facet of the problem is that government through its parastatals and other agencies form by far the highest proportion of insureds in Nigeria. Understandably, the government also plays the roles of legislator and regulator to the industry. These three roles are bound to cause conflicts (with detrimental effect) within the industry and the economy. For example, when the market introduced sometime ago the premium payment warranty, government bodies were exempted thus frustrating the good intentions of the market agreement. Consequently, the combined outstanding balances of the various companies has reached an unprecedented level. One can best imagine the amount of investment income lost to the market and the resulting damage to the national economy. Again in choosing the companies in which to acquire controlling shares the governments choose the long established and successful expatriate companies. It is only natural that governments in distributing patronages would prefer those companies to others in which they do not participate. With such an arrangement which constitutes an unwitting conspiracy, the gulf between the larger companies owned jointly by government and expatriate interests and the smaller indigenous companies is bound to become wider (Ogunlana, 1986).

The results of these weaknesses are again indicated by Ogunlana:

"The industry has a very poor public image. It lacks trained manpower. The absence of cooperation amongst companies on the one hand and amongst brokers on the other, and as between brokers and companies as well are too apparent. Underwriting in Nigeria is far from being scientific. There is no professionalism. The industry's present leadership is not sufficiently committed. The ownership structure of insurance companies leaves a lot to be desired. The market is without reliable statistics", (Ogunlana, 1986).

10.3.2 Elimination of Foreign Firms

Table 3.3 (chapter 3.3.1) shows that the progressive elimination of foreign owned companies became absolute in 1977 when indigenous and jointly owned companies became the main constituents of the industry.⁸ But there is no good economic argument for adopting such a policy if its effect is to create and maintain inefficient local insurers as a substitute for efficient foreign insurers. Exclusion of foreign competition merely taxes domestic purchasers of insurance for the benefit of domestic sellers of insurance and probably those who control them. When, following Nigeria's political independence, indigenous brokers took over the insurance of the Federal corporations from expatriate broking firms, they did not live up to expectation (chapter 9.3.1). Hence the decision in 1969 to cut them off from government business which has since been handled by NICON (chapter 8.3). Today, the performance of indigenous insurance intermediaries has become a threat to the progress and development of the market (section 10.2.4).

As for the insurers, the major impact of the domestication measures has been to raise the price (section 10.2.1) and lower the quality of insurance cover (section 10.2.3), creating an

unwarranted transfer of income and wealth from those who buy insurance to those who sell it.⁹ This is inevitable in a restricted market¹⁰ and is explained by the theory of comparative advantage, which says that each country or location should produce only those goods in which it has the greatest comparative advantage in terms of native resources or technologies (Aaronovitch and Samson, 1985).

Believing that private decision-makers consistently mis-estimate the true social returns to their investments or that private firms under-estimate the true value of training labour, with the result that the flow of capital into the insurance sector has been suboptimal, the Nigerian policy-makers have ignored the theory of comparative advantage and, in its place, adopted a variant of the classic "infant industry" argument which says:

"... there are long-run benefits to the country of developing a viable insurance industry which outweigh the short-run cost, but private industry wrongly perceives or estimates or values the balance between costs and benefits" (Smith, 1981).

The adoption of this policy of "infant industry" protection has meant the introduction of restrictions which are so stringent that they cannot be complied with without costs wholly disproportionate to the value of the protection they afford.

As pointed out by Grabscheid (1976), the balance of payments effect of each item of an insurance account of a foreign organisation is as follows: premiums received cause drain on the balance of payments; commissions paid cause gain to the balance of payments; losses paid cause gain to the balance of payments, and loss reserves cause gain to the

balance of payments. The most important issue to point out is that the first producers to enter the industry cannot appropriate all of the returns to their investments.¹¹ Moreover, since foreign sales of direct insurance typically involve some presence on the local market and since foreign firms are not only obliged but also have strong incentives to employ the typically cheaper local labour wherever possible, they will have to carry out the function of training their employees whom other employers may be able to bid away, so that the original employer gets no return on his investment. It should also be noted that international insurers are likely to use best-practice international techniques (chapter 12.3) and thus may be particularly valuable as educators and exemplars for emerging local insurers (Carter, 1980 and Hindley, 1982).

10.3.3 Foreign Expansion by Nigerian Companies

One of the most important determinants of market development is the expansion of the market across the national frontiers. Although the Economic Community of West African State (ECOWAS) was created to ensure among other objects the establishment of an business enterprises on/ inter-state basis, no Nigerian insurer has any branch in the neighbouring states. However, there have been rigorous efforts to forge regional cooperation among African insurers, leading to the establishment of regional associations such as the Federation of Afro-Asian Insurers and Reinsurers¹² (FAIR), African Insurance Organisation¹³ (AIO) and the West African Insurance Consultative Association¹⁴ (WAICA). The activities of the AIO led to the formation of Africa Re in 1977 (Irukwu, 1977) while the WAICA launched the ECOWAS brown card scheme¹⁵ and is planning the formation of a reinsurance conglomerate to be known as the ECOWAS Reinsurance Corporation¹⁶ (Eco-Re).

Both NICON and Nigeria Re have "contact offices" on the London market. Like the Nigerian owned broking firms located near the Corporation of Lloyd's, they are mere "conduit pipes" through which business is channelled to London reinsurers.

10.3.4 Profitability of the Companies

Contrary to the provisions of the 1976 Act¹⁷, there is no uniformity in the presentation of accounting information and the treatment of similar items affecting accounting policies. For example, separate balance sheets and profit and loss statements are not prepared for non-life and life accounts in many instances. As a result comprehension of information and comparative studies of performance of the companies have proved very difficult. The figures compiled in table 10.3 have in some cases been estimated by allocating funds in proportion to premium income.

According to table 10.3 the combined underwriting results of the direct writing companies show that the net operating profits (that is, excluding investment income) of the Nigerian non-life insurers ranged from 20.61 to 5.71 percent of the retained premium income during the period, 1978 to 1984. (The continuous decline of the profits is attributable to the problems facing the national economy). On the other hand the gross operating profits (including investment income) have ranged from 21.25 percent in 1978 to 5.50 percent in 1984.

A number of conclusions can be drawn from the underwriting results. The first is that Nigerian insurers make far more profits in their underwriting operations than are obtainable on the international markets. The second, which is deducible from the first, is that Nigerian insurers charge the insuring public higher premiums than are justified. The third is that, with the exception of 1980, investment income forms a minor part of the profits made by the Nigerian insurers. Therefore the regulations cannot be said to be protecting the interests of the consumers.

10.3.5 Solvency

Solvency margin is the ratio of the net assets or shareholders' funds at the end of the year to the annual retained non-life premiums. Net assets are computed by deducting the liabilities from the assets or aggregating the paid-up capital and the free reserves. Where a composite company does not provide a separate balance sheet for its non-life business, difficulty will arise in carrying out the computation. An additional problem is that there is no information regarding the methods employed for valuing the assets and liabilities.

Despite these difficulties it is still possible to estimate the degree of security provided by non-life insurers on the market. Table 10.4(a) therefore attempts to present the combined solvency margin for the Nigerian insurers. The ratio is 49.14 percent per annum during the six-year period, 1978 to 1983. The smaller figures recorded for 1984 are due to the non-availability of the NICON results.

Year	Retained Premium	Gross Profit	Net Profit	Gross Profit as Percentage of Retained Premium	Net Profit as Percentage of Retained Premium
1978	123.13	26.17	25.38	21.25	20.61
1979	122.16	25.29	22.51	20.70	18.43
1980	141.68	25.56	13.03	18.04	9.20
1981	202.40	24.90	22.84	12.30	11.28
1982	226.39	26.25	22.35	11.60	9.87
1983	183.65	18.27	13.97	9.94	7.61
1984	307.47	16.90	15.56	5.50	5.71

Source: Compiled from the Annual Reports and Accounts of insurance companies and data obtained from the 8-man Insurance Investigating Panel (1986).

Table 10.3

Operating Profits of Nigerian Insurance

Companies Underwriting Non-life Business, 1978 - 1984

Table 10.4(b) indicates the unusually high solvency margin for NICON (137.06 percent per annum during 1978 to 1983). This is because NICON is a nationalised company enjoying the monopoly of the Federal Government's insurances. Like the other companies operating on the market it enjoys the fat commission receivable on the chunk of business it cedes to the reinsurance community (section 10.4.2).

Year	Retained Premium	Net Assets	Solvency Margins
1978	123.13	58.93	47.86
1979	122.16	76.17	62.35
1980	141.68	96.22	67.91
1981	202.40	114.15	56.40
1982	226.39	136.59	60.33
1983	183.65	149.62	81.47
1984	143.50*	100.44*	70.00

*Excludes NICON figures

Source: Compiled from the Annual Reports and Accounts of insurance companies and data obtained from the 8-man Insurance Investigating Panel (1986)

Table 10.4(a)

Solvency Margins of Nigerian Insurance
Companies at Year End, 1978 - 1984

<u>Year</u>	<u>Retained Premium</u>	<u>Net Assets</u>	<u>Solvency Margins</u>
1978	16.03	22.92	142.98
1979	21.59	32.33	149.75
1980	27.65	43.14	156.02
1981	51.14	51.47	100.65
1982	63.73	60.08	94.27
1983	37.80	67.54	178.67
1984	not available	not available	N/A

Source: As in table 10.4(a)

Table 10.4(b)

Solvency Margins of NICON at Year End,
1978 - 1984

Although the collective solvency margin of the insurers is reasonably high, some of the Nigerian owned, private sector companies are not solvent, presumably because of their insignificant share of the market (section 10.4.1). Therefore the regulation on reserves does not guarantee the security of policyholders and should be supplemented by a stated margin of solvency as well as a guarantee fund (chapter 12.2.1).

10.3.6 Market Retention

The issue of the domination of the market by foreign interests and the resultant outflow of the country's foreign exchange was upper-most in the mind of government during the domestication exercise (chapters 5.5 and 8.2). It is therefore pertinent to enquire whether or not government's aim in this regard is being realised.

Table 10.5 shows that on the average 31.75 percent of the non-life premium income was spent on local reinsurances whereas 18.15 percent was ceded abroad during 1979 to 1983. It should, however, be stressed that most of the local reinsurances are placed with Nigeria Re. Table 10.8 shows that the latter retro-ceded more than 30 percent of the legal cession abroad during 1978 to 1984. This means that far more than the 18.15 percent noted above is reinsured overseas, although it must be stressed that part of this goes to the regional pool.

Clearly, the reinsurances placed abroad, which amounted to more than ₦100 million in 1983 alone are excessive, constituting a continuing drain on the country's foreign exchange. This situation demonstrates that the government's domestication measures are far from meeting the objects set for them. Apart from the fact that

Year	Total Premium	Retained Premium	Premium Ceded Locally	Premium Ceded Abroad
1979	289.09	145.22	97.10 (33.59)	46.80 (16.19)
1980	320.34	207.20	111.20 (34.71)	50.24 (15.68)
1981	391.18	207.20	109.51 (27.99)	74.46 (19.03)
1982	446.41	244.42	128.08 (28.69)	73.91 (16.56)
1983	437.93	188.20	147.84 (33.76)	101.89 (23.37)

Source: Insurance Department Federal Ministry of Finance

Figures in parenthesis represent the ratio of premiums ceded to total premiums.

Table 10.5
General Business Ceded Locally and Abroad
1979 - 1983 (₦Million)

local capacity was not increasing, the balance of payments was not improved since premiums ceded abroad increased relative to total premiums.

10.4 Wider Economic Effects

The economic effects of policy will be examined by analysing them within the context of efficient allocation of resources, balance of payments costs and mobilisation of savings (relative to total savings).

10.4.1 Efficient Allocation of Resources

Only four reasons have been publicly cited for government participation in the insurance business. In the first place, there is the excessive domination of the industry by overseas interests. Second, there is the inevitable feeling that money is flowing from the country (Nigeria, 1986). The third is the desire to make money for the government so that the latter can provide employment opportunities. The fourth was the official decision in 1969 to eliminate insurance brokers from handling government insurance (chapter 9.3.1).

These are transient motives. The general philosophy, except among those socialists who subscribe to the nationalisation of banking and insurance, is that the state should not transact insurance if the commercial market can give consumers what they need. When the state has entered the field in developed economies it has been because private insurers could not cope (chapter 8.5.1). The principal examples are insurance of exports against political risk and insurance of private property and marine ventures against war risks in wartime. In the 1930's the state came to the marine insurance market to reinsure part of the value of the giant Atlantic liners of the day because the

private market could not cope with the large values, but the market grew and the government was able to withdraw (Cockerell, 1980).

The various objectives worldwide of state participation in insurance (Green, 1976) may be achieved in a number of ways: The state may (a) establish a monopoly of a special class of business; (b) finance an insurance institution to compete on the market; and (c) set up a reinsurance organisation with a compulsion on direct insurers to cede a proportion of their business to it.

Each course has its drawback. Under a monopoly the consumer is unlikely to get his insurance as cheaply and efficiently in conditions of competition. Evidence before the 8-man Insurance Investigating Panel shows that government parastatals stand to lose in not having competitive quotations, swift and equitable claims settlement and efficient business service. The policy of the state acting as a reinsurer and exclusively insuring government risks is detrimental to competition and efficiency because it encourages concentration of business in the leading firms. In particular it has led to a considerable share of the market being held by state companies, with the results that most of the private companies are pushed to the periphery as table 10.6 shows.

Type of Company	Number of Companies	Gross Premium Income
Foreign Subsidiaries	14	₦131.22
State Companies	10	₦111.70
Indigenous Entrepreneurs	49	₦128.38
Total	73	₦371.31

Table 10.6

Market Shares by Categories of Insurers in 1978
(₦Million)

In 1978, the share of the market held by state firms had moved to 30 percent from the 1974 position of 10 percent; the foreign associated companies' share had declined to 35 percent from the prestigious 53 percent in 1974; while the private indigenous firms (49 in number) had a combined share of 35 percent, as compared to 17 percent in 1974. In 1978, the market share of the six leading companies was 50 percent; the two leading companies had 30 percent; and the leading company, NICON, held 20 percent. Today the latter controls more than 25 percent of the gross premium income of the market.

Table 10.6 shows a considerably skewed size distribution with the effect that the industry has a large number of small firms, but a small number of large firms. There are about 90 companies offering general insurance on the market and in 1985 the Herfindahl Index for non-life insurance companies was 0.1044, being equivalent to 10 equal-size firms competing. The Herfindahl Index for life insurers in 1985 gave a figure of 0.1446, an equivalent of seven equal-size firms competing. With such a skewed size distribution, the implication is that a small number of firms dominate the market. Put in simplest terms this would imply that in some areas _____ prices, advertising, investment and servicing behaviour _____ the largest firms dominate or influence the behaviour of their smallest rivals. It also suggests that when small firms make policy decisions in respect of premiums or investments, they have to take into account the expected reactions of their larger competitors (chapter 3.4).

The increasing concentration of business in the hands of state companies has helped to preserve an oligopolistic structure or a sellers' (or more appropriately, a leaders') market. This means that

firms have little or no concern for cost efficiency. In addition, widespread organisation slack or inertia, or to borrow the economists' technical jargon, "x-inefficiency", exists. This explains why the investments of the companies are dull and transactions or management expenses high (table 10.1). The continuing high management expenses confirm the view that policy is unwittingly creating an unwarranted transfer of income and wealth from those who buy insurance to those who sell it.

10.4.2 Balance of Payments and Foreign Exchange Costs

In this section we appraise the economic effects of the measures which government has adopted to control the impact of imported insurance and reinsurance on the balance of payments. These measures, in the main, are the protection of domestic insurers against foreign competition by the localisation exercise and the promotion of the development of domestic reinsurance capacity.

We have argued earlier that the protection of domestic insurers shifts the balance of payments burden to the reinsurance account (chapter 8.5.4). The costs of the legal cession made to Nigeria Re are more dramatic. The ceding companies would have been happy to retain¹⁸ some of the risks they are compelled to cede to the Corporation on quota share reinsurance basis (table 10.7); they therefore have some unused capacity. They receive less commission on the legal cession than they would have received on the international market. This means they are subsidizing the operations of Nigeria Re which pays less commission to the direct writing companies than it receives on its retrocessions on the open market.

Although Nigeria Re has a stronger negotiating edge over the direct writing companies to offer foreign reinsurers a more balanced portfolio of business in exchange for their retrocession, no emphasis is placed on reciprocal agreements. Table 10.8 shows that in 1983 Nigeria Re received ₦15 million in foreign premiums against ₦49 million in local and foreign premiums it retroceded abroad. This disparity has been the trend since the Corporation was established.

Class of Business	Gross Premium	R/1 Ceded Locally	R/1 Ceded Abroad
Accident	47.79	13.77	8.44
Fire	97.99	36.18	37.65
Motor	139.02	21.91	3.18
Marine	78.39	40.73	40.50
Workmen's Comp	8.86	1.97	0.41
Miscellaneous	65.88	33.28	11.71
Total Non-life	437.93	147.85	101.89
Life	140.80	6.17	not stated
Life & Non-life	578.73	154.01	not stated

Source: Insurance Department, Federal Ministry of Finance

Table 10.7

Nigeria's Business Ceded Locally and Abroad, 1983 (₦.M.)

Year	Total Premium	Retained Premium	Premium Ceded Locally	Premium Ceded Abroad	Reciprocal Business
1978	22.00	20.44	1.55	1.57	-
1979	65.26	40.07	-	25.19	-
1980	64.56	40.12	0.18	24.29	0.77
1981	94.29	64.08	0.46	29.75	2.27
1982	96.00	67.25	0.63	28.11	3.66
1983	113.21	64.21	0.19	48.81	15.30
1984	108.80	71.53	0.29	37.26	14.72

Table 10.8

Premium Received and Ceded by Nigeria Re

1978 to 1984 (Naira Million)

Some evidence has been very elucidating about Nigeria's participation in regional pools. Table 10.9 shows that Nigeria so dominates the WAICA Reinsurance Pool that it can only be concluded that we are merely subsidizing the other member countries. The same observation applies to Africa Re. Olawoyin (1985) has made the pertinent remarks:

"From what has been gathered from some of the leading insurance practitioners in this country, it would appear that very little, if any, of the premium income of Africa Re is being invested in this country. If this is really the case, it is considered to be a situation which should be seriously deprecated. One would therefore like to call on the Federal Government to show greater interest in the operations of Africa Re with a view to ensuring that its policy orientation is such that it enables our country to derive the maximum economic benefit from such operations."

It is instructive to note that Africa Re did not pay dividends to its shareholders for the year ended 31 December 1983 because the modest profit of ₦2 million it made was used to offset part of the previous year's loss.¹⁹ Some of the problems facing the Corporation, like the other regional pools,²⁰ arise from currency devaluation, depreciation, fluctuations, and shortage of foreign exchange in member states of the O.A.U.²¹ (table 10.10).

Country	1981	1982	1983	1984	1985
Nigeria	28	30	32	35	37
Ghana	2	3	3	3	4
Gambia	1	1	1	1	1
Sierra Leone	1	1	1	1	1
Liberia	-	-	-	-	-
Total	31	35	37	40	43

Table 10.9(a)

Membership of WAICA Re Pool

<u>Underwriting Year</u>	<u>Nigeria</u>	<u>Ghana</u>	<u>Gambia</u>	<u>Sierra Leone</u>	<u>Total</u>
1981	8.08	0.71	-	0.34	8.19
1982	8.69	0.99	0.11	0.39	8.84
1983	4.88	0.99	0.10	0.21	5.01
1984	1.63	0.12	0.04	-	1.65

Source: As for table 10.1

Table 10.9(b)

WAICA Re Pool's Portfolio (US\$ Million)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Gross Premium	21.98	30.84	36.94	32.78	52.55	47.09
Retained Premium	12.88	28.09	25.70	23.93	41.30	36.53
Underwriting Profit	-	1.10	2.01	3.07	4.42	2.57
Short-term investments	2.07	2.90	3.79	3.95	3.92	4.92
Income from Investments	0.24	0.51	0.56	0.61	0.33	0.49
Management Expenses	1.63	1.93	2.30	2.71	3.04	3.14
General Reserves	-	0.56	0.85	(1.03)	(0.69)	(0.19)
Proposed Dividend	-	-	0.46	-	-	-
Profit for the Year	(0.31)	1.14	0.75	(1.88)	0.34	(0.50)
Paid-up Capital	0.60	4.61	4.61	4.66	4.66	4.66

Source: Africa Re: Board of Directors Report and Accounts, 1979 to 1985

Table 10.10

Annual Results of Africa Re, 1979 - 84

(US \$ Million)

Turning back to the specific issue of Nigeria Re, there is further evidence which shows (table 10.8) that the compulsory cessions are leaving the country. This is inevitable since Nigeria Re is obliged to seek reinsurance elsewhere owing to its unbalanced portfolio.

In the words of Carter (1980):

"One of the dangers of compulsory reinsurances in that they unnecessarily add another link to the production chain so increasing the cost of insurance for policyholders. Such an increase in cost is particularly likely if... the compulsory cessions have to be made on terms less advantageous than those available on the international markets."

As remarked earlier this means that the policyholders of the ceding companies are subsidising the operations of Nigeria Re. A case therefore exists for the ending of such preferential treatment, so that although Nigeria Re would still have a captive market, it would have to pay normal rates of commission on compulsory cessions. On the other hand there is need for all classes of insurance to be placed on the same basis as life insurance business where the direct writing companies are required to cede business to Nigeria Re only in excess of their retention limits.²² The next step would be to remove the Corporation's monopoly privileges.

Government should heed the Olawoyin warning on the system of regional cooperation. If it has not done so already, the government would be well advised to undertake a detailed investigation into the results of reciprocal exchange of reinsurance business or of regional co-operation, and certainly do so before engaging in any extensive regional pooling of business, such as the proposed ECOWAS Reinsurance Corporation.²³

10.4.3 Mobilisation and Investment of Capital Funds

There is no restriction on the supply of life insurance in Nigeria other than its fiduciary regulation. This is why it readily responds to competition (chapter 3.3.4).

The investment of insurance company funds is closely monitored by legislation seeking to protect policyholders against incompetent or dishonest management (chapter 7.6.3.6). Perhaps a picture of the actual pattern of investment behaviour by life and general insurance companies would be revealed by considering the distribution of assets of the companies. Table 10.11 shows the percentage distribution of financial assets held by life and non-life insurance companies.

Excluding investment in government securities (as a result of inadequate information to break it down into short and long-term components) investments in corporate securities and real estate and mortgages, with a combined average of a little over 40 percent, dominate the portfolio of insurance companies. When the long-term component of government securities is added, the proportion of assets with longer-term maturities will constitute over one-half of the investment portfolio of life companies. Investment in assets of shorter-term maturities shows a downward trend from 31 percent in 1977 to 18 percent in 1984. It is therefore safe to conclude that the investment policy of life companies during 1977 - 84 was geared toward the acquisition of assets with longer-term maturities. Less emphasis was placed on short-term liquid assets.

Assets	1977	1978	1979	1980	1981	1982	1983	1984	Average 1977-84
Long Term (Life) Funds									
Federal Govt. Securities	24.62	24.41	19.66	19.17	21.10	21.26	23.77	22.72	22.09
State Govt. Securities	0.69	0.88	0.47	0.40	0.56	0.47	0.33	0.56	0.55
Semi - Govt. Bodies'	0.51	0.94	0.95	0.26	0.34	0.89	0.72	1.98	0.82
Other Bonds & Stocks	15.95	20.15	22.30	26.87	30.94	31.50	30.12	28.71	25.82
Real Estate	5.63	5.43	9.00	9.00	6.16	6.84	9.33	6.89	46.1
Mortgage Loans on Real Estate	14.48	15.51	12.67	12.51	14.32	13.29	11.75	9.40	12.99
Loans to Policyholders	4.02	4.43	3.85	3.99	5.07	6.69	5.23	5.68	4.87
Other Loans	3.11	4.74	4.99	5.51	3.54	6.19	6.16	5.72	5.00
Cash on Deposit A/C	27.89	21.60	24.15	19.64	16.69	10.53	10.99	16.79	18.54
Bills of Exchange	3.11	1.89	1.97	2.64	1.29	2.36	1.60	1.55	2.05
Total Financial Assets (₹'M)	136.61	159.93	238.91	265.93	278.94	313.76	416.42	492.34	N/A
General (Non-life) Funds									
Federal Govt. Securities	17.94	18.26	16.91	18.71	17.61	12.43	11.80	13.42	15.89
State Govt. Securities	0.68	0.38	0.78	2.02	1.17	0.90	2.1	2.15	1.27
Semi Govt. Bodies Securities	0.62	1.65	1.42	2.06	1.69	1.05	8.15	1.55	2.27
Other Bonds & Stocks	10.94	13.79	19.31	22.91	25.16	33.85	28.94	27.01	22.74
Real Estate	7.38	6.73	6.15	11.19	16.11	13.18	13.11	19.20	11.63
Mortgage Loans on Real Estate	1.58	2.48	4.37	4.72	3.02	5.74	2.81	3.51	37.9
Loans to Policyholders	0.13	0.53	1.02	0.64	1.62	2.16	0.04	1.49	0.95
Other Loans	4.75	6.64	2.93	3.05	6.03	8.27	0.47	4.45	5.57
Cash on Deposit A/C	55.31	47.52	45.75	30.85	24.99	21.72	24.19	26.92	34.66
Bills of Exchange	0.68	2.04	1.36	3.85	2.60	0.68	0.37	0.30	1.49
Total Financial Assets (₹'M)	155.97	191.56	209.26	187.90	253.30	339.13	358.59	310.20	N/A

Source: Insurance Department, Federal Ministry of Finance and Economic Development.

Table 10.11

Percentage Distribution of Financial Assets held by Insurance Companies, 1977-84

The investment policy of non-life companies during the 1977-84 period clearly emphasised the acquisition of assets which can be converted into cash at short notice; hence the prominence of cash and bills of exchange with an average of about 36 percent. While investment in government securities was at an average of 19.4 percent, investment in securities increased from 11 percent in 1977 to a peak of 34 percent in 1982 before declining to 27 percent in 1984. Clearly, primary emphasis was on liquidity while the secondary concern for high investment income was manifested in investment in government and corporate stocks.

One conclusion that can be drawn from the pattern of investments from 1977 to 1984 is that the management of insurance companies has been extremely cautious (evidenced by the general emphasis on highly liquid and short-term assets), less aggressive, and less innovative in their employment of funds. An explanation for the conservative investment portfolio may be the absence of policy - an important oversight in the 1976 Act _____ on solvency requirement and most importantly on the quality of investment necessitating the imposition of regulations with regards to the relationship between the ratio of reserves to certain classes of investments, dividends and earnings coverage and payment requirements, the type and ^{value} of collateral or interest coverage, and procedures for valuing investments in securities.

The need for aggressive portfolio management should be translated into finding more profitable but secure channels for insurance funds, for example, lease financing, participation in syndicated loan arrangements, project financing as well as developing specialist financing outlets - small business and industrial section - for their surplus funds. This, however, requires or presupposes the existence of financial expertise to manage the portfolio, as well as the profitability of these investments. Insurance funds, if properly channelled, can be an important source of finance for industrial growth.

10.5 Conclusion

Whether the state should become financially involved in activities just as well performed by efficient private enterprises is a highly debatable proposition, particularly if the financial resources of the state in question are slender relative to the total demand for them. The choices made in settling questions of this sort, however, must by their very nature be made politically. For they involve values - and value differences cannot be resolved by reference to objective criteria. To put it differently, the disinterested analyst cannot pass judgement on the 'correctness' of policy, but only on whether a given policy has been well or badly implemented.

This chapter has shown that the gains of the domestication measures are not as large as may appear on the surface because of a shortage of managerial expertise and increased transaction costs and market frictions introduced by these policies.

10.6 Notes

1. See Adewale (1979).
2. Ibid.
3. A similar survey carried out by Om'te Diatchevbe in 1981 shows similar result (Daily Times of 18/5/81). Also, a survey of policyholders carried out by Radio 2 on 15/7/86 showed that no respondent spoke well of insurance companies.
4. Business Times (22/6/81).
5. For example the Nigerian Insurance Association, Nigeria Insurance Employers' Association, the Nigerian Insurance Institute, etc.
6. The other reasons include the poor performance of insurance intermediaries (see section 10.2.4) resulting in lack of adequate contact and trust and the under-development of the entrepreneurial scene, which insurers are wary to insure.
7. See Thomas (1981) and Danmusa (1981).
8. Only one company, Fire, Equity and General, has registered as a foreign associated company with 60 percent indigenous (private) participation.
9. For evidence see Omoruyi and Demuren (1980).
10. See Carter and Dickinson (1979), Smith (1981) and Hindly (1982).
11. These returns are taxed at the rate of 45 percent. In addition, shareholders have to pay another 15 percent tax deducted at source on all declared dividends. Evidence before the 8-man Insurance Investigating Panel (1986) reveals that only a small percentage of earnings is remitted back to parent companies with consequently little impact on foreign exchange reserves.

12. See Lijadu (1983).
13. See Browne (1977).
14. See Woode (1976) and Irukwu (1977)
15. Daily Times (1/11/85).
16. The Guardian (28/1/86).
17. See sections, 2, 16 and 19 of the Insurance Act of 1976.
18. The market hardly needs external reinsurance on the motor business.
19. Nigerian Tribune (23/7/84).
20. The funds are expressed in hard currency.
21. Nigerian Tribune (24/3/84).
22. Nigeria Re: Annual Report and Accounts, 1983, pp 10.
23. The Guardian (28/1/86).

CHAPTER 11
ASSESSING THE EFFICACY AND EFFECTS OF
REGULATION IN NIGERIA:
QUESTIONNAIRE FINDINGS

11.1 Introduction

The study conducted by the researcher is presented in this penultimate chapter. The purpose is to ascertain the extent to which the objects of the state in intervening in the operations of the insurance industry in Nigeria have been realised. In the first place, the structure of the main questionnaire (appendix 3) is outlined. Next, a presentation of its administration as well as the problems arising therefrom is done. Then, a detailed analysis of the findings is conducted under the various regulatory measures. Finally, the conclusion is indicated.

11.2 Purpose of Questionnaires

The purpose of the survey is to gather the views of industry on the nature of the control legislation and its general effects and effectiveness. By endeavouring to find out whether the regulation has affected the firms favourably in terms of their competitiveness, the survey is indirectly investigating the impact of the legislation on the structure, conduct and efficiency of the market (chapter 1.4.1).

11.3 Structure of Questionnaires

In designing the questionnaires, emphasis was placed on three broad groups of variables. The first is the reasons for introducing the regulations, the second is whether there was adequate consultation with the industry, and the third is to investigate their efficacy (chapter 1.4.5). Accordingly the main questionnaire, made up of

83 questions (appendix 3) is structured to find out the relative success of the control measures such as the registration regulation, government participation in business, the indigenisation of foreign subsidiaries, the localisation of imports insurance, and regulations on insurance contracts, investments and pricing.

11.4 Administration of Questionnaires

The questionnaire was designed by the researcher in December 1984 and tested in a pilot survey of the leading practitioners in the industry in February 1985. This led to some changes in the wording of the original questionnaire. The pilot survey was not a success since only one person out of a total of 20 people approached responded (chapter 1.4.6).

This low response convinced the researcher that the study was going to be slow and laborious since personal interviews would mostly be resorted to. For most of 1985 these interviews were conducted in Lagos and the state capitals where the headquarters of the insurance companies are sited and in London where Lloyd's brokers, who frequent the Nigerian market, and consulting actuaries with considerable experience of the Nigerian market, are based. Five research assistants were employed for a period of four weeks to assist with reminders. Correspondence was opened with the UNCTAD Secretariat in Geneva.

On 23 January 1986, a totally unexpected incident occurred. An official in the Federal Ministry of Trade, Mr. F. O. Sopedu, visited the researcher with a letter (appendix 14) summoning him to attend the inauguration of the 8 - man insurance investigating panel which was set up by the Nigerian Government to investigate the reinsurance activities of the companies operating on the market (chapter 1.4.6). The setting up of this panel became a dramatic, turning point in the process of gathering empirical data for use in this study.

The panel, was not slow in adopting the researcher's revised questionnaire (appendix 3) which every insurance company operating on the market was compelled to complete. While providing useful insights into the industry, the questionnaire became very long because it was serving the two purposes of the official investigation and that of the study. Hence, only some of the questions will be used in this study.

11.5 Analysis of the Findings

The responding companies can be classified into different groups whose roles are not always complementary (chapter 1.4.3). These groups are the indigenised foreign subsidiaries or joint-venture firms, state owned companies and indigenous private sector companies.

The first group of companies enjoy the advantages of longevity and the economies of large scale. With their established market shares, they are better placed to reap the benefits of scale advantage and able to absorb the costs of the regulations. The state owned companies are protected from competition since they are favoured by legal and administrative direction. The third group of companies, that is, the indigenous private sector companies, must, upon entry into the market, establish their market share through product differentiation (chapter 3.2.1) involving advertising, promotion, research and development, etc. Since this involves costs of an order large enough to counter the firms already established, they constitute an entry barrier by increasing the costs of the potential entrants.

Because regulation tends thus to protect already large and dominant firms from their competitors within the industry, it was expected that the responses would be biased leading to incorrect interpretation (chapter 1.4.3). Hence the hypothesis of this study that, although established insurers tend to

favour market discipline, they do not want regulation for its own sake but only if they can profit by it. For, as Smith (1981) has remarked:

"If the burden of regulation is excessive but that burden can be largely passed on to the consumers of insurance and if an effect of regulation is to restrict entry unduly, then for "the industry" to take a benign view is quite consistent with the overall effect on national welfare being malign."

