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Microinsurance and Its Untapped Economic Development Potentials in Nigeria

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Abstract: This study highlights the potential contributions of microinsurance business to the growth and development of the Nigerian economy. It noted the low levels of insurance coverage where only 1% of the adult population is insured and insurance penetration of 0.68%. The contribution of insurance to GDP is put at a paltry 0.72% and poverty is so high that about 70% of the population live on less than $1.00 a day. The paper therefore examines the fundamental issues that bedevil the Nigerian economy and the insurance industry and the impact of the issues on the country's economy. The inadequacy of data and relative newness of the microinsurance arrangement encouraged documentary review in this study, with extensive employment of secondary sources of information. Using a descriptive research design and employing tables, graphs, charts and percentages to analyze the data, the study shows that development of microinsurance business in Nigeria has the potential to undo some of the country's economic woes, and ensure more insurance penetration and financial inclusion. It shows there are developmental gaps in the operation of insurance business in Nigeria which microinsurance business arrangement can effectively fill. The study therefore recommends, amongst other things, extensive information dissemination about microinsurance products, development of tailored microinsurance products for the target market of poor and low income earners and the employment of appropriate channels, like mobile network operators, market and farming associations etc, as payment platforms to disseminate information and collect premiums.

Keywords: Financial Inclusion, Insurance Penetration, Economic Growth, Nigerian Economy, Insurance

1. Introduction

The benefits of insurance are well documented [1] [2]. Aside the legal requirement that some people or businesses must have certain types of insurance cover to protect others, insurance provide some level of protection against loss to the policyholders, reducing their risk while inspiring increased peace of mind. Yet, in Nigeria there still exist a serious challenge in ensuring adequate coverage of the population with specialized insurance products [3]. Microinsurance business was developed to ensure adequate coverage for the uninsured and low income earners. Notwithstanding the existence of this sector, finding ways of reaching the potential customer base, communicating the concept of insurance and building the necessary infrastructure to process claims effectively remains a major hurdle of growth in this unit of insurance business [4] [5].

Microinsurance, according to Guidelines for microinsurance operations in Nigeria, developed by [6] is an insurance that is developed for low income populations, provided by licensed institutions, run in accordance with generally accepted insurance principles, and funded by premiums. The scheme's products are designed to be appropriate for the low income market in relation to cost, coverage, terms and delivery mechanism. The major features which this insurance sector must possess include simplicity, understandability, accessibility, valuable and efficiency.

In the Nigerian economy, the operation of microinsurance business was legally recognized to be enforced from 1st January, 2014, in line with the National Insurance Commission (NAICOM) guidelines. NAICOM, being the Nigerian insurance industry's regulatory body, stipulated N150,000,000, N200,000,000 and N350,000,000 for life, non-life and composite microinsurance businesses respectively, as the required minimum capitalization.

In general, the microinsurance business is a relatively new concept in the world. The idea behind its introduction internationally, according to [7], was the emphasis on the role it can play in expanding the insurance sector. The concept in itself appeared as a new financial service within microfinance and then developed into a sector of its own. It can therefore be emphasized that it is only the term microinsurance that is fairly new; but the business concept remains the same.

The operational history of microinsurance cannot be ascertained without looking at that of insurance. It is, therefore, important to examine the following: Of what impact is the operation of insurance business in Nigeria? Is microinsurance relevant and operational in Nigeria, and to what extent? What are the major challenges and what does the future hold for this sector? This paper is designed to give answers to these questions. It is therefore divided into five sections. The introduction is taken care of in section one. Section two deals with the literature review, showcasing the theoretical and empirical framework of the study. In section three and four, the study is placed in perspective by establishing the relationship between microinsurance and economic development. The conclusion and recommendation is presented in the last section, section five.

2. The Methodology

This research employs a descriptive research design. The essence is to show the trend of variables used in the study. The data used for the study were sourced from several secondary sources (Journals, Central Bank of Nigeria Statistical Bulletin, textbooks, newspapers and internet). The choice of this method was informed by the nature of the study. Since microinsruance being a relatively new arrangement in Nigeria there is dearth of empirical data on its contribution to the nation's growth and development. However, the available information on insurance penetration, premium income and contribution to GDP were analyzed using tables, charts and graphs to project the sectors potentials to the nation economic position.

