Micro Insurance Schemes and Insurance Penetration in Nigeria: An Integrative Review

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Abstract

Over the years, the contribution of the insurance sector to the GDP of Nigeria, measured by insurance penetration rate, has been consistently less than one percent which, no doubt, is unimpressive. This unimpressive performance calls for sustainable and practicable strategies that can increase insurance penetration in Nigeria. This study thus examines micro-insurance schemes as a veritable strategy to increase insurance penetration in Nigeria. Using an integrative literature review method, the study among other relevant concepts discussed the micro-insurance ecosystem in Nigeria as well as the opportunities and barriers to the effectiveness of micro-insurance as a tool to increase insurance penetration in Nigeria. Findings indicate that stakeholders in Micro-insurance market can take advantage of the demographic outlay of Nigeria, existence of favourable regulatory environment and technological innovations through insurtech to increase insurance penetration with micro-insurance schemes. However, to eliminate barriers to the effectiveness of micro-insurance market, stakeholders are to conduct programmes that will increase awareness level of micro-insurance schemes in Nigeria and invest in market research to support the development of schemes that suits the needs of the target customers.

Keywords: Micro-insurance, Insurance Penetration, Micro-insurance Stakeholders, Micro-insurance Schemes, Nigeria

1 Introduction

Insurance, a risk transfer mechanism, is a veritable and most economically acceptable means of managing risk (Song et.al, 2012). Amongst other benefits, insurance provides financial protection to the policyholder or dependents of the policyholder if the risk which insurance was bought to cover occurs (Ranyard et.al., 2017). However, the cost of insurance has made insurance services unaffordable to individuals in the low income class which is inimical to insurance penetration (Fofie, 2016). This situation typically unleashes undesirable economic impacts in the developing economies where a significant proportion of the population is in the low income class. Since insurance is a financial service, a reverse of this undesirable trend in developing economies must therefore involve the implementation of a strategy that will increase insurance penetration with a knock-on on financial inclusion and economic development. Thus, the veritable strategy proposed by experts in this regards is the introduction of micro-insurance schemes into the insurance market in developing economies (Mohammed & Mukhtar, 2012). Micro insurance is a bouquet of insurance schemes offered to low income earners which provides protection against specific perils in exchange for a premium payment proportionate to the probability of occurrence and cost of the risk involved (Biener & Eling, 2012) Accordingly, micro-insurance is regarded as an effective safety net in developing economies where a significant proportion of the population are in the low income class and the vulnerability to risk is much greater as there are fewer opportunities for recovery from a large loss (De Bock & Gelade, 2012). Among other objectives, the introduction of micro-insurance in developing economies is to increase the contribution of the insurance sector to the GDP commonly known as insurance penetration rate.

Insurance penetration rate plays a vital role in economic growth and development (Nguyen et.al, 2010; Outreville, 2013; Akinlo & Apanisile, 2014). Thus, an increase in the insurance penetration rate in Nigeria even by the slightest margin is expected to have a positive impact on the overall Nigerian economy. Subsequently in a move to increase insurance uptake, and subsequently insurance penetration rate, the Nigerian government launched the micro insurance guidelines in 2013 (Okonkwo & Okeke, 2019). The launch of the guidelines officially opened up investment in the micro insurance market by granting micro-insurance firms the mandate to offer micro insurance policies to low income earners with the main aim of deepening insurance penetration in the country. However, Nigeria, with a GDP of 448.12 billion in 2019 and a population of over 200 million people only has an insurance penetration rate of 0.16 per cent in the same year (Hafiz, et.al. 2021).