Hence wide variations will be found to exist in the responses to the questionnaire and some bias will be prevalent. Consequently the analysis will endeavour to isolate some of the bias by interpreting the responses on some of the regulatory measures under the main groups identified above.

11.5.1 Registration Regulation

Questions 1 to 15 (appendix 3) are devoted to finding out why the registration conditions were introduced in the first instance and the extent to which the objects were attained. Clearly the aim is to reduce the mushrooming of the industry by the private sector indigenous companies. This explains why the majority of the respondents (over 70 percent) were satisfied with the registration conditions. Question 1, "Are you satisfied with the conditions for registration?" was designed to test the study proposition that insurance companies do not want regulation for its own sake but only if they can profit by it. All the joint venture and state owned companies were unanimous in indicating approval, while as many as eight of the 46 indigenously owned private sector companies which have borne the brunt of the regulations, expressed disapproval.

All the joint venture companies considered that the minimum paid-up capital was adequate and most of them felt that the precipitate increase in share capital did not affect them. Views on these issues in the other groups were divided (table 11.1). It is worthy of note that about 60 percent of the respondents were of the view that the entry conditions were inadequate and went on to mention areas which needed review (table 11.2).

The impact of the regulation is, however, very surprising. While about 68 percent of the respondents agreed that the present position represented an improvement over the pre - 1976 situation, about 50 percent said the present entry requirements had no positive effect on the proliferation of the industry. As high as 18 percent of the respondents felt that the effect of the statutory deposit on the national economy was only marginal, while about 14 percent said there was no effect whatsoever (table 11.3). These responses clearly show that the objects of the legislation are far from being attained and therefore there are grounds for questioning its efficacy.

11.5.2 Government Participation

The national debates of the IMF loan in 1985¹ focused attention on the performance of government companies.² The shocking revelation, that the income derived from public investment in commercial enterprises is very small,³ has led to calls⁴ for privatisation of state owned companies. On the other hand it is felt that privatisation would concentrate wealth in the hands of the rich.⁵

Applied to the insurance industry, the above contention holds. While a good case existed for government participation in the industry (chapter 5.4.1), government's continued involvement in it may have the effect of delaying its growth into a strategic position in the national economy.

	Joint Venture Firms	State Owned Firms	Private Nigerian Firms
Do you consider the present minimum paid-up capital adequate?			
(a) Adequate	16	5	24
(b) Inadequate	-	7	21
(c) Excessive	-	-	-
(d) Undecided	-	-	-
Number	16	12	46
How did the precipitate increase in share capital affect your company in 1976?			
(a) Adversely	1	-	5
(b) Favourably	4	4	8
(c) No effect	10	4	14
(d) No opinion	1	4	19
Number	16	12	38
Are you satisfied with the condition for registration?			
(a) Yes	16	12	38
(b) No	-	-	8
(c) No opinion	-	-	-
Number	16	12	46
Should the paid-up capital remain deposited with Central Bank?			
(a) Yes	11	8	34
(b) No	5	4	12
Number	16	12	46
Should the statutory deposit be regarded as part of the assets of insurance companies?			
(a) Yes	15	10	42
(b) No	1	2	4
Number	16	12	46

Table 11.1

Questions and Responses on the
Minimum Paid-up Capital

<u>Areas Needing Review</u>	<u>Respondents</u>
Capital base too low	43.75%
The whole provisions are overdue for amendment	12.50%
More stringent conditions should be imposed	9.38%
Only professionals to operate on the market	6.25%
Banks' regulation procedures should be copied	3.13%
Review of S.5(1)e of the 1976 Act	6.25%
Review of S.5(1)f of the 1976 Act	15.63%
S.9(2) of the 1976 Act to be deleted	3.13%
n = 32	

Table 11.2

Suggested Review of the Registration Regulation

The effect of increased capital on the number of companies:

(a) Stemmed proliferation of companies	43.24%
(b) Slightly stemmed proliferation of companies	4.05%
(c) No effect	48.65%
(d) Don't know	4.05%

n = 74

Level of improvement on the pre-1976 insurance practice

(a) Significant	67.57%
(b) Marginal	31.08%
(c) Don't know	1.35%

n = 74

Effect of statutory deposit on the economy:

(a) Significant	60.81%
(b) Marginal	17.57%
(c) No effect	13.51%
(d) Don't know	8.11%

n = 74

Table 11.3

Results of the Registration Regulation

The questionnaire findings are very illuminating.

Questions 75 to 78 (appendix 3) are designed to assess the effects of government participation in the industry. The responses are presented in table 11.4

	Joint Venture Companies	Public Sector Companies	Private Sector Companies
Are services rendered competitive?			
Yes	5	12	27
No	4	-	13
No opinion	7		6
Number	16	12	46
Should insurance intermediaries handle public sector business?			
Yes	15	11	36
No	1	1	7
No opinion	-	-	3
Number	16	12	46
Should the monopoly be continued?			
Yes	2	9	3
No	14	2	41
No opinion	-	1	2
Number	16	12	46
Should state owned companies be privatised?			
Yes	10	6	31
No	5	4	11
No opinion	1	2	4
Number	16	12	46

Table 11.4

Government As Insurer

Question 75 ("Do the terms on which state owned companies write business compare favourably with rates and cover that could otherwise be obtained on the market?") was designed to find out whether the service rendered by state owned companies was considered to be competitive. It is clear from table 11.4 that the response was mixed. Less than one third of the representatives of the joint-venture firms considered that these companies rendered competitive service. On the other hand about 60 percent of the privately owned firms said that these firms rendered competitive service. A clear majority of the respondents held the view that these companies should be privatised and the monopoly of the business they enjoy discontinued. They are against the monopoly because it negates the principles of insurance in terms of spread of risk and the fact that it hampers competition. Those against - particularly the public sector firms gave the following reasons:(1) Other insurance companies enjoy the monopoly of tied accounts (2) Government patronage of its insurers is necessary to ensure effective competition with foreign associated companies. (3) To conserve government funds which otherwise would have been paid out as premiums. (4) Such government patronage will guarantee financial support for government from government insurers in the time of need. (5) To discourage non-payment of premiums and claims.

The exclusion of insurance intermediaries from handling government and quasi-government business - a peculiarity which makes the state owned company an insurer and broker rolled into one - is a feature of the market. To find out whether this feature should be continued the question was asked; "Should insurance intermediaries handle public sector insurance?" To this a clear majority of respondents gave an affirmative

answer (table 11.4). They contended that insurance intermediaries would ensure a sound market practice and that the best terms would be secured. Those opposing, apart from the fact that some of them did not understand the question or indeed the role of intermediaries, cited the following reasons in support of their view point:

- (1) The public sector reputation of delaying premium payment.
- (2) Government departments and parastatals should set up insurance departments to serve as intermediaries.
- (3) Government owned insurance companies should serve as intermediaries for the public sector.
- (4) Government departments and parastatals do not need insurance intermediaries.

The balance of the views expressed is clearly in favour of privatising the state owned companies.

11.5.3 Indigenisation of Foreign Subsidiaries

The issue of the indigenisation of foreign companies is closely related to government involvement in industry. This is because the domination of the economy by the former led to the latter. Therefore the privatisation of government companies is synonymous with the indigenisation of foreign subsidiaries.

Thus, if privatisation has become the vogue, there is no need for government to continue to hold equity shares in foreign subsidiaries. As a matter of fact government's initial involvement was to warehouse the shares taken over from foreigners until they are released to private investors.⁶

The questionnaire findings reflect the views expressed above. Respondents' views on the effects of indigenising foreign owned insurance companies are classified into (1) good effects only, (2) bad effects only and (3) both good and bad. Most of the respondents are in the first category whereas there is none in the second (table 11.5). This shows clearly that foreign companies are not popular, although some respondents admit that their

indigenisation has resulted in loss of expertise, lack of technical partners resulting in shabby and inefficient service and reinsurance problems.

What have been the effects of indigenising foreign subsidiaries are?

Positive effects only

Negative effects only

Both positive and negative

No effect

No opinion

Number

Joint Venture Companies	Public Sector Companies	Private Sector Companies
12	9	34
-	-	-
1	-	1
-	-	-
3	3	11
16	12	46

Positive effects

1. Increased Nigerian participation and local manpower development
2. Conservation of foreign exchange
3. Increased knowledge of and experience in insurance practice
4. Faster growth
5. Demonstration of sovereignty

Number of respondents

38
24
11
3
2

Negative effects

1. Loss of expertise and technical support resulting in shabby and inefficient practice
2. Treaty problems

Number of respondents

7
2

Table 11.5

Effects of Indigenising Foreign Subsidiaries

11.5.4 Localisation of Insurance of Imports

The objects of the localisation of imports insurance were to boost the market and reduce expenditure on imported insurance (chapter 8.5.4). An enlarged market will attract new entrants into the industry and engender competition.

Asked what the effects of the localisation regulation had been on the accounts of the insurance companies, the majority of the respondents said that their marine and aviation accounts had been boosted (table 11.6). On the other hand, some of the respondents said that

What have been the effects of localisation on respondents' accounts?

	Joint Venture Companies	Public Sector Companies	Private Sector Companies
Increased premiums and portfolio	12	9	32
Marginal effect	-	1	-
Reduced premium	-	1	-
Difficulty in settling overseas losses (GA & Salvage)	2	-	-
No opinion	4	1	14
Multiple responses	18	12	46
Is there double insurance following localisation?			
Yes	4	2	7
No opinion	9	10	28
No opinion	3	-	11
Number	16	12	46
What are the reasons for increases in premium rates?			
a. Introduction of section 46 of the 1976 Act	2	-	2
b. Increase in moral and physical hazard	10	10	26
c. Cautions underwriting	4	2	17
d. Rates not increased (over capacity)	5	2	1
e. No opinion	1	-	12

Note: Percentages total more than 100% because of multiple responses

Table 11.6

Effects of Localisation

problems were experienced. In the first instance difficulties were encountered in meeting losses, such as salvage and general average, which are payable overseas.⁷ In the second, there was evidence of double insurance.⁸

Wide variations existed in the responses to the question on why premium rates had increased (table 11.6). Perhaps some bias existed in these responses because it was realised that the regulation was intended to profit the market irrespective of the costs. Hence there

was reluctance to admit, especially by the public sector firms, that the introduction of the regulation contributed to rate increase. Some respondents even said that rates had not increased.⁹

	Joint Venture Firms	Public Sector Firms	Private Sector Firms
Were you consulted before localisation?			
Yes	-	1(NICON)	3
No	11	10	35
No opinion	5	1	8
Number	16	12	46
If you had been consulted, what advice would you have given?			
Would have supported	7	5	16
Would have sounded caution	4	-	3
Would have opposed	1	-	-
No opinion	4	7	27
Number	16	12	46
Have applications been made to the Director of Insurance to allow brokers to place business abroad?			
Yes	-	-	-
No	14	12	39
No opinion	2	-	7
Number	16	12	46

Table 11.7

Evidence of Lack of Consultation

Table 11.7 shows that the market was hardly consulted before the passage of the legislation. Although the majority of respondents agreed that they would have supported the measure if they had been consulted, a sizeable number said that they would have advised caution, such as the introduction of a claims recovery bureau,

monitoring of ship movements and gradual introduction. The fact that no applications had been made to the Director of Insurance to allow brokers to place business abroad shows that some of the provisions of the legislation are superfluous.

11.5.5 Appointment of Chief Executives

The purpose of screening the chief executives of insurance companies is obviously intended to ensure that competent men are in charge. It is therefore no surprise that most of the chief executives are professionally qualified (table 11.8). While 83.78 percent of the respondents agreed that there were positive results gained from

Qualifications of Chief Executives?

Insurance diplomas and experience	68.92%
Non-insurance diplomas and experience	17.57%
Certificate courses and experience	9.46%
Not indicated	4.05%

n = 74

What have been the effects of prior approval of Chief Executives?

Positive effects - efficiency and competence of qualified staff	83.78%
Negative effects: emphasis on paper qualifications	4.05%
No effects	5.41%
No opinion	6.76%

n = 74

Have you always complied with the requirement of at least one competent and professionally qualified manager to man each department?

Yes	77.03%
No	20.27%
No answer	2.70%

n = 74

Table 11.8

Appointment of Chief Executives

screening, about 4 percent said there were negative effects, such as unnecessary emphasis on paper qualification and rigid application of the regulation, while about 5 percent were unable to identify any ^{positive} and ^{negative} effects. About 7 percent had no opinion.

The majority of the respondents (about 77 percent) confirmed they had always complied with the requirement that at least one competent and professionally qualified manager was in charge of each class of business. However, more than 20 percent said that they had not always been able to comply. The reasons they adduced were: departmental heads existed before the promulgation of the legislation (hence, there is no need for the stipulation); the vague definition of "competent and professionally qualified"¹⁰ and the scarcity of professionally qualified persons.

These responses would appear to indicate that there is no need for the detailed provisions.

11.5.6 Insurance Policies

To the question, "What is the effect of section 14 of the Insurance Act 1976 on insurance practice in Nigeria?" the majority of respondents (67.57 percent) said there were positive effects to be gained from the standardisation of insurance policies. While 17.57 percent were able to identify some negative effects, 12.16 percent could not think of any effects at all. This division of opinion persisted when the question, "Should section 14 be retained in its present form or suitably amended?" was answered (table 11.9).

The positive effects identified are: uniformity and standardisation of practice; effective governmental control of insurance practice and the protection of policyholders against adverse policy terms and conditions. The negative effects on the other hand are two fold. It not only discourages innovation but also disrupts sound underwriting which is aimed at reflecting the nature of risk.

About 5 amendments to section 14 of the 1976 Act were suggested. First, the fine imposed on non-compliance should be reduced to ₹500. Second, brokers should be used to determine whether or not a contract was suitable for the policyholder. Third, section 14 should be more flexible to permit sound underwriting based on the nature of risk. Fourth, section 14 should be more specific for its intention and purpose to be better understood and appreciated. Fifth, a policy drafting committee should be constituted to determine policy wordings so as to reflect market situations (the NIA should be involved).

These contradictions are hardly surprising. The overwhelming majority of the respondents admitted that no insured had sought to avoid his policy for non-compliance with the provisions of section 14 by the insurer. Similarly none of the respondents could remember the case of any insured taking action against his insurer for breach of the section.

The classification of the effects of section 14 on insurance practice:

Positive effects	67.57%
Negative Effects	17.57%
No effects	12.16%
No opinion	2.70%

n = 74

Whether the insured has sought to avoid his policy for non-compliance by insurers:

Yes	2.70%
No	94.59%
No opinion	2.71%

n = 74

Whether any action has been taken against the insurer for breach of S. 14:

Yes	0.0%
No	98.65%
No opinion	1.35%

n = 74

Which of the following best expresses your opinion?

S. 14 should be retained in the present form	64.38%
S. 14 should be suitably amended	28.77%
S. 14 should be scrapped	6.85%

n = 74

Table 11.9

Responses on Insurance Policies

On the basis of the observations, it would not appear as if the provisions of section 14 are necessary. According to these observations, "market forces determine what is required by the insuring public" and "failure to meet a demand (by the insurer) means that one's business fails."

Section 14 of the 1976 Act is ambiguously worded and almost incapable of enforcement. Therefore, it should be repealed. Perhaps guidelines on standard conditions, warranties, endorsements, etc, are what are necessary.

11.5.7 Investments

The investment of insurance company funds is influenced by legislation seeking to protect policyholders against incompetent or dishonest management. Although forced investment of reserves emanates from a concern with the protection of policyholders to ensure that there is adequate diversification and that the overall capital and liquidity risks are kept within acceptable limits, it has the effect of imposing some constraints on the flow of funds which insurance companies have at their disposal to invest (chapter 4.3.6).

The companies were asked to select from a range of factors which can influence investment policy those which had affected their investment income. The purpose of this question was to find out the relative importance of these factors in the Nigerian context. Wide variations existed in the responses to this question (table 11.10). While the majority view was investment policy was adversely affected by restrictive legislation, a sizeable number felt that the major factors which influenced the investments were both restrictive regulation and inavailability of profitable investments. It is noteworthy, however, that the well established

companies did not think that the provisions of section 18 of the 1976 Act were restrictive but were sensible guidelines for proper investment of policyholders' funds. They said they were severely constricted in finding proper investment outlets, although were encouraged to see the take-off of the secondary market on the Lagos Stock Exchange and a tendency towards what they regarded as proper industrial development.

According to the survey, the rationale for the investment regulation included effective control of investible funds, the provision of funds to finance government projects and the imposition of a helpful guide to proper investment decisions.

Factors affecting investment income:

Efficient investment managers	35.14%
Inefficient investment managers	4.05%
Restrictive insurance legislation	58.11%
Profitable investment outlets	25.68%
Unavailability of profitable investments	28.38%
Luck	6.76%
Other factors (lack of funds)	6.76%
No opinion	10.81%

n = 74 Note: Percentages total more than 100% because of multiple responses.

Effects of regulation on insurance funds:

Positive effects	19.51%
Negative effects	14.63%
No effect	57.32%
No opinion	8.54%

n = 74

Whether respondents have strictly complied with the provisions of the regulation:

Yes	72.97%
Not always/not quite	9.46%
No	13.51%
No opinion	4.06%

n = 74

Table 11.10

Impact of Restrictive Legislation on Investments

The negative effects were given as: (1) The regulation is very restrictive causing inflexibility in investments and disallowing the ingenuity of investment experts. (2) Interest rates on government securities are too low and very uncompetitive causing low returns on the investment of policyholders' and shareholders' funds. (3) It makes underwriting more risky as the interest assumption in the actuarial calculations may be hampered by low yields.

More than one quarter of the respondents said they had not always complied with the provisions of the regulation. Their reasons included: economic recession and lack of funds to invest; delay in investing in government securities; government securities are not always available; and "no real estate suitable for investment."

One question was to find out who, in a company's organisation structure, should decide investment policy. The purpose was to show from the responses (table 11.11), that although the aim of the investment legislation was to closely monitor the investment activities of the insurance companies, the important aspect of who should decide investment policy was omitted from the provisions.

Who decides investment policy?

Board and management	27.03%
Board only	27.03%
Management only	17.57%
Chief Executive only	8.11%
Accountant and Consultants	1.35%
Investment committee	10.81%
General manager and Accounts Dept.	1.35%
Financial Director only	1.35%
No response	5.40%

n = 74

Table 11.11

Category of Officials Who Decide Investment Policy
in the Insurance Companies (Percentage Distribution)

On balance there would appear to be a need to relax the investment guidelines to enable insurance companies to contribute their rightful quota to the development of the country. For example, in response to the questionnaire it was often stated that investment in real property, should be encouraged.

11.5.8 Rate Regulation

There is a very divergent view (table 11.12) on why rate control was introduced in the first place. This means that the view of the industry was not ascertained in the first place. Hence the reasons adduced against rate control. These in the main are: (1) Inflation has increased the cost of insurance so there is a very good case for premium rates to increase correspondingly in order to reflect the changing situation. (2) The restriction hampers flexibility and obstructs free market forces. (3) There is need for constant revision/adjustment of rates. (4) Motor insurance companies cannot react to business deteriorations because of this restriction. (5) It hampers effective and sound rate underwriting. (6) It leads to reduction in cover to avoid high premiums.

It is therefore, hardly surprising that rate control was viewed with disfavour (table 11.13). The majority view was that motor insurance rates set by the government were lower than they would otherwise be. This has resulted in circumventing the regulated tariff by such devices as refusal to grant cover to some classes of risk, reduction in cover to the barest minimum and the application of deductibles and franchise.

About one third of the respondents are able to identify the positive results. (1) There is uniformity in rates, a situation which eliminates rate pitching and arbitrary increases resulting in a stabilised market and concomitant public confidence in the industry. (2) It also makes the insuring public aware of what to expect to pay for their insurance and so budget accordingly. (3) It has established the need to gather statistics at industry level to justify any requests for rate increase.

Why was rate control introduced?

To ensure proper rate underwriting and avoid exploitation by arbitrary premiums	33.78%
To ensure uniformity and standardisation	40.51%
For healthy competition in the industry	12.16%
To check rate undercutting	6.75%
Political and social motives	4.05%
Ignorance	1.35%
No opinion	9.46%

n = 74 Note: Percentages total more than 100% because of multiple reasons

Whether restrictions on general increases in premium rates justified:

Yes	21.62%
No	74.32%
No opinion	4.06%

n = 74

Whether industry representation on the Rating Committee is adequate:

Yes	44.59%
No	37.81%
No opinion	17.57%

n = 74

Table 11.12
Attitudes to Price Control

On the other hand there were misgivings. (1) Rate control has caused untold loss for motor insurance companies. (2) There is rigid approach to underwriting resulting in the distortion of underwriting results. (3) It has depressed the market. (4) The premiums charged are not sufficient to cover the risks insured against, with the result that there is unprofitability. (5) Non-tariff companies cause confusion by charging lower rates and the switching of business from tariff companies to the maverick. (6) Some insurance intermediaries are not able to survive.

How has the market reacted to the problems arising from rate control?

Only NIA members comply	2.70%
Appeal for review	24.33%
Reluctant compliance	32.43%
Unfavourable	20.27%
There is no problem	2.70%
Healthy competition	1.35%
Cut-throat competition	1.35%
No opinion	14.87%

n = 74

Are the ceilings of commission rates observed?

Yes	85.14%
No	8.10%
No opinion	6.76%

n = 74

Table 11.13

Market Reaction to Price Control

Some respondents remarked that rate control had no effect (table 11.14) since the control authorities were inefficient. To buttress their point they observed that the Rating Committee had never been constituted.

What has been the effects of rate control on the market?

Positive effects	32.43%
Negative effects	48.65%
No effect	6.76%
No opinion	12.16%

n = 74

Table 11.14
Effects of Rate Control

On balance the ill-effects of rate regulation would appear to outweigh its ^{positive} points. It should therefore be abandoned.

11.5.9 Reinsurance

According to table 11.15 the commission payable by Nigeria Re to the ceding companies is much lower than what it receives on the retrocessions it places on the open market. As has been observed by Smith (1981):

"The implication of the inadequate level of commission is that there is an element of cross-subsidisation: companies with skilful underwriting techniques are receiving less commission on part of their reinsurance business than they would receive on the open market to compensate Nigeria Re for taking on risks underwritten by less skilful companies. This means that the inefficient are being helped to survive resulting in welfare loss to policyholders."

The practice of preparing bordereaux on individual policies is not the practice on the open market and is one of the reasons accounting for the high management expenses of the ceding companies. Asked whether detailed information on individual policies was furnished by cedants, more than 80 percent of the respondents said that they provided information on individual policies ceded to Nigeria Re: Only 7 percent furnished the details when the need arose, that is, when they were on risk regarding large risks (table 11.16). While a case may exist for demanding detailed information from young and untried companies, the same should not be required of the larger, reputable companies which should be spared the expense and inconveniences of producing a mass of detailed information.

A simulation of market practice in the absence of the legal cession was essayed by asking the question:

"Some companies would not normally reinsure, certainly not on a quota share basis, many of the risks they are forced to share with Nigeria Re. How is this problem tackled in practice?"

Fifty five percent of the total number of respondents said they had no choice but to obey the law regarding the legal cession. Only 3 percent or so were prepared to pool their risks by mutual subscription to co-insurance (table 11.16). This lack of understanding of the need to pool resources makes a case for the imposition of the legal cession.

Class of Business	Commission Payable by Nigeria Re	Commission Recei- vable by Nigeria Re
Motor insurance	15	25
Workmen's compensation	15	not stated
C. A. R.	15	not stated
Professional indemnity	20	27½
personal accident	20	not stated
Burglary	20	27½
Cash-in-transit (safe)	20	26-27½
Goods-in-transit (safe)	20	not stated
public and products liability	20	not stated
Fidelity guarantee	20	not stated
All risks	20	not stated
Glass insurance	20	not stated
Fire and consequential loss	20	25-27½
Household	20	not stated
Marine (hull)	15	not stated
Cargo	20	not stated
Aviation (hull)	10	not stated
Aviation (cargo)	15	not stated

Source: Computed from questionnaire returns

Table 11.15

Commission payable to Cedants, and Receivable

On Its Retrocessions by Nigeria Re

Is detailed information on individual policies furnished by cedants?

Yes	86.49%
No	4.05%
Yes and No	6.76%
No opinion	2.70%

n = 74

Are companies prepared to evade the legal cession?

"We must comply with the law"	55.41%
Risk premium basis/excess of loss	6.76%
Pooling risks/co-insurance	2.70%
Local facultative reinsurance	12.16%
Treaty arrangement	1.35%
no opinion	21.62%

n = 74

Table 11.16

Aspects of the Legal Cession

11.5.10 Regulation of Insurance Intermediaries

The renewal of the certificate of registration of insurance agents and brokers is subject to the presentation of a certificate from each insurer that the intermediaries had paid the premiums they collected in the preceding year to the insurer within 15 days for an agent and 30 days for a broker (chapter 7.6.5). Normally, one would have expected that the requirement of this certificate as a condition precedent to the renewal of the licence would no doubt ensure compliance with the regulation. Hence the question, "Do your agents and brokers remit premiums collected on your behalf within the stipulated periods?"

A clear majority of the respondents gave the verdict that insurance intermediaries did not remit to the insurers premiums collected within the stipulated periods of 15 to 30 days. This indictment is corroborated by the testimony before the 8-man Insurance Investigating Panel (Nigeria, 1986) indicating that the balances on the accounts of many agents and brokers appeared to have been outstanding for a long period without any payment by the intermediaries¹¹ (chapter 7.7.2.2). This revelation would appear to suggest that the view of the industry was not ascertained and hence the unenforceability of the intermediaries regulation.

The reasons adduced by the respondents for the conduct of the insurance intermediaries are:

1. Fraudulent practices/~~misappropriation~~.
2. Weak legislation and enforcement.
3. Nonchalant attitude by brokers.
4. Cash flow problems experienced by policyholders.
5. Difficulty in determining when the premium was paid by agents or brokers.
6. Loose record-keeping by brokers.

Other remarks made by the respondents (table 11.17) show that they had no trust in the insurance intermediaries. The only conclusion one can draw is that the control regulation is either inadequate or irrelevant.¹²

Do your agents and brokers remit premiums within the stipulated periods

Yes	20.27%
No	67.57%
Not always	10.81%
No opinion	1.35%

n = 74

Do you believe agents or brokers deliberately misrepresent the correct situation to the insured?

Yes	24.32%
No	68.92%
No opinion	6.76%

n = 74

Who ought to be responsible for the misrepresentation of the agents/brokers:

The insurance company concerned	16.22%
The insured	37.84%
The placing agent/broker	45.94%

n = 74

Table 11.17

Issues Arising from the Registration of Insurance Agents and Licensing of Insurance Brokers

11.5.11 Powers and Duties of the Director of Insurance

One of the reasons accounting for the failure of government policy in insurance noted by this study is attributable to the lack of effectiveness of the enforcement agency (chapter 7.7.12). Hence the two questions: (1) "Do you consider the powers of the Director of Insurance to be (a) unwieldy (b) too narrow, or (c) just adequate?" (2) "Has the appointment of a Director of Insurance adversely affected the objectives of the 1976 Insurance Act?" Respondents were requested to comment fully on their views. The questionnaire

responses were intended to elicit an assessment of the performance of the Insurance Department.

The majority of the respondents held the view that the powers of the Director of Insurance were just adequate (table 11.18). The reasons they adduced were three fold. (1) For effective control and supervision the powers are commensurate with the responsibilities. (2) Further powers may lead to abuse. (3) His actions can still be checked by the Commissioner. Those who felt that the powers were too narrow (about 7 percent) said that the Director needed more powers to control the insurance companies for the protection of policyholders.

Do you consider the powers to be unwieldy/too narrow/just adequate?

Unwieldy	13.51%
Too narrow	6.76%
Just adequate	79.73%

n = 74

Has the appointment of the incumbent Director adversely affected the objectives of the regulation?

Yes	2.70%
No	97.30%

n = 74

Table 11.18

Views on the Powers of the Director of Insurance

About 13 percent of the respondents felt that the powers were unwieldy. Two reasons were cited. (1) The Director should not act alone under the Act but should be answerable to a body not made up of one person as it is currently the position. (2) His powers

should be limited to administration and supervision while a separate body including the Director decides on registration policy and disciplinary matters.

Consistent with the majority views noted above, the overwhelming majority of the respondents said that the appointment of the incumbent Director of Insurance had not adversely affected the objectives of the legislation because according to them his impact had been positive on the administration and implementation of the 1976 Act and he had improved the standard of insurance practice in Nigeria. The dissenting minority gave two reasons for their point of view. (1) Insurers are conscious of their responsibilities. (2) A supervisory body is preferable to a single person.

To test the validity of these conflicting claims, the same respondents were then asked the question, "How often has the Director of Insurance or his appointees examined the statutory records of your company?" The responses are given by table 11.19. More than 40 percent revealed that the Director had not been inspecting their transactions regularly. This is contrary to the provisions of section 37(1) of the 1976 Act requiring the Director of Insurance to appoint investigators to examine routinely the transactions of every registered insurer once in two years.

About 7 percent admitted that although they had prepared the annual accounts, these were not published contrary to the provisions section 19(7) of the Insurance Act of 1976. It is also worthy of note that most of them (63.52 percent) were not aware that the Director of Insurance had ever petitioned for the winding up of any insurance companies.

How often has the Director of Insurance or his appointees examined the statutory records of your companies?

Once	32.43%
Twice	8.11%
Regularly	39.19%
Never	18.92%
No opinion	1.35%

n = 74

Which of the following best expresses your situation?

We prepare and publish statements of accounts annually	90.54%
We prepare but do not publish statements of accounts annually	6.76%
No opinion	2.70%

n = 74

Has the Director ever called for additional information upon your submission of statutory documents regarding life insurance?

Yes	68.18%
No	31.82%

n = 22

Are you aware of the Director ever petitioning for the winding up of any insurance company

Yes	33.78%
No	63.52%
No opinion	2.70%

n = 74

Table 11.19
Survey Findings on the Performance of the
Director of Insurance

Although it is evident from the outset responses would likely be biased, tending to underestimate or overstate the actual situation, a case would appear to exist for the overhauling of the enforcement machinery. One way of doing this is to set up a Board of Insurance funded by a levy on all members of the industry (chapter 4.4) to oversee the activities of the Insurance Department.¹³ The Board will thus operate outside the ambit of the civil service structure to enable it attract the right calibre of staff.

11.6 Conclusion

The last section of this chapter summarises the findings of the survey which sought the views of the industry on the reasons for introducing the regulations, whether there was adequate consultation with the industry and their general effects and efficacy. These variables were used as the basis for assessing the various control measures such as the registration regulation, government participation in business, the localisation of imports insurance, investment regulations, etc.

The survey identified the aim of the registration regulation which was to reduce the mushrooming of the industry by the private sector indigenous companies since careful screening of entrants kept fraudulent or speculative entrepreneurs out of the market. The industry welcomed this development, but its approval may well be due to another reason: to prevent the entry of innovative companies which might undermine existing market cartels. This industry position is consistent with the study proposition that although existing insurers tend to favour market discipline, they do not want regulation for its own sake but only if they can profit by it. The view of the market as revealed by the survey was that cartels and regulation should replace the forces of competition.

The survey upheld the general disenchantment with state owned companies. The general view was that the rates charged and the service rendered by the government companies were unfairly competitive. Hence the companies should be privatised.

The relationship between privatisation of government companies and the indigenisation of foreign owned companies is easy to establish since the domination of the economy by the latter led to the foundation of state companies. Since the acquisition of the shares in foreign subsidiaries by the government was done to warehouse them until they were released to private investors, the decline of government owned companies implies that the emerging private sector investors should take over these shares from the government. The questionnaire findings clearly reflect these views.

On the localisation of imports insurance, the questionnaire findings show that the market was experiencing difficulty in meeting losses involving payments in foreign currency such as salvage and general average. Secondly, there was evidence of double insurance. Thirdly, premium rates increased since the introduction of the legislation. Although the marine and aviation accounts of the companies were boosted by the localisation measure, its costs were simply passed to the importers who were called upon to pay higher premiums than would otherwise be the case.

The survey findings were able to identify the merits and demerits of the regulation of insurance contract terms and conditions (section 11.5.6). On the basis of the observations however, it would not appear as if the provisions of section 14 of the 1976 Act are necessary as all that is needed to be done is the provision of guidelines on standard conditions, warranties and endorsements.

The view of the respondents was equally divided on the merits of the investment regulation (section 11.5.8). Although the rationale for the regulation, according to the survey, included effective control of investible funds, the negative effects led to inflexibility with the result that the

innovative ability of investment personnel became blunted. On balance there would appear to be a need to relax the guidelines to enable the companies to explore new outlets.

It was clear from the survey that the industry was not consulted prior to the promulgation of the legislation. Hence the market was particularly displeased on rate regulation which meant that motor insurance rates set by the government were lower than what they would otherwise be, resulting in the circumvention of the regulated tariff (section 11.5.8). The misgivings of the market were so deep that it was clear the consumers would be denied the cover they want.

The legal cession, like the other control measures, has its merits and demerits too. The survey findings shows that the respondents were not prepared to pool their risks by mutual subscription to co-insurance. This lack of understanding of the need to pool market resources makes a case for the imposition of the legal cession. On the other hand, the commission received by the cedants from Nigeria Re was lower than what they would otherwise be. In addition to this, the questionnaire responses showed that the respondents were compelled to provide information on individual policies, a practice which must have increased the management expenses of the ceding companies.

The majority of the respondents said that insurance intermediaries did not remit to the insurers premiums collected within the stipulated period of 15 to 30 days. Had the view of the industry been ascertained prior to the promulgation of the control legislation, a more enforceable provision would probably have been adopted.

