

A PRESENTATION

BY

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TITLED:

**“ACHIEVING REGIONAL INTEGRATION IN THE INSURANCE
INDUSTRY IN WEST AFRICA THROUGH UNIFORM REGIONAL
COMPLIANCE”**

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I am sure you would agree with me if I submit that the title of this presentation can very easily be a subject of; at least; two or three PhD researches. Imaging for a moment what it means to discuss how to achieve regional integration anywhere, not to talk of West Africa. We all thought that Europe was the ideal case of regional Integration. We all knew what happened to the Soviet Union. Then imaging what uniform compliance would means in a region where very little is uniform except the organised confusion that occasionally rear its head when you look. That notwithstanding, degrees have been conferred for researches and studies on the European and the Soviet Unions.

The input of these postulations is whether we can justify our dream of the integration of the “part” when the “whole” is fragmented? The whole I mean here is our sub region. While it is not a sin to dream, I am a little sceptical in the rude awaken that awaits us when we wake up.

The above is not to say that we should not desire integration of our countries and services. The reasons are both political and economic and with the little time given me, I would only attempt to address some of the economic issues.

In examining the topic of our discussion: **“Achieving Regional Integration in the Insurance Industry in West Africa through Uniform Regional Compliance,”** I will briefly discuss the following:

- Regional integration and its objectives
- Achievements in Regional integration and Insurance
- External Influences
- Challenges of uniform regional compliance to insurance regulations
- Achieving uniform regional compliance of insurance regulation in West Africa
- Conclusion

The special nature of insurance and the fiduciary nature of its contracts necessitated the need for regulation and compliance enforcement. However, beyond the jurisdictional regulation, Insurance has always been a trade operated beyond political borders and boundaries as such had always justified the compelling need for an integrated supervision. As political boundaries are complicated and complex, it is only by some form of interstate cooperation that such oversight can be archived. But in view of the complexities of our attempted and failed political integration, the best way of archiving that is beyond this discourse. Nevertheless it is hoped that

casual comments at fora like this may interest our political leaders to extend their studies deeper to achieve utopia.

1. **Regional Integration and its Objectives:**

The Business dictionary has defined Regional Integration as “An arrangement for enhancing cooperation through regional rules and institutions entered into by states of the same region.”

In a paper delivered by my immediate predecessor in office at similar venue of WAICA education conference in Lagos, 2014, he noted that “Regional Integration requires elimination of barriers to cross-border investments and differential treatment of foreign investors within the region and extends to harmonisation of legislations, policies and institutions”. I couldn’t agree less.

Suffice it to say that these objectives of regional integration may vary from political, social, developmental, to economic factors. For the West African Insurance Sector, the objectives would include the following:

- i) To accelerate economic growth and development by coordinating and regulating the economic and trade relations of member states
- ii) To promote common understanding and co-operation among the nationals of partner states
- iii) To promote the development of insurance and reinsurance in the Region, in line with the aspirations of member countries;
- iv) To promote regional co-operation in all areas of insurance and reinsurance;
- v) To establish statistical and information centres of insurance and reinsurance in the Region;
- vi) To provide industry information to the insurance supervisory authorities of Member Countries upon which legislation to be made or reviewed could be based;

I must say that regional integration is not new in Africa. It has been part of Africa's strategy for economic transformation since the 1960s. We may not be oblivious to the fact that so many attempts have been made and still being made to achieve regional integration in Africa. Thus, concrete agreements have been developed and adopted. We have also witnessed the cascading of these regional initiatives to sub- regional levels. Hence, there exist sub-regional bodies such as:

- ECOWAS – Economic Community of West African States
- COMESA – Common Market for Eastern and Southern Africa
- EAC – East African Community
- ECCAS – Economic Community of Central African States, etc.

These are part of further efforts to achieve regional integration, collaboration and cooperation in Africa.

2. **Achievements in Regional Integration and Insurance**

The foundation of our sub-region's desire to integrate was based on some short term priorities listed as

- a) Consolidation of Peace and Democracy
- b) Poverty Reduction
- c) Infrastructure Development
- d) Food security
- e) Trade Negotiation Capacity Enhancement
- f) Market Integration

(Dr. Nelson Magbagbeola; Ecowas Commission. In a presentation "Economic and Political Integration in West Africa")

Ecowas set out to achieve Economic and Political Integration by the year 2020. Under the Economic plan we, as an industry can count our achievements as failures of Ecowas, some of which are:

- i) West African Insurance Companies Association (WAICA)

- ii) West African Insurance Institute (WAI)
- iii) WAICA Reinsurance Corporation Plc (WAICA Re)
- iv) West African Insurance Supervisor's Association (WAISA)

The only insurance project that comes near to the original ideals of ECOWAS founding fathers would be ECOWAS Brown Card.

3. External Influence

Sanoussi Bilal in his paper "External Influence on Regional Integration in West Africa: The Role of Third Parties" identified various factors that have influenced African and Sub-Regional Integration to range from historical and geographical to economic and ideological factors.

In our case; West Africa; he attributed the main influence to be that of our former colonial powers and the European Union. While the direct interest of the former colonial powers have negatively influenced our integration, the earlier success of their integration, i.e. the European Union, has spurred us to continue to hope.