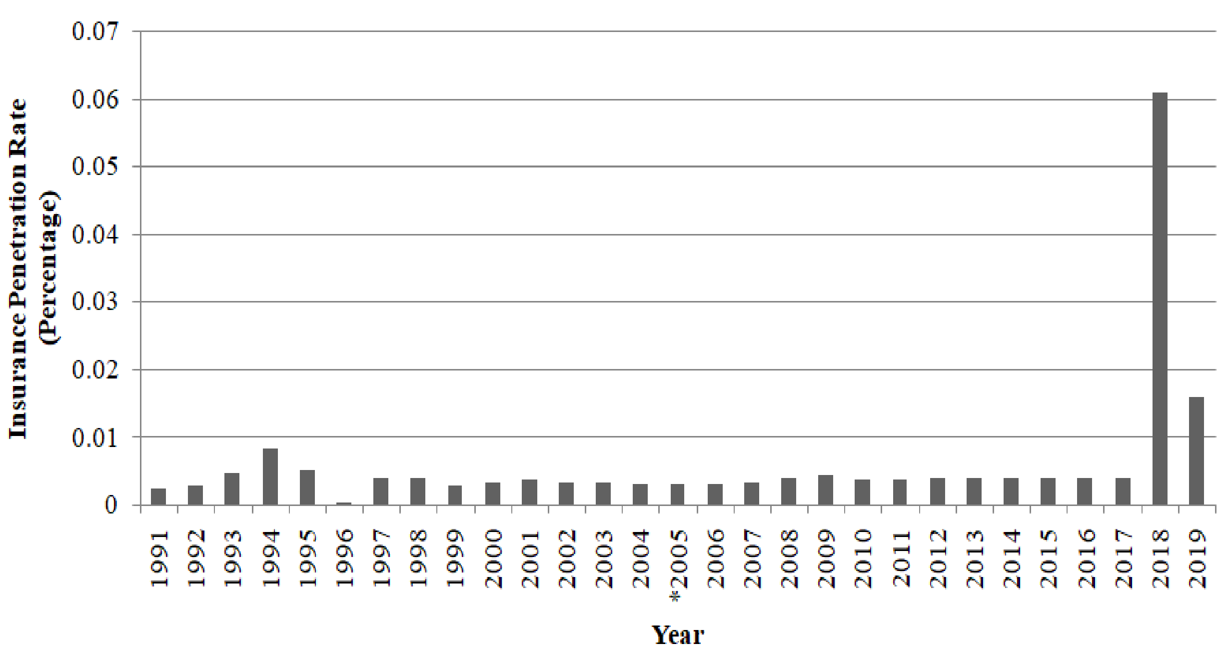
The main objective of this study therefore is to address the question: ‘do micro insurance schemes have the potential to increase insurance penetration in Nigeria?’ The integrative review method is used to address the objective of this study. Specifically, the concepts of micro insurance and micro-insurance schemes are discussed, the roles of the stakeholders are presented and the opportunities as well as the barriers to an impressive uptake of micro-insurance schemes in Nigeria are equally identified. The finding of this research has the potential to influence policy and practice of micro-insurance in Nigeria and other developing economies.

The study is arranged as follows; the concept of Insurance penetration and stylized facts in Nigeria is presented in the next section followed by the concept of micro-insurance, micro insurance schemes, micro-insurance eco-system in Nigeria, identification of the stakeholders and their roles, opportunities and barriers to uptake of micro-insurance schemes in the Nigeria and the conclusion of the study.

2 Insurance Penetration: The Concept and Stylized facts in Nigeria

Insurance penetration is the most conventional tool used in measuring the level of development of the insurance sector of a country (Ojo, 2012). The insurance penetration rate is the ratio of the total insurance premium of a country to the country's gross domestic product the GDP (Feyen et.al, 2011). Thus, the insurance penetration indicates the contribution of the insurance sector to national economy. It is a reliable tool that explains regional as well as diverse insurance markets contribution to national growth as it serves as a broad and high level indicator of insurance market development. Hence insurance penetration provides an understanding of the insurance market which is critical to the development of evidenced–based policies implementation of risk-based supervisory approach and assessment of regulatory outcomes.

Figure 1. Insurance Penetration Rate in Nigeria (1991 – 2019)



Source: Researcher's computation. Data extracted from 2020 CBN Statistical Bulletin and 2020 Nigerian Insurers Digest

Figure 1 presents insurance penetration rate in Nigeria from 1991-2019. Figure 1 shows that for the period under consideration covering about three decades the insurance penetration rate in Nigeria has consistently been below one percent. This indicates that the contribution of insurance to the GDP of Nigeria has been consistently less than one percent in the period under consideration. As shown in Figure 1, the insurance penetration rate in Nigeria fluctuated through the years with the lowest penetration rate of 0.0003% in 1996 and the highest penetration rate of 0.061% in 2018. The far less than one percent insurance penetration rate in Nigeria calls for the understanding of the micro-insurance market sector of Nigeria which will guide the development of strategies that will support increase in the insurance penetration rate in the country.

