

PRESS RELEASE

FEDERAL MINISTRY OF FINANCE

Wednesday, May 5, 2010

Babalola Underlines 7 Critical Success Factors For Insurance Firms

**...Insists On Insurance Firms' Prompt Claim Settlement To Customers
...Sees Opportunities For Insurance Companies In Physical Infrastructure Devt, Unexploited Oil & Gas Business**

The Honourable Minister of State for Finance, Mr. Remi Babalola, on Wednesday underlined seven critical success factors for every licensed insurance firm in the country.

These include: prompt claim settlement, superior corporate governance, enhanced technology, competent management, human capital development, innovative products and efficient customer service.

The Minister has also directed the industry regulator, the National Insurance Commission (NAICOM), to “closely monitor and become more intrusive in its supervisory role in the sector without micro-managing the operators”.

Babalola, who made this known at a one-day International Insurance Conference organised by the Nigerian Insurers Association (NIA) in Lagos, said that the underlying factor in the reforms embarked upon by the administration was building an insurance industry that have the confidence of the consumers.

He added that the reforms would enable general insurers to meet the growing risks of an uncertain world and sustain them during difficult period.

“The Government wants the consumers to be confident that the industry is keeping their savings secured and also confident that as institutional investors you are holding companies to account and ensuring the long-term stability of the Nigerian economy,” said Babalola, who was represented by his Special Assistant, Barry Nwinee.

He disclosed that insurance firms with strong and skilled independent directors would deliver better outcomes for the firms and consumers alike.

He pointed out that there had been considerable enhancement and prominence in the insurance sector in the last three years.

According to him, gross premium income, insurance penetration, contribution to Gross Domestic Product (GDP), insurance density and the industry global ranking have all trended upwards. “We are still very far from our optimal potential. Between 2007 and 2010, we have taken many far reaching reform decisions in this sector. We need your support and cooperation to step up the journey to our desired destination,” he said.

He charged all insurance operators to focus on the customers and fulfill the pledge made to them in terms claims defrayal.

The minister assured that the Federal Government and the industry regulator, the National Insurance Commission (NAICOM), would make all efforts to continue to ensure the enforceability of insurance regulations in the country.

Though he noted that there was a cost to increased regulation, the minister assured that all further new regulations would be targeted at risk in the system.

He charged the NIA to develop an industry-wide consumer strategy that would be all encompassing and would empower the industry to improve outcomes for consumers by dealing with areas of detriment through collective action.

“The industry should take proactive steps to identify areas of customer detriment, develop plans to improve outcomes for customers and gather evidence to prove that consumer outcomes have been improved. By taking these actions, the industry will benefit from the ensuing reputational gains and any regulatory dividend.

“Finally, and most importantly, this Association should encourage its members to be customer oriented. As a Ministry, we urge you all to be committed to improving your customer relations as you still have some way to go. At the heart of such healthy relationship is good dialogue and it is my hope that you can continue to get that right as we face these challenges together,” he emphasised.

The minister also advised the NIA and insurance operators to tap into opportunities provided by physical infrastructure development, pension development and the unexploited insurance business in the oil industry.

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