Finally it was very easy to infer from the survey findings that one of the reasons accounting for the failure of government policy in insurance

is traceable to the ineffectiveness of the regulatory agency (section 11.5.11). A better approach is to set up a Board of Insurance, funded by all members of the industry to take over the functions of the Director of Insurance.

Clearly the questionnaire survey of this nature cannot capture the many dimensions of the efficacy of the regulations. However, it is the only way in which the perceptions of the industry can be gauged. One can expect some response bias in the conduct of any questionnaire, but the findings reflect what the researcher would consider as the general view. Drawing on these questionnaire findings, the researcher's observations and the statistical facts form the foundation on which to draw the recommendations.

The form which the recommended changes should take is taken up in the final and concluding chapter.

11.6 Notes

1. The Guardian (13/12/85).
2. New Nigerian (2/12/85) and The Guardian (26/10/86).
3. Business Times (16/12/85).
4. Daily Times (26/11/86,) The Guardian (21/2/86).
Daily Times (15/7/86), Business Times (16/12/86).
New Nigerian (1/7/85), Sunday Times (23/2/86).
5. The Guardian (27/6/86).
6. Ligadu, O. (1986) Memorandum to the 8-man Panel Investigating the Reinsurance Activities of Insurance Companies, Federal Ministry of Trade, 17 March 1986. Unpublished manuscript.
7. A respondent said:

We are ... continually embarrassed when overseas commitments, such as general average or off shore loss, arise, necessitating application for foreign exchange, involving long explanation and heavy documentation, and delay in meeting obligations.
8. Some consignees effect FPA cover with Nigerian underwriters while they effect A/R insurances with overseas companies.
9. About 10 percent of the respondents disagreed that rates had risen.

The explanation of the conflict is that although rates increased initially, they are going down because of competition for a dwindling import trade.
10. Section 5(1) of the Insurance Act 1976.
11. In their reports the investigators appointed by the Insurance Department stipulated that it did not appear to them that most of the companies' agents and brokers whose accounts they checked had complied with the provisions of sections 26(2) and 28(2) of the Insurance Act of 1976.
12. Evidence placed before the 8-man Insurance Investigating Panel attributed delays in licensing agents to the licence issuing section of the Insurance Department of the Federal Ministry of Finance (Nigeria, 1986).
13. The promulgation of Decree 20 - Insurance Special Supervision Fund 1989 is a step in the right direction. See The Guardian (1/9/89).

PART FIVE
RECOMMENDATIONS AND CONCLUSION

CHAPTER 12

CONCLUSION

12.1 Background to Recommendations

12.1.1 Unhealthy Market Concentration

The problems identified in the preceding chapters emanate from the structure of the insurance industry in Nigeria. In 1914 to 1949, the Royal Exchange Assurance enjoyed a complete monopoly of the market. Between 1950 and 1969 when NICON emerged, 60 percent of the insurance business was shared by the 3 leading foreign owned companies. In 1974, 14 foreign subsidiaries out of a total of 70 offices on the market controlled 53 percent of the premium income. Today, as a result of official policy following the recommendations of UNCTAD, the business is increasingly concentrated in the hands of state owned companies. This has led to a restricted market, the consequence of which has been to raise the price and lower the quality of insurance cover, creating an unwarranted transfer of income and wealth from those who buy insurance to those who sell it and probably those who control how it is sold. These are the features usually associated with a restricted market.

This structure which is oligopolistic, has always accounted for the conduct and performance of firms in the industry. Economic theory supports the view that the more competitive an industry becomes the more efficient the firms in the industry become; whereas, the more concentrated an industry is, the

greater the x-inefficiency of firms operating in the industry. There is, therefore, a need for competition policies to be formulated to combat increases in concentration or at least to curb some of its attendant monopoly problems.

Given the importance of the insurance industry in the economy - the management of pure risk, the transfer and pooling of risk, its role in the financial intermediation process and the provision of funds for investment opportunities - an urgent need exists to understand its industrial dynamics and to formulate appropriate competitive or regulatory policies (chapter 10.4.1).

12.1.2 Public Interest: Issues Raised

An informed regulatory system should take cognizance of the following objectives:

One, state regulation of insurance is necessary to protect the public against the inefficiencies of insurance companies resulting in insolvencies, misappropriation of funds, wrong advice, lack of clarity over contracts, misleading advertising, badly constructed rating, absence of cover for those who need it, etc.

Two, insurance companies value official regulation for two reasons. These are: first, the benefit of an orderly and disciplined market free from predatory pricing and uncontrolled commission wars and second, freedom from competition enabling premiums to be higher than they would otherwise be and so improving profitability.

Three, the state may have political and economic motives for intervention. It is the political function of the state to ensure that policyholders do not suffer welfare loss from the operations of insurance companies. The increasing role of insurance companies in the process of savings and investment has meant that the way the savings are used, where the investments take place and in what areas have become important political, financial and economic policy issues. The domination of the local market by foreign interests has become a political as well as economic issue in the developing countries.

The argument against regulation is that it may limit competition and the operation of market forces, with the result that consumers are obliged to pay unnecessarily high premiums. Highly regulated national markets are liable to neglect consumer needs and fail to innovate. Consequently, income that could have been released for the development of social infrastructures are locked up in inefficient economic enterprises. Moreover, not all those seeking insurance need protection since the knowledgeable ones, such as corporate consumers can take care of themselves. Furthermore, where it is conceded that some degree of regulation is acceptable as with consumers in the mass insurance market, the argument may be about whether it should be regulation by the state or self-regulation by those in the industry. (Chapter 4.2 4).

12.2 On a New Insurance Law: Recommendations

In the light of the foregoing objectives this study presents the following model: a new insurance law which repeals the existing legislation (that is the Insurance Act 1976, the National Insurance Corporation of Nigeria Act 1969 and the Nigeria Reinsurance Corporation Act 1977) and having the undermentioned major features:

12.2.1 Insurance Companies

1. All the promoters, directors and officers of insurance companies must be men of sound mind and impeccable character. Men who have integrity will not attempt an irregular registration of an insurance company as The State v. Dabah and Mordi demonstrates.

See chapters 5.4.1 and 7.4.

2. The companies must be limited liability companies with a minimum paid-up capital of ₦500,000 for all classes of business other than reinsurance which must attract an additional share capital or net assets of ₦500,000.

A large proportion of the companies in operation are undercapitalised. Therefore, if new companies are to be admitted to the market, they must have a large capital base.

See chapter 7.7.1.1.

3. The share ownership should be spread out so that no one-man insurance company operates in the country. No one man may hold more than 10 percent of the shares of an insurance company.

Many companies are owned by individuals. This is the characteristic of most developing countries. This poses a problem in insurance and given the conflict between ownership and management there is a need to implement

a change in law to reduce this potential conflict and the researcher would suggest that for new indigenous companies there should be a maximum share interest for any one individual or family grouping. This only applies to indigenous companies and to new companies. It could not be practicable to apply it to existing companies.

One potential problem is that individuals may try to get round this regulation by exceeding the 10 percent maximum shareholding in new insurance companies by buying the shares through non-insurance companies in which they have majority shareholdings. As a result in the event of corporate shareholdings exceeding the proposed 10 percent shareholding ceiling, careful investigation by the regulatory agency should be carried out.

4. Insurance companies must satisfy a more stringent solvency criterion than is applied to the ordinary commercial company.¹

The solvency margin constitutes a better protection for policyholders and is much more financially efficient than the guarantee deposit. While the latter ties up capital and may worsen rather than improve the financial security of the insurer, the former provides better security and is particularly effective in ensuring that insurance companies are always able to meet their obligations to policyholders.

See chapter 7.7.1.2.

5. Special annual returns are to be made to the proposed Board of Insurance (section 12.2.3) which, after scrutiny, could make the information available to the public.

It is particularly essential for returns, to be made to the Board so that the accounts of each company can be scrutinised for solvency purposes. In addition, these returns constitute the basis for compiling reliable statistics on annual or biennial basis.

See chapter 7.7.12.

6. Companies wishing to write non-life business must be authorised to transact not less than three of the following classes of business: fire, accident, motor vehicle, marine and aviation, and miscellaneous businesses.

This provision, which applies to new and existing companies, ensures stronger and bigger companies which must acquire competent personnel to operate each class of business. It also eliminates the existence of small, inefficient companies.

Life insurance business which must be separated from non-life business would not in fact be covered by this ruling.

7. A new company must have at least three competent officials to head respectively each of the authorised classes of business.

The competent officials must have professional or equivalent qualifications recognised by the regulatory agency.

Many companies are weak in technical competence because of the poor quality of the personnel employed. This ruling is intended to emphasize the need to encourage insurance education and staff training throughout the industry.

8. The companies must have approved reinsurance arrangements, a fixed proportion of which must be placed with an approved Nigerian reinsurer.

All companies need reinsurance protection for the commitments above their retentions. And in the Nigerian case, as well as all developing countries, there is need to build up an indigenous reinsurance industry as has been argued in chapter 8.3.

In view of the appearance of five professional reinsurers operating on the market the legal cession to Nigeria Re should cease.

See chapter 8.5.3.

9. All insurers and reinsurers must subscribe to the code of conduct and other self-regulation of the Nigerian Insurance Association, membership of which is obligatory.

Since the government does not possess the technical knowledge of insurance as the practitioners do intra-industry regulation or self-regulation should supplement the efforts of the regulatory agency. This ruling will engender this.

See chapter 4.3.9.

10. Policyholders' protection. All insurers may be called upon to take over the assets and liabilities of an insolvent company.

The rationale for this provision is that the costs of failure are spread on all the firms in the industry to create an incentive for the Nigerian Insurance Association to monitor the solvency of its members beyond the interest in preserving the goodwill of the industry as a whole. A good model for this is the system in the UK under the Policyholders Protection Act 1975 by which the Policyholders Protection Board provides a guarantee fund whereby policyholders are reimbursed by a levy on the industry if their insurance company fails.

The problem with the guarantee fund is the incentive it provides for the incumbent insurance companies to encourage stricter entry controls ostensibly to raise standards but with the effect of creating "a regulatory capture"² and so deterring innovatory entry. Perhaps the provision of independent arbitration on any rejected authorisation applications would be a way of forestalling such a problem .

See chapter 4.4.

12.2.2 Insurance Intermediaries

1. Insurance intermediaries must give each and every locally registered insurer or reinsurer a right of refusal before placing a risk with external insurers or reinsurers.

As observed in chapter 11.5.9, the questionnaire findings showed that the insurers do not understand the need to pool their risks by mutual subscription to coinsurance. This ruling is intended to develop the habit of market cooperation.

2. An insurance broker must be a registered member of the Corporation of Insurance Brokers or any other approved body which must draw up a code of conduct and regulations for members to observe.

The purpose of this ruling is to encourage the development of self-regulation which can result in self discipline since members can enforce compliance with the codes which they themselves drew up.

3. Qualifications for registration include a paid-up capital of ₦5,000, an errors and omissions policy of an amount of ₦50,000 and special educational and other standards laid down by the Corporation of Insurance Brokers or any other approved body.

The professional indemnity insurance as well as the share capital gives the consumer some security since he will not lose money through the negligence, fraud or dishonesty of the broker.

4. The Corporation of Insurance Brokers or any other approved body must register the following categories of members:

- (a) persons who hold qualifications approved by the Board of Insurance;
- (b) persons who have worked as insurance brokers for five years or have spent five years as senior employees of brokers or insurance or reinsurance companies;

(c) persons in categories (a) and (b) above must be of sound mind and impeccable character and willing and able to adhere to any code of conduct and regulations laid down by the Corporation or any other approved body.

These provisions regulate the type^{of} person who may set up business as an insurance broker and the quality of his advice to the public.

5. Every insurer or reinsurer who employs the services of an agent will be held responsible for the negligent acts of the agent as if he fully employs him.

This provision obviates the necessity to register agents who in future should be selected and trained by the insurance companies.

6. There is a case for tightening up on the abuse by intermediaries of retaining premium balances to such an extent that it undermines the solvency of insurance companies. One solution is for insurance policies to only come into effect when the insured has paid the premium directly to the insurance company. The insurance company would then in turn give the placing broker or agent his commission. Conversely, the insurance company would forward claims proceeds directly to the insured.

See chapter 7.7.

12.2.3 Insurance Control Authority

1. The Insurance Department should be replaced by the proposed Board of Insurance which should completely take over the powers of the Director of Insurance.

This ruling is likely to be more efficient than what obtains at present where the control is exercised by the Ministry of Finance without clear-cut guidelines or any clear indication of policy.

See chapters 9.5 and 11.5.111

2. The functions of the Board of Insurance shall include the licensing, inspecting and obtaining annual reports from insurers, reinsurers and insurance brokers; approval of policy conditions; the investigation of complaints of any kind³ and the publication of an annual report on the insurance industry in Nigeria.
3. The office of the Board of Insurance may be subdivided into a number of departments such as administrative, marketing, audit, life, non-life, statistics and complaints divisions.
4. For the purpose of effective performance of its duties, the Board of Insurance may employ the services of consultants to supplement those of full-time staff.

See chapter 7.7.

12.3 Conclusion

Apart from the above-mentioned, few other restrictions should be placed on insurers who should be permitted to carry on their business in the manner in which they choose and to charge premiums (apart from the base rates and the tariffs) they consider appropriate without any special restraints being imposed by law apart from the need to comply with ordinary commercial law. In this connection it must be emphasized that two principles should be observed in a reform exercise: (a) the form of supervision and control instituted should leave insurers reasonably unhampered in the conduct of their business particularly in the area of investments and (b) the imposition of a stringent system of deposit guarantee should be avoided, thereby permitting the free flow of funds particularly for investment purposes.

This study concludes by emphasizing that if government wishes to realise its objects in supervising the insurance enterprise it must be prepared to adopt the recommended model for a fiduciary regulation of insurance in Nigeria involving the solvency regulation and the guarantee fund. First, it ensures that barriers to entry into the industry are removed to encourage participation by local and foreign companies which demonstrate a potential for competence; are willing and able to enter specialised fields like liability, engineering, marine and aviation insurances; or intend to operate on the reinsurance market. Second, in view of the indigenisation of the equity of foreign owned companies, the monopoly of the Federal Government's insurance business currently enjoyed by NICON will be revoked to terminate its spoon-feeding and compel it to compete with other companies for business. Third, the proposed Nigerian Insurance Commission will ensure a complete departure from the present inept system of supervision. Fourth, the mandatory payment of premiums by the insured himself to the insurance companies before cover attaches will have the effect of removing the present illiquidity of the industry. Fifth, the monopoly of 20 percent cessions enjoyed by Nigeria Re will be removed. Like NICON's case, its monopoly will be broken by authorising the leading insurers particularly the multinational companies to participate in reinsurance business. The multinational insurance enterprises are particularly favourably placed to handle reinsurance because of their size and easier access to international reinsurance centres and therefore are in a better position to provide cover for high value risks which are now springing up in the country. Moreover, they possess an important production advantage over the indigenous companies in supplying cover for large scale industrial and commercial risks in that, by underwriting similar risks elsewhere in the world, they can build up

the statistical data and the technical competence to estimate possible loss frequencies and loss severities, the lack of which has tended to be *frequent* a major constraint on the supply of such products.⁴ In this connection it must be underlined that the hitherto-adopted UNCTAD recommendations which are notorious for restricting the operations of these multinational insurers have raised the price of insurance cover in Nigeria. In effect, such policies tax the buyers of insurance in order to raise the income of the sellers of insurance as well as a swollen bureaucracy that supervises them.

The lesson of this study is that government regulation of industry is desirable, but over-regulating it can have unintended or undesirable side effects. The social obligations of the state are not exclusively achieved through omnipresent government. Indeed, the Nigerian experience clearly indicates that government control of any service industry is tantamount to a mandate for failure. The proper business of the state in these is to regulate and monitor, not to manage and control. It is instructive to note that in China, instead of being directly run by the state, enterprises are linked to the state through the profit tax; enterprises are free to set salaries and bonuses for their workers; and these are based on economic performance, not on state directives. Therefore, government ought to have no interest in insurance except to regulate and police its conduct.

Our political economists may point out that the logic of economics is that in a liberalised market the foreign subsidiaries will reassert their erstwhile domination of the industry. In that case it is quite clear from this study that the events of the two decades following Nigeria's political independence have shown that there is an equal will to resist domination.

12.4 Suggestions for Future Research

In the course of this study, the researcher has touched on issues which, owing to the limited scope of the study, could not be fully explored. This shows there is a lot of scope for research since this is the only work systematically written on state intervention in the insurance business in Nigeria. Because of this it has been a general overview on the nature and impact of state regulation of the business in a developing setting. It is therefore hoped that it will open new areas where more research can be carried out. Some of these are:

1. Determining the solvency margin appropriate for a developing country such as Nigeria.
2. Localisation of insurance of imports and its results.
3. Investment of insurance company funds in Nigeria.
4. Effect of rate regulation on motor insurance in Nigeria.
5. Investigation into the results of the system of the reciprocal exchange of reinsurance business and of regional cooperation.
6. The resolution of the problem of quality control in insurance intermediation in Nigeria.

12.5 Notes

1. An example of the solvency margin is that any insurance company shall at all times, in respect of its business other than life insurance, maintain a margin of solvency being the excess of the value of its admissible assets over its liabilities, consisting of the reserves for unexpired risks, reserves for outstanding claims and reserves for claims incurred but not yet reported, and the said solvency margin shall not be less than 15 percent of the gross premium income less the reinsurance premiums for the year. For the purpose of calculating this solvency margin, all monies owed beyond a period of three years by policyholders, brokers and agents by way of premiums due to, but not received, by the insurance company as at balance sheet date, shall not count as admissible assets.

A solvency margin similar to that in the E.C. Establishment Directives could also be considered.

2. Demsetz (1968) and Bailey (1973) have argued that regulatory authorities originally established to protect the interests of consumers against the potential market power exercisable by an industry may come to form a symbiotic relationship with the regulated enterprises, in which they effectively promote the interests of the regulated industry, or its more dominant firms, as well as, or instead of, the industry's customers.
3. This implies that the Board of Insurance will act as the Insurance Ombudsman Bureau with statutory powers to adjudicate between the insuring public and the insurance industry.
4. Carter and Dickinson, 1979: 36 - 38.

APPENDICES

Appendix 1

Dr. Reichel's Model for Insurance Control

In consideration that for the purpose a sound development and in the interest of the public, insurance business has to be adequately controlled, it is proposed that the new insurance legislation of Nigeria shall contain, among others, the following provisions :-

1. That a Superintendent and a Chief Actuary shall be charged with the general administration and enforcement of the insurance control legislation and that their duties and responsibilities shall be set out in the Decree.
2. that companies intending to carry on life insurance or non-life insurance business shall have a paid-up capital of at least £ 50,000, but £ 100,000 if all classes of insurance business shall be transacted.
3. that insurers who at present lawfully carry on insurance business shall increase their paid-up capital within a period of five years to the minimum amount mentioned under 2.
4. that insurers shall deposit in cash or in approved securities with the Central Bank of Nigeria £ 25,000 of the paid-up capital if life or non-life insurance business shall be carried on, but £ 50,000 if all classes of insurance business shall be transacted.
5. that companies intending to commence insurance business shall have a working capital of £ 10,000 but £ 20,000 if all classes of insurance business shall be transacted.
6. that statements and documents indicating the proposed method of conducting insurance business shall be submitted with the application of registration as an insurer and that those statements shall include, among others, particulars as to the proposed reinsurance agreement, experience of the executive officers in insurance business.
7. that insurers shall apply to the Superintendent for approval before making alterations in the particulars for conducting business which was submitted with the application for registration.

8. that the Superintendent, if necessary, may order alterations in the method of conducting business by the insurer.
9. that insurers shall keep certain records
10. that insurers shall maintain adequate technical reserves.
11. that insurers furnish to the Superintendent an abstract of the proceedings of every meeting of Directors, shareholders and policyholders.
12. that no insurer shall grant loans to its directors, managers or officers.
13. that no person shall allow any rebate of the commission payable or premium shown on the policy.
14. that insurers shall guarantee minimum non-forfeitures values under life policies.
15. that the valuation of liabilities under life policies shall be made at least once in every two years.
16. that an auditor shall require the approval of the Superintendent before making the audit of the accounts and that the auditor shall issue a prescribed certificate on the audit.
17. that the Superintendent shall compile insurance statistics from annual statements to be filed by insurers.
18. that the assets in respect of the life insurance business shall be kept distinct and separate from all other assets of the insurer and that they shall be available only for the protection of life insurance policyholders.
19. that insurers shall invest assets equivalent to the amount of their technical reserves and as follows : at least 25 per cent of the assets in securities issued or guaranteed by Government; less than 10 per cent in shares; less than 20 per cent in real estate in respect of life insurers, less than 5 per cent in real estate in respect of non-life insurer and less than 10 per cent in securities or property of any one body, except Government.

20. that insurers shall maintain a record containing particulars of the assets held invested and shall at the beginning of every year file a statement to the Superintendent showing as at 31st of December of the preceding year the assets held invested.
21. that the Superintendent may at any time despatch qualified officials to the business place of the insurer to inspect and examine the assets held invested, books, registers and documents of the insurer.
22. that the Superintendent shall either himself or by appointing examiners make an examination into the affairs of every insurer at least once in every five years.
23. that insurance agents shall be licensed.
24. that insurance brokers shall be registered and shall furnish to the Superintendent a balance-sheet and a report on the insurance business placed or arranged by them in Nigeria and/or overseas.
25. that an insurance broker shall not negotiate any contract of insurance with a person who is not registered as insurer in Nigeria, but may negotiate any contract of reinsurance with such a person.
26. that Co-operative Societies may enter into the field of insurance by forming co-operative insurance societies.
27. that shall deal with procedure and requirements for establishing of mutual insurance companies.
28. that there shall be paid by every insurer and insurance broker an annual fee for the general administration required in connexion with the enforcement of this legislation.
29. that the Superintendent of Insurance shall submit to the Ministry an annual report on the working of this legislation.

Appendix 2

Questionnaire for the leaders of the
Insurance Industry

Questionnaire

on

Insurance in Nigeria

Researcher: J. I. Falegan.

Note: Please read the summary of Dr. Reichel's
model and answer the questions on the space
provided using additional sheets were necessary.

Mr T A Braithwaite
47 Marina
Lagos

17 February, 1985.

Dear Sir,

Insurance in Nigeria

In the search for information on our industry we have been privileged to receive Dr. Reichels' reports on Insurance in Nigeria. These documents clearly explain the present structure and problems of the industry today. We are for the purpose of clarification obliged to approach yourself as an insider to comment on some areas in his model (copy enclosed, appendix 1) which would appear to invite questions.

We would therefore be most grateful if you could answer these questions to the best of your knowledge to assist us to update our records and avoid unhelpful speculations.

This information is needed for research purposes only and would be treated as confidential. There is therefore no need for you to sign the completed questionnaire.

We trust we can count on your cooperation and assistance.

Yours faithfully,

J. I. Falegan
Dept. of Actuarial Science & Insurance

Introduction

1. Dr. Reichel had anticipated that his proposed Insurance Decree would be promulgated in 1971. Why was this delayed until 1976?

Section 2

2. The UN expert proposed a paid-up capital of ₦100,000/
₦200,000 for nonlife/composite companies respectively.

What was the process that led to the present ₦300,000/~~₦800,000~~ (kindly read section 3 before answering)?

Section 4

3. Dr. Reichel talked about "or approved securities". Why was this dropped?

Section 13

4. Why was this suggestion adopted?

Section 17

5. Is there any special reason why this suggestion was not adopted?

Section 19

6. Do you think the current provisions relating to investments should be revised? Please give your reasons.

Section 19 cont.

7. What factors affect your investments and in what manner?

Section 26

8. How many cooperative insurance companies are operating in the market? Kindly name them and indicate their addresses.

Section 29

9. Why was this suggestion not adopted?

Section 30

10. What, in your view, have been the positive and negative effects of government ownership of insurance companies?

Section 30 cont.

11. In 1962 Mr. I.K. Rao produced a feasibility report on insuring the produce of the former Nigerian Produce Marketing Board locally.

What led to the commissioning of this report and what was government's reaction to it?

Miscellaneous

12. What, in your view, have been the positive and negative effects of government supervision of insurance companies on the insurance market in Nigeria?

Miscellaneous cont.

13. When and why was the Insurance Division transferred from the Trade Ministry to the Ministry of Finance?

Method of Supervision

14. What method of insurance supervision would you advocate; close control, financial control or a mixture of the two?

Appendix 3

QUESTIONNAIRE FOR THE CHIEF EXECUTIVES OF INSURANCE
COMPANIES ON THE CURRENT INSURANCE CONTROL LEGISLATION

Registration

1. Are you satisfied with the conditions for registration?
Please support your answer with comments.
2. Do you consider it desirable that there should be penalty
for non-compliance?
3. Who should decide that the registration requirements have
been met? Please give reasons for your answer.
4. Are you satisfied with the provisions on the rejection of
an application for registration? Please indicate your
reasons.
5. Should the control agency disclose the reasons for
rejecting an application?

Statutory Deposit

6. If you commenced business as an insurer prior to 1976,
how did the increase in the minimum paid-up share
capital requirement affect your company?
 - (a) adversely
 - (b) favourably
 - (c) no effect
7. If the answer to 6 is (a), how did you overcome the
difficulty?
8. Do you consider the present minimum paid-up share capital
requirement?
 - (a) adequate
 - (b) inadequate
 - (c) excessive
9. Is there any need for stipulation of a statutory margin
of solvency?

10. If the answer to 9 is yes, what margin of solvency would you recommend?
11. What, in your view, has been the effect of the present requirement of minimum paid-up share capital on the number of insurance companies entering the industry since 1976?
12. What level of improvement in Insurance practice if any, does the present position represent over the pre-1976 situation?
- (i) marginal
- (ii) significant
13. Do you consider it reasonable, from the point of view of insurance companies, that the paid-up share capital should remain deposited with the Central Bank of Nigeria? Please give reasons for your answer?
14. What, in your view, has been the effect of the statutory deposit on the Nigerian economy?
15. Should the statutory deposit be regarded as part of the assets held by insurance companies?

- (a) yes
- (b) no

Please comment on your answer.

Appointment of Chief Executives

16. Please indicate your qualifications.
17. What has been the effect of the prior approval of the Director of Insurance on the quality of the Chief Executives of insurance companies?
18. The Insurance Act of 1976 requires you to have at least one competent and professionally qualified manager in each department of your company. Have you always complied with this requirement?
- (a) yes
- (b) no
- (i) if the answer is no, what have been the reasons for non-compliance?
- (ii) If the answer is yes. What action did the Director of Insurance take?

19. What is the effect of section 14 of the Insurance Act of 1976 on insurance practice in Nigeria?
20. To the best of your knowledge, has any insured sought
- (i) to avoid his policy for non-compliance with the provisions of section 14?
 - (ii) If the answer is yes, did the insured succeed?
 - (iii) If the answer is no, what was the reasons for the failure?
21. To the best of your knowledge, has any action been taken against your insurance company for breach of section 14? Please give details.
22. Should section 14 be retained in its present form or suitably amended? Please indicate your reasons.

Investments (Section 18)

23. Who in your company decides investment policy?
24. Is your investment income affected by the following factors? If so, in what manner?
- (a) Efficient investment managers
 - (b) Inefficient investment managers
 - (c) Restrictive insurance legislation
 - (d) Profitable investment outlets
 - (e) Inavailability of profitable investments
 - (f) Luck
 - (g) Or (please specify)
25. What have been the effects of section 18 of the Insurance Act of 1976 on the investment of your funds?
26. (a) Have you strictly complied with the provisions of section 18 of the 1976 Act?
- (b) If the answer is no, what is the reason for non-compliance? Please comment fully.

27. (1) How often has the Director of Insurance or his appointees examined the statutory records of your companies?

(a) once

(b) twice

(c) regularly

(d) never

(ii) If the answer is (d), what is responsible for this situation?

28. How often do you prepare and publish the balance sheet of your company?

29. (1) If you are transacting life insurance business, how often have you submitted to the Director of Insurance the statutory documents?

(ii) Has the Director, upon your submission of the documents, ever called for additional information?

Amalgamation, Transfers and Winding Up

30. (1) Recently, the Chief Executive of an insurance company complained that there are too many insurance companies operating in Nigeria today. Do you agree with this view?

(ii) If the answer is yes, do you think there should be amalgamations of existing ones?

31. If the answer to 30(ii) is no, does the answer lie in a total ban on new entry into the industry?

32. If you favour amalgamation, should it be done without discrimination as to the class of insurance?

33. (1) To the best of your knowledge, has any insurance company been threatened with a winding up petition by at least 50 policy-holders in accordance with section 23 of the Insurance Act of 1976?

(ii) If the answer is no, do you think this is because policy-holders are (a) unaware of their rights, (b) apathetic (c) other reason (please specify)?

34. (i) To the best of your knowledge, has the Director of insurance ever petitioned or been petitioned for the winding up of any insurance company?

(a) yes

(b) no

(ii) If the answer is yes, what was the outcome?

Insurance Intermediaries

35. Please, indicate the percentages of the educational qualifications possessed by your agents.

(a) Primary %

(b) WASC or GCE "O" Level %

(c) GCE "A" Level or H.S.C. %

(d) ND/HND or equivalent %

(e) Degree %

(f) Others (Please specify) %

Total = 100 %

36. (i) Are all your agents licensed? Yes No

(ii) If the answer is yes, how do you know?

(a) Licences examined

(b) Relied on agent's assurance and representations

(c) Just assumed they have licences

37. What percentage of your business is secured by agents?

(a) under 20%

(b) 20 - 40%

(c) 40 - 50%

(d) Above 50%

38. What percentage of your total business is brought in by brokers?

(a) under 20%

(b) 20 - 40%

(c) 40 - 50%

(d) above 50%

39. (i) Do your agents and brokers remit premiums collected on your behalf within the stipulated periods?

Yes No

(ii) If the answer is no, what do you think is responsible for this lapse?

40. Do you believe agents or brokers deliberately misrepresent the correct situation to the insured? Yes No

41. In your opinion who ought to be responsible for the misrepresentations of the agent/brokers especially as regards the effect and contents of the proposal form?

(a) insurance company

(b) insured

(c) agent

42. Do your agents undergo instructions before they commence working on your behalf?

43. Do you issue cover notes to your agents?

44. Do your agents have any specific restrictions on their authority to issue cover notes? Yes No

(i) If the answer is yes, are these restrictions made known to the insured?

(ii) Has the conduct of your intermediaries adversely affected your public image? Yes No

45. If the answer is yes, what steps have you taken to rectify the position?

Rate Regulation

46. Why, to the best of your knowledge, was rate control introduced?

47. Do you consider the restrictions on general increases in premium rates justified? Yes No

If the answer is no, why do you think the restrictions are unjustified?

48. Are the ceilings of commission rates observed?
49. Does rate control apply to all classes of business?
50. How has the market reacted to the problems arising from rate control?
51. What has been the effect of rate control on the market?
52. Do you think that the representations of the insurance industry on the Rating Committee is adequate?

Yes No

If the answer is no, what changes would you like to see?

Insurance of Imports (Section 46)

53. Were you consulted before the localisation of imports insurance was introduced in 1977? Yes No

If you had been consulted, what advice would you have given?

54. Which of the following is correct/not correct?
- (a) Marine rates have increased as a result of S. 46.
 - (b) Marine rates have increased as a result of changes in the objective environment (i.e. increase in physical and moral hazard at the ports).
 - (c) Marine rates have increased as a result of cautious underwriting.
 - (d) Or (please specify).
55. What has been the effect of the introduction of localisation of imports insurance on your marine and aviation accounts ?
56. Is there evidence of double insurance as a result of S. 46? If so, why?
57. Have, to the best of your knowledge, applications been made to the Director of Insurance to allow a broker to place a business abroad?

Powers of the Director of Insurance

58. (i) Do you consider the powers of the Director of Insurance to be:
- (a) unwisely
 - (b) too narrow
 - (c) just adequate
- (ii) Give reasons for your choice.

59. (i) Has the appointment of a Director of Insurance adversely affected the objectives of the 1976 Insurance Act?

Yes No

(ii) Please comment fully on your choice.

Settlement of Claims

60. (i) What do you think is responsible for the poor image of insurance companies in relation to settlement of claims generally?

- (a) mis-representation of agents
- (b) lack of knowledge by the insured
- (c) both (a) and (b)
- (d) or (please specify)

(ii) Do you consider this poor image to be unjustified?

61. (i) Have you always settled claims promptly?

(ii) If the answer is no, please give reasons for the delay.

62. How often have you relied on the provisions of the Insurance Act of 1976 relating to non-disclosure of material facts?

- (a) once
- (b) more than once
- (c) regularly
- (d) never

63. (i) Do you agree with the general observation that the 90 days maximum for the settlement of motor claims is too long? Yes No

(ii) If yes, please suggest an alternative period.

64. (a) Do you insist on a police report for the settlement of every claim?

(b) If the answer is yes, why do you do so?

65. Do you always receive prompt notice of events that may lead to a claim?

66. Do you strictly enforce "the notification of loss" clause in view of communication difficulty?
67. Do you agree with the general observation that claims procedure needs to be drastically overhauled?