3. Literature Review

The primary function of insurance is to act as risk transfer mechanism, providing peace of mind and protection against losses [8], [9]. [10] also emphasizes that apart from the social role it plays by relieving government of some burden of meeting the financial security needs, insurance can stimulate economic development and capital market development, through funds mobilization from premium incomes. Sufficient accessibility to insurance ensures the low-income earners and the very poor and their businesses are sustained, grow and are given the capability to remain effective in the face of disaster [11]. Observation of the Nigerian economy indicates a high level of poverty occasioned by poor disposable income and machineries to stimulate income generation.

The 2011 National Population Commission (NPC) data show high level of increment in poverty index of the Nigerian population by 8.56% against the average growth of 7.2% per annum from 2004 to 2010. Also, analysis of Purchasing Power Party (PPP) shows a decline in the number of people with a poor purchasing power of one dollar per day from 62.8% to 61.2% between 2004 and 2010 respectively– [12] view that Human Development Index (HDI) measurement parameter can be used to determine how microinsurance can help mitigate this problem. The parameters are income (GDP per capita), life expectancy at birth and educational attainment. The microninsruance programs can increase the HDI by ensuring lenders have greater security and incentive by financing micro business [11].

[13] documented that micro insurance policy offers protection against a set of pre-determined risks relating primarily to business, health, agriculture and life. But in the micro insurance sphere, the target market is specific; low insurance communities where people live on less than US $2 a day. This form of insurance focuses on groups and pools together their risk and prepaid contributions rather than on the individual, as in the case with conventional insurance. Contributions or Premium are typically small and paid frequently, suiting the paying capacity of these communities. He further adds that pooling into a risk fund offers on affordable way for low income people to be protected against vulnerability to further economic hardship caused by exposure to such as livestock, crops and tools due to natural calamities such as drought, flooding and earthquake illness and debilitating disease, death and widowhood.

[14] opined that micro-insurance can break the cycle of poverty" by providing low-income households, business and farmers with access to post disaster liquidity, thus protect their livelihoods and providing for reconstruction. Therefore, insured households and firms are more credit worthy; these kinds of insurance can also promote investments in productive assets and higher risk yield crops. They emphasize that micro insurance can encourage investment in disaster prevention, if insurers offer lower premiums to reward risk reducing behaviours. Thus, arguably, micro-insurance can be seen as effective risk - transfer mechanism and integral part of overall disaster risk management strategy. [15] observed that micro-insurance is considered to play important role of financing tool to protect poor from adverse financial consequence in the event of sicknesses or ill health. [16] noted that micro-insurance enables credit and savings to be used more productively on generating employment opportunities. [17] viewed that poverty is just a state of deprivation but has latent vulnerability, microinsurance should therefore, provide greater economic and psychological security to the poor as it reduces exposure to multiple risks and cushions the impact of a disaster. There is an overwhelming demand for social protection among the poor, microinsurance in conjunction with micro saving and micro credit could, therefore go a long way in keeping this segment away from the poverty trap and would truly be an integral component of financial inclusion. [18] argued that consumer education, marketing and grievance handling will

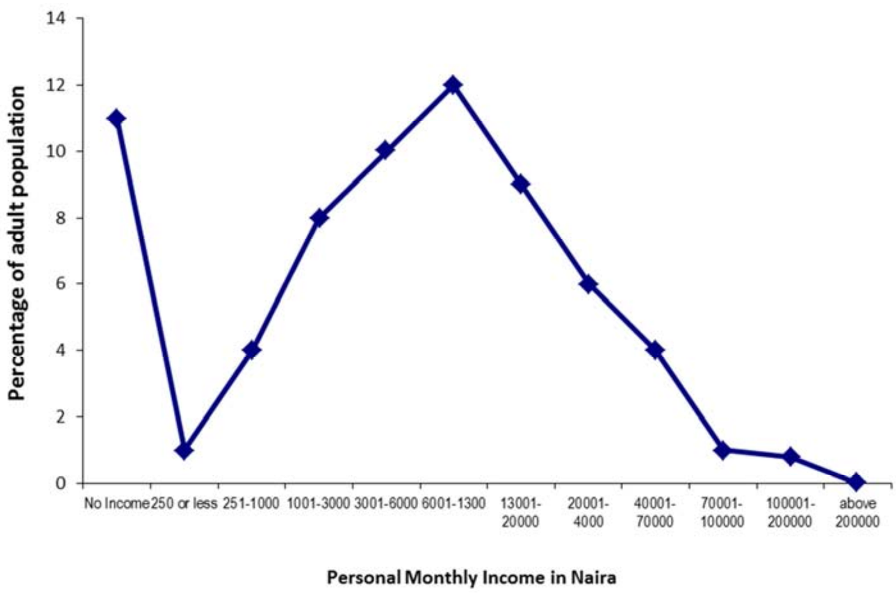
certainly improve micro-insurance schemes. He cited that the microinsurance sector is unique in the sense that there is an ongoing challenge to explain the concept and benefits to the insured. Creating awareness through use of pictorial posters, local folk arts and street treaties might be useful to explain the mechanisms of insurance. Local community based organizations could organize premium collection, as they have better access to the local people. To make it more acceptable to the people micro insurance products, apart from covering only risks should also provide an opportunity for long term savings (endowment).

