

Retail Assurance In Nigeria

- Assesing
fundamental
Consumer
Perspective



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Insurance in Nigeria – a brief overview

Valued at about N300 billion, Nigeria's insurance industry has contributed significantly to the growth and development of the country's economy. With the first insurance company in Nigeria, Royal Exchange Assurance, established in 1913, there are presently over 50 registered insurance companies. Though the industry has developed over the last century, there are still significant opportunities for growth -as its current performance is largely attributed to only a small fraction of its target customers. The main types of insurance products available to customers include vehicle insurance, home insurance - burglary and fire protection, life insurance, health insurance amongst others.

The low adoption of insurance products and services in Nigeria may largely be as a result of a low level of awareness about the importance of insurance. Also, a significant number of those aware have little confidence in the value and quality of services offered by local insurance companies. Furthermore, customers are not certain about insurance companies settling claims when the need arises, for example settling of claims on a house or car insured after a fire or accident. Nigeria's insurance market has more corporate consumers than retail consumers across the various insurance products available.

Third party vehicle insurance, which is insurance purchased for protection against the actions of another party - is the most patronized. This is due to the fact that Federal Road Safety Commission has made it obligatory for all vehicle owners to have at the minimum third party insurance. Health insurance is also very common because it provides health care benefits, which makes it possible to visit doctors at an affordable cost. Health

insurance is also driven largely by the introduction of the law, which makes it mandatory for organizations with ten or more employees to register its employees with a Health Maintenance Organization (HMO) under the National Health Insurance Scheme (NHIS).

Nigeria’s Retail Insurance Opportunity

With over a 100 million active consumers of retail commodities, Nigeria’s retail insurance sub-segment remains significantly untapped. By developing relevant insurance products for everyday personal and household commodities, an insurance company can create and capture significant market value. As affirmed by the Market Development and Restructuring Initiatives (MDRI), the Nigerian insurance industry needs to be developed in the area of product innovation. The National Insurance Commission (NAICOM) –the industry regulator – also attests that a key growth factor for Nigeria’s insurance industry is for its operators to develop retail-focused products that have consumer appeal.

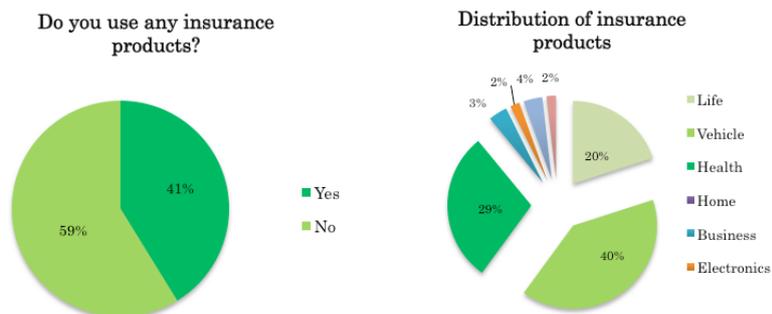
Retail insurance is essentially the provision of insurance products to cover individuals’ personal and household items against loss, damage or theft. These items range from jewellery, electronics, and furniture to vehicles and equipment, etc.

To effectively design and deploy retail insurance products and services, insurance operators need to have a good knowledge of consumer behavior and preferences. A recent high-level survey carried out by Ciuci Consulting provided some valuable insights that forward-looking insurance operators can use.

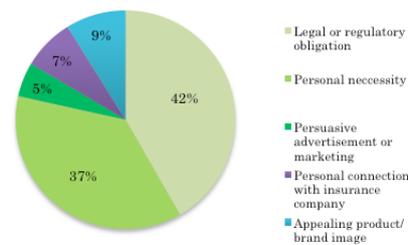
Retail Consumers’ Response to Key Insurance Questions

Use of Insurance Products

From the survey, 41% of respondents buy insurance products while 59% of the respondents do not buy any. The low purchase of insurance products is attributed to lack of awareness about the insurance products and the benefits they offer. Of the 41% of respondents who buy insurance products, 40% buy vehicle insurance, 29% health insurance and 20% life insurance, while the remaining 11% is made up of home, business and electronic insurance.



What factors influence your decision to purchase insurance products?



In a bid to understand why the respondents bought insurance products, respondents were asked what factors influenced their decisions and 42% stated that they bought insurance as it was a legal or regulatory requirement, while 37% said that it was a personal necessity. 5% of the respondents stated that they purchased the insurance product because of persuasive advertisement/marketing of insurance products is also a key decision driver for consumers. Also, 9% of respondents stated that a major influence factor for them is the product appeal/brand image; insurance companies therefore need to understand consumers' preference and develop more products that appeal to their target market and also improve on their brand image.

Perception of Insurance by Consumers

47% of those interviewed are of the opinion that only recognized insurance companies settle claims promptly, while, 37% of respondents took a neutral stance, 10% disagreed and another 6% strongly disagreed. With such figures, it can be inferred that there is a correlation between brand image and prompt settlement of claims and non-recognizable insurance companies need to increase their visibility and marketing strategy.

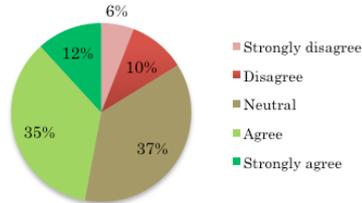
60% of respondents agree with the statement 'Some insurance companies do not settle claims'. This may be from experience or what individuals have heard about some insurance companies and this forms their impression.