Re-insurance

68. (a) What is the rate of commission payable by Nigeria Re on the legal sessions?
- (b) What is the rate of commission received by Nigeria Re on its retrocessions?
69. Is detailed information on individual policies furnished by cedants?
70. Some companies would not normally reinsure, certainly not on a quota share basis, many of the risks they are forced to share with Nigeria Re. How is this problem tackled in practice?
71. Does Nigeria Re promote co-insurance and other forms of co-operation between local insurers and also by offering some of its retrocessions to the local market?
- How is this done? Are brokers used?
72. Does Nigeria Re transact direct business?
73. (i) How profitable is the business transacted by the following pools?
- (a) Africa Re
 - (b) WAICA Re Pool
 - (c) FAIR Pool
 - (d) Nigerian Aviation Pool
 - (e) Glanvill Re Special Pool
 - (f) any other (please specify)
- (ii) What proportion of the assets of the regional pools is invested in Nigeria?

Government As Insurer

74. What, in your opinion, are the positive and negative effects of government owned companies writing public sector insurance?

75. Do the terms on which state owned companies write business compare favourably with rates and cover that could otherwise be obtainable in the market?
76. Should insurance intermediaries handle public sector insurance? Drawing on your company and market experience, please give reasons for your answer.
77. Should the monopoly granted to state owned insurance companies be continued? Please give reasons for your response.
78. Are you in favour of privatising state owned insurance companies in view of the fact that a substantial proportion of the market may eventually be government owned? Please indicate your reasons.

Indigenisation of Foreign Owned Companies

79. What, in your view, have been the effects of indigenising foreign owned insurance companies (a process which has involved restrictions on expatriate employment as well as ownership restrictions)?
80. Some insurance companies seem to experience much less difficulty in obtaining foreign exchange than others to meet their marine insurance transactions and re-insurance payment. Why is this?
81. Is it correct that applications for exchange control permission are not always supported by correct documentation?
82. What problems does exchange control create for your company?
83. Please, complete tables 1 and 2 dealing with the annual results of your company since 1969. (A separate table in respect of your company for each year of operation should be produced).

COMPANY NAMES:

Class of Business	Premium Income		Reinsurance Accepted		Reinsurance ceded		Aggregate or 100%	Claims		Claims Ratio		
	Aggregate or 100%	Net or own a/e	Locally	Abroad	Locally	Abroad		Reinsurances	Recoveries	Net	Gross	Net
									Locally				Abroad
Accident												
Fire												
Marine												
Aviation												
Workmen's Comp.												
Miscellaneous												
Total non-life												
Life												
19...Life & Non-life												

Agent's commission payed less reinsurance commission received						..	₦
Expenses of Management	..	..	..	..	..	..	₦
Total investment income	..	..	..	..	..	..	₦
Other income	..	..	..	..	..	..	₦
Net asset or shareholders' funds (i.e assets less liabilities)						..	₦
Profit before tax	..	..	..	..	..	..	₦
Profit after tax	..	..	..	..	..	..	₦

Note: Please use a sheet for each year

Table 1

Annual Results of Nigerian Insurance Company 1969 - 1985 (N'Million)

	1969				1985
<u>Liabilities (non-life)</u>					
Outstanding & other current liab.					
Contingency reserves					
Unearned premium reserves					
Free reserves & general reserves					
Shareholders capital					
Total					
<u>Assets (Non-life)</u>					
Cash & other current assets					
Government securities					
Shares & other securities					
Real property					
Fixed assets					
Other (please name them)					
Total					
<u>Liabilities (life)</u>					
Outstanding & Other current liab.					
Contingency reserves					
Unearned premium reserves					
Free reserves & general reserves					
Shareholders & capital					
Total					
<u>Assets (life)</u>					
Cash & other current assets					
Government securities					
Shares & other securities					
Real property					
Fixed assets					
Other (please name them)					
Total					

Table

Distribution of Assets & Liabilities of Insurance
Companies, 1969 - 1985

Appendix 4

QUESTIONNAIRE ON REINSURANCE TO BE COMPLETED BY

Nigeria Reinsurance Corporation

1. (a) What is the rate of commission paid by Nigeria Re to the direct writing companies?
(b) What is the rate of commission paid to Nigeria Re by its reinsurers?
2. (a) Is detailed information on individual policies furnished by cedants?
(b) What does Nigeria Re do with the information?
3. Some companies would not normally reinsure, certainly not on a quota share basis, many of the risks they are forced to share with Nigeria Re. How is this dilemma resolved in practice?
4. Does Nigeria Re promote coinsurance and other forms of cooperation between local insurers and also by offering some of its retrocessions to the market?
How is this done? Are brokers used?
5. Does Nigeria Re transact direct business?
6. What have been the annual results of the following regional/national pools? Please use tables to illustrate your answer:
 - (a) Africa Re
 - (b) FAIR pool
 - (c) WAICA pool
 - (d) Nigerian Aviation pool
 - (e) Any other (please specify)

8. Please complete the following (table 1)

	1978	1979	1980	1981	1982	1983
Direct domestic premiums						
Compulsory cessions by Companies						
Reinsurance accepted from abroad						
Reinsurance retroceded abroad						
Reinsurance retroceded locally						

Table 1

Combined International Reinsurance Transactions of the Nigerian Insurance Market, 1978 - 85 (N' Million)

9. Please complete the following (table 2)

	1978	1979	1980	1981	1982	1983
Direct business received from abroad						
Reinsurance accepted from abroad						
Direct business placed abroad						
Reinsurance ceded and/or retroceded abroad						

Table 2

International Insurance Transaction of the Nigeria Reinsurance Corporation, 1978 - 1985 (N' Million).

Appendix 5

QUESTIONNAIRE FOR INSURANCE POLICY-HOLDERS
ON THE PERFORMANCE OF INSURANCE COMPANIES

PERSONAL DATA

1.0 Name

1.1 Sex (a) Male (b) Female

1.2 Age (a) 21 - 30
(b) 30 - 40
(c) 40 - 50
(d) 50 and above

1.3 Marital Status
(a) Single
(b) Married
(c) Divorced
(d) Widowed

1.4 Educational Qualification
(a) Primary Six or below
(b) S. 75 (Class IV)
(c) WASC or GCE 'O' Level
(d) H.S.C. or GCE 'A' Level
(e) Degree (Please specify)
(f) Others

1.5 Occupation

1.6 Current designation or rank (e.g. Typist 1, Research Fellow 1 etc)

1.7 Income

- (a) Below ₦1,500 p.a.
- (b) 1,500 - 3,000 p.a.
- (c) 3,000 - 6,000 p.a.
- (d) 9,000 - above

Particulars of Insurance Cover

2.0 What class(es) of insurance do you hold?

- (a) Motor Vehicle
- (b) Life Insurance
- (c) Fire Insurance
- (d) Accident
- (e) Others (please specify)

2.1 If motor vehicle insurance is it:

- (a) Third party (i.e. Act Policy)
- (b) Third party, fire and theft
- (c) Comprehensive
- (d) Others (specify)

2.2 If life insurance, is it:

- (a) Whole life
- (b) Term life
- (c) Endowment
- (d) Other (please specify)

2.3 If accident please state whether personal accident, workmen's compensation, burglary etc.

.....

2.4 How long have you been insured?

- (a) Under one year ()
- (b) 1 - 3 years ()
- (c) 3 - 7 years ()
- (d) 7 - 10 years ()
- (e) Over 10 years. ()

2.5 If you have never had an insurance policy, what is your reasons for this?

- (a) Don't think it is necessary
- (b) Cannot afford the premium
- (c) Tried but was not accepted
- (d) Don't trust insurance companies
- (e) Others (Please specify)

2.6 If you have been previously insured under a policy, but are presently uninsured, what are the reasons for this?

- (a) Don't think it is necessary
- (b) Cannot afford to keep up premium payment
- (c) Insurers terminated the contract
- (d) Insurance company refused to pay claims when loss occurred
- (e) Others (Please specify)

Relationship between Insurer/Insured

3.0 Who introduced you to your present insurance company?

- (a) Insurance Agent ()
- (b) A broker ()
- (c) Newspaper advertisement ()
- (d) Personal introduction ()
- (e) Other (please specify)

.....

3.1 If you were introduced by an agent, who completed the proposal form given to you

- (a) The agent after asking questions ()
- (b) I signed the blank form and the agent took it away to complete ()
- (c) I completed it but with the help of the agent ()
- (d) Entirely by myself ()

3.2 If the form was completed by the agent, did you think

- (a) It was part of his job to complete the form ()
- (b) He was merely helping you ()
- (c) Didn't know what the position was ()

3.3 Do you think, it should be regarded as part of the agent's job to complete the proposal form? Yes

No

3.4 Give reasons for your answer

3.5 Who collects your premiums??

- (a) Agent or broker
- (b) Pays it myself
- (c) Other (specify)

.....

3.6 Do you know the purpose of a cover note?.....

3.7 Do you know (and understand) the contents of your policy?.....

.....

3.8 If No, is the reason due to the

(a) Language used ()

(b) Smallness of the prints ()

(c) Both ()

(d) Other e.g apathy) specify
.....

3.9 Are you aware of your rights under section 14 of the
Insurance Act 1976?.....

Claims Experience

4.0 When you suffered a loss, were you promptly indemnified
or compensated by your insurer? (a) Yes No

4.1 If No, what was the reason for the delay?.....
.....

4.2 If you were not indemnified at all, what reasons were
given by your insurer for the refusal?.....
.....

4.3 Did you consider the reasons genuine or justified ?
.....
.....

4.4 Were you in any way hampered in notifying the insurers
by communication difficulties?.....
.....

4.5 If Yes, state the nature of the difficulty
.....

4.6 Was the notification through an agent or broker?.....
.....

4.7 Do you consider the 30 day period for the settlement
of claims generally, and the 90 days period for the
settlement of Motor Accident claims

- (a) Too long ()
- (b) Too short ()
- (c) Just right ()

4.7 If too long suggest alternative periods

.....

4.8 Who or what do you think are responsible for the poor
image of insurance companies?

.....

4.9 Do you feel insurance is more of a gamble than a genuine
protection against future loss?.....

.....

Image of Insurance

5.0 How would you rate the performance of Nigerian insurers??

In Terms of Claims Payment Generally

- (a) Extremely good
- (b) Good
- (c) Not good
- (d) Poor
- (e) Very poor

5.1 How would you rate the importance of insurance in the
Nigerian society/economy?

- (a) Extremely important
- (b) Considerably
- (c) Important
- (d) Not very important
- (e) Not important at all

Appendix 6

QUESTIONNAIRE FOR THE DIRECTOR OF INSURANCE
ON THE CURRENT INSURANCE CONTROL LEGISLATURE

REGISTRATION OF INSURERS

1. a. Have you had cause to reject an application for registration as insurer? Please comment fully.
- b. How many Certificates of Insurance if any have you cancelled each year since 1976?
- c. Were any Certificates of Insurance cancelled ?

2. APPOINTMENT OF CHIEF EXECUTIVE OF AN INSURER

Section 12 of the insurance Act 1976 requires you to approve the appointment of the Chief executives of insurance companies. Have any factors warranted your disapproval? Please comment fully.

3. INSURANCE POLICIES/SECTION 14

Have you, in the course of enforcing the provisions on insurance policy, etc, been obliged to over-rule some insurers? Please comment fully.

4. INVESTMENTS (SECTION 18)

To the best of your knowledge, have insurance companies complied with the provisions restricting investment choice? Please comment fully.

5. ACCOUNTS AND AUDIT

- (i) How often do you or your appointees examine the statutory returns? Please comment fully and provide evidence of examination (A copy of the records will be of great assistance).

- (ii) Do you annually compile a report on the annual results of the insurance companies, brokers, agents and adjusters? Please comment fully. (A copy of these reports will be of great assistance).

6. WINDING UP

Have you ever petitioned or been petitioned for the winding up of any insurance company?

Please comment fully.

7. AGENTS AND BROKERS

To the best of your knowledge have the provisions of part VI of the Insurance Act of 1976 achieved the objects of licensing insurance intermediaries? Please comment fully.

8. RATE REGULATION

Has the rating committee been constituted to review among other things the motor insurance rates set by the Government in 1976? Please comment fully.

9. INSURANCE OF IMPORTS (SECTION 46)

Have you received applications to allow a broker to place a business abroad? Please comment fully.

10. POWERS OF INSPECTION

How many companies have you or your appointees inspected since 1977? Please comment fully. (A copy of the findings will be of great assistance).

11. SETTLEMENT OF CLAIMS

What is the nature of complaints received by your office from the insuring public? Please comment on the remedy adopted.

12. REINSURANCE

(i) Have you received complaints from the market about the application of the Nigeria Reinsurance Corporation Act 1977?

Please comment fully.

(ii) What have been the results of the following pools?

(1) Africa Re

(2) WAICA Re pool

(3) Nigerian Aviation Pool

(4) Any others (please name them).

A copy of the annual accounts will be of great assistance.

(iii) What proportion of the assets of the Regional Pools is invested in Nigeria.

13. GOVERNMENT AS INSURER

In the light of your experience as supervisory agent, please comment on the following issues:

(i) The monopoly granted to state owned companies should be revoked.

(ii) Insurance intermediaries should/should not handle public sector insurance. (Please give reasons for your response).

14. MISCELLANEOUS

(i) Have you carried out special investigations of, or received complaints against, the management of any insurance companies or brokers? Please comment fully. (A copy of your reports will be of great assistance).

(ii) Please complete tables one and two dealing with the annual results of each insurance company since 1969. (A separate table for each company for each year should be produced).

(iii) Have you received any allegations of fraud regarding exchange control? Please comment fully and show copy of your response.

505

Class of Business	Premium Income		Reinsurance Accepted		Reinsurance Ceded		Claims				Claim Ratios		
	Aggregate or 100%	Net or own account	Locally	Abroad	Locally	Abroad	Aggregate or 100%	Reinsurance Recoveries		Net	Gross	Net	
								Locally	Abroad				
Accident													
Fire													
Motor													
Marine & Aviation													
Workmen's Comp.													
Miscellaneous													
Total Non-Life													
Life													
19.. life & Non-life													

Agents' Commission paid less reinsurance commission received₦
 Expenses of Management₦
 Total Investment Income ,₦
 Other Income₦
 Net Asset or Shareholders' funds (Assets less Liabilities)₦

Note: Please use a sheet for each year.

Table 1

Annual Results of Nigerian Insurers, 1969 - 1985 (₦ Million)

<u>Liabilities (non-life)</u>	1969				1985
Outstanding & other current liab. contingency reserves unearned premium reserves force reserves a general reserves shareholders' capital Total					
<u>Assets (non-life)</u>					
Cash and other current assets Government securities shares & other securities Real Property Froced assets other (Please name them) Total					
<u>Liabilities (life)</u>					
Outstanding & other current liab. contingency reserves unearned Premium reserves free reserves and general reserves shareholders' Capital Total.					
<u>Assets (Life)</u>					
Cash and other current assets Government Securities shares and other securities Real Property Fixed assets other (Please name them) Total					

Table (2)

Distribution of Assets and Liabilities of
Insurance Companies, 1969 - 1985.

Appendix 7

Questionnaire on Foreign Exchange
to be completed by the Central
Bank of Nigeria

1. The complaint has been aired that some insurance companies seem to experience much less difficulty than others in obtaining foreign exchange for than international reinsurance transactions. What is the reason for this?

2. Do you sometimes receive applications for foreign exchange which are not supported by correct documentation? If the answer is yes, how frequently?

3. Do you sometimes receive applications for exchange control permission which are supported by false documentation?

4. Please complete table 1

Year	Total disbursements on Services (a)	Total disbursements on insurance (b)	proportion of (b) to (a) (c)
1969			
1970			
1984			
1985			

Table 1

Proportion of Disbursement on Insurance to Total
Disbursements on Services in Nigeria, 1969-1985
(N' Million)

Appendix 8

Questionnaire for Practising Actuaries

1. It has been observed that the well-established actuarial basis of life insurance largely enables supervisory authorities to control the market (Carter, 1980). In this setting are actuaries bound by the provisions of S-17(3) of the 1976 Insurance Act regarding general and contingency reserve funds?
2. No actuarial table based on the mortality of lives insured in this country has been published. Which table then do you use and what is the basis?
3. In the (ordinary) balance sheet the decision on the value to be placed on the assets therein is the responsibility of the directors of the insurance companies since neither the Insurance Act of 1976 nor the Insurance Regulations of 1977 stipulates how much value to be placed on the assets is to be arrived at. How does this affect you in arriving at the valuation balance sheet?
4. The legislations in some countries require that the insurer shall maintain at all times assets whose value exceed the value of the liabilities by a prescribed percentage of the latter. Is this synonymous with the contingency reserve approach which is contained in the 1976 Act? Please comment fully.
5. It has been asserted (Ogunsoola, 1985) that the investment of life funds is the responsibility of the directors of the insurance company. To the best of your knowledge, does the investment portfolio reflect the investment policy which is consistent with the nature of liabilities?

6. Arnold (1982) has observed that in a country with no actuarial expertise available to the supervisory authority the actuary to an insurance company has to assume, at least to some extent, the role of the supervisory authority as well as advising the company directly. What has been your experience of the Nigerian market?

Appendix 9

Questionnaire for UNCTAD

AD/FAID/101

18 June 1984.

The Director,
Special Programme on Insurance,
UNCTAD,
CH - 1211 Geneva 10,
Switzerland.

Dear Sir,

UNCTAD and Insurance

We are conducting a special study on the above subject and would be most grateful for necessary and essential information without which our search will be fruitless. In particular we would be grateful for the following:

- (i) copy of UN Resolutions on insurance;
- (ii) copy of UNCTAD questionnaires to insurance control authorities in developing countries;
- (iii) UNCTAD recommendations to developing countries;
- (iv) UNCTAD special reports on insurance;
- (v) a note on other insurance activities by UNCTAD.

We confirm that this information is needed for research purposes only.

Many thanks in advance for your kind assistance and cooperation.

Yours sincerely,

J. I. Falegan
Dept. of Actuarial Science & Insurance

Appendix 10

Resolutions of UNCTAD and of the
Committee on Invisibles and Financing related to Trade (CIFF)
that pertain to insurance and reinsurance matters

V. Financing and Request for Technical Assistance

The SPI remains ready to assist UNCTAD member states in every feasible manner. The following brief discussion provides some information on how a member government can request assistance and possibly obtain financing.

Assistance is granted only at the request of Governments, which establish their own overall priorities taking into account their national development plans. There are two alternatives for submitting requests. First, the request can be addressed directly to the Special Programme on Insurance, which can provide short-term advisory services to review a country's needs on the spot and to assist in the formulation of requests for technical assistance. Second, in most developing countries, a specific government department has been designated to co-ordinate the programmes of assistance provided by the United Nations Development Programme. This national authority is fully conversant with the official procedures which are to be followed in each case and will be able to give initial advice to any entity desiring technical assistance.

Financing for technical assistance projects is generally provided by the UNDP. However, a few technical assistance projects have also been financed through bilateral contributions from donor countries and through special arrangements with financial institutions.

Further information on such technical assistance and on the activities of the UNCTAD Special Programme on Insurance can be obtained from:

Mr. Guy Levie, Chief
Special Programme on Insurance
UNCTAD
Palais des Nations
CH 1211 Geneva 10
Switzerland

INSURANCE AND REINSURANCE¹¹

The Conference,

Considering that the characteristics of insurance and reinsurance activities, in general, require operation on an international basis,

That it is necessary to make this international character compatible with the economic and financial interests of the developing countries,

That a sound national insurance and reinsurance market is an essential characteristic of economic growth,

That it is desirable to pool the technical surpluses retained nationally by developing countries and to redistribute them on a regional basis before they are returned to traditional reinsurance markets,

Recommends that:

1. The developed countries should give their full co-operation to the developing countries to encourage and strengthen their national insurance and reinsurance markets and should give their support to all reasonable measures which are directed to this end and to the increase of their retention capacity;
2. Developed countries should continue and increase the technical assistance and training facilities which they provide and which are required for the sound development of national insurance and reinsurance markets in developing countries;
3. (a) Technical reserves and guarantee deposits of insurance and reinsurance companies or institutions should be invested in the country where the premium income arises;
(b) Adequate conditions of security, liquidity and income must, however, be assured;
(c) Developed countries should encourage such investment by removing all obstacles to the achievement of this aim;
4. Developing countries in which national insurance markets are sufficiently well established, after carrying out technical and financial studies, should establish regional reinsurance institutions;
5. Developed countries which provide aid to developing countries should not prescribe conditions limiting the rights of the developing countries to require insurance to be placed in the national market;
6. The competent international organizations should examine the question of the adoption of:
 - (a) Uniform clauses for marine, land and air transport insurance;
 - (b) Uniform criteria for the compilation of insurance and reinsurance statistics.

¹¹ The Conference adopted this Recommendation by a roll-call vote of 100 to 1, with 12 abstentions:

In favour: Afghanistan, Albania, Algeria, Argentina, Australia, Austria, Brazil, Bulgaria, Burma, Burundi, Byelorussian Soviet Socialist Republic, Cambodia, Cameroon, Canada, Central African Republic, Ceylon, Chad, Chile, China, Colombia, Congo (Brazzaville), Congo (Leopoldville), Costa Rica, Cuba, Czechoslovakia, Denmark, Dominican Republic, Ecuador, Ethiopia, Finland, France, Gabon, Ghana, Greece, Guatemala, Guinea, Honduras, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Libya, Liechtenstein, Madagascar, Malaysia, Mali, Mauritania, Mexico, Monaco, Mongolia, Morocco, Nepal, Netherlands, New Zealand, Niger, Nigeria, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Republic of Korea, Republic of Viet-Nam, Roma-

nia, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Spain, Sudan, Syria, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Republic, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanganyika and Zanzibar, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia.

Against: United States of America.

Abstaining: Belgium, El Salvador, Federal Republic of Germany, Holy See, Italy, Ivory Coast, Japan, Luxembourg, Portugal, South Africa, Sweden, Switzerland.

¹² The Conference approved this Recommendation without dissent.

¹³ Official Records of the Economic and Social Council, Thirty-Sixth Session, Annex, Agenda item 40, document E/3639.

42 (III). Insurance and reinsurance¹

The United Nations Conference on Trade and Development.

Recalling the recommendation on insurance and reinsurance in annex A.IV.23 to the Final Act adopted by the Conference at its first session, in which it is agreed, *inter alia*, that a sound national insurance and reinsurance market is an essential characteristic of economic growth, that technical reserves and guarantee deposits of insurance and reinsurance companies should be invested in the country where the premium income arises, that adequate conditions of security, liquidity and income must, however, be assured, and that the question of adoption of uniform criteria for the compilation of insurance and reinsurance statistics should be examined,

Recalling the recommendations in Conference resolution 13 (II) of 24 March 1968 on insurance, particularly that insurers and reinsurers should provide insurance and reinsurance facilities to developing countries at the lowest cost commensurate with the risks involved, and that developed countries should continue to help the developing countries in encouraging and strengthening their national insurance and reinsurance markets,

Further recalling the reports by the UNCTAD secretariat considered at the fifth session of the Committee on Invisibles and Financing related to Trade, as well as the report of the Committee on that session,²

Also recalling that the general objective of the International Development Strategy for the Second United Nations Development Decade in the field of invisibles is to promote the earnings of developing countries and minimize their net outflow of foreign exchange arising from invisible transactions, and that the Strategy further defines as follows the objectives in the fields of insurance and reinsurance:

Reduction in the cost of insurance and reinsurance for developing countries especially the foreign exchange cost, will be sought about by appropriate measures, bearing in mind the risks involved, to encourage and assist the growth of national insurance and reinsurance markets in developing countries and the establishment to this end, where appropriate, of institutions in these countries or at the regional level.

Recognizing that economic growth gives rise to an increase in demand for insurance and reinsurance services and that the expansion at an adequate rate of the retention capacity of the national insurance markets of developing countries will help the economic development of these countries during the Second Development Decade and will reduce substantially or even eliminate the outflow of foreign exchange from these countries on account of insurance transactions,

Further recognizing that the anticipated expansion of world demand for insurance, in particular for the cover of larger industrial and other risks, may create serious difficulties as regards the capacity of insurers and reinsurers to meet this expanded demand, if they do not succeed in sufficiently increasing their funds by attracting new capital and by building up their free reserves,

Considering that appropriate insurance legislation and effective supervision are instruments of fundamental importance for establishing and strengthening the national insurance market in every developing country, for regulating all insurance operations transacted therein and thus for safeguarding and promoting the general economic interests of the countries concerned, in line with the recommendation in annex A.IV.23 of the Final Act adopted by the Conference at its first session, referred to above, and the objectives of the Second United Nations Development Decade, as well as for guaranteeing the rights of policy-holders and other beneficiaries,

Also recognizing the scarcity of properly trained staff, and especially the need to increase the number of properly trained executive and supervisory personnel, and that related training facilities are essential for the accomplishment of the above-mentioned aims,

Taking note with great interest and appreciation of the reports of the UNCTAD secretariat entitled:

- (a) "Study on insurance legislation and supervision in developing countries"³
- (b) "Investment of the technical reserves of insurance concerns in the country where the premium income arises"⁴
- (c) Establishment of a unified international system of insurance statistics,⁵

Also taking note with great interest and appreciation of the report of the Expert Group on Insurance Legislation and Supervision⁶ based on the UNCTAD secretariat study on that subject,

Further noting the discussions on insurance and reinsurance which took place in the Fourth Committee of the Conference at its third session,⁷

1. Affirms that developing countries should take steps to enable their domestic insurance markets to cover in these markets—taking into account their national economic interests as well as the insured interests—the insurance operations generated by their economic activities, including their foreign trade, as far as is technically feasible;

2. Considers that developing countries might achieve these objectives more easily by establishing and strengthening domestic insurance and reinsurance organizations, where the size of the insurance market permits it, and expanding appropriate regional and subregional co-operation;

3. Recommends that action be taken in the following areas for the achievement of the objectives of the developing countries in the field of insurance and reinsurance:

¹ See *Insurance legislation and supervision in developing countries* (United Nations publication, Sales No. E.72.II.D.3, part two).

² TD/B/C.3/57 and Corr.1.

³ United Nations publication, Sales No. E.72.II.D.3.

⁴ See *Insurance legislation and supervision in developing countries*,... part one.

⁵ See annex VI.D below.

² See E/CN.14/345, annex I.

³ TD/143, annex (see annex VII.F below).

⁴ The Conference adopted this resolution without dissent.

⁵ Official Records of the Trade and Development Board, First Session, Supplement No. 2 (TD/B/395).

(a) Costs, terms and conditions of insurance and re-insurance services

Governments of developed countries should to the fullest extent possible bring to the attention of their insurance and reinsurance institutions the need to continue their efforts to provide developing countries with the necessary cover on the most appropriate terms and conditions and at the lowest cost commensurate with the risks involved, with due regard to sound underwriting principles giving adequate protection to policyholders; such efforts would have a special importance for developing countries in view of the effects of insurance and reinsurance transactions on their economies;

(b) Insurance legislation and supervision

Governments of developing countries members of UNCTAD may examine their insurance legislation and supervision system, in the light of the conclusions of the UNCTAD secretariat's study on insurance legislation and supervision and of the report of the Expert Group, as well as of the report of the Committee on Invisibles and Financing related to Trade on its fifth session and take necessary measures, where appropriate, to improve and complete these systems;

(c) Investment of the technical reserves of insurance and reinsurance companies

Governments of developing countries members of UNCTAD should take steps to ensure that technical reserves accruing from insurance and reinsurance operations carried out in their countries are invested in the same countries, taking into account all the relevant characteristics and technical requirements of the risks involved and the kind of insurance and reinsurance cover provided, as well as the criteria of security, liquidity and income;

(d) Unified international system of insurance statistics

Governments of States members of UNCTAD are requested to introduce, where necessary, the unified international system of insurance statistics proposed by the UNCTAD secretariat in its report on this subject or, where appropriate, take steps to adapt their present system of insurance statistics so as to make it compatible with the proposed unified system and thus facilitate the compilation of internationally comparable insurance statistics, which will serve, *inter alia*, as an instrument of social and economic development;

(e) Insurance taken out by investors

Nationals of developed countries, when investing in developing countries, should, while observing the requirements of national legislations, call upon the insurance services of these countries' national insurance markets, whenever these markets can provide appropriate cover;

(f) Regional and subregional co-operation

Governments of developing countries members of UNCTAD should, where appropriate, establish closer co-operation between their insurance supervisory services as well as between their insurance and reinsurance institutions on a regional and/or subregional basis;

(g) Technical assistance

The United Nations Development Programme, taking into account the substantive competence of UNCTAD in the field of insurance and the consensus reached in the Governing Council of the Programme at its tenth session,¹⁴ should be invited to consider favourably requests from the Governments of developing countries within the limits of the Programme funds for this purpose, to:

- (i) Provide technical assistance to developing countries upon request in the field of insurance and reinsurance, particularly for the purpose of implementing the objectives and recommendations contained in the present resolution;
- (ii) Finance and organize training courses and seminars for the staff of insurance supervisory services, and invite Governments of developed countries to provide complementary in-service training;
- (iii) Finance and organize regional meetings for insurance supervisors for the purpose of exchanging information and experience regarding insurance legislations and supervision with the participation of the United Nations regional economic commissions and the United Nations Economic and Social Office at Beirut;

Governments of developed countries members of UNCTAD should be invited to continue and, where appropriate, increase the technical assistance and training facilities which they provide to developing countries in order to assist in developing their domestic insurance and reinsurance systems. Insurance and reinsurance institutions of member countries are also invited to continue and, if possible, expand their technical assistance efforts;

In programmes of technical assistance in the field of insurance and reinsurance the special needs of the least developed among the developing countries should be taken into account;

4. Urges Governments of States members of UNCTAD to co-operate fully in the implementation of the above-mentioned objectives and recommendations;

5. Requests the UNCTAD secretariat to continue its studies of insurance and reinsurance—including regional and/or subregional reinsurance funds—within available resources and work programme priorities and to report on the progress of those studies to the Committee on Invisibles and Financing related to Trade at future sessions;

6. Wide publicity should be given by the countries concerned to the contents of the present resolution.

113th plenary meeting
17 May 1972

(Resolution adopted by the Committee at its 51st meeting on 14 April 1967)

The Committee on Invisibles and Financing related to Trade.

Recalling the programme of work on invisibles adopted at the first part of its first session and its decision at that session whereby the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) was invited to provide substantive support for technical assistance and pre-investment activities related to tourism, as appropriate, within UNCTAD's field of competence, in close co-operation with the other competent bodies of the United Nations, and to report to the Committee at each session,³

Bearing in mind resolution 31 (IV) of the Trade and Development Board, which was endorsed by the General Assembly in its resolution 2207 (XXI) of 17 December 1966, regarding the role of the UNCTAD secretariat in providing substantive support to technical assistance activities in the field of invisibles, including insurance and tourism,

Taking note of General Assembly resolution 2148 (XXI) of 4 November 1966 concerning the International Tourist Year, and Economic and Social Council resolution 1109 (XL) of 7 March 1966 on "Tourism",

Noting with appreciation the measures adopted by many governments in response to General Assembly resolution 2148 (XXI) on the International Tourist Year,

Taking note of the report of the Expert Group on Reinsurance (TD/B/CJ/29), the progress report on the programme of work on invisibles and annexes I-IV thereto (TD/B/CJ/42 and Add.1-3), and the review of developments in invisibles (TD/B/CJ/39 and Corr.1), and of all comments made in the Committee on these documents (TD/B/CJ/SC.4/SR.1-6 and TD/B/CJ/SC.4/1),

A. Insurance

1. Expresses its appreciation to the Expert Group on Reinsurance for their useful report in clarifying and diagnosing the problems to be dealt with, and for the useful recommendations contained therein proposing solutions to these problems;

2. Commends these recommendations to the attention of governments of member States and of the insurance industry, with a view to their considering the possibility of implementing them;

3. Notes with satisfaction the text of the questionnaire on insurance legislation, supervision and market (TD/B/CJ/42 and Add.1-3, annex I) and requests the Secretary-General of UNCTAD to provide to governments at their request, assistance in this connection;

4. Requests the Secretary-General of UNCTAD to convene in due course a meeting of insurance supervisors and other experts from developing countries to review, and to comment on, the studies of the secretariat based on the replies to the questionnaire on insurance legislation, supervision and market (TD/B/CJ/42 and Add.1-3, annex I);

5. Further requests the Secretary-General of UNCTAD to convene, in co-operation with the Statistical Office of the United Nations, a meeting of insurance statisticians, with a view to formulating proposals for minimum statistical standards and definitions for insurance and reinsurance transactions;

6. Requests the Secretary-General of UNCTAD to carry out at least once every two years reviews of developments in insurance, with special reference to developing countries;

7. Invites governments and the insurance industry to co-operate with the secretariat through the appropriate channels by providing information needed for carrying out the work programme on national and international insurance and reinsurance operations;

³ Report of the Committee on Invisibles and Financing related to Trade on the first part of its session, *Official Records of the Trade and Development Board, Third Session, Supplement No. 3, annex I, (b)*.

RESOLUTIONS AND DECISION ADOPTED BY THE COMMITTEE AT ITS SIXTH SESSION

7 (VI) Reinsurance

The Committee on Invisibles and Financing related to Trade.

Recalling resolution 42 (III) adopted by the United Nations Conference on Trade and Development on 17 May 1972, in which it is agreed, *inter alia*, that developing countries should take steps to enable their domestic insurance markets to cover in these markets - taking into account their national economic interests as well as the interests of the insured - the insurance operations generated by their economic activities, so far as is technically feasible.

Recognizing that adequate reinsurance cover is one of the principal means by which insurance companies can extend their underwriting capacity and that the reinsurance needs of the developing countries endeavouring to promote the growth of their national insurance markets are increasing.

Recognizing also that the present conditions in the field of reinsurance prevailing in most developing countries are not quite satisfactory, resulting in an outflow of insurance business in the form of reinsurance which constitutes a heavy burden on the balance of payments of the developing countries in question.