In a recent study of quality of life in developing countries with reference to South Africa by [19], income and social security (own wages, ability to provide for family, insurance against illness/death and income in old age) have been treated as one of the major indicators of quality of life. This standpoint stresses the significance of insurance to human life. Ironically, insurance services seem not to have been so accepted enthusiastically in developing countries. The abysmal level of insurance culture in developing economies has attracted relative interests among researchers and practitioners alike. Risk has been identified as a central fact of life in the rural areas of less-developed countries [20]. Some of the problems associated with this are low insurance culture.

According to [21] one of the greatest challenges for microinsurance is the actual delivery to clients. Methods and models for doing so vary depending on the organization of institution, and provider involved. In general, there are four main methods for offering micro insurance, the partners' agent model, the provider driven model, the full services model, and the community based model. Each model has its own advantages and disadvantages. Partner–agent model: A pact is formed between the (micro insurance company, micro finance institution, donor, etc) and in some cases third party health care provider. The micro insurance scheme is responsible for the delivery and marketing of the products to the clients, while the agents retains all responsibility for design and product development in this model, micro insurance schemes benefit from limited risks and has limited control. Full–services model: The micro insurance scheme is in charge of everything; both design and delivery of products to care providers to provide services. This model has advantage of offering micro insurance schemes full control, yet the disadvantage of higher risks. Provider driven model: the health care provider is in charge of the micro insurance scheme, and similar to the full services model, is responsible for all the operations, delivery, design and services. There is an advantage once more in the amount of control retained, yet disadvantage in the limitations on products and services.

3.1. The Nigerian Economic Situation

The Nigerian insurance sector does not exist in isolation. It functions under the micro and macroeconomic, socio and demographic confines of the Nigerian economy. Therefore, the sector's operation should affect the country's general economic system and vice versa. According to the [22], Nigeria is the most populous nation in Africa, and the eighth-most populous country in the world. It is estimated to be growing at 3.2% per year with a population of about 149.3 million as at 2009 based on the 2006 population census. Of this population, according to Enhancing Financial Innovation and Access [23], 69.5% of the people, with a population distribution of 51.2% male and 48.8% female, most of the people in the population being below the age of 34, live in the rural area and 59.9% of the total population earn a relatively low income of 20,000 or less per month (about \$130). The implication of this is that they will inadvertently have low purchasing power. Only 13.3% of Nigerians as at 2010 were said to be on full time employment.



Source: The Centre for Financial Regulation & Inclusion, 2011.

Figure 1. *Income distribution of the Nigerian Population.*

According to the United Nation (UN), more than 70% of the Nigerian population survives on less than a dollar a day [22]. Yet in this country, in 2009, its nominal GDP was $173 billion (World Bank Nigeria at a Glance, 2011). This positioned the country as the 44th largest economy in the world, only second to South Africa by comparison in sub-Saharan Africa [24]. It also indicates that, by projection, the country will have an annual average growth of 7.4% between 2009 and 2013. Yet, poverty in the country is endemic. The EFInA A2F shows that one out of five Nigerian adults cannot read or write, and 7 out of 10 adults in Nigeria do not have a bank account, only 11% and 1% of adults bank and insure, respectively.

