

Open Letter to Mr. President on the Insurance Industry: A Response

A RESPONSE: OPEN LETTER TO MR. PRESIDENT ON THE URGENT NEED TO RESTRUCTURE THE NIGERIAN INSURANCE INDUSTRY FOR OPTIMAL CONTRIBUTION TO THE ECONOMIC GROWTH AND DEVELOPMENT

Our attention has been drawn to the above captioned Open Letter addressed to Mr. President which was published on Sahara Reporters and some online news portals by a shadowy group masquerading as “Concerned Insurance Stakeholders.” In the letter, the group mischievously alleged that Mr. Mohammed Kari, the Commissioner for Insurance *“lacks the competency, commitment and sincerity to move the insurance industry forward,”* among others.

The “Open Letter” is clearly an ill-timed attempt by faceless self-centred individuals and traditionally non-compliant/unscrupulous insurance operators to truncate the ongoing efforts of the Mr. Kari led Management of NAICOM to implement the required regulatory and administrative reforms needed to transform the Nigerian Insurance Industry. The sole intention of the “Open letter” is obviously in the concluding paragraph which reads *“... As his tenure comes to an end on the 31st July, 2019, we, therefore, call for the appointment of a competent and season professional to replace Mohammed Kari.....”*

The above quotation, Your Excellency, gave away the purpose of the write-up. A couple of years ago, a faceless group with a similar name made an analogous call for the removal of Mr Kari proffering similar arguments including his not being a qualified Insurance professional. Other stakeholders, like us, including the Chartered Insurance Institute of Nigeria responded with various publications to debunk the baseless insinuations then.

We could therefore have chosen to ignore their antics as the letter was neither signed nor from any authentic group anyone is aware of. However, as stakeholders and veteran practitioners with several decades of experience in the Insurance Industry, it has become necessary to set the records straight and to dispel the mischievous misinformation designed to hoodwink Mr. President and other Nigerians into believing the spurious allusions and deductions. More so, if the authors had been courageous enough to write in their names, we would only have encouraged Mr Kari to pursue justice from the appropriate legal quarters.

Consequently, we respond as follows:

1. Likely source of the “Open letter”

It is evident from the content of the letter, Your Excellency, that it is an external (the Insurance Industry) and an internal (Staff of the NAICOM) joint effort in the authorship.

It is common knowledge that some unscrupulous operators in the industry have always shown their disdain for Mr. Kari and have used every opportunity to campaign against him. This is for the simple reason that Mr. Kari is a very strict professional and a no-nonsense regulator.

It is also known, Sir, Mr. Kari has been having a running battle with the staff Union of the Commission, on trifle issues since his appointment. This joint article, in our opinion, confirms the worst kept secret in the Nigeria Insurance Industry, that certain operators have pocketed some officials of the NAICOM Staff Union.

This is evidenced by the fact that every time the Staff Union are led to a stand-off with Mr. Kari's management, it would coincide with some new market initiative from the NAICOM.

2. Mr Kari as an incompetent and un-seasoned professional

Any person involved with the Nigerian Insurance industry in the last thirty (30) years would have known of Mr. Kari's antecedents.

Mr. Kari came to national limelight when he was appointed in 1989 as an Executive Director in a leading insurance company. Within a short period, he established himself as a renowned Insurance Professional and Manager whose qualities were immediately recognised with meteoric rise in reputation.

These qualities earned him the reputation of the youngest most competent Executive in the whole of the African (and arguably) the World's Insurance Industry.

This reputation, then, like today, created animosity against him from powerful industry interests which he can best explain if he so wishes. But it was common knowledge to us veterans that then, like today, the industry effectively used the Staff Unions in his Company to distract, frustrate and create questions on his reputation where none existed.

3. Negative Growth of the Nigerian Insurance Sector and Insurance Penetration

The petitioners alleged that the Nigerian Insurance Sector's performance nosedived since the end of year 2015. Contrary to the mischievous allegation, the insurance industry in 2015 actually recorded an increase in Gross Premium Income.

For the avoidance of doubt, notwithstanding the effect of the economic recession the Gross Premium Income for the year 2015 was N289 billion as against N281 billion recorded in the year 2014, while the sector recorded a gross premium income of N326 billion, N372 billion and N424 billion in 2016, 2017 and 2018 respectively.

It is important to state that the Insurance Industry is one of the few Sectors that continued to record growth with a Compounded Annual Growth Rate of 28.7% in Gross Premium Income since the year 2015.