Taking note with great interest and appreciation of the study by the UNCTAD secretariat on reinsurance problems in developing countries^c in the preparation of which reinsurance experts from various countries rendered their assistance.

Noting further the discussions on reinsurance which took place in its Sessional Committee set up to deal with the item on invisibles: insurance, and which are reflected particularly in paragraph 103 of the report of the Committee on its sixth session,^d

1. Considers that the aforementioned study by the UNCTAD secretariat provides valuable expertise and guidance as regards the problems facing the developing countries in the field of reinsurance and the ways and means in which these problems could be solved;

2. Invites developing countries to consider the adoption of such of the measures suggested in the study as may be appropriate in their individual circumstances, having regard to the advantages and disadvantages pointed out in the study, namely:

(a) A structural development of their national insurance markets allowing for a higher retention capacity of their domestic insurance industry, including the establishment, where appropriate, of national reinsurance institutions or pools, private or State-owned;

(b) An increase in regional and subregional co-operation of developing countries in the field of reinsurance, including the creation of regional or subregional reinsurance institutions and pools, taking into account all relevant characteristics of reinsurance and technical requirements of reinsurance risks involved;

3. Expresses interest in the activities already undertaken in this field by a number of developing countries and invites these countries to keep the UNCTAD secretariat informed of the measures taken and the results obtained, so that the information so received, as well as that on events in developed countries, can be made available to other interested developing countries;

4. Recognizes that for effective implementation of the aforementioned suggestions, considerable skill and expertise are required, for which reason appropriate steps should now be taken to provide, on request, insurance companies, State corporations and State insurance regulatory offices in developing countries with opportunities and facilities for education and adequate training in insurance and in management;

5. Invites developing countries to make use of the substantive competence of UNCTAD to provide technical assistance in the field of insurance, in accordance with its responsibilities;

6. Recalls the recommendation in paragraph 3 (a) of Conference resolution 42 (III) that Governments of developed countries should, to the fullest extent possible, bring to the attention of their insurance and reinsurance institutions the need to continue their efforts to provide developing countries with the necessary cover on the most appropriate terms and conditions and at the lowest cost commensurate with the risks involved, with due regard to sound underwriting principles giving adequate protection to policy-holders; such efforts would have a special importance for developing countries in view of the effects of insurance and reinsurance transactions on their economies;

7. Recommends developed countries to assist the developing countries in their efforts to develop their domestic insurance and reinsurance markets, so that reinsurance cover will always be provided on the fairest and most reasonable terms and in particular in the realization of the aims expressed in paragraphs 2 and 4 above.

124th meeting
13 July 1973

DECISION

8 (VI) Training in the fields of insurance and reinsurance

On the occasion of the consideration by the Sessional Committee of the Committee on Invisibles and Financing related to Trade of the study by the UNCTAD secretariat on reinsurance problems in developing countries,^e the attention of the members of the Committee was drawn to the needs set out in this study to promote the training of technically skilled staff and to elaborate a programme for such training according to the present and future requirements of developing countries.

The Committee requests the UNCTAD secretariat to take the necessary steps to prepare expeditiously and implement, to the extent possible and within the funds available for this purpose, a detailed programme for the education and training of a sufficient number of qualified personnel in the fields of insurance and reinsurance, which would benefit developing countries.

To this end, the UNCTAD secretariat is urged to undertake a survey of the needs and resources available and to make a report to the Committee on Invisibles and Financing related to Trade at its seventh session.

124th meeting
13 July 1973

^c TD/B/C.3/106 and Corr.1. To be issued as a United Nations publication. *Reinsurance problems in developing countries: study by the UNCTAD secretariat* (TD/B/C.3/106/Rev.1).

^d Official Records of the Trade and Development Board, Thirteenth Session, Supplement No. 4 (TD/B/464).

^e TD/B/C.3/106 and Corr.1. To be issued as a United Nations publication. *Reinsurance problems in developing countries: study by the UNCTAD secretariat* (TD/B/C.3/106/Rev.1).

RESOLUTIONS AND DECISION ADOPTED BY THE COMMITTEE AT ITS SEVENTH SESSION

RESOLUTIONS

9 (VII) Marine cargo insurance

The Committee on Invisibles and Financing related to Trade.

Recalling resolution 42 (III) on insurance and reinsurance adopted by the United Nations Conference on Trade and Development on 17 May 1972, in which the Conference, inter alia, affirmed that developing countries should take steps to enable their domestic insurance markets to cover in these markets - taking into account their national economic interests, as well as the insured interests - the insurance operations generated by their economic activities, including their foreign trade, as far as was technically feasible,

Recalling further the recommendation in paragraph 3 (a) of the resolution that Governments of developed countries should to the fullest extent possible bring to the attention of their insurance and reinsurance institutions the need to continue their efforts to provide developing countries with the necessary cover on the most appropriate terms and conditions and at the lowest cost commensurate with the risks involved, with due regard to sound underwriting principles giving adequate protection to policy-holders; such efforts would have a special importance for developing countries, in view of the effects of insurance and reinsurance transactions on their economies,

Recognizing that the economies of most developing countries depend heavily on foreign trade, and that the conditions in the field of marine cargo insurance prevailing in most developing countries are not quite satisfactory, owing to the present trade practices in these countries, and result in a heavy outflow of such insurance business, thus constituting a burden on the balance-of-payments position of the developing countries in question,

Taking note with great interest and appreciation of the study by UNCTAD secretariat on marine cargo insurance,¹ in the preparation of which marine insurance experts from various countries rendered their assistance,

Noting further the discussions on the subject of marine cargo insurance in the Sessional Committee set up at the Committee's seventh session to deal with the question of insurance (agenda item 7),

1. Considers that the study by the UNCTAD secretariat on marine cargo insurance provides valuable expertise and guidance as regards the problems facing the developing countries in the field of marine cargo insurance and ways and means by which these problems could be solved;

2. Recommends that developing countries adopt such measures as are suggested in the study as may be appropriate in their individual circumstances;

3. Emphasizes the conclusion in the study that maintaining the present system of cargo insurance is essential and cannot be abandoned with, and that any radical shift in risk allocation from insurance to carrier's liability would be particularly detrimental to the interests of developing countries;

4. Expresses interest in the measures already taken in this field by a number of developing countries and invites those countries to keep the UNCTAD secretariat informed of these measures and the results obtained, so that the information so received can be made available to other interested developing countries;

5. Recognizes that for the effective implementation of the aforementioned suggestions, considerable skill and expertise are required, for which reason appropriate steps should be taken to provide education and training to staff working in marine cargo underwriting and claim adjustment in developing countries;

6. Recommends that developing countries make use of the substantive competence of UNCTAD to provide technical assistance in the field of the promotion of marine cargo insurance, in accordance with its responsibilities and in conformity with paragraph 3 (a) of Conference resolution 42 (III);

7. Recommends to developed countries that they assist and continue to support developing countries in their efforts to develop their domestic marine cargo insurance markets, particularly by putting at their disposal the existing international marine insurance facilities; furthermore, in recognition of the economic problems of the developing countries, it would be appreciated if insurance on exports from developing countries could be placed, where possible and technically feasible, in the markets of those countries.

138th meeting
5 November 1973

10 (VII) Insurance education

The Committee on Invisibles and Financing related to Trade.

Recalling its resolution 7 (VI) on reinsurance and its decision 3 (VI) on training in the fields of insurance and reinsurance, of 13 July 1973, in which it requested the UNCTAD secretariat to take the necessary steps to prepare expeditiously and implement, to the extent possible and within the funds available for this purpose, a detailed programme that would meet the needs of developing countries for the education and training of a sufficient number of qualified personnel in the fields of insurance and reinsurance.

Taking note with great interest and appreciation of the efforts made by many countries - developing and developed - in the field of personnel training in insurance and of the report by the UNCTAD secretariat on insurance education for the developing countries² and the analytical study which complements the report,³

Noting further the discussions on the subject of insurance education in the Sessional Committee set up to deal with agenda item 7,

1. Considers that the report by the UNCTAD secretariat on insurance education for developing countries provides valuable expertise and guidance as to how the needs of developing countries for insurance education could be met;

2. Agrees in principle with the conclusions of the report and authorizes the UNCTAD secretariat to initiate immediate action with a view to assisting developing countries to implement the proposed educational strategy;

3. Recommends that developing countries participate to the fullest possible extent in the setting up of the proposed educational programmes with the fullest co-operation of regional insurance institutes, especially as regards training of middle-level executives;

4. Recommends that international organizations, including international financial institutions and the United Nations Development Programme, and the developed countries, as well as all other countries in a position to do so, give the new programmes and those already in existence their fullest possible support in the form of technical and financial assistance consonant with the needs of the developing countries concerned.

138th meeting
5 November 1973

¹ TD/B/C.3/121.

² TD/B/C.3/121, Supp. 1.

RESOLUTIONS ADOPTED BY THE COMMITTEE AT THE FIRST PART OF ITS EIGHTH SESSION

14 (VIII). Co-operative insurance

The Committee on Invisibles and Financing related to Trade.

Recalling resolution 42 (III) on insurance and reinsurance, adopted by the United Nations Conference on Trade and Development on 17 May 1972, in which the Conference, *inter alia*, affirmed that developing countries should take steps to enable their domestic insurance markets to cover in these markets—taking into account their national interests as well as the insured interests—the insurance operations generated by their economic activities, including their foreign trade, as far as is technically feasible.

Recalling Conference resolution 38 (III) of 15 May 1972, which recognizes the role of co-operatives in trade and development and in developing savings through insurance, and which further recognizes, *inter alia*, the role of co-operatives as efficient democratic organizations in the economic and social development of developing countries,

Further recalling General Assembly resolution 31/37, of 30 November 1976, calling for the further expansion of the co-operative movement in less developed countries,

Bearing in mind the need in many developing countries to promote further the extensions of adequate insurance cover to a wider public, particularly in the rural areas, thereby increasing economic and social security in those areas,

Referring to the study entitled "Co-operative insurance: a suitable form of insurance for developing countries",^b

Noting the various viewpoints expressed during the discussions on the subject in the Committee at the first part of its eighth session,

1. *Endorses* the conclusion of the study that co-operative insurance, complementing other forms of insurance, has a special role to play in the over-all development process;

2. *Recommends* that, consistent with the objective of developing domestic insurance markets and having regard to the need to organize and operate insurance co-operatives on sound insurance principles, developing countries initiate such measures as may be considered appropriate for their establishment;

3. *Recommends* that insurance co-operatives be subjected to governmental supervision as other insurance institutions;

4. *Further recommends* that the attention of multilateral and other aid institutions providing technical assistance be drawn to the contribution of co-operative insurance in national economic development, that they respond to requests of developing countries for technical assistance in the promotion of co-operative insurance, and that the technical expertise available from various sources such as the international co-operative insurance movement be drawn upon in this respect.

145th meeting
9 December 1977

RESOLUTIONS ADOPTED BY THE COMMITTEE AT THE FIRST PART OF ITS EIGHTH SESSION

13 (VIII). Insurance of large risks in developing countries

The Committee on Invisibles and Financing related to Trade.

Recalling resolution 42 (III) on insurance and reinsurance adopted by the United Nations Conference on Trade and Development on 17 May 1972, in which the Conference, *inter alia*, affirmed that developing countries should take steps to enable their domestic insurance markets to cover in these markets—taking into account their national interests as well as the insured interests—the insurance operations generated by their economic activities, including their foreign trade, as far as is technically feasible,

Further recalling the recommendation in paragraph 3 (a) of the same resolution that Governments of developed countries should to the fullest extent possible bring to the attention of their insurance and reinsurance institutions the need to continue their efforts to provide developing countries with the necessary cover on the most appropriate terms and conditions and at the lowest cost commensurate with the risks involved, with due regard to sound underwriting principles giving adequate protection to policy-holders; such efforts would have a special importance for developing countries in view of the effects of insurance and reinsurance transactions on their economies,

Recognizing that the efforts of developing countries to achieve quick economic growth resulted in their considerable reliance upon modern technology which generated an increasing number of extraordinary risks which, owing to their nature or size, or both, require special handling and extensive acceptance capacities,

Further recognizing the serious difficulties encountered by the young domestic insurance industry in developing countries in assessing and covering their large risks, a situation which often results in a heavy reliance upon foreign insurance and reinsurance for obtaining expertise and capacity, which in turn leads to a considerable outflow of funds and less active local participation in the control of these risks,

Taking note with great interest and appreciation of the study on insurance of large risks in developing countries^a prepared by the UNCTAD secretariat with the help of several experts,

Noting further the discussion on the subject of insurance of large risks in developing countries at the first part of the Committee's eighth session dealing with the question of insurance,

1. Considers that the study by the UNCTAD secretariat on insurance of large risks in developing countries provides valuable expertise and guidance on problems facing the developing countries in the field of covering large risks and on ways and means by which these problems can be solved;

2. Recommends that developing countries adopt such measures suggested in the study as may be appropriate in their individual circumstances;

3. Endorses the conclusions of the study that insuring large risks in the domestic market is essential to promoting the sound development and growth of the domestic insurance industry;

4. Recognizes that, to implement successfully the aforementioned suggestions, developing countries should take all possible measures to strengthen their domestic insurance markets and to promote co-operation among their national insurance institutions,

with the aim of pooling systematically all local technical knowledge, experience and capacity in underwriting large risks on a sound and adequate basis;

5. Recommends that developing countries make optimum use of regional and subregional facilities, including expert listings and pooling systems for large and difficult risks;

6. Endorses the statement contained in the study by the UNCTAD secretariat as regards the need for co-operation, especially in the field of insurance of large risks, between developing and developed countries;

7. Recommends, in view of the importance of international co-operation in the field of large risks, that developed countries assist and continue to support developing countries in their efforts to provide cover for their risks at the most economic and competitive rates and also provide expertise, reinsurance capacities and training facilities in all aspects of the underwriting and servicing of large risks, including risk minimization and loss prevention;

8. Recommends that developed and developing countries take measures to ensure the prompt settlement of reinsurance premiums and the prompt settlement of claims.

145th meeting
9 December 1977

^a TD/B/C.3/137.

RESOLUTION ADOPTED BY THE COMMITTEE AT THE SECOND PART OF ITS NINTH SESSION

19 (D). Invisibles insurance

The Committee on Invisibles and Financing related to Trade.

Recalling resolution 42 (III) on insurance and reinsurance adopted by the United Nations Conference on Trade and Development on 17 May 1972, in which the Conference, *inter alia*, affirmed that developing countries should take steps to enable their domestic insurance markets to cover in these markets—taking into account their national economic interests as well as the insured interests—the insurance operations generated by their economic activities, including their foreign trade, as far as was technically feasible.

Further recalling the Declaration and the Programme of Action on the Establishment of a New International Economic Order contained in General Assembly resolutions 3201 (S-VI) and 3202 (S-VT) of 1 May 1974, which recognized as a basic component of the new international economic order in the field of insurance the existence in each developing country of a national insurance market, able to provide insurance cover locally for the greater part of the insurance risks of that country,

Recognizing that progress has been achieved in the insurance field during the Second United Nations Development Decade,

Recognizing nevertheless that much still remains to be done during the third United Nations Development Decade, and that continued efforts are needed:

(a) To promote the consolidation and diversification of genuine local insurance activities in the developing countries;

(b) To increase the volume of insurance business underwritten and retained by the national insurance markets of the developing countries;

(c) To enable insurance markets of the developing countries to maintain and secure fair and non-discriminatory treatment in matters of insurance and reinsurance from the insurance markets of the developed countries;

(d) To improve the technical and economic performance of the insurance markets of developing countries,

Taking note with interest and appreciation of the studies prepared by the UNCTAD secretariat and submitted to the Committee at the second part of the ninth session, namely:

(a) Loss prevention in fire and marine cargo insurance;^a

(b) Methods used for increasing the local retention of insurance business: regional and national insurance pools;^b

(c) Crop insurance for developing countries;^c

(d) Insurance in developing countries: developments in 1977, 1978 and 1979;^d

(e) Third world insurance at the end of the 1970s.^e

Noting with satisfaction that regional reinsurance organizations have been established in Africa and Asia, particularly the African Reinsurance Corporation, the Asian Reinsurance Corporation and the Arab Reinsurance Corporation, and endorsing in principle plans for the development of other reinsurance projects under consideration.

Taking note further of its discussions as reflected in its report,

1. Agrees that the strategy followed so far in insurance has proved positive, but that, in order to attain more rapidly and safely its development objectives, this strategy has to be further expanded and intensified; and considers that it is necessary to extend and intensify efforts to achieve greater retention in developing countries and that these efforts should take into account the varying characteristics of individual market situations;

2. Urges the developing countries to continue and intensify their efforts to promote and consolidate their domestic insurance sectors, which play an important role in their national economies;

3. Recommends in this connection that developing countries resort to regional and interregional co-operation, for which insurance provides many adequate possibilities and, in particular, that:

(a) Developing countries actively support the existing regional reinsurance organizations;

(b) Developing countries consider and actively support the establishment of national and regional pools or reinsurance organizations for improving national retentions;

4. Requests the developed market economy countries and the socialist countries of Eastern Europe to extend all possible assistance and technical support to the efforts of the developing countries and to facilitate the implementation of the aforementioned strategy at both the national and the regional level;

5. Requests, in view of the value and merit of the studies prepared by the UNCTAD secretariat, that the secretariat should publish a comprehensive report indicating how far the Committee's resolutions and decisions on insurance and reinsurance, taking into account the secretariat's previous reports, have been implemented during the past five years.

6. Calls upon the UNCTAD secretariat:

(a) To continue its work on the subject of loss prevention in fire and marine cargo insurance by preparing a list of priorities for measures to be taken by Governments, industry and trade, the insurance companies and the public, and to provide guidance and assistance to countries desiring to set up appropriate agencies to enforce the recommended safety measures, taking into account, *inter alia*, the recommendation on missing vessels adopted at the African Regional Seminar on Marine Cargo Insurance held at Alexandria, Egypt, in 1978;^f

(b) To explore the possibilities for establishing multilateral reinsurance plans among Governments, wherever applicable, or crop insurance organizations of various countries, to be operated through regional or other reinsurance organizations already existing or to be established; and to explore any other possibilities for supporting national crop insurance and reinsurance schemes of developing countries, taking into account the work done in other organizations;

7. Requests in particular that the UNCTAD secretariat also prepare studies on life insurance, on third-party automobile insurance, and on reinsurance institutions as a means of increasing the local retention of insurance business, and a study analysing the insurance schemes through which developing countries could cover losses arising from natural catastrophes;

8. Requests further that the hitherto biennial review of insurance events in developing countries be published annually in future, in order to provide and disseminate more up-to-date information;

9. Requests the UNCTAD secretariat to provide technical assistance at the national and regional levels to the developing countries in the implementation of the approved programmes on insurance and reinsurance;

10. Urges multilateral and bilateral development agencies, including competent United Nations bodies and other donors, to accord adequate priority to insurance projects in the programming and allocation of their technical assistance resources.

168th meeting
3 October 1980

^a TD/B/C.3/162.

^b TD/B/C.3/160.

^c TD/B/C.3/163 (to be issued as a United Nations publication (TD/B/C.3/163/Rev.1)).

^d TD/B/C.3/169.

^e TD/B/C.3/169/Add.1 and Corr.1 (to be issued as a United Nations publication (TD/B/C.3/169/Add.1/Rev.1)).

^f See TD/B/C.3/162, para. 191.

RESOLUTIONS ADOPTED BY THE COMMITTEE AT
THE FIRST PART OF ITS TENTH SESSION

20 (X) Captive insurance companies

The Committee on Invisibles and Financing related to Trade,

Recalling resolution 42 (III) on insurance and reinsurance, adopted by the United Nations Conference on Trade and Development on 17 May 1972, in which the Conference, inter alia, affirmed that developing countries should take steps to enable their domestic markets to cover in these markets, taking into account their national economic interests as well as the insurers' interests, the insurance operations generated by their economic activities,

Taking note with interest and appreciation of the study on "Insurance in developing countries: developments 1980-1981" (TD/B/C.3/178), which dealt, inter alia, with the subject of captive insurance companies,

Requests the UNCTAD secretariat to conduct a further study on the possible impact of the captives on the operation of domestic insurance markets in developing countries.

176th meeting
17 December 1982

21 (X) Life insurance in developing countries

The Committee on Invisibles and Financing related to Trade,

Recalling recommendation A.IV.25 on insurance and reinsurance, adopted by the United Nations Conference on Trade and Development at its first session in 1964, in which it was agreed, inter alia, that a sound national insurance and reinsurance market is an essential characteristic of economic growth, ^{a/}

Recalling further General Assembly resolution 36/42, of 19 November 1981, calling for intensified efforts to mobilize personal savings in developing countries so as to maximize financial resources available for accelerated development,

Recognizing that life insurance and life insurance companies can play an important role in promoting individual economic security and in national development efforts, including the mobilization of personal savings,

Recognizing further the importance of and need for more adequately trained sales, actuarial and other life insurance personnel,

Taking note with great interest and appreciation of the study by the UNCTAD secretariat on "The promotion of life insurance in developing countries" (TD/B/C.3/177 and Corr.1),

Noting further the discussion on the subject of life insurance in developing countries at the first part of its tenth session,

1. Recommends that governments of developing countries should take steps to ensure that technical reserves and guarantee deposits of life insurance companies and life reinsurance business in developing countries should be invested in the country where the premium income arises, taking into account all the relevant characteristics and technical requirements of the risks involved as well as the adequacy of security, liquidity and income;

2. Requests the UNCTAD secretariat to prepare studies on the various fiscal and other measures that developing countries members of UNCTAD could adopt to make life insurance products more flexible for policyholders and more competitive with other savings media, especially in view of the current high levels of inflation. The measures to be examined may include, among others: (a) tax incentives for insurance companies and policyholders; (b) alternative investments, including index-linked securities, to enable insurers to earn competitive rates of return in an inflationary environment, keeping in mind the necessity for reasonable security and liquidity;

a/ Proceedings of the United Nations Conference on Trade and Development, vol. I, Final Act and Report, third part - annexes.

and (c) consideration of equitable minimum or standard policy provisions that could be incorporated into life insurance contracts;

3. Recommends that initiatives be taken to improve the quality and quantity of training for insurance personnel of developing countries;

4. Recommends further that developing countries make use of the substantive competence of the UNCTAD secretariat to provide technical assistance in training and in creating individual country and appropriate regional mortality tables of insured lives.

176th meeting
17 December 1982

22 (X) Loss prevention in marine cargo insurance in developing countries

The Committee on Invisibles and Financing related to Trade,

Recalling Conference resolution 42 (III) of 17 May 1972 on insurance and reinsurance and its emphasis on the existence of a sound domestic insurance market in developing countries as an essential characteristic of their economic development,

Recognizing that the strengthening of domestic insurance markets in developing countries calls for the adoption of loss prevention measures directed at minimizing claims, as many of these measures will entail less costs than those being now indemnified by the domestic industry in these countries on account of claims paid,

Recognizing also that loss prevention measures will not only improve the economy of the insurance sector alone, but will also bring benefits to the insured and to the general economies of developing countries as a whole,

Recognizing further that measures of loss prevention adopted in developing countries will also result in fewer reinsurance claims and are likely to facilitate international trade and transportation and therefore be of great interest to reinsurance and trading partners in and outside the countries concerned,

Taking note with interest and appreciation of the study by the UNCTAD secretariat on "Cargo loss prevention: Suggestions for a domestic policy in developing countries" (TD/B/C.3/162/Supp.1), submitted to the Committee at the first part of its tenth session, which suggests a number of practical measures in the areas of packaging, transportation, storage and security of cargo, and which outlines the elements of a strategy for the developing countries in the field of loss prevention,

1. Recommends that developing countries consider the adoption of those of the measures suggested in the above mentioned study, that fit their particular situation and meet the needs of their insurance and reinsurance sectors;

2. Agrees that the suggested measures will entail benefits which will spread to the whole international insurance community and other interests concerned, and therefore recommends that the developed countries and all other countries in a position to do so support the efforts of developing countries in the field of loss prevention in marine cargo insurance;

3. Calls upon the United Nations regional commissions, regional intergovernmental bodies engaged in the process of economic co-operation, and other interested professional and non-governmental organizations, to support action on a regional and subregional basis.

176th meeting
17 December 1982

23 (X) Motor insurance in developing countries

The Committee on Invisibles and Financing related to Trade,

Recalling Conference resolution 42 (III) of 17 May 1972, on insurance and reinsurance and its emphasis on the existence of a sound national insurance market in developing countries as an essential characteristic of their economic development,

Recognizing that the strengthening of national insurance markets in developing countries requires, inter alia, viable operation of insurers in these markets,....

Noting that motor insurance has been recording negative results in many... developing countries, a situation which threatens the orderly growth and development of these markets,

Taking note with interest and appreciation of the studies presented by the UNCTAD secretariat on the subject of motor insurance in developing countries (TD/B/C.3/176 and TD/B/C.3/176/Supp.1),

Taking note further of the discussions on the subject of motor insurance in developing countries at the first part of its tenth session,

1. Agrees that the adverse performance of motor insurance in developing countries represents a major problem for the emerging insurance industry in these countries, and that governments, insurers and insureds should take appropriate measures to improve its results;
2. Invites developing countries to consider making use of the measures recommended in the study prepared by the UNCTAD secretariat to improve the performance of the motor account, taking into consideration the varying characteristics of individual market situations;
3. Requests the UNCTAD secretariat to continue its work on the subject of motor insurance by preparing further in-depth studies on the alternative legal systems applicable to the compensation of motor accident victims, taking into consideration the social aspect of motor insurance, the responsibility of insurers and the interest of the insurance industry;
4. Requests further the UNCTAD secretariat to prepare a study on the compilation of necessary motor insurance statistics including a model, and case reports on successful and/or workable motor insurance schemes in developing countries, for dissemination to member States,

176th meeting
17 December 1972

Training Courses and Seminars conducted by the Special Programme on Insurance

A. African Region

Seminar on Marine Cargo Insurance

Alexandria, 20-29 November 1978

The aim of the seminar was for the participants (insurance officials and executives from the national insurance industries dealing with marine cargo insurance) to review their present policies in the field of marine cargo insurance so that they could adopt measures aimed at increasing their countries' participation in providing marine insurance cover to their foreign trade. The seminar focused on the main legal, technical and economic aspects of marine cargo insurance. The main problems associated with insurance legislation, marine underwriting and settling of claims were dealt with as were the related problems of claim liability, loss prevention and multimodal transport.

B. Asia and Pacific Region

The seminars for the Asia and Pacific region were carried out under a project, financed by UNDP, specifically drawn-up to meet the training requirements of the region.

Seminar on Marine Cargo Insurance

Manila, 6-17 March 1978

The aim of the seminar was for participants (insurance officials and executives from the national insurance industries dealing with marine cargo insurance) to review their present policies in the field of marine cargo insurance so that they could adopt measures aimed at increasing their countries' participation in providing marine insurance cover to their foreign trade. The seminar focused on the main legal, technical and economic aspects of marine cargo insurance. The main problems associated with insurance legislation, marine underwriting and settling of claims were dealt with as were the related problems of claim liability, loss prevention and multimodal transport.

Seminar on Crop Insurance

Colombo, Sri Lanka, 1-5 October 1979

The seminar dealt with both the conceptual and operational aspects of crop insurance. Discussions were held on theoretical subjects such as the psychological and mathematical foundations of crop insurance and on economic issues. Practical and methodological issues such as premium determination and collection, claims settlement, reinsurance arrangements and cost sharing between farmers and governments were also covered.

Seminar on the Insurance of Large Risks

Singapore, 12-23 May 1980

The seminar covered the broad topic of insuring large risks and the technical aspects of insuring large industrial fire risks. The technical aspects of engineering risks, marine hull risks, aviation risks, as well as the subject of risk management as applied to these types of risks were also covered. To supplement the lectures on these subjects, participants toured selected large risks in Singapore.

Seminar on Life Insurance

- (1) Bombay, India, 21 July - 8 August 1980
- (2) Manila, 5-17 October 1981.

The seminars dealt with the economic, mathematical, legal, financial and functional aspects of life insurance, health insurance and annuities.

Seminar on Insurance Supervision

Manila, 24 November - 12 December 1980

The seminar focused on the methods of implementing efficiently insurance supervision, including licensing procedures, control of financial conditions, and market conduct. For a clearer understanding detailed explanations of the supervisory systems of the Philippines, the United States and Europe were given.

Seminar on Motor Insurance

Singapore, 25 May - 4 June 1981

The objective of the seminar was to compare the experience of various countries in motor insurance, to analyse the main causes of adverse results and to provide guidance as to the measures through which a remedy could be found. The topics covered included the legal environment of motor insurance, critical analysis of the "tort"-based motor insurance system and possible measures to improve it, underwriting motor insurance business, criteria for rating claims cost and profitability. Country reports on local motor insurance business were presented for discussion by participants.

Seminar on Reinsurance Planning

Singapore, 14-22 June 1982

The purpose of the seminar was to increase the knowledge of reinsurance personnel of the region in reinsurance techniques and to provide insurance companies of the region with information on how to evaluate optimum levels of reinsurance and on reinsurance costs. The subjects covered included solvency problems, reinsurance and the economies of developing countries, the impact of reinsurance on the insurer's risks, underwriting and retention/reinsurance optimization.

Course on General Insurance and Insurance Management

Manila, July - November 1982

This course was arranged in collaboration with ESCAP and the Insurance Institute for Asia and the Pacific (IIAP). The course covered general business and management fundamentals, especially as relates to insurance management and analysis. The bulk of the course was devoted to lectures and discussions on the many fields of non-life insurance, with particular emphasis on those areas of interest to the developing countries in the Asia and the Pacific region.

C. Inter-regional

Seminar on Loss Prevention in Fire and Marine Cargo Insurance

Madras, India 3-7 December 1979

This inter-regional seminar was attended by participants from Africa, Asia and the Pacific regions. The seminar centered on the technical and operational aspects of loss prevention in fire and marine cargo insurance and the role of insurers in such programmes. The seminar covered fire loss prevention and protection in general and as applied to specific industries (e.g. plastic and chemical industries) and cargo loss prevention, including cargo handling and loss minimization measures at ports.

Training Courses and Seminar under preparation

Course on General Insurance and Insurance Management

Manila, 27 June - 30 September 1983

The course, like the one offered in 1982, will cover general business and management fundamentals especially as relates to insurance management and analysis. The bulk of the course will be devoted to lectures and discussions on the many fields of non-life insurance, with emphasis on those areas of importance to developing countries in the Asia and the Pacific region.

Seminar on the Government's Role in the Supervision of Reinsurance

Singapore, 13 - 21 June 1983

The seminar is intended to provide a forum for understanding the many facets of reinsurance supervision and transactions, including current regulatory practices in the area and for analyzing problems of common concern.

ANNEX III

List of Studies Prepared by the Special Programme on Insurance

- TD/B/C.3/83 Rev. 1
Sales No.
72.II.D.9
Price \$1.50
(1972)
- Establishment of a unified international system of Insurance Statistics
Proposes a system of national insurance statistics to meet the main statistical requirements of developing countries in this field and to provide a basis for making national insurance statistics internationally comparable.
- TD/B/393 or
TD/B/C.3/84/Rev. 1
Add. 1 & Add. 2
Sales No.
72.II.D.4.
Price \$3.50
(1972)
- Insurance legislation and supervision in developing countries
Describes the existing systems of insurance legislation and supervision in 58 developing countries. Examines methods of insurance supervision and proposes solutions to a number of problems faced by many developing countries in the field of insurance supervision.
- TD/B/C 3/87
(1972)
- Investment of technical reserves of insurance concerns in the country where the premium income arises
Provides a practical guide for the correct evaluation of the liabilities of insurance concerns, the setting up of adequate technical reserves and their proper investment in the country of the insurance portfolio.
- TD/B/C.3/106/Rev.1
(1973)
Sales No.
F.74.II.D.2.
Price \$4.00
- Reinsurance problems in developing countries
Analyses reinsurance problems in developing countries at the individual company level, with a view to identifying the means by which these countries can make full use of the reinsurance services necessary for a sound and rapid development of their national insurance markets, while keeping the cost of reinsurance within acceptable limits, particularly in regard to the cost in foreign exchange.
- TD/B/C.3/120
(1975)
- Marine cargo insurance
A study dealing with current terms and practices of international marine cargo insurance, as well as with specific marine insurance problems in developing countries.
- TD/B/C.3/121 and
and supp. 1
(1975)
- Insurance education for developing countries
A study and report analyzing the present problems in insurance education in developing countries and proposing a global strategy aimed at solving these problems.

TD/B/C.3/137
(1977)

Insurance of large risks in developing countries
Analyses the nature of problems generated by insurance of large risks in developing countries and proposes a set of policies which could be adopted by these countries at the company, national, regional and international levels.

TD/B/C.3/138
(1977)

Co-operative insurance : a suitable form of insurance for developing countries

A study prepared by the International Co-operative Alliance at the request of the UNCTAD secretariat; analyses the current situation of co-operative insurance and examines its potential to promote insurance in developing countries.

TD/B/C.3/140
(1977)

Cargo insurance problems in land-locked developing countries

Analyses specific cargo insurance problems confronting the land-locked developing countries and proposes solutions at a bilateral (land-locked and transit countries) level.

TD/B/C.3/160
(1980)

Methods used for increasing the local retention of insurance business. Regional and national pools

Discusses the mechanisms by which developing countries could retain a larger volume of premiums emanating from insurance of large risks both at the national and regional levels. Also gives information on the methods of operation on insurance pools.

TD/B/C.3/162
(1980)

Loss prevention in fire and marine cargo insurance

Discusses the economic, social and technical aspects of loss prevention in fire and marine insurance. Gives respective roles and responsibilities of public authorities, insurers and insured.

