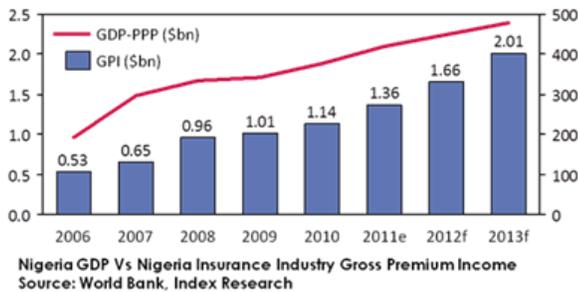
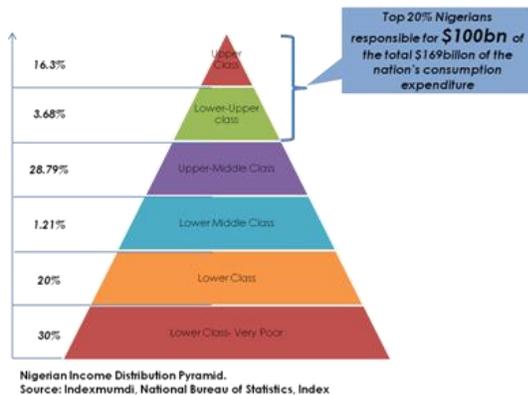


The Hidden \$10 billion Insurance Market in Nigeria

The Nigerian Insurance Industry contributes only less than 1% (gross underperformance) of the nation's gross domestic product in a country of over 160 million people.



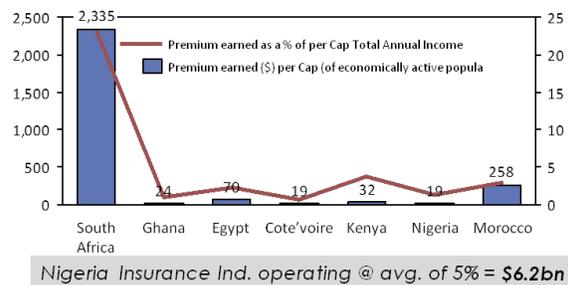
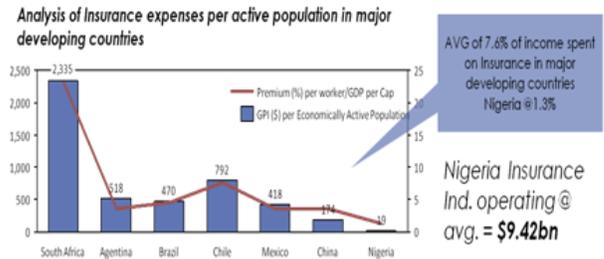
A number of myths have been blamed for the underperforming nature of the industry. The most commonly debated factor is that of the low income/earning per cap of the population (\$2,600/annum)¹ is responsible for low industry gross premium income. We considered this a myth because, although, 70% of Nigerians are poor (according to National Bureau of Statistics), the top 20% of the population are responsible for more than 59% of the national consumption expenditure (see chart below).



A report by the Nigerian Association of Insurers shows that life and motor policies is the highest contributor to premium incomes by 26% and 21% respectively. This indicates the low penetration of insurance given that less than 2 million Nigerians have life insurance².

The key to unlocking the potential of the industry lies in tapping into the retail sector where the insurance penetration is extremely low with huge service gaps.

At a consumption expenditure of \$100billion, the top 20% Nigerians (16.8million economically active people) can easily afford insurance products. A comparative study on Nigeria and other major developing countries shows that an average Nigerian spends 1.3% of its expendable income on insurance as against 23% South Africa, 3.6% Argentina, 4.6% Brazil, 7.7% Chile, 3.5% Mexico, 3.5% China. If properly harnessed, the industry can open up a \$10billion market if the top 20% Nigerians can be made to spend a mere 7.6% of their income on insurance.



Insurance firms need to redefine their business strategy and operations. Executives needs to start pushing the frontier upwards and should start answering key questions that will determine if their companies can begin to unlock the potential in the market. These questions include:

1. Where is our market / segment focus?
2. What innovative products/ services that resonate with our culture and belief?
3. How can we be responsive to market dynamism driven by dynamic workforce?
4. How can we rebuild trust amongst our potential customers to buy from us?

The right tactics to address these strategic questions will determine if the industry is ready to take the bull by its horn or will keep on dragging along like it has done over the past decade.

Michael Adenuga is a Principal Consultant at **Index Consulting**. A professional services firm offering leading edge Strategy, Innovation and Change Consulting services to business and government

If you like to discuss with us on your strategy, innovation and change management requirements, drop us an email on info@indexconsulting.biz

¹ GDP per cap (PPP) – World Bank

² An Interview by Oluseyi Ifaturoti of Crystal Life Insurance