3 The Concept of Micro Insurance

Typically, micro-insurance schemes target persons ignored by the mainstream commercial and social insurance providers and individuals who are yet to be served by insurers according to their needs and risk appetite (Akotey et.al, 2011). In simple terms, micro-insurance targets the segment of the population that is vulnerable to falling into poverty in the event of any loss. This means that micro-insurance is not ideally for the poorest of the poor but for the income earning poor hovering around the poverty line with insurable risk exposures (Kishor et.al, 2013). Targeting the income earning poor is imminent as the insured is expected to demonstrate sufficient financial capacity in an insurance contract through the payment of premium.

According to the National Insurance Commission, NAICOM, micro-insurance is the insurance that is developed for the low income population provided by licensed institutions operated in accordance with generally accepted insurance principles and funded by premiums (Okonkwo & Okeke, 2019). Thus, micro-insurance schemes are designed to be appropriate for the low income market in relation to cost, terms, coverage and the mechanism of delivery. In this regards, all micro-insurance should be designed in a manner that ensures simplicity, understanding, accessibility, value and efficiency (SUAVE) before introduction into the market (Karadjova & Dicevska, 2018). As a practice in Nigeria, NAICOM subjects the terms and conditions for any proposed micro-insurance to the SUAVE test before introduction into the market as a quality assurance process. This approach ensures that the policies, conditions, procedure and marketing of the scheme is simple. The approach further ensures that the service provider has the capacity to settle claims. Furthermore, the quality assurance process produces micro-insurance schemes designed to meet the needs of the target market with a fair price and coverage and the distribution channels that are efficient to both the insurer and the policyholder.

Notably, there is an insurance business model known as takaful that the risk covered is not transferred from the insured to the insurer, rather it is based on shared risk where each member of the pool who donates to the fund is entitled to an amount of claim in the event of loss (Swartz & Coetzer, 2010). Practically, takaful functions as an extension of the social insurance system with a tint of Islamic law and practice. Thus, there is takaful micro-insurance which aligns with the motive of takaful insurance business model but concentrates on financially active low income class (Ahmed, 2016). However, the Islamic law and practice backing takaful micro-insurance model makes it different from the conventional micro-insurance model.

4 Micro-Insurance Schemes

Micro-insurance schemes are designed to cover such insurable risk as death, illness, accident, loss of income, loss of livestock, crop yield failure or property damage (Kishor et.al, 2013). Hence, micro-insurance schemes can be conventionally sub-divided into life micro-insurance schemes and non-life micro-insurance schemes. In designing a micro-insurance scheme, the Nigerian micro-insurance operational guidelines specify that the schemes' risk procedure and scope of coverage must be simple, easy to understand, affordable and accessible to the target market with regards to price, premium payment and claims settlement (Okonkwo & Okeke, 2019). Furthermore, a micro-insurance scheme is expected to be designed in line with the need of the target market segment and must be beneficial, fair in price and coverage (Suarez & Linnerooth-Bayer, 2010).

A thorough assessment shows that there are specifically five micro-insurance schemes in the Nigerian market to include life micro-insurance scheme with retirement and savings plans as the main offers; Health micro-insurance schemes which provide financial protection against losses that may result from hospitalization maternity care other health care utilizations; disability micro-insurance which offers financial protection against loss of income arising from partial total temporary and permanent disability; failure in agriculture yield and loss of livestock covered by agriculture micro-insurance and catastrophic schemes which provides financial protection against losses that may arise from natural disasters such as flood drought and the likes.

5 Micro-insurance Stakeholders

Globally, micro-insurance schemes are developed and offered by micro-insurers, commercial insurers, mutual funds organizations, microfinance institutions, Non-Governmental Organizations, governments and semi-public bodies who are stakeholders in the micro-insurance market. However, the Nigeria micro-insurance guideline recognizes other stakeholders in the micro-insurance business that plays significant roles in product design, selling, delivery, servicing of claims and market research. The major stakeholders in the micro-insurance market and their key roles as specified in the micro-insurance operational guideline in Nigeria are presented in table 1.