TD/B/C.3/163/Rev. 1
(1980)
Sales No.
F.81.II.D.2
Price \$2.50

Crop insurance for developing countries

Discusses the economic and social benefits of crop insurance, and the technique of, and conditions required for operating successfully crop insurance in developing countries. Sets out various options regarding the scope and type of cover.

TD/B/C.3/169 Add.1
(1980)

Third world insurance at the end of the 1970s

Describes the situation of the insurance markets in developing countries at the end of the second development decade. The present structure of their markets, their growth and capacity are illustrated by statistical data.

TD/B/C.3/176
(1982)

Problems of motor insurance in developing countries

Discusses the motor vehicle situation in developing countries and the importance of motor insurance to insurers in such countries. Presents the generally adverse results for such insurance and suggests ways of improving them.

- TD/B/C.3/176 Supp. 1
(1982) Problems of developing countries in the field of motor insurance
Discusses economic and social problems resulting from motor accidents. Focuses on the weakness and shortcomings of the present system and proposes alternative concepts for the compensation of motor accident victims.
- TD/B/C.3/177
(1982) The promotion of life insurance in developing countries
Discusses the social and economic role of life insurance in developing countries, conditions favouring its growth; and the role governments can play in promoting life insurance.
- TD/B/C.3/162 Supp. 1
(1982) Cargo loss prevention: suggestions for a domestic policy in developing countries
Amplifies some of the basic concepts of loss prevention in marine cargo included in study TD/B/C.3/162 of 1980, and suggests a number of practical measures in the area of packaging, transportation, storage and security of cargo. Outlines the element of global strategy in the field of loss prevention.
- TD/B/C.3/99 (1970)
TD/B/C.3/107 (1971-72)
TD/B/C.3/122 (1973-74)
TD/B/C.3/141 (1975-76)
TD/B/C.3/169 (1977-1978-1979)
TD/B/C.3/178 (1980-81) Insurance in developing countries
A biannual review of insurance and reinsurance events in developing countries with particular emphasis on the evolution of their national markets.

These studies may be obtained, stocks permitting, from the UNCTAD secretariat, Editorial and Documents Section, Palais des Nations, 1211 Geneva 10, Switzerland.

Please quote the document number(s) with your request including the preferred language (English, French, Spanish, Russian or Arabic).

Prince Oke's Petition to Chief
Obafemi Awolowo (4 December 1967)

FEDERAL MINISTRY OF FINANCE

FINANCE DIVISION

LAGOS.

P.M.B. No. 12195

Telegrams

Telephone 25491/87.



Ref. No. F. 11805/153

Date 10th February, 1968.

Mr. E. A. Oke,
Secretary,
Nigerian Union of Bank Insurance and
Allied Workers,
Royal Exchange Assurance,
31, Marina,
LAGOS.

Dear Sir,

Formation of National Re-insurance Com. 11.

I am directed to acknowledge with thanks receipt of your letter of 4th December, 1967 on the above subject and to state that the committee are receiving attention. A further communication will be addressed to you in due course.

Yours faithfully,

D. O. OGUNYEMI,
for Permanent Secretary.

**ROYAL EXCHANGE ASSURANCE
31 MARINA
LAGOS**

4th November, 1967.

**Chief Obefemi Awelewe
Commissioner for Finance & Vice Chairman
Federal Executive Council
Lagos**

Dear Sir,

Formation of National Re-Insurance Corporation

Insurance is an invisible export and while it enriches the purse of the UNITED KINGDOM'S GOVERNMENT, it drains our own purse.

There are four main classes of insurance policies in Nigeria.

- 1. Marine Insurance:** All Exports or Import goods must be insured. Before Bank can grant any loan to any trader, an Insurance Policy covering such goods must be produced. About 50% of the Premium paid is sent to London under the pretext of re-insuring 9/10 of the risk with the Head Office in the UK. Therefore, if a premium of one million pounds is collected in Nigeria on Marine, already, £900,000 will remain with the Head Office. Any claim arising out of the various policies, will be met from the remaining £100,000. If a claim of £10,000 is made, the Insurance Companies concerned will keep outstanding estimates of £80,000, and cleverly declares a profit of £10,000 to our (Nigerian) Government. Finally, Tax is evaded on the remaining actual profit of £980,000. I emphatically and authoritatively declare that no Insurer in Nigeria pays more than 10% of the actual tax charge. That is, if the Government realises total tax of £1 million pounds from Insurance Companies, the Government as well loses every year nine million pounds tax to the Insurers.
- 2. Life Insurance:** Life Insurance is another lucrative branch of the Insurance Market. My employer, Royal Exchange Assurance Corporation came to this country in 1921 and up until now now, every life policy is underwritten at our Head Office in London. No wonder, our million pounds office building was purported to have been built by REA INVESTMENT AND PROPERTY COMPANY LIMITED, LONDON. Thousands of pounds profit are transferred to London yearly under the cover of rent and interest on loan.
- 3. Fire Insurance:** Every mortgage is covered by Fire Insurance Policy. This type of Insurance always brings thousands of profit to my employer The Royal Exchange Corporation every year.
- 4. Accident Insurance:** Accident Insurance covers a very wide field. The most important

is the Act Parliament on Compulsory Motor Insurance. The insurance companies cheat Nigerians in two ways. (i) Insurance Premiums are collected from the poor citizens and (ii) our Ministry of Finance compensates the Insurance Companies when claims are made against any of the Government drivers that is negligent. For example, the Finance Ministry paid a lot of money to Royal Exchange Assurance as compensation for the Lumumba Riot of February, 1961. The majority of Expatriates in Nigeria insures with us (Royal Exchange Assurance) and the riot affected them most. When I was the Office Claims Inspector in 1964, I handled the whole transaction. It was unfortunate that such a revelation like this could not be made then because of the corrupt government we had which our Military men are clearing now with the help of your honest and experienced politicians.

The establishment of National Re-Insurance Corporation will let our Government be in possession of statistics relating to insurance market in Nigeria. At a glance, the Ministry of Finance will be able to know the type of profits that the Insurance Corporation make every year. At the moment, an Insurance Department may be opened with a skeleton staff at the Ministry of Finance. A decree must be passed that all Insurance Companies must re-insure 10% of every policy with the Government, and the Government will be prepared to meet 10% of every loss. This is known as "Quota Share Re-Insurance". If this type of reinsurance had been in operation during the Lumumba Riot, the money paid to the Insurance Companies must have been taken from the net premium collected.

Dear Sir, I have acquired sufficient experience to give you further details on this matter because I have worked in both the Underwriting and Claims Departments of the Royal Exchange Assurance. I handled claims experience of various policies and know how to get loss Ratio of a policy. I am still a member of the staff of the Royal Exchange Assurance, 3, Marina , and my telephone number is 26431. I am prepared to appear before you anytime you call on me. If this venture is tried, I promise you that in less than ten years, it will bring more profit to our Government than any other project.

For your further information, more companies still pay their various Insurance Premiums to our Head Office in London by their Head Office in London and collect free policies in Nigeria, while every claim arising from such policies are met from the premiums collected from the poor citizens.

I long to hear from you, Sir,

Yours faithfully,

E.A. Oke,
Secretary, Nigerian Union of Bank Insurance and Allied Workers.
Royal Exchange Assurance Branch.

November 11, 1967

Obafemi Awolowo

Chief Obafemi Awolowo,
Commissioner for Finance & Vice Chairman,
Federal Executive Council,
Lagos

Dear Sir,

FORMATION OF NATIONAL RE-INSURANCE CORPORATION

Insurance is an invisible export and while it enriches the purse of the UNITED KINGDOM'S GOVERNMENT, it drains our own purse.

There are four main classes of Insurance Policies in Nigeria.

1. MARINE INSURANCE: All Exports or Import goods must be insured.

Before Bank can grant any loan to any trader, an Insurance Policy covering such goods must be produced. About 90% of the Premium paid is sent to London under the pretext of re-insuring 9/10 of the Risk with the Head Office in U.K. Therefore, if a premium of one million pounds is collected in Nigeria on Marine, already, £900,000 will remain with the Head Office. Any claim arising out of the various policies, will be met from the remaining £100,000. If a claim of £10,000 is paid, the Insurance Companies concerned will keep an outstanding estimate of £80,000, and cleverly declare a profit of £10,000 to our (Nigerian) Government. Finally, Tax is evaded on the remaining actual profit of £900,000. I emphatically and authoritatively declare that no Insurer in Nigeria pays more than 10% of the actual tax dues. That is, if the Government realises total tax of £1 million pounds from Insurance Companies, the Government as well loses every year nine million pounds Tax to the Insurers.

2. LIFE ASSURANCE: Life Insurance is another lucrative branch of the insurance Market. My employer, The Royal Exchange Assurance Corporation came to this country in 1921 and up to now, every life policy is under written at our Head Office in London. No wonder, our Million Pounds Office building was purported to have been built by REA INVESTMENT AND PROPERTY COMPANY LIMITED, LONDON. Thousands of pounds profit are transferred to London yearly under the cover of Rent and interest on loan.

3. FIRE INSURANCE: Every mortgage is covered by Fire Insurance Policy. This type of Insurance always bring thousands of profit to my employer The Royal Exchange Corporation every year.

4. ACCIDENT INSURANCE: Accident Insurance covers a very wide field. The most important is the Act of Parliament on Compulsory Motor Insurance. The Insurance Companies cheat Nigerians in two ways. (1) Insurance Premiums are collected from the poor citizens and (11) Our Ministry of Finance compensates the Insurance Companies when claims are made against any of the Government drivers that is negligent. For example, the Finance Ministry paid a lot of money to Royal Exchange Assurance as Compensation for the Lamurba riot of February, 1961. The majority of the Expatriates in Nigeria insured with us (Royal Exchange Assurance) and the riot affected them most. When I was the Office Claims Inspector in 1964, I handled the whole transaction. It was unfortunate that such a revelation like this could not be made then because of the corrupt government we had which our military men are cleaning now with the help of your honest and experience politicians.

The Re-establishment of National Re-Insurance Corporation will let our Government be in possession of statistics relating to insurance market in Nigeria. At a glance, the Ministry of Finance will be able to know the type of profits that the Insurance Corporations make every year. At the moment, an Insurance Department may be opened with a skeleton staff at the Ministry of Finance. A decree must be passed that all Insurance Companies must re-insure 10% of every policy with the Government, and the Government will be prepared to meet 10% of every loss. This is known as "Quota Share Re-Insurance". If this type of reinsurance had been in operation during the Lumumba Riot, the money paid to the Insurance Companies must have been taken from the premium collected from them.

Dear Sir, I have acquired sufficient experience to give you further details on this matter because I have worked in both the Underwriting and Claims Departments of Royal Exchange Assurance. I handled claims experience of various policies and know how to get loss ratio of a policy. I am still a member of the staff of Royal Exchange Assurance 37, Marina and Victoria Road, London No. 1, 26431. I am prepared to appear before you anytime you call on me. If this venture is tried, I promise you that in less than ten years, it will bring more profit to our government than any other project.

For your further information, more companies still pay their various Insurance Premiums to our Head Office in London by their Head Office in London and collect free policies in Nigeria, while every claim arising from such policies are met from the premiums collected from the poor citizens.

I long to hear from you, Sir,

Yours faithfully,

E. A. OKE
Secretary, Nigerian Union of
Bank Insurance and Allied Workers.
Royal Exchange Assurance Branch.

MR J. I. Falegan,
Chairman Technical Committee
for & Man Insurance Investigating
Panel.

Please,
The above-mentioned
is for you. Thanks.

24.10
18/2/86

Memorandum by the Nigerian Insurance Association (10 May 1979)

NIGERIAN INSURANCE ASSOCIATION

Our Ref: FCO/OPI-AN11/PI.2

Your Ref: TS.112/V.6/T/69

Secretariat
Mandilas House
96/102 Broad Street
P.O. Box 9551
Lagos

10 May 1979

For the attention of: Mr. E. Okwor

The Permanent Secretary
Federal Ministry of Trade
Insurance Division
Private Mail Bag 12514
Lagos

re: Insurance Decree 1976 and Insurance Regulations

We would refer you to your letter of the 28 March 1979 requesting for the views of the Nigerian Insurance Association on the operation so far of the Insurance Decree 1976, having regard to the experience of members, and would advise you that whilst we are of the opinion that the Decree, together with the Regulations thereto have worked satisfactorily in the present form, there are areas where we strongly feel that the Decree should either be amended or serious thought be given in any future amending Decree or Act.

The important areas that we would like to draw your attention to are as follows -

1. Section 14

We would refer you to our original objection on this section in which we stated that it cannot be the intention of the Decree that it is necessary that the Director should approve every variation on standard wordings in non-Motor insurance business. These variations are often necessary in view of the tremendous changes in our economic, industrial and social requirements. The industry must, of necessity, gear itself up to meet these changes, particularly with the emergence of a well organised broker market in the industry. We do have in mind the protracted correspondence and delay in effecting the amended Marine Classification Clause. Had the amended Classification Clause been approved in time, perhaps we would have been able to reduce drastically the marine losses arising from "disappearing ships".

We are of the opinion, therefore, that there should be a quicker and more definite machinery for approval of N.I.A. sponsored alteration to standard policy terms and conditions.

2. Section 17

You will again recall that we made representation regarding -

- (a) Reserve on unexpired risks on Marine Cargo of 75% and
- (b) Reserve for I.B.N.R. outstanding claims of 20%.

2.

In both cases, you did in fact concede to modification, but may we point out the fact that most auditors have had to qualify our accounts in view of the fact that your modifications have not been embodied in the Decree. We accept the fact that you have not queried any of our members on this score, but we think we ought to bring it to your notice for necessary inclusion in any future amendment of the Decree.

3. Section 18 - Investment

We have considered the limit placed on our investments in real property by Section 18 (4) of the Decree, and we are of the opinion that in these days of galloping inflation, the only hedge we have or ought to have is investment in real property, as we are precluded by the Decree from arbitrarily increasing our rate of premium to combat the effect of inflation. We are of the opinion, therefore, that the limit set out in the Decree for investment in real property should be amended as follows -

- (a) In respect of non-life insurance business, 20% in real property.
- (b) In respect of life insurance business, 30% in real property.

These increases will, of course, enable the insurers to play their expected role in the Federal Government's intention to increase low cost houses for workers.

4. Section 19

This Section requires that every registered insurer should submit to the Director not later than 31st May audited accounts, together with other relevant documents, for the preceding financial year. In respect of life companies, the audited accounts have to be accompanied with actuarial report, and we have received representations from members transacting life business that quite apart from the difficulties of communication, it is not always feasible to obtain actuarial report in order to comply with the provisions of this Section of the Decree. We appreciate the fact that you have not followed the provisions of the Decree to the letter but, at the same time, we are of the view that the date for filing of returns should be amended to 31st July.

5. Sections 27 (2) and 28 (2)

In these two Sections reference is made to the payment of premium within stipulated period by either an Agent or Broker where the premium has been collected. No mention has been made to premium due or, instances where an insurer has been requested particularly by a Broker to go on cover and no premium was paid or received by the insurer at the time such instruction was received. Experience has shown that accounts with Brokers and/or Agents have been known to be outstanding for a period of 12 months and upwards. It is our view that the present provisions of the Decree relating to the payment of premium collected are most unsatisfactory. It will interest you to know that the outstanding premiums due to members as at the end of 1978 from Agents and Brokers must be near N60,000,000 mark. With the loss of investment income from this amount of nearly N3,000,000 at an average rate of interest of 6%, the performance and growth of the industry is very much inhibited. We have in fact taken up this matter of outstanding premiums with some of the major Brokers and their views, apart from reliance on the provisions of the Decree on the payment of premium when collected, are that they are not Agents of their clients for such outstanding premiums. You will agree with us that this situation will leave most insurance companies in an unenviable situation.

It is our view, therefore, that the question of payment of premium is left too loose in the Decree and that the date on which risk attaches or debit is raised should be the commencement date for credit time rating. The period of credit, under any circumstances, should not exceed 60 days for Brokers and Credit Agents to allow for preparation of monthly statement of account and reconciliation.

Following provisions in insurance legislations applicable to other countries, with particular reference to India, we are of the view that the Decree should be amended to take cognizance of the situation mentioned above. In fact, any future amendment should include a provision to the effect that where an insurer has renewed, or gone on cover, or issued a cover note and/or policy, then the insurer is entitled to be paid a premium within a period not exceeding 60 days from the commencement date of the risk. Such a situation would be of invaluable assistance not only to the insurers but also to the Brokers and Agents.

6. Section 43

This specifically refers to civil proceedings being taken in court in respect of any claim under a policy of insurance. However, all third party claims are made against the alleged tortfeasor who, depending upon the existing laws, may or may not insure. In fact, this Section is the same as Section 149 of the 1972 Road Traffic Act in the United Kingdom, except that the provision relating to compulsory insurance has been omitted.

It is not clear whether it is the intention that this Section should override Section 9 of the Motor Vehicle (Third Party Insurance) Act 1945. If this is the case, motor insurers would be left with a conditionless policy not only in respect of liabilities to third parties required to be insured under the Motor Vehicle Act but also of other liabilities to third parties. While there may be arguments for this in respect of liabilities, which have to be insured in compliance with the Motor Vehicle Act, it is submitted that the same reasons do not apply in respect of non-compulsory insurable liabilities. If it is a question of choice as to whether a policy is effected providing cover in respect of legal liabilities to third parties, then the terms of such a policy should be negotiated between the parties and complied with by them. It would not appear to be equitable that one third party who has suffered because of the action of a negligent person who is insured but for some material reason the insurance was not valid should be in any better position than another third party who suffered similarly but where the negligent person is not insured. If it is the intention to effect changes in compulsory motor insurance, this should be dealt with under the Motor Vehicle (Third Party Insurance) Act. It would appear that it is the intention that this Section should apply to compulsory motor insurance but here again we would like to draw your attention to this anomaly.

As it stands at the moment, it makes cancellation conditional on the return of certificate of insurance, but this is impractical and would involve many unnecessary court actions being instituted. The provisions regarding cancellation appear to be adequate under the Motor Vehicle (Insurance) Act. Any conflict in this Decree and that Act should be eliminated in this Decree.

7. Although the existence and/or recognition by your office of the Nigerian Insurance Association is not dealt with under the Insurance Decree 1976, it is our view that having accorded us recognition, we should be allowed as an Association to select our own members, who have satisfied all our

requirements, rather than being obliged to register any insurer who has complied with statutory requirements under the Insurance Decree 1976. We, of course, do not want to arrogate to ourselves any supervisory authority but as an Association, you will agree with us that we are bound by our own constitution. Unless members comply with the provisions of our constitution, they should not as of right be admitted on the mere basis that they have satisfied the statutory requirements. We are also of the opinion that in the general interest of the industry, the Brokers should be encouraged to have a very strong and viable association to encourage useful dialogue not only with the Nigerian Insurance Association but also with the Ministry in matters relating to the general improvement of the industry. Such an association should have powers of regulation of their members, as we suggest for the N.I.A.

We are of the view that if the above points are implemented, we should be able to have a strong and viable insurance industry in Nigeria.

We must apologise for not having submitted this letter within the time schedule stipulated by you in your letter under reference, but as this matter concerns all our members, we have had to seek individual opinions on their experiences regarding the operation of this Insurance Decree 1976 and 1977 Regulations thereto.

We hope you will find the above comments acceptable and now await your further advices.

Chief F.C. Ozomah

Chairman
Insurance Decree Committee

The Nigerian Corporation Of Insurance Brokers

Founded 1962

T. A. Braithwaite A.C.I.I., F.C.I.B.
President
Chief J. Akin George A.C.I.I., F.C.I.B.
1st Vice President
Femi Johnson A.M.C.I.B.
2nd Vice President
Femi Elugbaju A.C.I.B.
Hon. Gen. Secretary
Remi Aio
Asst. Hon. Gen. Secretary
A. A. Oyeadejo A.C.I.I.
Hon. Treasurer

COUNCIL MEMBERS

N. A. Adeniji A.C.I.I.
T. O. Balogun A.M.C.I.B.
Olat. Badmus
J. O. Imona - Russel



Office of The President

47, Marina, 40 Balogun Street
46th Floor
Lagos.

15th May, 1979

TAB/TOI/5-7.

The Permanent Secretary,
Federal Ministry of Trade,
Headquarters,
Broad Street,
LAGOS.

Dear Sir,

INSURANCE DECREE 1976 AND INSURANCE REGULATIONS 1977

We refer to the invitation of the Director of Insurance for us to forward our observations on the effectiveness of the above decree in the control and regulations of the activities of the insurance brokers/adjusters and agents in the Country. We are pleased with the invitation and hasten to forward our observations hereunder:

SECTION 25 - Registration of Agents:

We have observed that the spirit of the decree has not been strictly complied with in practice. The decree refers to 'a person' to be registered as an agent. Therefore there was no need to provide for unlimited liability, payment of deposit or registration under business names act or companies decree. Failure to keep agents to individuals has led to -

Every insurance company asking their insureds to register as agents in order to continue to allow them a discount of the premium which in some cases, have been raised to meet the level of commissions stipulated by the decree. We feel that this abuse can be removed by allowing only individuals to be registered as agents under the decree.

SECTION 27

i. Registration of Insurance Brokers:

We find at the moment, that all kinds of firms and individuals refer to themselves as insurance brokers. The Corporation is of the view that qualification for registration of an insurance broker must be clearly spelt out and that only those who qualify

should be registered. We will commend our own regulations to the Director of Insurance, for consideration. We believe you already have copies of our Memorandum and Articles of Association and our regulations. We will gladly supply more copies as required.

ii. Unlimited Liability:

This presupposes a practice through partnership. There is therefore need to define this more clearly and to be specific whether a qualified and registered insurance broker can take into partnership individuals who are not qualified professional insurance brokers. It is also necessary to clarify whether the whole unlimited liability of the firm will rest on a single registered qualified insurance broker executive, his board or his partners. Again the Memorandum and Article of Association of the Nigerian Corporation of Insurance Brokers can help to clarify this further.

EXPATRIATES AS PARTNERS OR STAFF

The decree should spell out whether it is the intention to allow non-indigenes of Nigeria to be practising as qualified and registered insurance brokers. If so it will be that such non-indigenes should first be registered with the Nigerian Corporation of Insurance Brokers otherwise they shall only be regarded as employees. Where expatriates are allowed to be partners, the decree should specify that it should be in their personal capacity and that they should have requisite qualification as stated above. For their unlimited liability status, it is fair that non-indigenes of Nigeria should make a much higher deposit as their assets are kept outside of the Country as opposed to the assets of Nigerians which is totally based in Nigeria.

Unless this differentiation is made, expatriate brokers will be at an unfair advantage. In addition they should not be allowed to repatriate from this Country, their personal profits for 3 years until this equals their proportion of liability in their firm.

SECTION 28(2) - Payment of Premiums to Insurers:

The present 30 days allowed for payment of premiums collected by brokers to insurers is impracticable. It does not give enough time for the accounting to be completed. We feel it will be more realistic to make this 90 days.

SECTION 30 - Power of Investigation:

We would enjoin the Director to co-operate with the Nigerian Corporation of Insurance Brokers in the investigation of any irregularity and complaints that are brought to the notice of the Director. We wish to offer the assistance of the Corporation for carrying out investigations in respect of our members and member companies. We would like to bring to your attention that the words "Incorporated Insurance Broker" are authorised to be used by member companies. We have a code of conduct which we are trying to improve and maintain strictly in order to assist Nigerian insurance

brokers to improve and expand. We believe our own provisions are more stringent than those under the decree and we shall be pleased for co-operation with the Ministry in order to ensure good control of the industry and reduce abuses as far as possible.

SECTION 31 - Surveyors and Adjusters

The Corporation feels that the more independent adjusters and surveyors are to insurance underwriters and insurance brokers, the better it will be for the fair and quick settlement of insurance claims. Brokers compete amongst themselves over different insurance accounts. Should brokers who may have lost some accounts find themselves in the capacity of adjusting and surveying claims on the lost accounts, it would be difficult to maintain impartiality and confidence would be lost. This is unsatisfactory in the long term.

SECTION 33 - Inclusion in Rating Committee

In so far as insurance brokers are independent professional intermediaries seeking to make the industry more and more competitive, they deserve first place on the Rating Committee before the underwriters who set the rates. As such, it will be in the interest of the industry that the Nigerian Corporation of Insurance Brokers should officially be represented by two representatives on the rating committee.

SECTION 34 - Remuneration of Brokers:

It is the strong feeling of the Corporation that there is need to increase the brokerage commission rate presently paid to brokers. The profession has in fact witnessed a reduction in their brokerage which is unjust and contrary to all inflationary trends.

- i. There is need to increase the commission rate allowed to brokers.
- ii. We will request for payment of 20% for Motor, Workmens Compensation, and Engineering Insurance as is done in other parts of the World; and
- iii. 25% for marine and other classes apart from life assurance.
- iv. It is also fair to pay to agents who are just contact people without any responsibility or liability for their mistakes and who do not run the expense of any establishment, a rate of commission which should be at least 50% below that paid to brokers.

MARINE INSURANCE

We are grateful for the increase in volume of marine business brought about by the decree but we are not satisfied with the build up of claims and the machinery being set up to overcome this. We will strongly recommend that the Ministry

might like to obtain the opinion of this Corporation, in relation to some of the difficulties that have arisen on this aspect. We possess skills which the Corporation can bring to bear on international transport claims settlement to help in this respect and to suggest some proposals for reducing the problems.

We assure you of the co-operation of this Corporation at all times, in order to attain the goal of improved insurance business in this Country and increasing benefits to be derived from our insurances to the advantage of the National Economy.

Yours faithfully,
NIGERIAN CORPORATION OF INSURANCE BROKERS

T. (A.) BRAITHWAITE
PRESIDENT

Documents on the Setting Up of the 8-man Insurance Investigating Panel

FEDERAL MINISTRY OF TRADE

DEPARTMENT

ADMINISTRATION AND FINANCE

Ikoyi - Lagos

File No. 12514
Programme PERMTRADE
Telephone 685500



Ref. No. TS/486/Vol. I/145
Date 22nd January, 1986

Mr. F. I. Falegan,
Senior Lecturer &
Ag. Head of Department,
of Actuarial Science & Insurance
University of Lagos

INAUGURATION OF THE 8-MAN PANEL TO INVESTIGATE
THE RE-INSURANCE ACTIVITIES OF INSURANCE COMPANIES
IN THE COUNTRY

I am directed to inform you that the inauguration of the above-named panel by the Honourable Minister of Trade will take place in the Minister's Committee Room in the Federal Secretariat Complex I (Room 476) on Friday, 24th January, 1986, at 9 a.m. prompt.

2. Members are requested to be seated in the Committee Room by 08.45 hours on that day.

G. C. Oranika
for Permanent Secretary

National Universities Commission



Executive Secretary:

YAHYA ALIYU. B.A. (Lond), Dip. TESTL, AMNIM.

Cablegrams: UNICOMM LAGOS.

Telephone: 635233

Your Ref: _____

Our Ref: ~~NUC/ES/257/41~~

NATIONAL ASSEMBLY COMPLEX
TAFAWA BALEWA SQUARE
P. M. B. 12694
LAGOS, NIGERIA.

20th January 1986

OFFICE OF
THE EXECUTIVE SECRETARY

The Permanent Secretary,
Federal Ministry of Trade,
Ikoyi,
Lagos.

Dear Sir,

Re: Establishment of a Panel to Investigate
the Re-Insurance Activities of Insurance
Companies of Nigeria

Your letter No. TS/486/Vol.1/135 of 7th January, 1986
refers.

I am directed to inform you that Mr. J.J. Palegan,
Senior Lecturer and Ag. Head of Department of Acturial
Science and Insurance, University of Lagos is hereby
nominated to represent the National Universities
Commission on the above named Panel.

Thank you.

Yours faithfully,

G. A. Ogwuche,
for Executive Secretary.

cc: The Vice Chancellor,
University of Lagos
Lagos

Re above and the attached. We would appreciate
it Sir, if you could inform Mr. J. I. Falegan of his
nomination.

Best wishes.

G. A. Ogwuche,
for Executive Secretary.

IROXI - LAGOS

12514

PERMTRADE

681501

Ts/486/Vol.I/135
7th January, 1986

The Secretary,
National Universities Commission,
Glass House
Senate Building, Lagos.

**ESTABLISHMENT OF A PANEL TO INVESTIGATE
THE RE-INSURANCE ACTIVITIES OF INSURANCE
COMPANIES IN NIGERIA**

By the command of the President, the Honourable Minister of Trade is constituting a seven-man panel to probe the re-insurance activities of the insurance industry in the country

2. The terms of reference of the work to be undertaken by the panel are :-

- (i) to examine the re-insurance activities of insurance companies in the country with effect from 1st October 1969 to date;
- (ii) to determine the amount of money so far paid out by each insurance company under any international insurance cover;
- (iii) to scrutinise the records of insurance companies including their annual accounts showing their investments, loss ratio, etc, and ascertain the outstanding amount due to the Federal Government by way of refund or tax in local or foreign currency;
- (iv) to recommend the ways and means of recovering for the Government such sums of money identified as in sub-paragraph III above;
- (v) to indicate whether there have been any financial losses to the Government as a result of lapses by any public functionaries in the proper discharge of their functions relating thereto;
- (vi) to identify any such public functionaries aforementioned as in sub-paragraph (v) or any other person or company whose activities may have led to defrauding the Federal Military Government in the insurance transactions of the companies affected;
- (vii) to examine the Insurance Decree of 1979 and the NICON Decree of 1969; and, in the light of the panel's findings, recommend any necessary amendment thereto designed to improve the performance of the insurance industry and enhance the Federal Military Government's financial receipts from the industry.

(viii) to investigate any other matters connected with the above terms of reference which the panel considers necessary for the proper discharge of its assignment;

3. Your Ministry/Department/Organization has been selected to serve on the panel and you are requested hereby to appoint a competent officer of impeccable character to serve as a member of the panel.

4. The member so nominated by you should report to the under-signed in room 418 of the Federal Secretariat Complex not later than Wednesday, 15th January, 1986, for further briefing.

5. Please give this matter very urgent attention as it is being treated as part of the package of the National Emergency Recovery Fund.

6. It is expected that the Honourable Minister of Trade will formally inaugurate the panel very shortly.

G. C. Oranika
for Permanent Secretary

7. You are requested to nominate a distinguished academic with qualifications in actuarial sciences to serve on the panel. For purposes of easy communication, it will be preferable to have someone living in Lagos nominated for the panel.

G. C. Oranika
for Permanent Secretary

* changed to

Thursday, 16th January, 1986

URGENT

No. AD/REG/64

24th January, 1986

The Executive Secretary,
National Universities Commission,
Tafawa Balewa Square,
P.M.B. 12694,
Lagos.

Dear Sir,

Re: Establishment of Panel to Investigate the
Re-Insurance Activities of Insurance Companies
of Nigeria

Please refer to your letter Ref. No. NUC/ES/257/41 of 20th January, 1986 addressed to the Permanent Secretary, Federal Ministry of Trade and endorsed to the Vice-Chancellor in respect of the establishment of the above mentioned Panel.

I am pleased to inform you that the Vice-Chancellor has approved that Mr. J. I. Falegan be permitted to represent the National Universities Commission on the above named Panel.

I am therefore by a copy of this letter informing Mr. Falegan about his nomination and also forwarding to him, a copy of your letter under reference for necessary action.

Yours faithfully,

I. O. AJIJOLA,
Ag. Registrar.

⇒ cc: Mr. J.I. Falegan,
Dept. of Insurance & Actuarial Science

Above for your information and necessary action, please.
I attach herewith for your urgent action, copy of the letter from the National Universities Commission with its attachment.

I. O. AJIJOLA,
Ag. Registrar.

FEDERAL MINISTRY OF TRADE

POLICY AND MANAGEMENT DEPARTMENT

IKOYI - LAGOS

P.M.B. No. 12514

Telegrams PERMTRADE

Telephone 681501



Ref. No. TS/486/Vol.I/135

Date 7th January, 1986

Prince E. A. Oke
10, Kufeji Street,
Yaba.

ESTABLISHMENT OF A PANEL TO INVESTIGATE THE RE-INSURANCE ACTIVITIES OF INSURANCE COMPANIES IN NIGERIA

By the command of the President, the Honourable Minister of Trade is constituting a seven-man panel to probe the re-insurance activities of the insurance industry in the country.

2. The terms of reference of the work to be undertaken by the panel are :-

- (i) to examine the re-insurance activities of insurance companies in the country with effect from 1st October 1969 to date;
- (ii) to determine the amount of money so far paid out by each insurance company under any international insurance cover;
- (iii) to scrutinise the records of insurance companies including their annual accounts showing their investments, loss ratio, etc, and ascertain the outstanding amount due to the Federal Government by way of refund or tax in local or foreign currency;
- (iv) to recommend the ways and means of recovering for the Government such sums of money identified as in sub-paragraph III above;
- (v) to indicate whether there have been any financial losses to the Government as a result of lapses by any public functionaries in the proper discharge of their functions relating thereto;
- (vi) to identify any such public functionaries aforementioned as in sub-paragraph (v) or any other person or company whose activities may have led to defrauding the Federal Military Government in the insurance transactions of the companies affected;
- (vii) to examine the Insurance Decree of 1979 and the NICON Decree of 1969; and, in the light of the panel's findings, recommend any necessary amendments thereto designed to improve the performance of the insurance industry and enhance the Federal Military Government's financial receipts from the industry,

(viii) to investigate any other matters connected with the above terms of reference which the panel considers necessary for the proper discharge of its assignment.

