# Micro-insurance as a Socio-Economic Tool for National Transformation: A Legal Perspective

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**Abstract**
*Micro-insurance is a financial strategy that recently evolved for the purpose of providing appropriate risk control mechanisms for persons involved in micro and small scale enterprises. In relation to national transformation, therefore, micro-insurance is a vital tool for the reduction of poverty and provision of equal economic opportunities for all citizens. Nevertheless, in Nigeria, there is lack of adequate literature that establishes the nexus between micro-insurance and national development. Although the National Insurance Commission (NAICOM) released the Guidelines for Micro-insurance Operation in Nigeria in 2013, it is uncertain whether the same is adequate in extracting the benefits of micro-insurance for national development. Consequently, this doctrinal study examines, from a legal perspective, the role of micro-insurance in national transformation. The paper demonstrates that micro-insurance not only serves as a catalyst for economic development, but also constitutes a novel social protection model for low-income persons. In order to strengthen the recent Guidelines in realizing the goals of micro-insurance for national transformation, this paper highlights some regulatory experience from South Africa and recommends the introduction of 'Financial Inclusion Regulatory Structure' (FIRS) as a reform strategy for Nigeria's policy reformers.*

**Keywords:** Regulation, micro-insurance, national transformation, Nigeria.

## Introduction

Micro-insurance is one of the several socio-economic tools that recently evolved for the purpose providing affordable risk control mechanism for persons involved in micro and small scale enterprises – the low-income households (See Akaayar, 2013; Churchill & Matul, 2012; Churchill, 2006). It is a financial strategy, which is designed to enable low-income households to mitigate risks and reduce vulnerability to risks, thereby protecting their means of livelihood while at the same time opening up new markets for financial players. At policy level, therefore, micro-insurance is an integral part of financial inclusion framework linked to savings and credit. It serves not only as a catalyst for economic development and social protection, but also as a model for facilitating sustainable development.

In order to make micro-insurance a tool for meeting government's development policy objectives, such as national transformation (Mole, 2013: 332),[1] several nations of the world have

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1 The discourse on the concept of 'national transformation' transcends law to other non-law disciplines. In the context of this paper, it may be described as a social and economic change that brings about better quality of living in Nigeria, and for Nigerians. Note that in this paper, the term 'transformation', 'development', and 'growth' will be used interchangeably to mean the same thing.

established tailored legal framework for micro-insurance regulation (Akaayar, 2014). Nigeria is not left out in the quest for tapping into the benefits of micro-insurance. For instance, in December 2013, the National Insurance Commission (NAICOM), the apex regulator of commercial insurance in Nigeria, released the 'Guidelines for Micro-insurance Operations in Nigeria,' (GMON, 2013). This seems to be anchored on findings of the Diagnostic Study of Micro-insurance in Nigeria 2012,[2] which indicated that out of a population of 168 million, only 1% (or less) of the adult households had access to formal insurance as a risk control mechanism. In addition, the study revealed not only huge potentials among low-income groups, but also identified lack of enabling legal framework for micro-insurance to thrive. Thus, with the enactment of the GMON 2013, the expectations are that micro-insurance sector will not only fulfill the desired goal of transforming the lives of persons involve in micro and small scale enterprises, but also serve as a catalyst for socio-economic transformation through financial inclusion and poverty reduction.

Despite the emergence of GMON 2013, as one of the legal instruments for socio-economic transformation, recent studies have shown that Nigeria is still at the bottom range of global comparative chart for quality of life and economy of nations. For instance, the Failed States Index (Haken, N., 2014) reveals that Nigeria is the 17th Fragile State out of the 178 countries analysed. This implies that Nigeria is only ahead of the world's sixteen most miserable countries. In addition, Nigeria is adjudged to be 4th among the nations with uneven economic development. Many factors could have caused this state of affairs.[3] This study focuses on the adequacy, or otherwise, of the present legal regime for micro-insurance products and services.

In particular, this study evaluates the GMON 2013 as well as other related regulations for micro-insurance in Nigeria. The aim is to ascertain whether they are adequately designed to harness the benefits of micro-insurance as a socio-economic tool for national development; and where they are not, make recommendations for reform. This is important because in Nigeria, the area of micro-insurance regulation and national transformation are relatively new fields of study with little, if any, constructive literature. Notwithstanding that NAICOM has put in place the GMON 2013, it is uncertain whether the same is adequate in extracting the benefits of micro-insurance for national transformation, which include equal economic opportunities for all citizens.