Table 1: Micro-insurance Stakeholders and their roles

Stakeholders	Roles
(Micro) – Insurer - Public or private companies - Cooperatives societies	• Develop micro-insurance schemes • Provide Micro-insurance schemes to clients • Timely Settlement of claims. • educate clients on the schemes

- Mutual funds organizations	
Reinsurer	Provides insurance to the micro-insurer by taking up a portion of the risk the micro-insurer bears
Regulator - Insurance regulators - Insurance supervisors - Other relevant financial sector regulators	• Stipulate requirements for products approval • Specify the roles and operational boundaries of micro-insurers • Identify and regulate the micro-insurance schemes delivery channels for effectiveness. Regulate the activities micro-insurance intermediaries
Delivery channel - Agents - Brokers - Cooperative societies - Social networks - Individuals	• Contribute to micro-insurance schemes development • Active participants in the marketing micro-insurance schemes • Educate clients on micro-insurance schemes • Facilitate client's enrolments on the schemes • Facilitate claims processing and claims dispute resolution.
Micro-insurance intermediary - Agents - Brokers - Institutions that may perform the duty of intermediation	• linking insurers to delivery channels • Active in micro-insurance markets where delivery channels may not have the capacity or interest in actively participating but are willing to offer their schemes to clients. • Operate in low-income market where micro-insurers can provide risk taking capacity but are not interested or not capable of working directly with delivery channels.
Service provider - Healthcare providers - End-of-life care providers (Funeral homes)	• Liaise with micro-insurance to provide quality service as specified in the micro-insurance policy to the client.
Customer - Policyholders - Beneficiaries	• Ensure premium is paid and on time. • Report unsatisfactory service to the regulators
Donor and promoter - Private (domestic or multinational) donors - Governments	• Provide financial support to the micro-insurer • provide strategic guidance to the micro-insurance market • provide technical support to the micro-insurance providers • Support technical and human capacity

	building.

Source: Micro-insurance operational guideline in Nigeria.

6 Institutional Framework of Micro-insurance in Nigeria

In response to the insurance services need of those in the low income class and as a means to increase insurance penetration, the insurance industry regulator in Nigeria, the National Insurance Commission, NAICOM, released the guideline for micro-insurance operation in Nigeria in 2013. These guidelines establish a uniform set of regulations and standards for the conduct of micro-insurance business in Nigeria. The Guideline recognizes micro-insurance as insurance services developed for low income population with low valued policies provided by licensed institutions operated in accordance with generally accepted insurance principles and funded by premium. The 2013 guidelines were revised in 2018 in line with best practices that will enhance the performance of the micro-insurance market.

In the guideline, unlike the commercial insurance where the minimum paid up capital of insurance service providers is determined by the class of insurance offered (life, non-life, composite or re-insurance) the minimum paid up capital for micro-insurance service providers is determined by the geographic coverage of the service provider. Accordingly, the paid up capital for a micro-insurance company that operates just a unit, that is a business outlet at only one location, is fixed at N40,000,000.00 (Forty million Naira) where a micro-insurance service provider concentrates operation in one state only, a paid up capital of N100,000,000.00 (One hundred million Naira) is applicable while micro-insurance firms with presence in more than one state in Nigeria is to pay N600,000,000.00 (Six hundred million Naira) as minimum paid up capital. These paid up capital allows a licensed micro-insurance company to operate as a composite entity offering both life and non-life product. Furthermore, the guidelines specify that the sum assured under a micro-insurance life policy should not be more than N2,000,000.00 (Two million Naira) per assured. The Guidelines provides for the tiered approach of operation which recognizes micro-insurance company as the sole provider of micro-insurance services. By this, commercial insurance companies cannot provide micro-insurance services under their commercial license. However, a commercial insurance company can operate in the micro-insurance market by acquiring a micro-insurance license as micro-insurance companies are specified by the guideline, as sole-standing and capitalized licensed financial services provider supervised by NAICOM to run micro-insurance schemes. The upside to this is that it opens up investment in the micro-insurance market as investors who were never stakeholders in the insurance market can acquire micro-insurance licenses and compete favorably with the commercial insurance companies who have joined the micro-insurance market. To ensure efficiency in the management of micro-insurance firms, the guidelines provide for the management of the micro-insurance companies to be constituted by insurance experts at a managerial level with five years of post associate-ship of the chartered institute of insurance qualification or seven years working experience in a technical department of an insurance institution.