3.2. The Nigerian Insurance Sector: An Overview

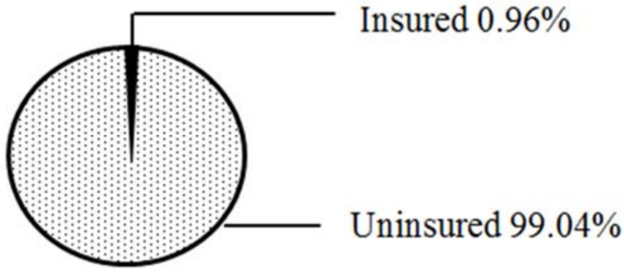
The Nigerian insurance industry is made up of the life and non-life companies. A look at the sector indicates that the non-life insurance dominates with 22 companies while there are only 7 life insurance specialized companies, with 20 composite insurance companies, which underwrite these two lines of businesses. According to National Insurance Commission (NAICOM), the industry's regulatory body, 84% of the industry's premium income comes from the non-life insurance businesses, with motor insurance dominating the sources of the income.

[25] report indicates that the industry contributes a paltry of 0.72% to the Nation's GDP, far lower than the global average and the African average of 7% and 8.3%respectively. Yet, the Nigeria Insurer's Association emphasize that the industry is the sixth largest in Africa and 30th fastest growing market in the world.

[27] opined that the Nigerian Insurance sector is largely focused on corporate businesses, especially the oil and gas industry. And one of the major impediments to the expansion and penetration of the business to the retail insurance market is lack of trust in the operators by the populace. Though some of the products are compulsory e.g. third party motor policies, group life, builders liability and occupiers etc, there is a big challenge in enforcement. Of serious concern too is the proliferation in the fake compulsory policies in the country.

[28], research indicates that 60%-80% of third party motor vehicle insurance is sold by companies that have not officially registered as insurance companies, which often result in no claim payment. They simply sell insurance certificate to motorists who present them when demanded by the law enforcement agents and are not liable for fines.

It is observed also that the insurance market has generally been relatively comfortable and reluctant to innovate to meet the need and challenges of the largest market, the low income segment. According to [29], this group has the potential of providing a large chunk of premium income to boost the industry's gross premium income base. The [23] indicates that only about 1% of the Nigerian population is served by the insurance sector.



Source: EFInA A2F Survey 2010

Figure 2. *Insurance Usage as a percentage of the adult population.*

However, the report indicated that about 10% of adults own a car. Could it be that the people surveyed did not regard their third party motor insurance as "insurance", since they rarely seek for claims from such policy? This is a cause for concern. The above report also indicates that nearly 81% of the insured are males and the majority of the insured population resides in urban areas. The [22] report shows that in Nigeria, the majority of the populations live in the rural area (69.5%) but most of the insurance business is done in the urban centres of Abuja, Lagos, Port Harcourt and Kano. A keen observation is also in the fact that insurance business is accepted by mostly the educated and higher educated people. The [22] study shows that 59.25% of adults in Nigeria who do not have any form of education do not embrace insurance. It indicates that 40% of the insured are in full time employment, which is about 13.3% of the total adult population of Nigeria.

Table 1. *Total Premium Volume in some selected African countries in 2011.*

Ranking	Country	Premium Volume (Million US$)	Share of World Market 2011 (%)
1	South Africa	52,371	1.14
2	Morocco	2,859	0.06
3	Egypt	1,714	0.04
4	Nigeria	1,557	0.03
5	Algeria	1,201	0.03
6	Kenya	1,036	0.02
7	Angola	1,000	0.02
8	Namibia	971	0.02
9	Tunisia	812	0.02
10	Mauritius	614	0.01

Sources: Nigeria Insurance Digest 2011 P. 06. Culled from Swiss Re Economic Research & Consulting and Isimoya (2014: 342)