3. Your Ministry/Department/Organisation has been selected to serve on the panel and you are requested hereby to appoint a competent officer of impeccable character to serve as a member of the panel. 1/135

4. The member so nominated by you should report to the under-signed in Room 418 of the Federal Secretariat Complex I not later than Wednesday, 15th January, 1986, for further briefing.

5. Please give this matter very urgent attention as it is being treated as part of the package of the National Emergency Recovery Fund.

6. It is expected that the Honourable Minister of Trade will formally inaugurate the panel very shortly.

G. C. Oranika
for Permanent Secretary

FEDERAL MINISTRY OF TRADE

COMMERCIAL LAW

DIVISION

LAGOS

M.B. No. 12514

Telegrams PERMTRADE

Telephone 26738



Ref. No. TS. 346/S. 6/26

Date 5 May, 1967.

Dr. S. O. Biobaku,
Vice - Chancellor,
University of Lagos,
Lagos.

Dear Mr. Vice-Chancellor,

Re: Proposal to establish
a Post Graduate Course in Actuarial Science
commencing 1967. at the University of Lagos
Department of Mathematics and/or
School of Administration

Considering that :

- (a) there exists a great need for actuaries (mathematicians specialized in the field of insurance) in Nigeria for development of insurance activities based upon sound principles,
- (b) training of Nigerian actuaries abroad would be limited for financial reasons to a very few; would require approximately five years and, since during that time the trainee would normally have no connections with the local insurance market, there exists the danger that the trained actuary would finally not become available in Nigeria as anticipated,

the Ministry of Trade hereby proposes that commencing from 1967 a Post Graduate Course in Actuarial Science be conducted at the University of Lagos.

The course shall extend over a period of two years and shall lead to the degree of Master of Actuarial Science.

Prerequisites for entering upon the curriculum are: a bachelor's degree in mathematics or in engineering with at least second class honors.

The Programme of Study proposed for the course is attached.

Additional information regarding the proposal :

(1) Actuaries are needed by the Ministry of Trade (Insurance Supervision), Ministry of Labour (Social Insurance), the Co-operative Insurance Society (to be established), the Nigerian National Insurance Corporation contemplated to be established by the Government, for the Provident Fund and Pension Plans, by the existing domestic insurance companies and by insurance institutions which will be set up on a national basis in Nigeria in the near future.

(2) Actuarial science is concerned with statistical, mathematical and financial calculations dealing with the probabilities of future losses or contingencies involved in insurance and pension plans. It includes elements such as evaluation of risks, the calculation of premiums, and the determination of other factors involved in the financial operation of an insurance enterprise. Although such matters are the direct concern of the actuary, in actual practice his duties cover a much wider field than these technical responsibilities. Actuaries, because of their broad training, usually have an important part in developing the general executive policies of insurance based agencies of Government and insurance companies; they are generally senior officers, and very often chief executives of such insurance organizations.

(3) Thus, actuaries are the mathematicians who supply the scientific basis which enables insurance institutions to carry out their activities with success.

For performing executive responsibilities in the various areas of the insurance industry, knowledge of the principles of economics and law is needed as well. However, an excellent background in mathematics as a basis is essential. The requirement of the bachelor's degree would definitely shorten the period of training, facilitate selection and be commensurate with the international standards of the profession.

- (4) The status of the Actuary needs recognition on a national basis in Nigeria in view of the duties and responsibilities of a qualified actuary as stipulated by the Insurance Act (presently under revision by the Government). Such national recognition would be significantly enhanced by a Master of Actuarial Sciences degree granted by the University of Lagos. It is unlikely that an Institute of Actuaries can be established in Nigeria or elsewhere in Africa for the purpose of professional recognition as has been done in Great Britain and in the U.S.A.
- (5) The degree of Master of Actuarial Science is presently obtainable at some universities in the U.S.A. (e.g. Universities of Michigan, Wisconsin, Newbraska, State University of Iowa, Georgia State College). On the Continent of Europe an actuary receives his training and a respective diploma at various universities providing programmes of study in actuarial science. In some universities of Switzerland (e.g. Lausanne) a degree of Master of Actuarial Science is also obtainable. In 1961, the Institute of Technology, Department of Mathematics, at Bandung, Indonesia introduced the training of actuaries, similar to that proposed.
- (6) Arrangements could most likely be made for graduating actuarial students of the University of Lagos to participate in Nigeria in the examinations for Associateships or Fellowships in the Institute of Actuaries of London or the Society of Actuaries of the U.S.A. This would secure to provide recognition on an international level for such Nigerian trained actuaries.

- (7) The proposed training of actuaries in Nigeria would facilitate the selection of suitable candidates for fellowships providing additional and specialized insurance training abroad.
- (8) The proposed theoretical training could easily be supplemented by practical training in insurance organizations in Lagos during the periods between semesters, thus securing that the prospective actuary becomes early acquainted with the problems in the insurance market of his country.
- (9) National insurance companies operating in Nigeria, at least three of them, would most likely render financial support to such actuarial students during the time of training with a view of employing them as actuaries after graduation.
- (10) No training facilities for actuaries exist anywhere in Africa. Most African countries do not have a single indigenous actuary. Some countries rely on actuarial assistance from outside and will have to do so for many years to come. It is rather unlikely that other African countries will provide the training outlined herein. The proposed training in Nigeria could therefore be made available later for training on a regional basis.
- (11) Due to the lack of insurance experts, African countries do not yet co-operate with each other in the field of insurance. There is no exchange of technical and market information; there have been no efforts to set up joint insurance institutions on a regional basis. If Nigeria would produce actuaries, it could take the lead in the field of insurance in Africa. The insurance industry in Nigeria would appreciate and co-operate in this development.

You are probably already aware that on May 4, 1967 the Insurance Acts of 1961 and 1964 came into operation. The responsibility of enforcing these legislations and for recruiting and training of the necessary personnel to undertake the job rests with this Ministry. To this end, we have already recruited a few of the junior staff for the Insurance Section and ~~they~~ have been authorised to create three posts of Assistant Actuaries-in-Training who would work under the supervision of a U.N. Technical Assistance Expert.

For your consideration, I am attaching to this letter a Programme of Study which should lead to the suggested Master's Degree in Actuarial Science, the same as that awarded by the University of Michigan in the United States. I am also enclosing, for your information, material on the profession of Actuary which I trust will be of interest to you.

Perhaps I should add that this proposal has been the subject of series of discussions within this Ministry and with other interested Ministries. As the chief co-ordinator, there is, attached to this Ministry, a Dr. Karl E. Reichel, a German Actuary working as Insurance Expert under the Technical Assistance Programme of the United Nations. Needless to say, both Dr. Reichel and any other officials of the Ministry who may be concerned will be only too pleased to avail themselves to you for discussions. Please let me know, as a matter of urgency, how you feel about this proposal as I am anxious that we should proceed without delay.

Yours faithfully,

(I.M. Damcida)
Permanent Secretary,
Federal Ministry of Trade.

- Annexes :**
- 1) Suggested Programme of Study.
 - 2) Announcement of Graduate School of Business Administration, University of Michigan.
 - 3) The Profession of Actuary and Actuaries in Government Service in Great Britain (Extracts from The Actuarial Year Book 1965-66).

THE PROFESSION OF ACTUARY

The word actuary is derived from the Latin *actuarius*, and has a long history in the sense of a recorder, first, of the proceedings of the Roman Senate and later, in Tudor England, of the decisions of a court; then of a registrar of contracts in the early days of life assurance. The name of the actuarial profession thus offers no clue to its distinctive statistical and financial duties.

Actuarial work requires the collection, processing and interpretation of data for the solution of certain financial and statistical problems. In the application of statistical data to problems dependent upon the contingencies of life and death - for example in life, sickness and pensions insurance - the actuary employs his distinctive methods.

GROWTH AND SCOPE OF THE PROFESSION

The evolution of the profession is marked by a number of prominent men and outstanding developments, dating back to the seventeenth century. In 1671 Johan De Witt, Grand Pensionary of the Netherlands, showed how the theory of probability could be used to calculate the value of life annuities sold by a government as a means of reducing the national debt. In a communication to the Royal Society in 1693, the astronomer, Edmond Halley, ~~presented~~ applied his Breslan Life Table - the first such table to be constructed from statistics - to the same problems.

Fellows of the Royal Society played a considerable part in the development of actuarial science, both in the early days and subsequently. In the nineteenth century, Charles Babbage, Augustus de Morgan and James Joseph Sylvester were all professors of mathematics concerned with actuarial science and were Fellows of the Royal Society. Such professional actuaries as Charles Ansell, Benjamin Gompertz, Griffith Davies and Peter Hardy were also elected Fellows of the Royal Society.

William Morgan, F.R.S., submitted papers to the Royal Society on the valuation of interests dependent upon survivorship. By his long and skilled practical application of the newly discovered principles Morgan established a just claim to be regarded as the father of the actuarial profession. ~~The~~ Dr. William Farr, F.R.S., an eminent demographer who prepared the first national life tables remarked in 1851 that he looked 'forward to the day when the profession of actuary will be greatly extended and when no commercial concern of any extent will be without such an officer', and in the 1850s and 1860s the profession was indeed active on many fronts. For the next thirty years or more, actuarial talents were almost wholly concentrated on the all-important practical problems to which the expansion of life assurance was giving rise.

The extension of the scope of the profession in Great Britain during the present century has been associated with a number of factors. First, as actuaries are basically a type of applied statistician or demographer, they were among the earliest to devise scientific methods of assembling, processing and analysing vital statistics, and of applying them to practical purposes. Their techniques for computing the 'exposed to risk' pioneered a statistical method which has been adopted in many other fields. The preparation of long-term forecasts of the size of a population in association with compound interest is of importance in planning activities of various kinds, many of which depend on such projections. It was increasingly realized that actuaries could help to solve the managerial problems of industry and commerce, especially in their financial and statistical aspects. Of recent years the number of actuaries associated with the London Stock Exchange has risen harply. These varied developments have flowed in part from widely based examination syllabuses, which have been adapted to comply with changing needs. Thus, mathematical statistics, demography, basic economics as a background to practical investment, and investment itself have been given increasing prominence.

ACTUARIES AND LIFE ASSURANCE

Life assurance is still the principal occupation of actuaries. In this sphere they are responsible for the statistical investigation of such underlying factors as mortality, interest and expenses, the determination of premium rates and surrender values and, periodically, the valuation of the liabilities and the preparation of certain statements required by law. The rate of interest, the mortality to be assumed, the treatment of expenses and of any other factor entering into the calculations, all are the responsibility of the actuary.

In Great Britain the statistical watch upon the mortality of insured lives and annuitants is carried out under the auspices of a special Joint Mortality Committee set up by the Institute and the Faculty of Actuaries. This committee is responsible for the collection and publication of the data and the calculation of the relative monetary functions, which are made available for use by the life offices.

One of the most marked features in the development of life assurance in recent years has been the growth in volume and complexity of pension and life assurance schemes. A high degree of skill is required to deal effectively with insured pension schemes, and there are now many life office actuaries whose work is concentrated in this field.

The rapid expansion of pension and life assurance schemes for groups of employees, and of life assurance business generally, has greatly increased the need for the adoption of mechanical means of handling the work. Continual development is consequently taking place in the use of electronic computers for data processing, and routine insurance work, as well as the determination of pension scheme costs, is now to an increasing extent carried out with their help. The training of an actuary, combining as it does a knowledge of practical office work with the logic of mathematics, makes his contribution to this development one of particular value.

The diversification of the employment of actuaries within both the life and general insurance fields is illustrated by an inquiry made in 1962. About one-third of the six hundred actuaries employed in insurance offices in Great Britain were then engaged on strictly actuarial work, defined as work on premium rates, surrender values, valuations and analysis of surplus. Over one-quarter were wholly or mainly occupied in managerial duties, and about one-fifth were chiefly engaged in work connected with insured pension schemes. One-tenth, were wholly or mainly concerned with investment. In the composite offices (i.e. those transacting both life and non-life insurance business) nearly a quarter of the posts described as General Manager, Manager, Life Manager, Investment Manager, Group Manager and Pension Manager were occupied by actuaries. In the purely life offices, the corresponding proportion was about three-fifths.

CONSULTING PRACTICE

A considerable increase has taken place in whole-time consulting practice, and this has been associated primarily with the great extension of privately invested pension schemes (which has been paralleled by the growth in insured schemes previously mentioned). The finances of the non-insured schemes, both public and private, which are the province of the Government Actuary and the consulting actuaries, provide the bulk of consulting practice.

Historically, consulting practice may be said to have originated in the operations of friendly societies. While the whole-time consulting actuaries are chiefly concerned with the finances of pension schemes, it is not unusual for their services to be retained by the smaller life assurance undertakings in order to comply with legislative requirements, and they are frequently called upon ~~to~~ to advise on a wide range of financial and statistical problems analogous to those which engage the attention of the growing number of actuaries employed in Government service and in industry and commerce.

INDUSTRY AND COMMERCE

Actuaries are employed in industry and commerce. The work of the actuaries concerned does not conform to any readily defined pattern. It is, in effect, a cross-section of industry and commerce, with finance and statistics as the basic themes.

The actuary's training and experience in unravelling complex financial problems, and in the application of statistics to produce financial estimates upon which commercial decisions are taken, are of wide applicability.

THE LONDON STOCK EXCHANGE

Despite the long associations of actuaries with the theory and practice of investment, few, until comparatively recently, had found employment in the London Stock Exchange. The increase in the number engaged in this exacting branch of finance is doubtless associated with the growth of institutional investment and the more sophisticated approach to investment problems now required, as compared with the days when private investors predominated. This development has been accompanied by the rise of 'investment analysis', now an international activity, in which actuaries have taken due part in Great Britain, including active membership of the Society of Investment Analysts.

While dealing with clients is the main activity of actuaries in stockbroking firms, a considerable proportion is engaged in investment analysis or other economic and ~~statistical~~ statistical research, as well as in the general administration of their firms. There does not appear to be any marked tendency to specialize in the markets in particular classes of securities, but actuaries have a distinctive contribution to make in the management of portfolios, especially for such corporate investors as insurance companies, pension funds and investment trusts.

ACTUARIES IN GOVERNMENT SERVICE IN GREAT BRITAIN

The actuaries employed in Government service in Great Britain fall, with certain exceptions, into two distinct groups, viz., those in the Government Actuary's Department and those in the Government statistical services.

The Government Actuary's Department

The Department's origins go back to 1912 when an office was established to advise on the finances of the National Health Insurance Scheme. The head of the department was styled Chief Actuary. The Chief Actuary soon attracted financial and statistical work outside the sphere of National Insurance and, with his increasing responsibilities, he was, in 1917, given the title of 'Government Actuary'. In 1919, the Government Actuary's office was constituted as a separate Department of State associated with H.M. Treasury. The department may be described as the counterpart in the public service of consulting actuaries in private practice. Whilst its primary function is to provide ~~actuarial~~ ~~advice~~ ~~to~~ ~~British~~ ~~Government~~ ~~Departments~~, ~~access~~ ~~to~~ ~~the~~ ~~services~~ ~~of~~ ~~the~~ ~~Government~~ ~~Actuary~~ ~~is~~ ~~also~~ ~~open~~ ~~to~~ ~~any~~ ~~official~~ ~~organization~~ ~~in~~ ~~the~~ ~~United~~ ~~Kingdom~~, as well as to Commonwealth Governments and the administrations of colonial territories.

Advice in connexion with the National Insurance and Industrial Injuries Schemes still forms an important part of its work. The Government Actuary has a statutory duty to report to Parliament annually on the operation of these schemes, and to make comprehensive inquiries into their financial position every five years. In addition, every Bill presented to Parliament that affects rates of benefits and contributions is accompanied by a report from the Government Actuary showing the effect of the proposals on the finances of the Scheme. The Department works closely with the Ministry of Pensions and National Insurance, and is continuously consulted by the Ministry on a variety of financial, actuarial and statistical matters. Apart from social insurance, the major part of the work of the Department is concerned with superannuation and pension schemes, in particular for the public services, reports on these schemes are laid before Parliament. In addition, the Government Actuary is adviser to a considerable number of pension schemes for the employees of other public bodies, including several of the nationalized industries.

Another of his functions is to give advice to the authorities with responsibilities in connexion with life assurance companies and registered friendly societies, and on the financial aspects of any new legislation in these fields. The Department is also consulted by the authority whose task it is to determine whether pension funds fulfil the necessary conditions for contracting out of the State graduated pension scheme.

The Department's demographic work centres on the projections, in consultation with the General Register Office, of the National population by age and sex for a period of forty years ahead, which are prepared annually for publication. In addition, special estimates are supplied to Government departments and other bodies. After each population census, national life tables for England and Wales and for Scotland are prepared for the Registrars-General, with reports on the mortality of the general population.

The Department also deals with a variety of special references of a financial or statistical nature, and may be represented on committees set up by Ministers to report on problems which are connected in some way with pensions or insurance matters, as well as being called upon for financial advice. An officer of the Department is normally a member of the British delegation at international conferences on subjects such as social insurance, demography and the supervision of insurance.

Government statistical and other services employing actuaries

Actuaries are also employed in twelve other Government Departments in Great Britain, of whom one is Deputy Director of the Central Statistical Office, and five occupy directing posts, with various titles and with the rank of Chief Statistician, in charge of the statistical branches in the Admiralty, the General Register Office, the Home Office, the Ministry of Power and the War Office. The wide range of financial and statistical work for which these actuaries are responsible in directing capacities in Great Britain is paralleled by that undertaken by actuaries in Government service abroad, and in industry and commerce.

Actuaries in Great Britain are also employed in the Secretary's Department of the Admiralty; the Estate Duty Office of the Inland Revenue Department; the Imperial Defence College; the Ministry of Labour; the Ministry of Pensions and National Insurance; the National Physical Laboratory; the Army Operational Research Group; and the Greater London County Council.

Suggested Programme of Study
for
Master of Actuarial Science (M. A. S.)

<u>First year:</u>	<u>Hours</u>
Mathematical Statistics	2
Demography	2
Finite Differences	2
Principles of Finance and Investments ..	2
Life Contingencies I	3
Life Insurance (Principles & Practices) ..	2
Principles of Accounting	2
Principles of Economics	2
Seminar in Insurance	<u>1</u>
	18

Second year:

Life Contingencies II	3
Special Topics of Life Insurance	1
Advanced Statistics & Mortality Studies ..	2
Pension Funds and Social Insurance	3
Commercial Law	1
Insurance Law	2
Computer Techniques (Data Processing) ..	2
Seminar in Insurance	<u>2</u>
	16

Proposed Courses in Insurance and Actuarial Science:

- 1) Mathematical Statistics :
Basic probability and statistical concepts; univariate theory; calculational methods distribution functions; binominal, normal, and poisson distributions. Introduction to sampling theory.
Significant tests and confidence limits for large samples; exact sampling theory including derivation and use of Student-Fisher t; variance ratio and X^2 ; correlation and regression; the bivariate normal distribution; introduction to multivariate analysis.
- 2) Mortality Studies:
Principles for the construction of mortality and multiple decrement tables from insurance and census dates; methods of graduation of actuarial tables.
- 3) Finite Differences :
Linear operators of the finite calculus; polynomial interpolation in terms of advancing differences; summation; numerical differentiation and integration; introduction to difference equations.
- 4) Mathematics of Finance:
Mathematical theory and practical problems in compound interest, annuities - certain and their application to amortization, sinking funds, bond values, depreciation.
- 5) Life Contingencies I and II :
Comprehensive study of annuity and insurance functions for simple and joint lives; multiple decrement theory and applications to accidental death and disability insurances; topics in actuarial practice.
- 6) Life Insurance :
The principles and practices of life insurance.
Organization of life insurance companies. Consideration of the particular needs which each of the forms of life insurance is intended to serve. Study of such insurance company functions as selection of risks, rate-making, maintenance of reserves, and investment. Legal aspects of life insurance. Group and industrial insurance.

7) Insurance Law :

A functional view of insurance law, stressing the economic and social role of the insurance business and its interaction with the law. The framework of insurance regulation, the role of governmental insurance supervision, and legal requirements relating to the organization of insurers and the conduct of the insurance business. Legal restrictions on insurance company investments, accounting methods, premium rates, policy forms, and marketing practices will be evaluated in terms of their effectiveness in implementing business and social goals. Common law requirements governing the drafting and interpretation of insurance contracts will be studied.

8) Pension Funds and Social Insurance:

Fundamentals of pension funding; valuation procedures; projection and semiprojections; applications to various types of pension plans, both insured and self-insured; actuarial methods of social insurance.

TS:128/1/31

CONFIDENTIAL

June, 1967.

The Permanent Secretary,
(Commercial Law Division),
Federal Ministry of Trade,
Lagos.

Dear Sir,

Proposal to establish a Post-Graduate Course
in Actuarial Science Commencing 1967, at the
University of Lagos Department of Mathematics
and/or School of Administration

Thank you for your letter, No. B.546/1.6/66 of 5th June,
on the above-named subject.

This University is interested in the proposal to establish
a Post-Graduate course in Actuarial Science in our School of
Administration.

The papers on the subject, which you kindly sent to me,
are being examined, and we shall let you know in due course if
it would be possible to commence the proposed course in October
1967.

Yours faithfully,

(S.O. Sibaku)
Vice-Chancellor

cc: Dean of Business & Social Studies
Prof E.E. Werner: Head of School of Administration

For information

Vice-Chancellor

VC.228/3/5

26 October, 1967.

Mr. I. M. Damcida,
Permanent Secretary,
Federal Ministry of Trade,
Broad Street,
LAGOS.

Dear Mr. Damcida,

As you are no doubt aware, your proposal of 3th May, 1967 to establish a post-graduate programme in actuarial science at the University of Lagos has been receiving very serious study and review.

I understand from Professor Edward Werner, Dean of our School of Administration, that he has had a number of informal discussions with some of your colleagues at the Ministry of Trade, including Dr. Reichel. He reports the amicable nature of these discussions, and the very great possibility of friendly co-operation between the Ministry and the University in this matter of training actuaries in Nigeria.

I would like, therefore, to assure you of my agreement in principle to the proposal to establish such a degree programme at the University of Lagos. I am informed also of your very kind offer to make available to the University enough of Dr. Reichel's time so that he can assume professional duties to further the programme.

It is likely that more planning in detail will be required in order to launch the programme, but this need only involve a series of talks between Dr. Reichel and some of the support departments concerned. I am asking Professor Werner to arrange these talks and to offer any guidance necessary to assist in working out a time-table and programme that would be of maximum convenience to all concerned, and, in particular, Dr. Reichel and students nominated by the Ministry. I think that likely student response and the results of the coordination talks will indicate how soon we should begin instruction.

I would like to receive your confirmation of intent to make Dr. Reichel's time available to us, together with any other comments or suggestions you may have with regard to the programme at this time.

Yours sincerely,

(S. O. Biobaku)
Vice-Chancellor

Professor E. W. Werner
The Registrar
The Academic Secretary

Insurance (Amendment) Regulations 1983
FEDERAL MINISTRY OF FINANCE

FEDERAL MINISTRY OF FINANCE

INSURANCE DEPARTMENT

IKOYI - LAGOS

P.M.B. 12591

Telegram: FEDMINFIN

Telephone: 681077

Ref. No. IDS-139/155

Date: 3/1/84

The Managing Director/General Manager,

Dear Sir,

INSURANCE (AMENDMENT) REGULATIONS 1983

In pursuance of the Insurance Act, 1976, I am directed to request all Insurers to take note as well as notify their agents and brokers of an amendment in Schedule II of the 1977 Insurance Regulations, dealing with fees payable for registration as an insurer, broker or agent, which takes immediate effect.

2. You are also requested to note item (12) of the Schedule, which requires all insurers filing annual returns and related documents to pay a fee of ₦2.00 per copy of such documents submitted. Any returns to be filed henceforth should therefore be accompanied by the appropriate fees.

3. A copy of the Insurance (Amendment) Regulations is attached.

Yours faithfully,

B. O. Nwankpa,
for Director of Insurance
for Permanent Secretary.

INSURANCE ACT 1976
(1976 No. 59)

Insurance (Amendment) Regulations 1983

Commencement:-

In exercise of the powers conferred by section 61 of the Insurance Act 1976, and of all other powers enabling me in that behalf, I, the Minister of Finance, hereby make the following regulations:-

1. For Schedule 2 to the Insurance Regulations 1977 (which, inter alia, prescribes the various fees payable by insurance companies, brokers or adjusters and agents) there is hereby substituted a new Schedule 2 as in the Schedule to these Regulations.

Substituted
of Schedule
2 of the
Insurance
Regulations
1977.
L.N. 4 of
1977.

2. These Regulations may be cited as the Insurance (Amendment) Regulations 1983.

Citation.

SCHEDULE

Section 1

"SCHEDULE 2"

FEEES

Column 1

Column 2
Rates

₹

- | | | |
|-----|--|-------|
| (1) | The fee for registration as an insurer shall be:- | |
| | (a) in respect of life insurance business | 1,000 |
| | (b) in respect of insurance business other than life insurance business | 1,000 |
| (2) | For the certificate of registration as an insurer or certified copy thereof | 20 |
| (3) | For the registration of a notice of the winding up or dissolution of an insurer | 10 |
| (4) | For the registration of an amalgamation of two or more insurers | 10 |
| (5) | For the inspection by each person of documents in the custody of the Director relating to a particular insurer | 5 |
| (6) | For a copy or extract of any document, whether certified or not, in the custody of the Director:- | |
| | (a) not exceeding 200 words | 5 |
| | (b) exceeding 200 words, for each folio of 100 words or part thereof | 2 |
| (7) | Fee for registration as an insurance broker/adjuster | 500 |

B2

(8)	Renewal of certificate of registration of an insurance broker/adjuster	200
(9)	For licence as an insurance agent	200
(10)	Renewal fee of licence of an insurance agent	50
(11)	Change of name of a company or person	50
(12)	For filing each of the returns specified in section 19 of the Act or of any other document not otherwise hereinabove specified	2"

MADE at Lagos this 21 day of November 1983.

(sgd.) ADAMU CIROMA
Minister of Finance.

EXPLANATORY NOTE

(This note does not form part of the above Regulations but is intended to explain the effect)

The Regulations amend the Insurance Regulations 1977 to prescribe new fees payable for the registration of insurers, brokers or adjusters and agents and further introduces two new items that is:-

- (a) a fee of ₦50 in respect of change of name of company or person; and
- (b) a fee of ₦2 for filing of the returns specified in section 19 of the Insurance Act 1976 or any other document.

FEDERAL MINISTRY OF TRADE

DIVISION

IKOYI - LAGOS

P.M.B. No. 12514

Telegrams PERMTRADE

Telephone



Ref. No.

Date 27th May, 1986

The Honourable Federal Minister of Trade,
Major-General G. M. Nasko,
Federal Ministry of Trade,
Lagos.

Sir, m

SUBMISSION OF THE REPORT OF THE 8-MAN PANEL
APPOINTED TO INVESTIGATE REINSURANCE
ACTIVITIES OF INSURANCE COMPANIES IN NIGERIA

On behalf of this 8-Man Panel appointed to investigate reinsurance activities of insurance companies in Nigeria, I wish to express our sincere gratitude for availing us the opportunity of serving our country.

2. The highlights of the report are as follows:-

- (i) That a Nigerian Insurance commission be set up to take over the functions and responsibilities of the Director of Insurance. This Commission is to operate outside the ambits of the civil service structure to enable it attract the right calibre of staff to enhance the performance of it's control and supervisory functions.
- (ii) That the 20% compulsory session to Nigeria Re be removed such that direct insurers be allowed to retain all business to their full retention capacity and any excess be re-insured with Nigeria-Re before any treaties are entered into.

- (iii) That consequently, no risks are to re-insured by direct insurers overseas without Nigeria Re's exercise of option of first refusal and its participation in any treaties before attestation letter is given by Nigerian Re.
- (iv) That Nigerian-Re and NICON be no longer conditionally exempted from paying tax.
- (v) That these two Corporation be allowed to operate outside the ambits of the Civil Service structure.
- (vi) That taxation laws relating to insurance companies be revised to enable government collect nmore taxes from the Insurance companies.
- (vii) That paid-up share capital requirement for registration of Insurance companies be amended as follows:
 - (a) In the case of life insurance business, not less than #1.5 Million;
 - (b) In the case of non-life insurance business, not less than #1 Million;
 - (c) In the case of re-insurance business, not less than #10 Million.
- (viii) That a statutory margin of solvency be introduced such that current assets must at all times be at least one and half times current liabilities.
- (ix) That an insurance concept of "NO PREMIUM NO COVER" be introduced to eliminate the high incidence of money owed to insurers.
- (x) That the Federal and State Government and foreign partners divest their present share holdings in Insurance Companies such that 60% of the share capital of certain companies with Government control be held by the Nigerian public.

- (xi) That the present provisions on investment as contained in the 1976 Decree be amended to allow investment in other viable sectors of the economy. For example, insurance companies could be allowed to invest up to 5% of their life insurance funds in the agricultural sector.

3. Once again Sir, on behalf of the Panel, I say thank you for appointing us as members of this Panel.

Yours sincerely,

Prince E. A. Uke
Chairman.

B I B L I O G R A P H Y

Journals, Articles and Papers

- Adewale, Bola (1979). The Historical Development and Objectives of NICON. Federal Might 1 (7): 51 - 55.
- Adeyemo, M. O. (1972). The Role of the Insurance Industry under the Current National Development Programme. IN: IIN Conference Papers, 1st Lagos, 1972. Proceedings. Lagos: Insurance Institute of Nigeria, pp. 90 - 102.
- Agbaje, Layi (1975). Special Feature on Insurance Business in Nigeria. Nigerian Business Digest 4 (10): 17 - 23.
- Akeredolu-ale, E. O. (1978). Private Foreign Investment and the Underdevelopment of Indigenous Entrepreneurship in Nigeria. In: Economy and Society, ed. by G. Williams. (London: ^Rex Collins).
- Akinkugbe, O. O. (1976). Governmental Control of Insurance Companies in Nigeria: A Critique. The Nigerian Law Journal 10: 56 - 72.
- Akintola, Chief Yomi (1983). Keynote Address. Paper presented at the 7th Annual Insurance Week of the Actuarial Science and Insurance Students Association, University of Lagos, 25 April 1983.
- Akintola-Bello, Olaseni (1985). Insurance Industry and the Nigerian Economy. Savings and Development 1.
- (Forthcoming). Understanding the Nigerian Insurance Industry: A Market Structure Framework. Nigerian Journal of Insurance Studies.
- (Forthcoming). Investment Behaviour of Insurance Companies in Nigeria. Savings and Development.
- (Forthcoming). Nigeria's Life Insurance Market: Structure and Growth. Nigerian Journal of Insurance Studies.
- Aktas, Muzaffer (1979). Localisation of Marine Insurance of Imports. FAIR 6th General Meeting.
- Amaonwu, O. E. (1979). Insurance As a Tool for the Social and Economic Development of Africa. WAICA Journal V: 50 - 55.
- Ani, E. O. (1982). Nigeria's Import Policy. Management in Nigerian December.
- Anifalaje, J. O. (1984). State Intervention in Insurance Contracts in Nigeria: A Reform Without Substratum: Journal of Private and Property Law 1.

- Asiodu, P. C. (1967). Industrial Policies and Incentive in Nigeria. Nigerian Journal of Economics and Social Studies 9/2
- Baker, C. J. (1960). Investment problems of non-life funds. Journal of the Chartered Insurance Institute 57: 49 - 64.
- Baker, Tony (1983). Liberalisation and Reinsurance Interests. Policy Holder News: 19 - 23
- Baratza, Morton S. (1964). Public Investment in Private Enterprise: A Western Nigeria Case Study. Nigerian Journal of Economic and Social Studies 6 (1): 69 - 70
- Barrback, R. H. (1964). Nigeria. In: Insurance Markets of the World (Zurick: Swiss Reinsurance Company).
- Browne, Robert Woodthorpe (1977). Review of the Progress of the African Insurance Organization since 1972. Paper presented at the 6th African Insurance Conference.
- Buol, Louis P. (1976). UNCTAD's Special Programme on Insurance. WAICA Journal II: 19 - 24.
- (1979) UNCTAD Strategy in the Field of Insurance
WAICA Journal V: 90 - 91
- Cadmus, G. K. (1973). The Role of Intermediaries in the Insurance Industry in Nigeria. In: IIN Conference Papers, 2nd, Lagos, 1973. Proceedings, Lagos: Insurance Institute of Nigeria, pp. 88 - 97.
- Carter, R. L. (1980). The Economic Significance of Insurance in an International Perspective: Case Studies of Egypt, Kenya and Norway. Etudes et Dossiers 37
- Carter, R. L. and Dickinson, G. M. (1977). Economic Effects of Restrictions on International Trade in Reinsurance, Paper presented the Third International Reinsurance Seminar, London Reinsurance Offices Association, 1977.
- Carter, R. L. and Hudson, Havelock (1976). Further Comment on "Insurance and Development." Best's Review: Property/Liability Insurance Edition 76 (12): 46 - 48
- Caves, R. E. (1977). The Determinants of Market Structure: Design for Research. In: European Industrial Organisation ed. by A. P. Jaquemin and Henry W. de Jong. (London: Macmillan).
- Chapman, A. C. K. (1976/77). A Commentary on Insurance Legislation in West African. In: IIN Conference Papers, 5th and 6th, Lagos, 1976. Proceedings, Lagos: Insurance Institute of Nigeria 304 - 326.
- (1983a) The West African Insurance Institute. WAICA Journal VIII: 223 - 231.