The major index for assessing the growth of the insurance industry is the Gross Premium Income and we wonder how the petitioners came about the alleged negative growth.

It is important to note that in 2015 the Naira exchanged for less than N200 to a US Dollar on the spot inter-bank rate, whereas it was for over N350 in the year 2017 following the foreign exchange crisis and consequent devaluation of the Naira.

Therefore, the petitioners' mischievous analysis using the US Dollar as the benchmark is a calculated attempt to exploit the impact of the fall in the value of the Naira on the consistent growth in Gross Premium Income of the sector since year 2015.

For example, in the petitioners' quest for malice, they chose to refer to a section of the Barometer, but ignored the crux of the problem, as clearly highlighted by the report that: *"Due to positive exchange rate developments, in particular the strengthening of the South African Rand against the US Dollar, premium grew by 12% in US\$-terms, reversing the trend of*

previous years, when African growth rates were negative due to the depreciation of the African currencies". Therefore, the negative reported against Nigeria was due to the fall in the value of the Naira.

As for Nigeria's supposed low insurance penetration rate compared to South Africa, suffice it to state that it is inappropriate for the Petitioners to compare Nigeria's Sectoral Supervisory Model with another country that adopts Integrated Supervisory Model, where only one financial regulator supervises Insurance, Pension, Health Insurance and other financial sectors activities and all are therefore components of the total premium income reported for some of these countries, whereas only the premium accruing from insurance (one component) is reported for Nigeria. How can that be an individual's fault?

4. Enforcement of the Compulsory Insurances

Contrary to the allegation that the Commission, under Mr. Kari's leadership failed to enforce the compulsory insurance, we are all aware that it has been monitoring compliance with Compulsory Insurances through collaborations with various stakeholders, such as, the Federal Road Safety Corps, the Nigerian Police Force, the Federal and States Fire Services, the Insurance Operators, Other Financial Regulators and State Governments.

In recognition of the lack of appropriate enforcement powers in the Insurance and NAICOM Acts, we are aware that the Commission is collaborating with the agencies vested with the powers to ensure proper enforcement of compliance with the compulsory insurances. It is hoped that this identified gaps in the extant laws would be corrected in the proposed Consolidated Insurance Bill which is under consideration.

5. Routine Inspection of Insurance Institutions

The alleged failure of the Mr. Kari led NAICOM to conduct routine inspection is untrue. The fact is that, we are aware that the Commission has been carrying out On-site inspections and countless Off-site reviews of Occurrence, on a monthly, quarterly and annual returns. To our knowledge the Commission has always kept to its duties as contained in its laws despite the inadequacies known to exist in the Commission.

6. Market Development and Restructuring Initiative

Contrary to the mischievous allegations by the writers alleging that Mr Mohammed Kari has refused to implement the Market Development and Restructuring Initiative (MDRI), the Commission had stated in numerous press statement of its commitment to its strategy of expansion, growth and restructuring initiatives. Was it not recently in the public arena, the Commission's efforts to reach out to the states of the Federations and the creation of new distribution channels?

If anyone is to be blamed for frustrating this initiative, we would blame our industry colleagues, especially a sub-sector that selfishly argue that they must have a role in every initiative, otherwise they shoot it down. (Which they have been able to achieve successfully, it seems)

7. Budget Implementation and Travels

On the allegation of low implementation of budget, it is public knowledge that a budget is revenue and expenditure plan which performance is determined by many factors ranging from the period of passage of the budget, cash flow, procurement process and statutory approvals, among others.

It is important to note that Mr. Kari assumed the leadership of the Commission in 2015 when the symptoms of recession were already obvious and in the advent of a new Government in the country that required prudent management of scarce resources.

This must have led to prioritization of expenditure and adoption of stringent measures (which Mr. Kari is known for). We suspect this prudence is now being twisted to malign him.

It is common knowledge that the Commission under the leadership of Mr. Kari has always prioritized compliance with the directives and policies of the Federal Government.

The Nigerian Insurance Market, like the national economy is a leader in Africa and a model in the world, so we don't see how any international insurance activity would not require the participation of the National Regulator.

Anyone who knows Mr. Kari can testify that it would be a fallacy to imagine that he would travel without due approvals, unless he travels at his own expense. This could easily be checked with their supervising Ministry

8. Insurance is the Weakest Link in the Financial Services Sector

Insurance being the weakest link in the Financial Sector may be a true statement, but in pursuit of the writers' malicious attempt, they insinuated that Mr. Kari was responsible.