## National Transformation and Micro-insurance

The idea of national transformation may not be entirely new (Mole, 2013: 2). What appears to be new are the evolving policy reform approaches that aim at achieving national transformation; particularly micro-insurance as one of the instruments for actualizing such transformation. It, thus, becomes imperative to examine the nexus between national transformation and micro-insurance.

2 In 2012, the NAICOM in collaboration with Access to Insurance Initiative, Making Insurance Work for Africa, and GTZ of Germany conducted a country-wide Diagnostic Study on the viability of Micro-insurance in Nigeria. For details of the findings of the study, see Dias, 2012: 11.

3 This may include: corruption; general economic meltdown; lack of political; and unsuitable legal framework and regulation.

## Micro-insurance as a Catalyst for Economic Development

The insurance industry,[4] which may be rightly adjudged to be next to the banking sector, has been of importance to financial services sector in many respects. As a 'financial intermediary' in Nigeria, for instance, the insurance industry is strategic for mobilising resources and reinvesting in other areas of the economy (Yakubu & Mukubwa, 1986: 9). This is acknowledged by the United Nations (UN) Report on Development Aspect of Insurance to the effect that insurance service may contribute to economic development by encouraging individuals and firms to specialize, create wealth and undertake beneficial projects they would not otherwise consider (UNCTAD, 2007: 14). The UN Report added that insurance mobilises savings from the household sector and channels them to other corporate and public sectors (UNCTAD, 2007: 14; Agomo, 2013: 42; Davies & Podpiera, 2003: 7).[5] Nevertheless, it has been observed that the contribution of the insurance industry to Nigerian economy remains unsatisfactory, to say the least. This is largely because insurance in Nigeria expectedly, has the biggest earning potential but has been operating sub-optimally (Daniel, 2007; Babalola, 2010: 4). Institutional and individual capacities have remained largely under-utilized while economic opportunities, crucial to national growth, become lost in the process (Babalola, 2010: 1).

Consequently, the emergence of micro-insurance is viewed as a financial market that can facilitate Nigeria's insurance outreach to hitherto excluded population. Although the empirical studies on the impact of micro-insurance scheme in Nigeria is still limited, the available research points to the fact that micro-insurance, if properly designed and implemented, can immensely contribute to the development of Nigeria's financial sector (Babalola, 2010). For instance, the premium generated from this financial model can be reinvested in other areas of the financial services. In addition, micro-insurance can provide opportunities to rebuild from the bottom up and create a foundation of retail insurance and, ultimately, make a stronger contribution to Nigeria's general economic development (Churchill & Reinhard, 2012). Above all, it may increase Nigeria's Gross Domestic Product (GDP), thereby, contributing to overall national development. The foregoing is in addition to social protection measures, which is examined next.

## Micro-insurance as a Social Protection Mechanism for the Informal Sector

Under international law and national laws of many jurisdictions, social protection is recognized as a human right (Universal Declaration of Human Rights, 1948; International Covenant on Economic, Social, and Cultural Rights, 1976: Article 9; Deblon & Loewe in Churchill and Matul, 2012: 40-58). In Nigeria, for instance, the Constitution of the Federal Republic of Nigeria (CFRN), 1999, states that in furtherance of social objectives, every citizen shall have equality of rights, obligations and opportunities before the law (CFRN, 1999: S.6(6)(c)). Unfortunately, the same CFRN 1999, on the one hand, provides that social objectives are not justiciable (Mowoe, 2008: 273-5). On the other hand, the application of international instruments on social objectives, in general, does not have the force of law in Nigeria unless domesticated (CFRN, 1999: S.12(1)).

4 Irukwu (1998: 133) rightly noted that, whenever we speak of insurance industry, this includes the insurers, reinsurers, brokers, agents, loss adjusters, insurance consumers and all other insurance support services.

5 For similar literature on the importance of insurance to financial service, see Pasiouras & Gaganis (2009: 1-5).

Although Nigeria's constitutional provisions on social objectives may not be justiciable, they appear to set very useful bench marks for progressive executive action and legislative efforts. Where such efforts are lacking, large segments of the Nigerian population (particularly low-income earners)are left without access to adequate social protection measures. They, therefore, continue to be vulnerable to numerous risks without appropriate risk control. Reliance on other risk control mechanisms like self-insurance or informal services may be common. But again, this seems to provide little protection as low-income earners possess minimal assets and income with little or no diversification (Crawford-Ash & Purcal, 2010: 3). Thus, majority of the low-income earners remain without appropriate social protection mechanisms or no access to formal insurance risk control mechanism. No doubts, it appears that several intervention measures continue to evolve, which include *ex-ante* measures (such as risk reduction or savings) and *ex-post* measures (such as borrowing and assistance from family members, government and donor institutions).