7 Micro-insurance Ecosystem in Nigeria

According to available data, as of 2020 NAICOM disclosed that only three companies were issued micro-insurance license in Nigeria to operate as composite entities with one of the three permitted to operate nationally while the other two operate within a state in the country (Adesanya, et. al, 2020). This suggest the low level of spread of micro-insurance products touch points in Nigeria as the three licensed companies may, as a matter of operational convenience, concentrate their presence in the urban areas rather than the rural areas, where a significant number of the poor reside. Also, the number of companies licensed to provide micro-insurance services in the country seems grossly inadequate and may pose a challenge to accessibility and reach by the populace considering the large landmark and population of Nigeria. This may intuitively provide some explanation to the underperformance of the micro-insurance market in Nigeria.

Furthermore, a Nigerian study conducted by EFInA (2018) reported that 37 micro-insurance products in the broad areas of life and non-life coverage were offered in Nigeria and majorities were bundled products – that is products that provide more than one type of coverage. For example, some primary life products provide health cover with point of service payment as well as property and accident with disability as an inclusion as part of secondary coverage. The EFInA study (2018) further indicates that the relatively high number of products, which was informed by the design of products to meet the needs of the target market did not reach a significant scale in terms of outreach, with credit-linked covers offered in a bancassurance arrangement through the Micro-finance banks as the distribution channel, accounting for about 83% of micro-life insurance covers. According to the EFInA study (2018) the gross written premium for the micro-insurance market in Nigeria as at the time of the study was 1.5 billion Naira and the yearly premium per insured ranged from 400 Naira to 36 000 Naira.

8 Opportunities to increase Insurance penetration rate in Nigeria with Micro-insurance

8.1 Demographic Advantage

According to The World Bank (2021), Nigeria is the most populous country in Africa with an estimated population of 202 million people in 2020. About 50% of Nigerian are adults, a demography that favours financial services uptake (The World Bank, 2021). Also, Nigeria is ranked a lower-middle-income country by the World Bank indicating that a significant proportion of the Nigerian population are income earning individual living slightly above the poverty line and are venerable to falling into poverty. Since micro-insurance is designed for the economically active poor, the economic demography portrays Nigeria as a veritable market for micro-insurance to thrive. This is further supported by a survey in Nigeria which indicated that a significant number of Nigerian adults are interested in buying micro-insurance products (EFInA Report, 2019).

8.2 Favourable Government Policies and Regulatory Environment

The government of Nigeria is committed to increasing access to insurance services in the country. This is demonstrated through the launch of the National Financial inclusion strategy in 2012 by the Central Bank of Nigeria (CBN) with the commitment to increase insurance penetration as one of its major objectives. Government efforts to increase financial penetration was further consolidated in 2013 through the release and implementation of the micro-insurance operational guideline which was amended in 2018 (Okonkwo & Okeke, 2019). The guideline makes the investment in the micro-insurance market attractive by creating an investment niche that is safe and secured by eliminating unhealthy competition between investors in the micro-insurance market and commercial insurers who may be interested in investing the micro-insurance market (Acha & Ukpong, 2012). The micro-insurance regulatory framework pushes for increase risk acceptance capacity by micro-insurers by promoting the involvement of reinsurers in the micro-insurance market (Okonkwo & Okeke, 2019). The regulatory guideline further insists on the adoption of prudential measures such as the requirement of minimum paid-up capital by micro-insurers to ensure stability of the micro-insurance market and safety of the insured's funds (Okonkwo & Okeke, 2019; Ukpong & Acha, 2019).

8.3 Availability of Divergent Distribution Channels

The effectiveness of the micro-insurance as a tool to deepen insurance penetration largely depends on the distribution channels. Consequently, the interest in the micro-insurance market by financial services stakeholders has given rise to evolution in the distribution channels of micro-insurance schemes (Mukhtar, 2013). This evolution has brought about emergence of different types of micro-insurance distribution channels that are integral to the value chain of the schemes. In addition to the mainstream delivery channels like micro-insurance agents, brokers, mutual funds, cooperative societies and other social networks, micro-insurance providers can leverage on the growing agent banking networks in Nigeria to distribute their products and services (Mukhtar, 2016). Micro-insurers can also take advantage of innovations in information and communication technology to distribute their schemes (Mohammed & Mukhtar, 2012).