Table 2. *The Size of the African Insurance Industry in 2012.*

Country	Premiums (US$ million)	Nominal GDP, (US$ billion)	Penetration Rate (%)	Population (millions)	Density (Premiums per Capita, US$)
South Africa	54,871.0	384.3	14.28	52.4	1,047.4
Morocco	2,857.0	96.1	2.97	32.5	87.9
Nigeria	1,828.0	270.2	0.68	168.8	10.8
Egypt	1,818.0	269.0	0.68	80.7	22.5
Kenya	1,290.0	40.7	3.17	43.2	29.9
Algeria	1,250.0	208.2	0.60	38.5	32.5
Angola	1,140.0	114.1	1.00	20.8	54.8
Namibia	980.0	13.1	7.50	2.3	433.7
Tunisia	816.0	45.2	1.81	10.9	75.0
Ghana	791.0	39.6	2.00	25.4	31.2
Mauritius	655.0	11.3	5.78	1.2	528.4
Botswana	459.9	14.5	3.17	2.0	229.5
Tanzania	254.2	28.2	0.90	47.8	5.3
Gabon	238.9	18.4	1.30	1.6	146.3
Senegal	202.5	14.5	1.40	13.7	14.7
Libya	173.6	82.7	0.21	6.2	28.2
Zimbabwe	166.6	9.8	1.70	13.7	12.1
Rwanda	164.0	7.1	2.30	11.5	14.3
Uganda	128.5	19.5	0.66	36.3	3.5
Togo	41.6	3.8	1.09	6.6	6.3
Other	1,765.1	331.7	0.53	465.7	3.8
Total	71,891.0	2,022.0	3.56	1,081.9	66.4

Sources: Swiss Re, UN Population Division, International Monetary Fund, African Insurance Organisation, NKC Research and KPMG (2012) extracted from www.kpmg.com.

Table 3. *Depth of Insurance Markets by Region in 2012.*

Region	Total Premiums (US$ billion)	Penetration Rate (%)	Premiums per Capita (US$)
Advanced Asia	936.0	11.80	4,387.5
North America	1,393.4	8.03	3,996.3
Western Europe	1,462.7	7.72	2,716.3
Oceania	97.1	5.60	2,660.2
South & Central America	168.7	3.00	281.9
Central & Eastern Europe	72.5	2.01	223.4
Middle East	40.9	1.35	124.0
Emerging Asia	369.4	2.96	101.9
Africa	71.9	3.56	66.4
World	4,612.5	6.50	655.7

Sources: Swiss Re (2012), NKC Research and KPMG (2012)

In Table 1, it is observed that in 2011, Nigeria is the fourth African country in terms of insurance premium volume and share of world insurance market. The top three African countries are South Africa, Morocco and Egypt in terms of terms of insurance premium volume and share of world insurance market.

In Table 2, one country in Africa can truly be considered to have a well-developed insurance market–both in the life and non-life insurance segments; and this is South Africa. The country has a penetration rate of 14.2%, which is among the highest in the world. Despite its high penetration rate, South Africa's insurance industry still has scope for further growth. Its premiums per capita ratio was US$1,047 in 2012, still well behind the average for advanced economies of US$3,677. Over the long term, economic development should lift millions more South Africans into the middle class, which in turn will boost the country's insurance density further. The poor performance of Africa on a global stage is particularly noticeable if South Africa is excluded. South Africa accounted for US$54.9 billion of Africa's US$71.9 billion worth of insurance premiums in 2012, which means that the volume of premiums in the rest ofthe continent was US$17 billion. Thus, the penetration rate was a mere 1.04%. Meanwhile, the insurance density for the billion people living in this region was only US$16.5 per capita. As shown in table 3, the only other African countries with penetration rates of above 3% are Namibia, Mauritius, Botswana and Kenya, while that of Morocco was marginally below 3% in 2012. Nigeria has an abysmal insurance penetration rate of 0.68% in 2012. In 2012, Nigeria was the third insurance market in Africa after South Africa and Morocco compared to fourth position in 2011.

In Table 3, the insurance penetration ratio, which is the gross value of insurance premiums as a percentage of GDP, is often used as a measure of how deep a country's insurance market is. According to the reinsurer Swiss Re's global insurance report, total premiums in Africa amounted to US$71.9 billion in 2012, which translates into a penetration rate of 3.56%. As one would expect, this is well below the global average, which is 6.5%, though it is above the average for emerging markets of 2.65%. As shown in table 4, Africa performs better than some regions, including the Middle East, Central & Eastern Europe, and South & Central America. Still, it is notable that Africa's insurance density (the ratio of premiums per capita) is the lowest of any region in the world. On average, each African paid US$66.4 in insurance premiums in 2012, roughly one-tenth of the global average.

3.3. Microinsruance Business in Nigeria

Microinsurance is an insurance arrangement designed for the poor and unserved population. A more concise definition is given by the International Association of Insurance Supervisors (IAIS) and International Microinsruance Network (MIN) Joint Working Group on Microinsurance (2007). It defines it as "Insurance accessed by the low income market; provided by a variety of different entities, but run in accordance with generally accepted insurance practices".