- (1983b). Manpower Development: WAICA Journal VIII: 67 - 94.
- Cockerell, H. A. L. (1974). Insurance and the State. In: Festschrift Fur Ernst Klingmuller. ed. by Fritz Hauss and Reimer Schmidt. (Karlsruhe: Verlag Versicherungswirtschaft).
- (1980a). State Intervention in Insurance. Benefits International: 12 - 18
- (1980b) Insurance and the State. General Policy Market: G 18 - G 20
- (1980c). The State as Controller and Competitor. British Insurance Law Association Bulletin 47: 25 - 29.
- Cummins, J. D. and Harrington, S. E. (1987). Impact of Rate Regulation in US Property - Liability Insurance Markets. A Cross-Sectional Analysis of Individual Firm Ratios. The Geneva Papers on Risk and Insurance 12 (42): 50 - 62.
- Cummins, D. and Vanderhel, J. (1979). A note on the relative efficiency of property - liability insurance systems. Bell Journal of Economics 10 (Autumn): 709 - 719
- Danmusa, , Alhaji A. I. (1981). Keynote Address read by the Minister of State in the Federal Ministry of Finance at the 10th Educational Conference of the Insurance Institute of Nigeria, Lagos, 18 February 1981.
- Danzon; P. (1983). Rating burean in U. S. property - liability insurance markets: Anti or pro-competitive, Geneva Papers on Risk and Insurance 8 (October): 371 - 402.
- Demsetz, H. (1968) Why Regulate utilities? Journal of Law and Utilities 11: 55 - 66
- Dickinson, G. M. (1977). International Insurance Transactions and the Balance of Payments. The Geneva Papers on Risk and Insurance 6.
- (1979) Trade Liberalisation in Insurance Policy Supplement: 12 - 16.
- (1980). Direction of Insurance Company Investments. Discussion Papers in Industrial Economics, Department of Industrial Economics, Nottingham University.
- (1981). International Insurance and the Balance of Payments: Some Issues of Measurement and Policy. Etudes et Dossiers 49
- Diejomah, V. (1972). Nigeria's Business Promotion Decree. Afriscope May.

- Dunn, J. P. (1976). Current Legislation - too much or too little? Journal of the CII 73: 133 - 160.
- Durojaiye, H. T. (1981) Government and the Insurance Industry: Towards Better Cooperation and Understanding. Paper presented at the Second National Insurance Seminar, Lagos, October 1981.
- Ellis, Henry T. (1983). Regulating the Insurance Industry. Policy Holder News 4 (February): 14 - 15.
- Eguenwosu, C. E. and Nemedi, C. E. (1980). Policies and Strategies Towards Foreign Investment in Nigeria. CBN: Economic and Financial Review 18 1: 5 - 20
- FAIR (1971). Insurance Market in Nigeria. FAIR Review 2: 9 - 10
- (1979). Insurance of Imports in Nigeria. FIAR Review 32: 35 - 36.
- Falegan, J. I. (1976/77). Some Observations on the Reform of Insurance Laws in Nigeria. In: Conference Papers of the IIN 5th and 6th, Lagos, 1976/77. Proceedings. Lagos: Insurance Institute of Nigeria pp. 184 - 207.
- (1981). The Supervision and Control of Insurance Intermediaries in Nigeria: An Appraisal, FAIR Review 41: 19 - 27
- (1982a). Manpower Development in the Nigerian Insurance Industry: Some critical Issues. The Risk Manager 1 (1): 3 - 7.
- (1982b). State Regulation of Insurance in Nigeria: A Critical Examination of the Guarantee Deposit. The Journal of Business Law May: 251 - 255.
- (1982c). The Nigerian Insurance Industry: A Proposal for Reform. Journal of World Trade Law 16(3): 189 - 206.
- (1983a). Insurance and the capital Market. Bullion 8 (2): 26 - 32.
- (1983b). Insurance: A Tool for the Social and Economic Development Africa. The Nigerian Banker 3 (1): 17 - 22.
- (1984). Broadening the Scope of Conventional Insurance. The Risk Manager 2 (2): 8 - 11
- (1985a). Insurance Funds: A Note on the choice of Investments. Bullion 9 (1): 30 - 36.

- (1985b). Supervising Insurance Intermediaries: The Basic Issue. The Risk Bearer 1 (9): 31 - 35.
- Farnsworth, J. W. (1975). Some Notes on the Early Nigerian Insurance Scene. In: IIN Conference Papers, 4th, Lagos, 1975. Proceedings. Lagos: Insurance Institute of Nigeria, pp. 203 - 208.
- Friendland, Seymour (1975). Turnover and Growth of the Largest Industrial Firms, 1906 - 1950. Review of Economics and Statistics 39.
- General Accounting Office of the United States (1979). A note on the relative efficiency of property-liability insurance systems. Bell Journal of Economics 10 (Autumn): 709 - 719.
- Grabscheid, G. (1976). African Insurance and Its Effects on the Balance of Payments. Paper presented at the Fifth African Insurance Conference, Casablanca, June 1976.
- Grabowski H., Viscusi, K. and Evans, W. (1985). The effects of regulation on the price and availability of automobile insurance. Paper presented at Nineteenth International Atlantic Economic Conference, Rome.
- Habib-Makar, M. (1979). Advantages Derived by Developing Countries from Providing Locally Insurance Cover for their Foreign Trade. WAICA Journal V: 93 - 94.
- (1982) Localisation of Insurance in Third World countries. FAIR Review 45: 1 - 15.
- Hanson, J., Dineen, R. and Johnson, M. (1974). Monitoring competition: A means of regulating the property and liability insurance business. Supplement to the 1974 NAIC Proceedings.
- Harrington, S.)(1984a). The impact of rate regulation on automobile insurance loss ratios: Some new empirical evidence. Journal of Insurance Regulations 3 (December): 182 - 202.
- (1984b). The impact of rate regulation on prices and underwriting results in the property - liability insurance industry: A survey. Journal of Risk and Insurance 51 (December): 577 - 623.
- (1985). Cross - subsidization in auto insurance: The relationship between voluntary and residual market rates and rate regulation. Paper presented at 1985 Meeting of the American Risk and Insurance Association, Vancouver, B.C.
- *forthcoming. A note on the impact of auto insurance rate regulation. Review of Economics and Statistics.

- Hey, G. B. (1970). Statistics in Non-life Insurance. Journal of the Royal Statistical Society.
- Hindley, Brian (1983). Liberalisation and the British Insurance Industry. Policy Holder Insurance News: 31 - 33.
- Hurren, H. G. (1964). The Official Supervision of Insurance Companies. Journal of the CII 61: 133 - 164.
- Insurance Department (1984). Proposed Amendment to the Insurance Act 1976. Federal Ministry of Finance and Economic Development. Unpublished manuscript.
- Ippolito, R. A. (1979). The effects of price regulation in the automobile insurance industry. Journal of Law and Economics 22 (April): 55 - 89.
- Irukwu, J. O. (1978). Insurance in Nigeria Today. WAICA Journal IV: 132 - 134.
- (1979). Marine Insurance and Regulations Concerning Insurance of Imports in Member Countries - A Report on the Nigerian Situation. WAICA Journal V: 95 - 98.
- (1984). Reinsurance and Exchange Control. Paper presented at the Fourth Third World Insurance Congress, Casablanca, 13 - 19 May 1984.
- Isiekwene, Pius N. (1984). Rights and Duties of the Insurance Companies with Respect to the Insuring Public. Paper presented at the National Seminar on the Reform of Insurance Law and Practice in Nigeria, Nigerian Law Reform Commission, Lagos 25 - 27 April 1984.
- James, T. H. (1975a). General Discussion of Regulations Applying to the Insurance of Risks Abroad. In: Handbook of Insurance ed. by R. L. Carter. (London: Kluwer - Harrap).
- (1975b). Insurance of Overseas Risks. In: Handbook of Insurance ed. by R. L. Carter. (London: Kluwer - Harrap).
- Joskow, P. L. (1973). Cartels, competition, and regulation in the property and liability insurance industry. Bell Journal of Economics and Management Science 4 (Autumn): 375 - 427.
- Kane, Edward J. (1977). Good Intentions and Unintended Evil: The Case Against Selective Credit Allocation. Journal of Money, Credit and Banking: 55 - 69.

- Kiladejo, A. F. (1979). Insurance: A Tool for Economic Growth and Development. Paper presented at the Third Annual Insurance Week of Actuarial Science and Insurance Students' Association, University of Lagos, May 1979.
- (1982). Insurance Public Relations A Discussion of the Role of Life Insurance Servicing. Paper presented at the Educational Seminar of the Insurance Institute of Nigeria Lagos, 24 - 26 February 1982.
- (1987a). Life Assurance Claims. Paper presented at the 2nd Annual National Education Seminar of the Life Offices' Committee of the Nigerian Insurance Association, Calabar, 16 - 18 September 1987.
- (1987b). Settlement of Life Assurance Claims. Problems and Documentation. Paper presented at the Annual Educational Seminar of the Insurance Institute of Nigeria. Kaduna, 20 - 22, October 1979.
- Kimball, S. L. (1962). The goals of insurance law: means versus ends. Journal of Risk and Insurance 29 (March): 19 - 29.
- (1969). State Regulation and the Solvency of Life and Pension Insurers, Including Investment Policy and Rates of Premium: The United States in The Oxford Colloquium (London: British Insurance Law Association).
- Lavagne, Jean (1969). The French Marine Insurance Market. Journal of the CII 66: 57 - 66.
- Lijadu, O. (1972). Governmental Control of the Operations of Insurance Companies. In: Conference Papers of the IIN, 1st Lagos, 1972. Proceedings. Lagos: Insurance Institute of Nigeria, pp. 77 - 89.
- (1973). Technical Reserves and Investments of Insurance Companies in Africa. In: Conference Papers of the IIN, 2nd, Lagos, 1973. Proceedings. Lagos: Insurance Institute of Nigeria, pp. 108 - 121.
- (1975). Governmental Control of the Operations of the Insurance Industry in Developing Countries. WAICA Journal 1: 34 - 45.
- (1981). The Growth and Development of the Insurance Industry in Nigeria. Paper presented at the Second National Seminar on the Insurance Industry in Nigeria Lagos, October 1981.

- (1983). How to Strengthen Regional Cooperation to Serve the Interest of National Insurance Markets of Afro-Asian Countries. FAIR Review 48.
- (1985a) The Responsiveness of the Insurance Industry in Nigeria to Societal Needs. Paper presented at the Public Service Lecture. Lagos, 2 July 1985.
- (1985b). The Practice of Insurance and Reinsurance in Nigeria With Particular Reference to the Settlement of Reinsurance Premiums. Paper presented at the Seminar on the Role of Reinsurance in the Economic Development of a Nation. Lagos, 17 July 1985.
- Majumdar, S. (1982). Insurance Business in the 1980's. The Risk Manager 1 (1): 10 - 12
- Marden, L. N. et al (1976). Financial Responsibility in Insurance Journal of the CII 73: 151 - 160
- McNesty, E. C. (1973). The Development of Insurance in Nigeria. In: IIN Conference Papers, 2nd, Lagos, 1973 Proceedings. Lagos: Insurance Institute of Nigeria, pp. 37 - 42.
- Mensah, Edward (1978). The African Reinsurance Corporation. Paper presented at the 6th Conference of African Insurance Organization, Nairobi, June 1978.
- Mohammed, Alhaji Aliko (1975). Islam and Life Insurance. In: IIN Conference Papers, 4th, Lagos, 1975. Proceedings. Lagos: Insurance Institute of Nigeria, pp. 24 - 28.
- Mohared, Nabil (1976). Statement by Dr. Nabil Mohared, Representative of the African Development Bank. Paper presented at the Fifth African Insurance Conference, Casablanca, 7 - 11 June 1976.
- Mordi, Obi (1975). Insurance Industry and Financial Intermediation. In: IIN Conference Papers, 4th, Lagos, 1975. Proceedings Lagos: Insurance Institute of Nigeria, pp. 168 - 182.
- Morris, Peter (1968). The Social Barriers of African Entrepreneurship. Journal of Development Studies 5.
- Nwankwo, G. O. (1974) Banking and Insurance in Nigeria. Unpublished manuscript.
- Nigeria, Central Bank of (1985). The Insurance Companies in Nigeria: Sources and Application of Funds 1972 - 1982. CEN: Economic and Financial Review 23 (2): 14 - 25.

O'Connor, P. R. and Carlson, K. (1979). Open competition versus prior approval; property and liability loss ratios, concentration ratios and operating profits, a paper prepared for the (US) Society of Insurance Research, November 1979.

Odele, M. O. (1980). General Principles and Practice of Pension Schemes in Nigeria. The Risk Bearer 1 (4): 22 - 24.

Ogunlana, F. O. (1972). The Role of the Insurance Industry in the Economic and Social Development of Nigeria. In: IIN Conference Papers, 1st, Lagos, 1972. Proceedings. Lagos: Insurance Institute of Nigeria, pp. 29 - 39.

(1985). Ensuring Responsiveness of Nigeria's Insurance Industry to National Economic Needs through Manpower Development. Paper presented at the 14th Annual Educational Conference of the Insurance Institute of Nigeria, Lagos, 27 February 1985.

(1986). Role of the Insurance Industry in Ensuring Nigeria's Economic Survival. Paper presented at the 15th Annual Educational Conference of the Insurance Institute of Nigeria, Lagos, 26 February 1986.

Ogunshola, A. O. (1973). The Value and Analysis of Insurance Statistics. In: IIN Conference Papers, 2nd, Lagos, 1973. Proceedings. Lagos: Insurance Institute of Nigeria.

(1976). An Actuary Looks Critically at the Investment Portfolios of West African Insurance Companies With Particular Reference to Nigeria. WAICA Journal II: 64 - 76.

(1984). Insurance in the Next Decade. In: Nigerian Insurance Year Book, ed. by J. O. Irukwu. (Lagos: Nigeria Re)

(1985). Actuarial Valuations: Bases and Problems. Paper presented at the Seminar on Accounting for the Insurance Industry. Institute of Chartered Accountants of Nigeria, Lagos, 18 July 1985.

Okediji, Olubunmi (1986a). Government Participation in the Nigerian Insurance Market. Journal of World Trade Law 20(5): 540 - 553.

(1986b). The Insurance Decree: An Appraisal. Management in Nigeria 22 (11 & 12): 19 - 21.

(1987). Homeowners' Coverage in Lagos. CPCU Journal 40(1): 30 - 38.

Okwor, Eugene (1978). A Commentary on the Nigerian Insurance Decree 1976. WAICA Journal IV: 167 - 178.

- (1980). Insurance Participation in National Development. WAICA Journal VI: 23 - 29.
- (1981a). Insurance Legislation: Problems of Implementation. Paper presented at the Annual Educational Week of the Actuarial Science and Insurance Students' Association, University of Lagos, 8 April 1981.
- (1981b). The Fourth National Development Plan and the Roles of Insurance Industry. Paper delivered at the Second National Insurance Seminar, Lagos, 15 October 1981.
- (1984a). Regulation of Insurance Brokerage in Nigeria. Paper presented at the 5th National Insurance Seminar, Lagos, 4 July 1984.
- (1984b). The Development of the Nigerian Insurance Market and Government Contribution and Participation. Paper presented at the 13th Annual Educational Conference of the Insurance Institute of Nigeria, Lagos, February 1984.
- (1985). An Examination of the Role of the Nigerian Reinsurance Corporation and Its Relationship with the Nigerian Insurance Market. Paper presented at the International Seminar organised by the Nigeria Reinsurance Corporation, Lagos, July 1985.
- Olawayin, G. A. (1971). Government Control of Insurance Business in Nigeria. The Nigerian Law Journal 8: 81 - 100.
- (1982). Securities Laws in Nigeria: Need for Reform. Paper presented at the National Seminar on the Capital Market, Calabar, October 1982.
- (1985a). The Nigerian Business Community and the Significance of Insurance. Paper presented at the Sixth National Seminar on Insurance, Lagos, 19 July 1985.
- (1985b). The Role of Insurance in Revamping a Depressed Economy. Paper presented at the Annual Seminar Luncheon of Insurance Trade Group of the Lagos Chamber of Commerce and Industry, Lagos, 24 September 1985.
- Olotu, J. T. (1983). The Inadequacies of Motor Insurance Practice in Nigeria. Unpublished manuscript.
- Omoruyi, S. E. (1984). An Econometric Analysis of the Determinants of Investments by Insurance Companies in Nigeria. CBN: Economic and Financial Review 22 (4): 19 - 32.

- Omoruyi, S. E. and Demuren, O. A. (1980). The Growth of Insurance Business in Nigeria, 1969 - 1978. CBN: Economic and Financial Review 18 (1): 21 - 40.
- Onyemelukwe, C. C. (1984). Insurance Business As Seen by the Nigerian Entrepreneur. Paper presented at the National Seminar on the Reform of Insurance Law and Practice in Nigeria, Nigerian Law Reform Commission, Lagos, 25 - 27 April 1984.
- Oyebadejo, A. A. (1977). Thoughts on the New Insurance Decree. Unpublished mimeo.
- Oretuyi, S. A. (1978/79). The Insurance Decree 1976: A Review. The Advocate 6.
- Oyejide, A. and Soyode, A. (1976a). Market Power and Economic Performance in Nigeria's Insurance Industry. The Journal of Management Studies 8 (2): 55 - 61.
- (1976b). Insurance Companies as investors; Patterns, Growth and Problems of their Investment in Nigeria. The Nigerian Journal of Economic and Social Studies 18 (1): 147 - 161.
- Ozomah, F. C. (1972). An Evaluation of the Insurance Laws of Nigeria. In: IIN Conference Papers, 1st, Lagos, 1972. Proceedings. Lagos: Insurance Institute of Nigeria, pp. 40 - 55.
- (1976). A Commentary on the Laws Governing the Investment of Insurance Funds in Various West African Countries. WAICA Journal II: 94 - 97.
- (1979): ECOWAS and Motor Insurance in West Africa - the Brown Card System. WAICA Journal V: 85 - 89.
- (1980). Detailed Examination of the Nigerian Insurance Legislation. The Risk Bearer I (4): 17 - 21.
- Patel, R. H. (1985). African Insurance and Regional Cooperation. FAIR Review 15: 15 - 30.
- Reactions (1981). Nigeria - Countdown to realising its full potential, 31 June 1981, pp. 41.
- Richards, K. and Colenutt, D. (1975). Concentration in the UK Ordinary Life Assurance Market. Journal of Industrial Economics XXIV: 145 - 159.

- Ripoli, Jose (1974). UNCTAD and Insurance. Journal of World Trade Law 8: 75 - 106.
- (1976). Some Thoughts on Insurance and Development. Best's Review 76(10): 43 - 54.
- (1982). UNCTAD'S Involvement in the Field of Insurance. FAIR Review 14: 9-19.
- Roberts, John J. (1977). The role of the service industry in technology transfer and economic growth with special emphasis on the insurance industry. In: Monograph 6 for the Conference on "Transfer of Technology: the future of regulation", ed by Council of the Americas Fund for Multinational Management Education et al, New York.
- Saba, R. P. (1978). An alternative theory of the regulation of automobile insurance, Southern Economic Journal October
- Samprone, J. C. JR. Rate regulation and non-price competition in the property and liability insurance industry. Journal of Risk and Insurance 46 (December): 683 - 696.
- Saving, T. R. (1975). Estimation of Optimum Size of Plant by the Survivor Technique. Quarterly Journal of Economics.
- Schatz, S. P. (1964). Aiding Nigeria's Business: the Yaba Industrial Estate. Nigerian Journal of Economics and Social Studies 6(2): 199 - 217.
- Sequiera, P. (1975). The Marketing of Insurance in Developing Countries. In: IIN Conference Papers, 4th Lagos 1975. Proceedings. Lagos: Insurance Institute of Nigeria, pp. 29 - 34.
- Shelp, Ronald K. (1976). The Proliferation of Foreign Insurance Laws: Reform or Regression? Law and Policy in International Business 8(3): 701 - 734.
- Shepherd, W. G. (1972). Elements of Market Structure. Review of Economics and Statistics: 25 - 37.
- Shuwa, Muhammed (1977). Keynote Address by the Federal Commissioner for Trade on the Occasion of Marine Risk Management Seminar Organised by the Department of Actuarial Science and Insurance of the University of Lagos, 26 October 1977.
- Silberston, A. (1972). Economics of Scale in Theory and Practice. Economic Journal Special Issue: 369 - 391.
- Singer, E. (1979). Industrial Organisation: Price Models and Public Policy. American Economic Review 60: 91 - 97.
- Snider, H. W. (1978). The Role of Insurance in Risk Management. Risk Management: 40 - 43.
- Soleye, O. O. (1984a). Keynote Address by the Federal Commissioner for Finance at the 13th Annual Educational Conference of the IIN, Lagos, 22 February 1984.

- (1984b). Keynote Address by the Federal Commissioner for Finance at the 5th National Seminar on Insurance. The Times Leisure Services, Lagos 4 July 1984.
- Soyode, Afolabi and Oyejide, Ademola (1976). Market Share and Profitability in Commercial Banking: The Case of Nigeria. The Journal of Management Studies 8(2): 52 - 58.
- Stephen, Hymer and Pashigian, Peter (1962). Turnover of Firms As a Measure of Market Behaviour. Review of Economics and Statistics: 82 - 87.
- Steward, Richard, E. (1969). Ritual and Reality in Insurance Regulation. In: Insurance, Government and Social Policy, ed. by Spencer L. Kinball and Herbert S. Denenberg. (Homewood: Richard D. Irwin).
- Stigler, G. J. (1958). The Economics of Scale. Journal of Law and Economics 1: 54 - 71.
- Thomas, Ademola (1981). Keynote Address read by the Minister of State for Finance at the Second National Seminar on Insurance, The Times Leisure Services, Lagos, 14 October 1981.
- Town, Don (1976). UNCTAD Programme of Technical Assistance in Insurance. WAICA Journal II: 15 - 18
- UNCTAD (1976). UNCTAD Programme of Technical Assistance in Insurance. WAICA Journal II: 15 - 18.
- (1982). The New International Economic Order in the Field of Insurance FAIR Review 43: 23 - 25.
- Usoro, Eno, J. (1977). Government Policies, and Industrial Development Strategy in Nigeria, 1947 - 74. In: Industrial Development in Nigeria, ed. by O. Teriba and M. O. Kayode. (Ibadan: University Press).
- WAICA (1983). WAICA Re Pool Managers' Report. WAICA Journal VIII: 27 - 32.
- Wilmot, R. T. D. et al (1976). Comment on "Insurance and Development." Best's Review: Property/Liability Edition 76(10): 50 - 54.
- Witt, R. C. (1973). Pricing problems in automobile insurance: an economic analysis. Journal of Risk and Insurance 40 (March): 75 - 93.
- (1978). The competitive rate regulatory system in Illinois: a comparative study by state. CPCU Journal 31 (September): 151 - 162.

(1979). -An economic appraisal of territorial pricing issues in automobile insurance. Journal of Risk and Insurance 46 (March): 33 - 60.

Witt, R. C. and Miller, H. (1980). A comparative analysis of relative cost under competitive and non-competitive rate regulatory laws. CPCU Journal 33 (December): 174 - 189.

(1981). Rate regulation, competition, and underwriting risk in automobile insurance markets. CPCU Journal 34 (December): 202 - 220.

Witt, R. and Urrutia, J. (1983a). A comparative economic analysis of tort liability and no-fault compensation systems in automobile insurance. Journal of Risk and Insurance 50 (December): 631 - 667.

(1983b). Price competition, regulation, a and systematic underwriting risk in automobile insurance. Geneva Papers on Risk and Insurance 8 (October): 403 - 429.

Woode, Anthony Kobina (1976). The Benefit of African Insurance to Africa. Paper presented at the Fifth African Insurance Conference, Casablanca, 7 - 11 June 1976.

Young, R. T. (1978). Marketing Insurance - Problems of Pricing. Foresight May.

Ujaldic, W. (1982), Growth of Non-life Insurance in the 1970's and Its Perspective for the 1980's. Paper presented at the Fourth Annual Meeting of UK Insurance Economists, University of Nottingham, April 1982.

Books

Akeredolu-ale, E. O. (1975). The Underdevelopment of Indigenous Entrepreneurship in Nigeria. (Ibadan: Ibadan University Press).

American Insurance Association (1978). Summary of Selected State Laws and Regulations Relating to Automobile Insurance. (New York: American Insurance Association).

Athearn, J. L. (1969). Risk and Insurance (New York: Appleton - Century - Croft).

Bailey, E. E. (1973) Economic Theory of Regulatory Restraint (Lexington, Mass: D. C. Heath & Co.)

Bain, J. S. (1968). Industrial Organisation. (New York: Willey)

Bauer, B. T. (1954). West African Trade (Cambridge: University Press).

Bickelhaupt, David L. (1974). General Insurance (Homewood: Richard D. Irwin).

Branton, N. and Livingstone, J. M. (1979). Managerial Economics in Practice. (London: Hodder & Stoughton).

- Carter, R. L. (1979). Economics and Insurance. (Stockport: PH Press).
- Carter, R. L. and Dickinson, G. M. (1979). Barriers to Trade in Insurance. (London: Trade Policy Research Centre).
- Carter, R. L. and Doherty, Neil A. (1974). Handbook of Risk Management. (London: Kluwer - Harrap).
- Cockerell, H. A. L. (1982). Insurance. (London: Hodder and Stoughton).
- Cockerell, H. A. L. and Dickinson, G. M. (1980). Motor Insurance and the Consumer. (Cambridge: Woohed Faulkner).
- Chronicle, The Investors (1975). The New Beginners, Please. (London: Eyre Methuen).
- Crowder, Michael (1962). The Story of Nigeria. (London: Faber and Faber).
- Denenberg, H. S. et al (1974). Risk and Insurance. (Englewood Cliffs: Prentice - Hall).
- Dickinson, G. M. (1971). Determinants of Insurance Company Asset Choice. (Sussex: Withdean).
- Doherty, N. A. (1976). Insurance Pricing and Loss Prevention. (London: Saxon House).
- Ellis, Henry T. and Wiltshire, James (1985). Regulation of Insurance (London: Kluwer).
- Emmett J. V. and Curtis, M. E. (1976). Fundamental of Risk and Insurance (Santa Barbara: John Wiley and Son).
- Franklin, Peter J. and Woodhead, Caroline (1980). The UK Life Assurance Industry (London: Croom Helm).
- George, K. D. (1974). Industrial Organisation. (London: George Allen & Unwin).
- Great Nigeria Insurance Company (1981). The History of the Company. (Lagos: Great Nigeria Insurance Company).
- Green, H. A. J. (1976). Consumer Theory (London: Macmillan).
- Hagnani, Zalmai (1978). United Nations (New York: United Nations).
- Hansell, D. S. (1979). Elements of Insurance. (Plymouth: Macdonald and Evans).

- Helleiner, G. K. (1966). Peasant Agriculture, Government and Economic Growth in Nigeria. (Homewood: Richard D. Irwin).
- Hindley, Brian (1981). Economic Analysis and Insurance Policy in the Third World. (London: Trade Policy Research Centre).
- Irukwu, J. O. (1977). Insurance Management in Africa. Ibadan: The Caxton Press).
- (1978). Insurance Law and Practice in Nigeria (Ibadan: The Caxton Press).
- Kilby, P. (1969). Industrialisation in an Open Economy: Nigeria, 1945 - 1966. (Cambridge: University Press).
- Leftwich, R. H. (1982). The Price System and Resource Allocation. (London: Holt, Rinehart & Winston).
- Lipsey, R. G. D. (1983). An Introduction to Positive Economics. (London: Widenfeld & Nicholson).
- Mehr R. L. and Cammack, Emerson (1976). Principles of Insurance. (Homewood: Richard D. Irwin).
- Needham, Douglas (1978). The Economics of Industrial Structure Conduct and Performance. (London: Holt, Rinehart and Winston).
- Nevin, E. T. (1969). Text Book of Economic Analysis: (London: Macmillan).
- Nwankwo, G. O. (1980). The Nigerian Financial System. (London: Macmillan).
- Ojo, Ade T. and Adewunmi, Wole (1982). Banking and Finance in Nigeria. (Linslade: Graham Burn).
- Okigbo, P.N.C. (1981). Nigeria's Financial System; Structure and Growth. (Essex: Longman).
- Proehl, Paul O. (1965). Foreign Enterprise in Nigeria. (Chapel Hill: The University of North Carolina Press).
- Raynes, H. E. (1964). A History of British Insurance. (London: Pitman).
- Rogers, David C. D. (1977). Business Policy and Planning: Text and Cases. (New Jersey: Prentice - Hall).
- Rostow, W. W. (1961). The Stages of Economic Growth. (Cambridge: University Press).
- Schatz, S. P. (1964). Development of Bank Lending in Nigeria: The Federal Loans Board: (Ibadan: Oxford University Press).
- Scherer, F. M. (1980). Industrial Market Structure and Economic Performance. (Chicago: Rand McNally).

Shepherd, W. G. (1972). The Economics of Industrial Organisation.
(Englewood Cliffs: Prentice-Hall).

Teriba, O. and Kayode, M. O. (1977). Industrial Development in Nigeria. (Ibadan: University Press).

Turner, H. A. (1976). The Principles of Marine Insurance.
(London: Stone and Cox).

Government Publications

Aaronovitch, Sam and Sam and Samson, Peter (1985). Insurance Industry in the Countries of the EEC. Structure, conduct and performance (Luxembourg: Commission of the European Communities).

Gower, L. C. B. (1982). Review of investor Protection: A Discussion Document. (London: HMSO).

(1984). Review of Investor Protection Report: Part I.
(London: HMSO).

(1985). Review of Investor Protection Report: Part II.
London: HMSO).

Longbotton, J. L. (1932). An Analysis of the Motor Traffic Legislation of the Colonies. (Accra: Government Printer).

National Association of Insurance Commissioners. (1979). NAIC Report of Profitability by Line and by State for the Year 1978, Milwaukee (Wise). 1979.

New York Insurance Department (1969). The Public Interest Now in Property and Liability Insurance Regulation a Report of the New York Insurance Department to Governor Nelson S Rockefeller, January 1969.

Nigeria, Federal Republic of (1960). Report of the Motor Vehicle Insurance Investigation Committee.
(Lagos: Federal Ministry of Commerce and Industry).

(1964). A Report on Insurance Companies' Operations in Nigeria, 1960 - 62. (Lagos: Federal Office of Statistics).

(1964). White Paper on the Report of the Motor Vehicle Insurance Investigation Committee. (Lagos: Federal Ministry of Information).

(1970). Second National Development Plan, 1970 - 74.
(Lagos: Federal Ministry of Information).

- (1974). 1974/75 National Budget Broadcast. (Lagos: Federal Government Printer).
- (1975). Third National Development Plan 1975 - 80. (Lagos: The Central Planning Office, Federal Ministry of Economic Development).
- (1976). Report of the Committee on the Nigerian Financial System. (Lagos: Federal Ministry of Finance).
- (1978). Report of the Review Panel on Cooperative Principles, Laws and Regulations in Nigeria. (Lagos: Federal Ministry of Information).
- (1979). 1979 - 80 Budget Broadcast. (Lagos: Federal Government Printer).
- (1986). Report of the 8-man Insurance Investigating Panel. (Lagos: Federal Ministry of Trade).
- Nigeria, Federation of (1958). The Role of the Federal Government in Promoting Industrial Development in Nigeria. Sessional Paper No 3 of 1958.
- (1960). Federal Parliament Debates. (Apapa: Federal Government Press).
- (1961). Federal Parliament Debates: (Apapa: Federal Government Press).
- (1962). National Development Plan, 1962 - 68. (Lagos: Federal Ministry of Economic Development).
- Nigeria, Reinsurance Corporation (Annually). Nigeria Insurance Year Book. (Lagos: Nigeria Reinsurance Corporation).
- OECD (1964). Supervision of Private Insurance in Europe. (Paris: Organisation for Economic Co-operation and Development).
- Reichel, Karl E. (1966 - 71). Report on Insurance in Nigeria. (Lagos: Federal Ministry of Trade).
- UNCTAD (1972). Insurance Legislation and supervision in developing countries, TD/B/393. (Geneva: UNCTAD Secretariat).
- (1975). Insurance: Marine Cargo Insurance, TD/B/C.3/120. (Geneva: UNCTAD Secretariat).
- (1980). Loss Prevention in Fire and Marine Cargo Insurance, TA/B/C.3/162. (Geneva: UNCTAD Secretariat).
- (1981). Third World Insurance at the End of the 1970's, TD/C.3/169. Add. 1 Rev. 1. (Geneva: UNCTAD Secretariat).

(1983). The Activities of UNCTAD's Special Programme on Insurance. (Geneva: UNCTAD Secretariat, UNCTAD/INS/75).

United Nations (1980). Basic Facts About the United Nations. (New York: UN. Publications, Sales No E SOIS).

U. S. Department of Justice (1977). The Pricing and Marketing of Insurance, a Report of the U. S. Department of Justice to the Task Group on Anti - Trust Immunity, Washington (D. C.). January 1977.

U. S. General Accounting office (1979). Issues and Needed Improvements in State Regulation of the Insurance Business, U. S. General Accounting Office, Washington, D. C.

Unpublished Dissertations

Aje, Z. O. (1978). Indigenisation of Enterprises in Nigeria. Ph.D thesis: University of Lagos, Faculty of Law.

Carter, R. L. (1968). Competition in the British Fire and Accident Insurance Market. Unpublished Ph.D thesis: University of Sussex.

D'Arey, S. (1982). An economic theory of insurance regulation. Unpublished Ph. D. thesis: University of Illinois.

Elzubeir, E. K. (1984). The Marketing of Islamic Banking Services With Particular Reference to Faisal Islamic Bank, Sudan. Unpublished Ph.D thesis: City University Business School, London.