There is no doubt that the European Union and other Multilateral bodies have encouraged and assisted us to achieve integration, now with hind-sight one would wonder whether there were other motives. Such powers have always protected their economy when they preached we should open ours. They had sheltered and subsidised their economic sectors when they had preached we should liberalise ours. And are now preaching their countries first when our countries have been raped of their raw materials. The little left cannot be utilized by us anyway because of environmental reasons being promoted by the same powers.

4. Challenges of Uniform Regional Compliance to Insurance Regulation

With the above facts, it can be seen that the vision of achieving “the dream” is going to be a little harder than we think. It may however be surmountable if we can understand the challenges.

I assumed by the term “Uniform compliance” we mean shared responsibility toward ensuring a common/standardized approach to regulation and regional acquiescence. Other than the external factors, the following can be considered as some of the hindrances to achieving this in the West African insurance industry:

- i) Different Laws and Regulations of Jurisdictions. Thus, uneven policy, regulatory and institutional readiness hinders intra-regional investment prospects and co-operations.
- ii) Diversity across the economies and divergent country attitudes towards regional Integration.
- iii) Inadequate technical capacity of supervisory authorities.
- iv) Insecurity and cross border conflicts
- v) Significant gaps in the ICT network. The gaps in ICT development (though each country at different phases), has contributed to poor service delivery, compatibility and/ or unification of operational procedures in the Insurance Industry.
- vi) Political, Government and Industry Interference hinders the regulatory Intervention and enforcement powers of regional regulators.
- vii) Independency of supervisory authorities which hinders supervisory co-operation and exchange of information among the regional regulators.
- viii) Limited availability of financial and capital resources.

5. **Achieving Uniform Regional Compliance of Insurance Regulation In West Africa:**

International cooperation has made it possible for regions like ours to overcome technical deficiencies in the development of our markets and even in our interrelations with other jurisdictions. On regulatory side, organisations like International Association of Insurance Supervisors (IAIS) has been providing leadership in the development of common rules and principles to ensure regulation is uniform across all jurisdictions. This in affect has reduced the cost of study and research into ways of modern regulation.

Among the principles developed by the Association, are included those on how regional regulators can work together to support each other on across the border regulation. These principles (called Insurance Core Principles, ICPs) has been adopted by virtually all insurance regulator around the world.

We can, as a sub-region achieve uniform regional compliance by; among other thing; doing the following:-

- i) Development of appropriate regulatory framework in conformity to IAIS core principles. This will promote uniform laws and regulations among the regions.
- ii) Setting standards for the region and enforcing the adoption of ICPs by all countries as operational and supervisory standards might just be the beginning.
- iii) Information exchange in West Africa Insurance market is very weak and needs to be strengthened significantly in the face of expanding cross-border Insurance business. A platform to enable this has been put in place through an MMOU among the English speaking countries; Nigeria, Ghana Gambia, Sierra-Leone and Liberia. (WAISA)
- iv) Whereas WAISA is just trying to establish itself, there is the need to embark on a drive to expand the MMOU to include all the countries in West Africa. The platform will allow regular information exchange that makes publicly available basic set of data

to facilitate better Insurance supervision activities and foster closer collaboration among the sub-regional states.

- v) On regional security and conflicts management, WAISA needs to play a supportive role and coordinate closely with relevant international and regional institutions whose core mandate focuses on promotion of peace and security. This is to be done through a number of opportunities offered by the United Nation (UN), the African Union (AU), Red-Cross and Other development partners.
- vi) Creation of uniform accounting principles through compliance with the International Financial Reporting Standards. This will ensure consistent valuation procedures, asset recognition, provisions/reserves and so on.
- vii) Structured and uniform market analysis, examination and regulatory procedures among member countries.
- viii) Implementation of electronic procedures for all operations.
- ix) Establishment of functional supervisory college with the various taskforce and working groups, technical sub-committees, etc.
- x) Supervisors of the region through supervisory college should put in place adequate coordination and arrangement for group-wide supervision.
- xi) Subjecting the entire jurisdiction in West Africa to uniform assessment so as to appreciate the position of each market.
- xii) Joint transition from the compliance supervision method to risk-based supervision method.
- xiii) Adoption of the Model Law and Accreditation System of the National Association of Insurance Supervisors.

6. Conclusion

A major lesson from the global financial crisis of 2007/2008 and the challenge it posed on territorial regulatory authorities of the financial architecture brought the need for deeper connectivity and collaboration among financial systems and markets across borders.

Supervisors are aware that there are specific ICPs that deals with idea of collaborative integration. Supervisors need to put in place adequate coordination arrangement with other Supervisors on cross-border issues to facilitate the comprehensive oversight of entities within their regulatory purview.

Thus, a symbiotic collaborative integration is achievable through an efficient platform for information sharing, comparison of supervisory methodologies and coordinated decision and action where appropriate.

The issue of regional integration has remained in the front burner of virtually all WAICA conferences. While I commend the persistence of WAICA on this subject, we need to accept that we cannot achieve much by ourselves as an industry. We need to engage the ECOWAS political structure to recognise the need to rethinks beyond the historical colonial partitions and integrate the CIMAs and WAICAs of the sub-region to achieve real integration.

I thank you for your attention.

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