The above definition highlights three salient features of this insurance arrangement. Firstly, the insurance is for the low-income population. The target market is streamlined. Secondly, various outlets can provide the microinsurance service to meet the target market. And thirdly, the practice of this business must be provided according to generally accepted insurance practice.

However, the term "low-income" differ from one country. It is defined by a country's poverty bench-mark. Therefore, the major objective of this insurance arrangement is to ensure insurance coverage for the uncovered. That is, to expand the insurance market beyond the currently very limited reach, to the middle market and down to the poor [7].

Micro insurance products are designed to ensure simplicity and affordability. For the poor and low-income populace, their operations and forms of business require small amount of income, assets, premium and benefits [30]. This form of insurance provide them with financial service aiming at providing them with compensation for the adverse event through risk-pooling [17]. The Deputy Director Authorisation and policy, NAICOM, Mr. Ceo Akah states that, "the micro insurance policies are meant to cover little risks, excluding special risks like professional indemnity, motor insurance (except tricycles and motorcycles) and pecuniary risks with sums insured higher the N1,000,000. According to him, though about 10 insurance firms are jostling for microinsurance licenses, no firm in Nigeria have been granted a licence yet to practice this line of business [31].

The micro insurance business in Nigeria must meet three dimensional objectives: Supply, demand and policy/regulation/supervision [30]. [18] opines that in general, the poorer the household the greater the need for insurance and the protective role of financial services. Also, [32] [33] state that Takaful is the second most important social institution in the Islamic Community to counter poverty and deprivation. In Nigeria, this form of insurance is invoke amongst the Muslim community, serving the purpose of microinsruance business for the low-income and the very poor.

4. Data Presentation and Analysis

Table 4. *Trend movement of Total Premium Income (TPIN), Insurance sector contribution to GDP (INSGDP) and economic growth as proxy by GDP in Nigeria from 1981 to 2012.*

YEAR	TPIN	INSGDP	GDP	INSPEN (%) (*TPIN/GDP)
1981	234.1	2.94	94.33	2.5
1982	248.8	4.47	101.01	2.5
1983	191.8	2.91	110.06	1.7
1984	205.7	3.46	116.27	1.8
1985	195.3	3.48	134.59	1.5
1986	254.2	3.89	134.60	1.9
1987	406.5	4.66	193.13	2.1
1988	486.6	5.56	263.29	1.8
1989	673.1	6.47	382.26	1.8
1990	1,013.7	6.53	472.65	2.1
1991	1,296.2	7.28	545.67	2.4
1992	2,445.7	8.37	875.34	2.8
1993	4,931.9	8.93	1,089.68	4.5
1994	14,519.1	6.86	1,399.70	10.4
1995	13,525.1	10.97	2,907.36	4.7
1996	11,091.3	20.31	4,032.30	2.8
1997	10,941.6	16.37	4,189.25	2.6
1998	11,688.3	18.66	3,989.45	2.9
1999	14,597.3	20.64	4,679.21	3.1
2000	22,531.5	23.34	6,713.57	3.4
2001	28,981.3	28.86	6,895.20	4.2
2002	37,765.9	42.16	7,795.76	4.8
2003	43,441.8	38.41	9,913.52	4.4
2004	50,100.8	52.63	11,411.07	4.4
2005	67,465.6	72.11	14,610.88	4.6
2006	81,583.8	142.19	18,564.59	4.4
2007	89,104.9	172.29	20,657.32	4.3
2008	126,470.3	198.13	24,296.33	5.2
2009	153,127.1	226.24	24,794.24	6.2
2010	157,336.8	260.07	54,612.26	2.9
2011	175,756.8	283.96	62,980.40	2.8
2012	193,493.3	271.88	71,713.94	2.7

Sources: Central Bank of Nigeria (CBN) Statistical Bulletin (2015) and NAICOM Annual Report (2012).

* Insurance penetration rate was computed by the researcher using Ms Excel.