The above intervention measures, notwithstanding, it is realised that, occasionally, the existing risk control mechanisms, or interventions often proves inadequate. As the United Nations report on 'World Poor 2010' indicates, Nigeria as an emerging economy is the 28th poorest country in the world, with about 65% of the estimated population without access to appropriate risk control mechanism (UN, 2016). In that regard, micro-insurance is acknowledged as one of the important models with potentials for effectively overcoming the social protection gap. This is largely because the ultimate role of micro-insurance is to enable the low-income persons to mitigate their material risk through the insurance market, in order to reduce vulnerability, thereby increasing their welfare (Churchill, 2006: 12; Bester *et al,* 2009: 77). Therefore, as a proactive *ex ante* risk control strategy, micro-insurance is distinct from the informal *ex post* coping mechanisms, such as emergency loans, intervention from government and donor agencies, as well as informal pooling from family and friends (Churchill, 2006: 12; Bester *et al*, 2009): 77).

There are many ways by which micro-insurance may serve as a social protection mechanism for emerging economies, (Deblon & Loewe, 2012: 40) Nigeria inclusive. The first is that micro-insurance serves as a substitute for citizens where government is unable or unwilling to increase social protection schemes or do not want to extend them to those working in the informal economy (Deblon & Loewe, 2012: 52). Second, micro-insurance can serve as an alternative to social insurance where the latter does not exist or unlikely to become attractive to informal employees.[6] This may be partly because of the high rate of premium, inappropriate payment conditions, or household's mistrust about public institutions. Thirdly, micro-insurance may serve as a bridge for integrating informal sector employees with social insurance schemes such as benefit package. Fourthly, micro-insurance complements social insurance (Deblon & Loewe, 2012: 55), such as health insurance schemes. For instance where social insurance scheme may only cover a part of the cost incurred due to risk occurrence, micro-insurance could fill the gap; for example, by reimbursing for the cost of transportation and cost of essential drugs, which are not usually included in the medical care insurance. Last, but by no means the least, micro-insurance supplements social insurance (Deblon & Loewe, 2012: 57). For example, it may

6 For details on scope and nature of social insurance as distinct from micro-insurance, see Deblon & Loewe (2012: 53).

provide cover for the risks not covered by the social insurance schemes such as drought, flood, and crop pest amongst others.

The totality of foregoing notwithstanding, it is important to point out that the role of micro-insurance to national transformation is not self-fulfilling, unless accompanied by effective legal regime. Consequently, the next part of this paper critiques the current legal regime.

**Critique of Current Legal Regime: the GMON 2013 in Perspective**

The current legal regime for micro-insurance in Nigeria is a mixture of GMON 2013 and other relevant insurance laws.[7] This strongly suggests that a critique of the current legal regime for micro-insurance should also look at relevant provisions of these laws. Nevertheless, this writer had examined the application of general insurance laws to micro-insurance in some other studies (Akaayar, 2013). For the present paper, therefore, focus shall be on the provisions of the GMON 2013 as it relates to national transformation.[8] In particular, the fundamental question is whether the GMON 2013, in its present form, can promote micro-insurance so as to facilitate national transformation. This is examined in much detail under the prudential regulatory structure and market conduct regulatory structure.

**Prudential Regulatory Structure**

Prudential regulation, in general, is concerned with the financial solvency of individual institutions and the broader objectives of systematic stability (Leape & Thomas, 2011: 5). Usually, these prudential regulatory provisions include the demarcation between different types of insurance products, such as life and non-life (Insurance Act, 2003: S.2(1)), which must be written by different providers or a single provider upon satisfying certain conditions, authorized minimum share capital requirements (Insurance Act, 2003: S.50(1)), actuarial requirements (Insurance Act, 2003: S.29), restriction on premium investment and capital reserve amongst others.[9] Thus, prudential regulation is an important structure for regulating insurance. This is in part because of its role as not only a significant contributor to minimizing insurance sector problems (Alrend *et al,* 2009: 6), but also in enhancing market growth, stability and sustainability (Hansel, 2010:18). This is because private insurance cannot flourish without public confidence that the insurer will indemnify or compensate the insured as promised (Skipper & Klein, 1999).