8.4 Digital Innovations and Insuretech

According to experts, innovations in the financial services market are products of revolutionary response of information technology to the emerging opportunities in the market (Stoeckli et.al, 2018). Thus, disruptive products which challenge the sustainability of the conventional schemes are fast becoming common place in the financial services market and insurance market is not left behind. The low administrative cost associated with information technology driven products and services, which are referred to insurtech, in the insurance space presents an opportunity for the development of micro-insurance products that are information and communication technology supported (Inyang & Okonkwo, 2021). The possibility that insurtech micro-insurance schemes will do well in the Nigerian market is high for two reasons; high digital awareness and the reality that a significant proportion of the adult banking population are using technology supported services in the form of internet banking, banking mobile applications and mobile network operators, MNOs, deployed banking services (Sulaimon et.al, 2020). Thus, insurtech provides a huge opportunity for stakeholders in the micro-insurance market to enhance their performance which will in turn deepen insurance penetration in Nigeria.

8.5 High Internet Penetration Rate

Over 70% and still counting of Nigerians have access to mobile phones making Nigeria the largest mobile telephone and internet market in Africa (Onyeajuwa, 2017). A significant proportion of those with access to phones and internet service in Nigeria reside in the rural areas where micro-insurers or micro-insurance intermediaries may not have the willingness to expand their services to due to high operational cost. Also the mainstream channels of distributing micro-insurance schemes may not reach the rural areas as the incentive to do so may be economically unattractive. The high penetration rate of mobile and internet technology in Nigeria favourably disposes the micro-insurance schemes to an array of ICT innovations that can support product distribution leading to market expansion (Inyang & Okonkwo, 2021). Leveraging on the high mobile technology penetration rate in Nigeria provides the opportunity for the uninsured segment of the population to access micro-insurance schemes which will increase insurance penetration in Nigeria.

9 Barriers to increase Insurance penetration rate in Nigeria with Micro-insurance

9.1 Low level of Micro-insurance Awareness

The level of patronage of any product can be explained by how much and how well the target customers know the product. This product knowledge is termed product awareness (Shukla, 2018). Typically, product awareness is influenced by socio-economic and demographic characteristics of the customers (Mohanasundari, & Gurunathan, 2010). Consequently, the awareness level of Micro-insurance in Nigeria is very low and high Illiteracy rate, low level of financial literacy and urban-rural divide which are typical with low-income earners are the socio-economic and demographic characteristics that have been identified to be responsible for the low level of micro-insurance awareness in Nigeria (Aliero and Shu’aibu, 2012). Hence, the barrier of low level of micro-insurance awareness is peculiar to the insurance market that micro-insurance target.

9.2 Lack of Understanding of the Micro-insurance market

Basically, all products and services are designed in line with the needs of the customers to ensure patronage. Accordingly, products designs should be guided by the understanding of the target market to achieve success (Miaskiewicz & Kozar, 2011). However, the understanding of the target market requires sufficient profiling of the prospective customers. Consequently, understanding the characteristics of the target market with regards to age, income-level, gender, social class marital status and others characteristics that may be deemed necessary are useful profiling parameters that guide product design (Wang & Tseng, 2011). A sufficient customer profiling requires huge funds and a thorough examination indicate that micro-insurance stakeholders in Nigeria do not seem to have the interest as well as financial capacity to invest in market research (Acha & Ukpong, 2012). Thus, there is lack of customer-level data in the Nigerian micro-insurance market that the stakeholders can rely on in designing micro-insurance schemes that are driven by the needs of the customers.

9.3 Issues with Distribution Channels

Distribution of a product or service is pivotal to the success of a product or service in a market place (Farquhar & Meidan, 2017). Ideally, micro-insurance schemes as a financial service should be distributed via verified channels to ensure the integrity of the market and protection of the customers' financial commitments (Szymańska & Klapkiv, 2019). However, the distribution channels of micro-insurance in Nigeria are both inadequate and inefficient (Mohammed, & Mukhtar, 2012). The present state of the distribution channels of micro-insurance schemes in Nigeria suggests the lack of commitment of the stakeholders in the micro-insurance market to the distribution of the available schemes to the customers. Micro-insurance lack such products touch points as agent models in rural areas where a significant proportion of the target customers of micro-insurance schemes reside and this constitutes a huge barrier to uptake.