As seen in table 4 above, Total Premium Income (TPIN) rose from N234.1 million in 1981 to N193,493.3 million in 2012 representing 826 % increase with an annual average growth rate of 26%. Also, insurance sector contribution to GDP stood at N2.94 billion in 1981 and rose to N271.88 billion in 2012 representing 9,148% increase with annual average growth rate of 286%. Furthermore, the economic growth as proxied by GDP rose from N94.33 billion in 1981 to N71,713.94 billion in 2012 representing 75,925% increase while annual average growth rate stood at 2,373%. Finally, insurance penetration rate, which was obtained by dividing the total premium by the GDP increased from 2.5% in 1981 to 2.7% in 2012. The implication of this movement in variables is that while total premium was increasing at a faster rate, economic growth as proxied by GDP was increasing at a steady rate not as fast as the TPIN. Also, insurance sector contribution to economic growth and insurance penetration rate movements witnessed minimal increase. The trend movement is further represented in figures 1 and 2 for more understanding [34] [35].

The variations observed over the years among variables have created a gap in insurance business in Nigeria and possible contribution to the Nigerian economic growth. However, this gap can be filled with another type of insurance business, microinsurance.

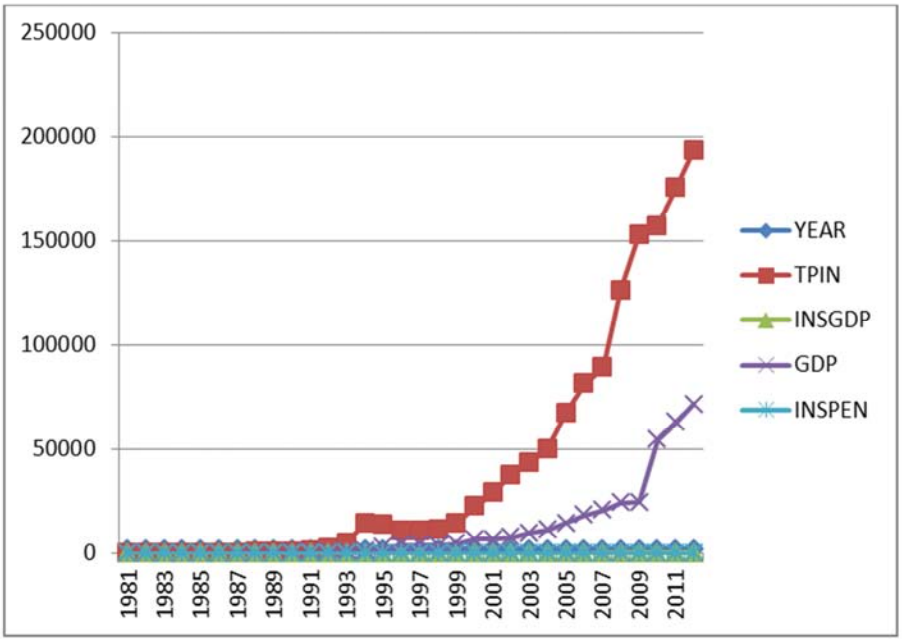


Figure 3. *Graphical representation of variables.*

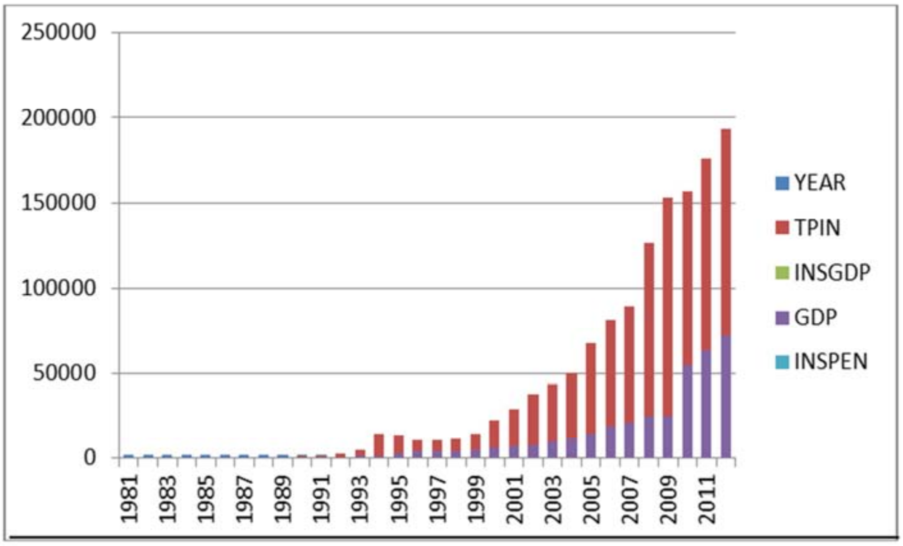


Figure 4. *A Chart representation of the variables.*

Micro insurance can help fight poverty. Based on what [18] identified, the scheme can do this in the following ways:

(a) Act as a social protection which complement government arrangements; such as pensions for low-income workers and help in insurance penetration.

