



# NIGERIA

## BACKGROUND

As is the case in many of the countries in which GIIF is currently active, the Nigerian economy is heavily dependent on agriculture, which employs about two-thirds of the population. However, there are many factors that undermine production in the country, including climatic risks such as erratic weather patterns, drought and flooding, as well as other risks such as pests, disease and low productivity due to the use of low-quality inputs.

## PROJECT DESCRIPTION

In 2011, GIIF and the World Bank's Commercial Agriculture Development Project conducted a study to explore the feasibility of index insurance as a tool for mitigating the risk posed by unpredictable weather and other perils. The study was conducted at the request of the National Agricultural Insurance Corporation (NAIC) and helped to provide the basis of the area yield index insurance program that was launched by the Central Bank of Nigeria in 2017: the Nigeria Incentive-based Risk Sharing System for Agricultural Lending. NAIC acted as the lead insurer. This program is also aimed at increasing agricultural lending, addressing one of the other challenges faced by the sector—the use of low-quality inputs due to farmers' limited access to finance.

GIIF has further facilitated the expansion of the Nigerian agricultural insurance market through its capacity-building initiatives. Training offered to technical staff from the regulator (the National Insurance Commission or NAICOM) and insurance companies in Nigeria in 2016 resulted in the increased capacity of the market to offer and supervise this product line. Subsequently, NAICOM was able to issue licenses to four private insurance companies to underwrite agricultural index insurance—changing the agri-insurance market from one dominated by a single insurer (NAIC) to a more competitive one. The four newly licensed insurers went on to provide coverage to 15,000 farmers in the June 2017 season. Following another training for insurance professionals in 2018, NAICOM announced its intention to issue licenses for weather-based index insurance to 15 additional companies, with the aim of promoting competitiveness and insuring millions of households in the next two to three years. By April 2019, 13 licenses had been issued to various insurers in the market, and NAICOM is therefore making good progress towards achieving its target.

## PROJECT SNAPSHOT

|                        |  |
|------------------------|--|
| <b>Market Launch</b>   | 2019   |
| <b>Farmers covered</b> | n/a  |
| <b>Partner(s)</b>      | Africa Re  |
| <b>Products</b>        | Weather index insurance based on satellite data;<br>Area yield index insurance |
| <b>Insured Perils</b>  | Multiple   |
| <b>Contact</b>         | sonyango@ifc.org   |

## PARTNER FOCUS

### Partner Information



The African Reinsurance Company (Africa Re) is a pan-African reinsurance company headquartered in Lagos with six regional offices across the continent. It has a Financial Strength and Credit rating of A (Stable; A.M. Best Company) and A – (Stable; Standard & Poor’s). Its shareholders include 41 African Member states, the African Development Bank and various regional and global (re)insurers. It is also a former investee of the IFC.

Starting in February 2019, GIIF plans to provide further technical support to individual insurance companies interested in establishing and growing their index insurance business. This technical assistance program, offered in partnership with the African Reinsurance Corporation (Africa Re), will be made available until December 2020, and will provide all insurers in the market with access to a range of services including product development support as well as access to training for insurance company staff, their clients and other stakeholders in the agricultural insurance ecosystem.

The main objective of the project is to encourage increased product offering by local risk carriers in Nigeria and grow country level premium volumes to a level where the business line becomes attractive to both regional and international players. This would make it easier for vulnerable populations to access the required coverage at competitive prices and unlock investment potential and income generation opportunities.



In March 2019, the Global Index Insurance Facility and Africa RE signed an agreement to help thousands of smallholder Nigerian farmers more easily access insurance to protect their crops and livelihoods.

### About Global Index Insurance Facility

The Global Index Insurance Facility (GIIF) is a dedicated World Bank Group’s program that facilitates access to finance for smallholder farmers, micro-entrepreneurs, and microfinance institutions through the provisions of catastrophic risk transfer solutions and index-based insurance in developing countries. Funded by the European Union/ACP, the governments of Germany, Japan, and the Netherlands, GIIF has facilitated more than 4.6 million contracts, covering approximately 23 million people, primarily in Sub-Saharan Africa, Asia, and Latin America and the Caribbean. The facility is part of the World Bank Group’s Finance & Markets Global Practice.

For more information, please visit [www.indexinsuranceforum.org](http://www.indexinsuranceforum.org).  
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