In the particular context of the GMON 2013, it appears that the prudential provisions are substantially defective, particularly in harnessing the benefits of micro-insurance sector for national transformation. For instance, article 3.0 of the GMON 2013 provides for micro-insurance products. However, the said article 3.0 appears to be silent on what actually constitutes micro-insurance product in Nigeria, other than the features outlined in article 1.2 (iii) of the GMON. This implies that a particular micro-insurer is to design any product and introduce it to the market after securing approval from the NAICOM. The limit of the sum insurable and the

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7 For instance, see Articles 5.2 & 9.0 of the GMON 2013, which specifically incorporates the provisions of Insurance Act 2003.

8 Even under 2013 Micro-insurance Guidelines, only some of the issues shall be raised and examined.

9 Those areas of prudential regulation of insurance mentioned above are by no means exhaustive.

risks excluded for micro-insurer are contained in Appendix 2, Schedule to the GMON 2013. While article 3.0 is helpful in encouraging innovative products from potential micro-insurers, it is defective in providing the initial path for micro-insurers to follow. As it is, it may unwittingly give room for the existing insurers to ignore the sector, or downgrade existing formal products without necessarily being described as micro-insurance services or products. Where this is the case, it may be difficult to achieve the desired goal of the sector in national development.

Another prudential defect is the requirement under article 2.0 of the GMON 2013 that a micro-insurer must be a 'Limited Liability Company' (LTD).[10] While the requirement of LTD may be justified on the bases of instilling solvency and public confidence in the sector,[11] it is defective in not taking into account the socio-economic realities of micro-insurance in Nigeria, especially the prevalence of poverty among low-income earners. As it is at present, informal institutions, such as co-operative societies, which are closer to the low-income earners may find it difficult to underwrite micro-insurance because of the cost of transforming to LTD (See Akaayar, 2013).

Besides, the present prudential structure fails to make room for graduated underwriting by the informal schemes that intend to transform to formal insurance underwriters. In its present form, the GMON 2013 simply assumes that every potential provider will afford upfront cost of participation, which may not be entirely the case. Most importantly, the low-income clients are likely to have greater trust in micro-insurance schemes that are linked to the community credit, savings and insurance organizations to which they already belong, and over which they feel they have some control. Unfortunately, there is no legal mechanism in place for assessing the quality of services rendered as well as regulating the behaviour of the market participants. Efficiency may, therefore, be compromised to the detriment of micro-insurance market sustainability, which is one way that the sector can facilitate national transformation.

**Market Conduct Regulation**

Market conduct comprises market disciplines (transparency and disclosure of company-wide financial information and risk management) and consumer protection (information and provisions addressed to customers; Miani & Dreassi, 2007:14). This implies that market conduct structure of insurance regulation centres on curtailing the excessive behaviours of the insurance market participants with respect to insurance dealings (Schwarcz, 2007: 1389). It extends to licencing requirements for intermediaries, fit and proper requirements for agents and brokers, regulation of selling process, including disclosure requirements and giving of advice, regulation of payment of commission and statutory requirements that make the take-up of certain types of insurance company compulsory (Llanto *et al,* 2009: 58). The overall effect of market conduct regulation, therefore, is to not only promote healthy market competition, but also to protect the general insuring public (Schwarcz, 2010: 1717).

10 See Article 2.1. (i) (a) of the Micro-insurance Guidelines 2013, and section 9 of the Insurance Act 2003 (for conventional insurance).

11 This largely because the public may be assured that the micro-insurer has the capacity to fulfill its future obligations.

Nevertheless, it is argued in this paper that some of the market conduct rules under the GMON 2013 are deficient in achieving national transformation. For instance, article 6.3 of the GMON 2013 provides that: “All proposal forms *shall* contain a declaration to be signed or accepted electronically by the proposer that the terms and conditions of the contract have been explained and understood by the proposer.”[12] The word ‘shall’ in the said article 6.3 presupposes that the requirement of signing a declaration is mandatory. This appears innovative in preventing mis-selling to micro-insured client who may not be knowledgeable in the business of insurance. However, the same provision is defective because the requirement of declaration of compliance is not preceded by the actual duty to explain the terms of the policy to the micro-insured. Consequently, it is still uncertain whether cases of product mis-selling may be curbed.