9.4 Lack of interest in insurtech

Insurtech refers to the use of information technologies in the design, distribution and sell of insurance products (Inyang & Okonkwo, 2021). Revolution in the information technology space has made insurtech one of the most sustainable ways to increase the sales of micro-insurance schemes (Stoeckli et.al, 2018). Insurtech remains one of the most cost effective channels of reaching the uninsured with micro-insurance schemes considering the profile and the target market (Stoeckli et.al, 2018; Inyang, & Okonkwo, 2021). Meanwhile, investment in insuretech in Nigeria is low as demonstrated in insignificant number of firms providing insurance services to the public via information communication medium. In fact, the mainstream commercial insurance companies find it difficult to accept innovation in the information communication technology creating a challenge for investment in the area to service the micro-insurance market (Inyang & Okonkwo, 2021). Despite the reality that Nigeria is the largest mobile telephone and internet market in Africa, the number of insurtech firms is significantly few in the country which indicates lack of interest in insurtech and a barrier to uptake.

9.5 Level of Insecurity

The level of insecurity in Nigeria in recent times has been unprecedented with negative attending effect on the Nigeria business environment (Ogunro, 2014). The trappings of insecurity in Nigeria in the forms of increased crime rate and terrorists attacks in different parts of the country, results in undesirable consequences for the growth and development of the nation’s business sector (Achumba, et.al., 2013). Consequently, the alarming spate of insecurity may contribute to the inefficiency of the financial services sector, which micro-insurance providers are significant part, even more challenging owing to the role of the sector in any economy. Specifically, insecurity may influence micro-insurance business in Nigeria in two ways. First, insecurity makes the business environment unfavourable for the implementation of strategies aimed at taking micro-insurance products to the target market mostly in the rural areas. Second, insecurity takes form in loss of lives, injury to persons, damage to properties, destruction of crops and such other forms of crystallization of risk which directly impact claims. Thus, the challenge that insecurity poses to micro-insurance business may discourage the stakeholders in the supply-side of micro-insurance business from seeking ways to foster outreach to the target market. In this regards, the lack of products touch-points in regions with the target market, which has adversely affected micro-insurance products uptake, may be explained by the level of insecurity in Nigeria.

10 Conclusion

This study examined micro-insurance schemes as a veritable means of increasing insurance penetration in Nigeria. Integrated literature review method was adopted in the study to specifically present the concept of micro-insurance, micro-insurance schemes and stakeholders in the micro-insurance market. Furthermore, the study discussed the micro-insurance ecosystem in Nigeria and identified the opportunities and barriers to micro-insurance uptake, a sustainable strategy for insurance penetration in Nigeria.

The study submits that micro-insurance is any insurance scheme designed to protect individuals in the low-income class against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Also, aside from providing financial protection to the low-income earners, micro-insurance is a means of reaching the uninsured poor who are active income earners in a bit to increase the number of individuals with access to insurance and insurance penetration.

The study identified demographic advantage, favourable government policies and regulatory environment, availability of divergent distribution channels, technological innovation and insurtech and high mobile and internet penetration as the opportunities to deepen insurance penetration through micro-insurance. Furthermore, barriers to the effectiveness of micro-insurance scheme as a strategy to increase insurance penetration in Nigeria are identified as low-level of micro-insurance schemes awareness, lack of understanding of the micro-insurance market, issues with the distribution channels of micro-insurance schemes and lack of interest in insurtech.

It is recommended that to increase insurance penetration in Nigeria through micro-insurance, the stakeholders in the micro-insurance market should establish and maintain effective distribution channels and partnership with subsidiary channels, like agent banking system, as a means of expanding the touch points of micro-insurance schemes. Also, Micro-insurance stakeholders should conduct an in-depth market research as well as targeted programmes to acquire an understanding of the need of the target customers and ways that these needs will be met to sustain effectiveness. This understanding of the target market will also inform appropriate product design. Furthermore, mass awareness on micro-insurance schemes conducted by the stakeholders accompanied by timely payment of claims and satisfactory customer care service, should be provided to increase the patronage of micro-insurance schemes which will in turn increase insurance penetration in Nigeria. Future study can adopt a quantitative approach to examine the impact of micro-insurance schemes on insurance penetration rate in Nigeria using available data.

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