(b) Act as a risk management tool, protecting the most vulnerable from asset loss, through financial inclusion arrangement.

(c) Act as a commercial incentive for insurance sector. By this, it helps a sector with a relatively low penetration to gain acceptability.

(d) Act as a mechanism for risk retention. As a condition for economic development, individuals, organization and government can retain their risk through microinsurance mechanism.

[15] indicate too that microinsruance can break the cycle of poverty, by ensuring households and low income earners, businesses and farmers means of livelihoods is retained post disaster. Also tailored insurance arrangements are made to suit small entrepreneurs' needs. According to the centre for financial regulation and inclusion [3], the more traditional insurance market, namely the individual broker or agents selling insurance on a one-on-one basis, will most likely not be viable for microinsurance market business. This is

because microinsurance market requires low premiums and uses traditional sales techniques. Brokers and agents always earn commissions from businesses they bring and this may not generate enough income for them to administer their businesses and meet their needs. Therefore, alternative distribution Channels are more potent. The focus should be on channels where there potential market for the micro insurance products and services like church, sport club, market association, savings cooperation, utility company, mobile network operators, supermarket chains etc. these Channels can provide an open group insurance market for microinsurance products.

5. Conclusion and Recommendations

The Nigerian economy has the potential for growth and development. The economy index analysis shows there are gray areas, and emphasis driven actions should be made to stimulate growth and development. The microinsurance business, though relatively new, is full of developmental potentials to grow and develop the Nigerian economy. Analysis above shows that, though there is extremely low level of insurance usage in Nigeria, there exists a huge market potential for the insurance industry. Most Nigerians have insurable assets and also experience insurable risk events. There are many potential distribution channels that can be employed by the insurance industry to provide insurance services to the unserved huge market. If adequately employed, the future growth of the Nigerian insurance industry may be largely driven by microinsurance businesses. When the recommendation based on this research analyses are implemented, and industry come of age, the impact from this unit of the financial sector would be adequately felt.

This study effectively highlights the benefits and contributions of microinsruance business to the growth and development of Nigeria. The Nigerian economic situation is mirrored in the level of financial inclusion of the citizens. Microinsurance is one method through which this can be achieved. Therefore, based on the findings the following are recommended:

- Since the level of acceptance of microinsurance and other financial products is determined by the level of education and knowledge of the population, as observed from the [36] survey, aggressive education and enlightenment campaigned should be initiated and maintained by the insurance industry to address the trend of information Lacuna about microinsurance in the insurance industry.
- Poor enforcement of laws relating the compulsory insurance policies should be addressed. There should be a change in the present significant untapped opportunities available in these area of insurance business. This would enhance product visibility, expansion of coverage and improve premium generation for the industry.
- The fact that nearly 31% of the insured are male in Nigeria is a yawning gap of mismatch in coverage. In every society, the women always make up a larger percentage of the population and Nigeria is not an exception. Micro insurance business is designed to meet this kind of need, and if well-tailored can bridge the uninsured gap [37].
- The fact that 69.5% of the population in Nigeria are living in the rural area far from availability of insurance services calls for the development of microinsurance business which is designed for them.
- The industry should accelerate the process of registration, establishment and full integration of microinsurance companies and business to ensure availability and ensure improved insurance penetration in the country.
- To enhance premium income generation in this sector of the insurance industry, appropriate employment of the mobile network operators, market associations etc. should be should be encouraged and developed. It is established that more than 60% of Nigerian adults own mobile phone [38]. The mobile phone network can be used as a payments platform for collecting premiums, especially in Nigeria where the majority have no bank account.
- Appropriate communication channel should be developed and maintained. Mobile phone can also act as a powerful tool for communicating with the existing policy holders to remind them of premium payment, alert them on policy activation and even provide short codes for potential clients to get enrolled or get information.

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