Also, one of the needs for and benefits of market conduct regulation is derived primarily from imperfect information (PriceWaterhouseCoopers, 2015). Thus, if there is an enabling framework for micro-insurance clients to be fully knowledgeable about their insurance needs and options, presumably they could avoid transactions that may not be in their best interest. Otherwise, it is likely that the insurer or an agent could lead some micro-insured into buying unbeneficial insurance policies, or beneficial policies under terms that are detrimental to them. Where this is the case, the micro-insurance sector growth may not only be inhibited (PriceWaterhouseCoopers, 2015), but its potentials to contribute meaningfully to national development may be threatened. In the light of the totality of the foregoing, it is submitted that reforming prudential and market conduct regulatory structures under the GMON 2013, in a manner to correct these uncertainties, may be the most appropriate step for repositioning micro-insurance for national transformation. In reforming the rules, the regulatory experience from South Africa may be instructive.

**Comparative Experience from South Africa**

Insurance markets and regulations in Africa are generally at varying stages of development (Aseffa, 2007: 5). However, the UNCTAD Report of 2007 reveals that South Africa has the most developed economy and insurance industry on the African continent and produces around $30 billion or 79 per cent of the continent’s total insurance output (Aseffa, 2007: 5).[13] This, therefore, places South Africa in a strategic importance for a research of this nature. In addition, existing studies have shown that South Africa is one of the developing economies that had challenges of extending the mainstream insurance to persons involve in small and medium scale enterprises. Nevertheless, the country introduced legal reforms, which paved the way for successful micro-insurance regime (Bester *et al,* 2009: 84). As noted by this writer elsewhere (Akaayar, 2014), the South Africa’s micro-insurance landscape has been regulated under a complex web of laws and regulations. The major laws and regulations are: the Long-Term Insurance Act (1998), Short-term Insurance Act (1998), Friendly Societies Act (1956), the Financial Advisory and Intermediary Services (FAIS) Act (2002), the Co-operative Act (2005) and the Financial Sector Charter (FSC; 2003). Amongst these laws, FSC 2003 is adjudged by scholars to be an important

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12 Italic added for emphasis

13 It is noted that South Africa was among the first 5 countries out of 15 major economies that have significant contributions from the insurance sector to their GDP.) Ten African countries (Nigeria, Morocco, Egypt, Tunisia, Kenya, Mauritius, Namibia, Algeria, Côte d’Ivoire and Cameroon) generate 15 per cent of Africa’s insurance and reinsurance premium, totaling $5.7 billion13. The rest of the continent has a share of 9 per cent, or $3.4 billion.

factor impacting on the South African market and the regulatory framework for micro-insurance (Bester, 2009: 19). This is largely because of the recognition that the existing insurance products and services, such as funeral insurance, have been under-served (Wiedmaier-Pfister & Chatterjee, 2006: 502). In order to correct this, the South Africa Financial Services Board (FSB), the government and the existing financial players in 2003, took proactive steps whereby all financial service providers agreed to voluntarily serve the low-income market (Wiedmaier-Pfister & Chatterjee, 2006: 502). It was this effort that gave birth to the Charter that is today known as the South Africa's FSC 2003.

It must, however, be noted that despite the establishment of FSC in 2003, it was observed that no large low-income market penetration was achieved. Similarly, new concerns about the potential consumer abuse in the low-income market were observed. This was in addition to the unsuitable nature of the existing legal regime and increased government commitment under the FSC 2003 to remove regulatory barriers to market development. This in turn prompted the National Treasury to reconsider the existing regulatory framework on micro-insurance in South Africa. The reform effort was initiated in 2008 via the publication of a discussion paper titled: "*The Future of Micro-insurance in South Africa*" (National Treasury, 2008). After the review of comments received from the general public and comprehensive consultation process, the government through a National Treasury Policy Document of July 2011 proposed the introduction of a dedicated legislative framework for the micro-insurance sector – the Proposed Micro-insurance Act (PMA). The main aim of the PMA is to broaden access to insurance for low-income households and also to foster the provision of low-cost, simple and standard micro-insurance services.