The fact is that the report quoted predates the appointment Mr. Kari and dates back to the inception of the FSS2020 strategy. However, it is important to note that, in order to ameliorate the situation, the Commission alongside FSS2020, GIZ and other development partners have been working assiduously to bridge the gap.

We understand that one of such is the Financial Inclusion initiation which resulted in the licensing of some Takaful and Microinsurance insurance companies as well as several ongoing projects such as the one aimed at increasing channels of distribution of insurance in the country.

To the credit of Mr. Kari, all initiatives started under his management in order to improve the lot of the sector are challenged by both internal and external "concerned insurance stakeholders".

In some cases, this resulted in the withdrawal of some policies in what seemed a calculated strategy, because these policies are in most cases reissued later with the desired effect still attained. This may not be unconnected to the existing Insurance regulatory law, which has been acknowledged to be legally weak

9. Recapitalization of the Insurance Industry

In a scathing attempt to demonize Mr. Kari, the petitioners ludicrously alleged that insurance companies are currently under-utilizing their capital and therefore the ongoing recapitalization exercise was unnecessary and that the exercise is Mr. Kari's personal vendetta to kill some companies.

While this allegation is clearly preposterous and unworthy of response, it is important to reiterate that some Insurers have the tendency to continue to take too much risk with little capital, coupled with the risks arising from impairment of certain assets, inflation, fall in the value of the Naira and inappropriate pricing of insured risks.

The cumulative consequence is the increasing inability of insurers to honour contractual commitments to the insured and shareholders, thus the need to ensure that insurance institutions capitalizations are sufficient enough to correct the growing diminution of the industry image by fringe Operators who struggle to pay genuine claims.

This, in our opinion, will also enhance protection of policyholders, enhance industry expansion, increase consumers' confidence and reduce regulatory intervention level. We are witnesses to the overwhelming support of the Capitalisation directives from all quarters since its release, except from this shadowy group and their other paid partners.

10. Alleged Corrupt Exploration

The petitioners also insinuated that Mr. Kari's disposition to "corrupt exploration" has led to various suits against the Commission.

While this is a personal matter for Mr. Kari to refute, we make haste to clarify that corruption is the act of an official or fiduciary person who unlawfully and wrongfully uses his station or character to procure some benefit for himself or for another person, contrary to duty and the rights of others.

It is trite that "he who asserts must prove". If a person asserts that a certain state of facts is present or absent, that would be an averment that he is bound to prove.

Suffice it to state that this allegation is baseless, malicious and tantamount to assassination of character considering that since the appointment of Mr. Kari in 2015, no evidence has been provided to substantiate the allegation that he has been involved in corrupt practices in the National Insurance Commission.

Other insinuations, in our opinion, may be explained by our paragraph 2 above. If the allegations are believed to be true by the authors, they should have appended their names to it.

But cowardly attempt to have someone explain his innocence on a faceless allegation must be seen for what it is; MALICE.

11. Conclusion

While we are not in a position to explain allegations of the internal issues of the NAICOM raised, the internal details provided by the writers goes to prove our belief that some members of staff of the NAICOM must be involved in the write up.

While it is easy in Nigeria to circulate malicious allegations against public office holders, it is an incontrovertible fact that Mr. Kari is a renowned insurance practitioner with a track record

of uncommon bravery and competence who had successfully managed many frontline insurance institutions in Nigeria.

We are glad to note that, despite the smear campaign, Mr. Mohammed Kari (the Commissioner for Insurance), remains focused on his mission to implement the required radical regulatory, institutional and operational reforms of the industry in order to effectively reposition the sector as a significant contributor to the economy of Nigeria and would continue to do so with his usual uncommon courage and patriotism to the common good of the insurance sector and Nigeria in general.

This must be why the “concerned insurance stakeholders” are afraid that if he is appointed for a second term, they would be finally purged from the Nigeria Insurance industry and the Commission, for the better.

We know Your Excellency does not need a malicious character assassination or a rejoinder like this to determine the appointment of any of your appointees. Suffice it to state that, it is a common belief of all serious stakeholders that the Nigeria Insurance Industry at this time requires someone with the professionalism, courage and no-nonsense approach of Mr. Kari to succeed.

SIGNED

Insurance Elders