When asked if customers generally get value and benefits from insurance products they buy, 40% of respondents agreed and another 40% had a neutral stance. This shows that quite a number of people are not clear about the benefits of buying insurance products. If benefits are clearly articulated and communicated, more people will be willing to buy insurance products.

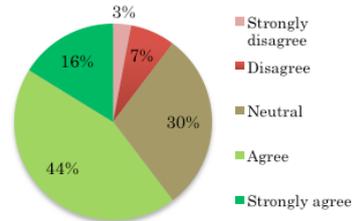
Furthermore, 24% agreed to the statement 'insurance is not for the masses' while 41% of respondents disagreed with the statement. This shows that people who agreed with this statement believe that low-income earners cannot afford insurance. In order to make it affordable for low income earners, unique insurance products that cater to the specific needs of this demographic should be developed and offered at inexpensive rates with payment plans. Also a deliberate effort should be made to educate the target market as well as establish a simple process for buying insurance products.

Though majority of respondents believe in insurance, 1% of respondents did not believe in insurance while 24% of respondents took a neutral stance.

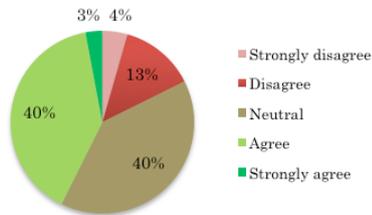
Only recognized insurance companies settle claims promptly



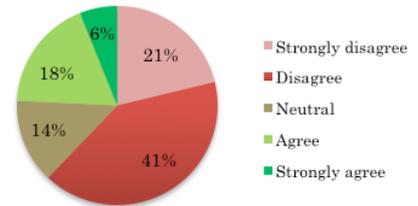
Some insurance companies do not settle claims



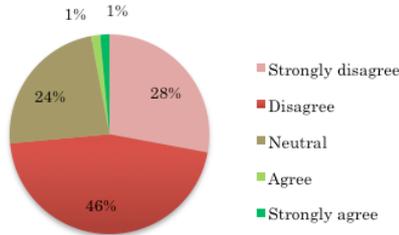
Customers generally benefit when they buy insurance



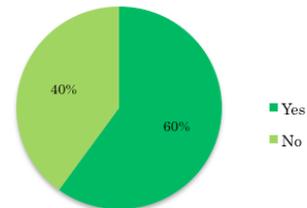
Insurance is not for the masses



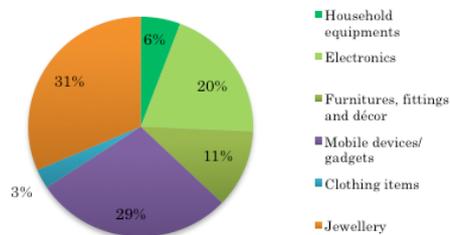
I do not believe in insurance



Would you be willing to insure your personal or household items?



Which of the following personal or household items will you insure?

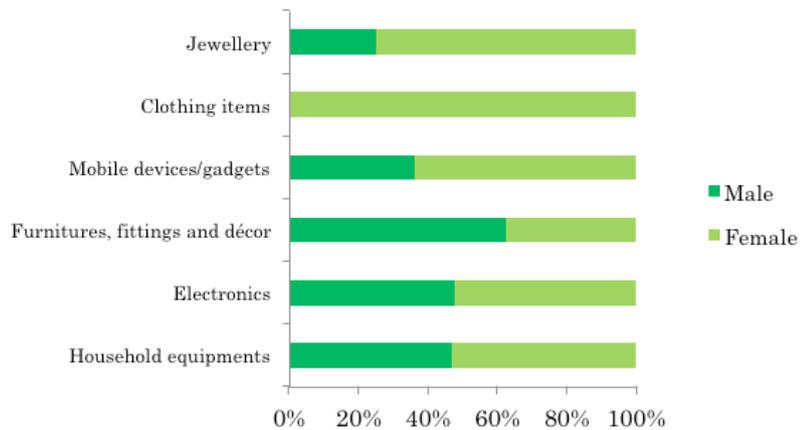


Respondents were asked if they would insure their personal or household items such as household appliances (fridge, cooker, generator, etc.), electronics, furniture, fittings and décor, mobile devices/gadgets, clothing items and jewelry. 60% of respondents stated they would be willing to insure their personal or household items while 40% responded that they would not. The main items respondents were willing to insure were mobile devices/gadgets and jewellery.

Assessing retail insurance preferences by gender

To assess the retail insurance preferences of consumers, respondents were asked to indicate what type of commodities they are likely to insure.

The survey indicated that 70% of male respondents were willing to insure their mobile devices/gadgets while 50% of both male and female respondents were willing to insure their electronics and household equipment. Majority of the females would insure their



expensive clothing items and jewellery.

Retail insurance provides a significant market opportunity in Nigeria. However insurance operators and regulators need to make insurance products truly valuable and appealing to consumers. They must provide innovative insurance products that are affordable and can be considered as a necessity to consumers. Also, there is a critical need to build consumer trust and confidence in insurance products and services in order to raise consumer adoption levels.

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