The PMA adopts the definition of micro-insurance as provided by the International Association of Insurance Supervisors (IAIS) in 2007 (National Treasury, 2008: 3). Taking into consideration the specific features of the micro-insurance market, the proposed PMA regime introduced some far reaching regulatory reform proposals, which include the following:

- The micro-insurance products must be designed in a manner that is simple for the consumers to understand. The providers can offer both long-term and short-term products, but benefits are restricted to risk products only (and not contractual savings). The size of the benefits is to be capped at R50,000; R50,000; R100,000 for life, non-life and asset products respectively (National Treasury, 2008: 7).
- The prudential requirements are to be lowered. For instance, the authorized share capital for micro-insurer is to be reduced to R3 million as against the current R5 million and R10 million for short-term and long-term insurers. In addition, the reform will introduce simpler capital reserve as well as reporting and corporate governance requirements (National Treasury, 2008: 7).
- Introduce appropriate intermediary requirements by streamlining the FAIS requirements that will encourage 'human intermediation' in the market; (National Treasury, 2008: 7).
- Increased consumer education and responsibility in order to reduce the potentials for mis-selling (National Treasury, 2008: 45-6);
- Propose more effective supervision and enforcement of the regulatory regime that will be accessible to all providers and intermediaries (National Treasury, 2008: 47); and

- Introduce a 'Transition Arrangement' to allow informal market providers to become formalized. Consequently, market participants will be given three years transition period within which to comply with the new Act. In addition, informal insurers with membership of less than 500 members will be excluded under the new Act, although they must act in accordance with the regulatory framework of co-operative societies. Similarly, the friendly societies currently registered with FSB will be required to convert into co-operative structure. Finally, there will be intergovernmental coordination in order to facilitate the new Micro-insurance Act and subordinate legislation that may be released (National Treasury, 2008: 48-9).

Although the PMA has not been passed into law by the South African parliament, the efforts show proactive regulatory lessons for other developing economies, like Nigeria. Apparently, the regulatory areas, such as, financial inclusion, consumer education and responsibility, effective supervision, transition arrangement and intergovernmental coordination might serve as lessons for Nigeria. In any case, caution must be taken as adopting reform standards from South Africa may not be enough, unless such lessons are refined in line with Nigeria's socio-economic agenda for national transformation.

**Recommendations and Conclusion**

Achieving national transformation in Nigeria, like any other jurisdiction, is not an easy task. It must be gradually built on some fundamental structures. In the context of micro-insurance as a socio-economic tool for national transformation, an appropriate legal framework is an important structure. Accordingly, while the recent efforts by the NAICOM in introducing the GMON 2013 is commendable as a right step in the right direction, there is need for further strengthening of the current legal regime in order to achieve the desired objectives.

In the above regard, this study recommends two major reforms. The first is the introduction of a reform that may correct the gaps identified in the existing prudential and market conduct regulatory structures under the GMON 2013.[14] The second recommendation is the integration of 'Financial Inclusion Regulatory Structure' (FIRS) to the existing structures under the GMON 2013. This is largely because the FIRS is one of the critical structures for any framework that seeks to 'integrate' or 'include' those excluded by the current financial service sector (Levitas, 1998: 12), the low-income earners. It is described as a regulatory principle that enables consumers across the income spectrum in a country to access and sustainably use financial services, such as savings, credit and insurance, which are affordable and appropriate to their needs. This presupposes the provision of enabling regulatory principles that are necessary for the market institutions, including the informal, to develop into a modern financial system, thereby, enhancing the overall growth of the economy.

The key objective of FIRS is, therefore, to ensure that persons involved in micro, small and medium scale enterprises but which are currently excluded, or hindered access to appropriate insurance services, do not fall back into the clutches of poverty in the event of unforeseen contingencies (Hansel, 2010: 18). It also aims at providing access to formal insurance services

14 For details on these gaps, see part 3 of this article.

and products to people who have been excluded so far (Llanto *et al,* 2009: 76) thereby tapping up the insurance opportunities and channeling them into other national ventures.

In Nigeria, FIRS is critical for utilizing micro-insurance for national transformation because at the moment, the financial services sector includes a range of institutions affecting a wide variety of services such as insurance, banking, savings, credit, currency exchange, microfinance, consumer lending, mortgage and so on (Olorunshola, 2004: 6). Insurance seems to be the second largest industry in the financial sector next to banking. However, as earlier noted (Daniel, 2007), the conventional commercial insurance services and government sponsored social security schemes put together have not, so far, made any significant dent in the number of people who ought to be covered by insurance. In fact, less than 2% (or less) of Nigeria's population have access to formal financial services, insurance inclusive (Ogunseye, 2010: 180). Consequently, FIRS will enable more access to micro-insurance as socio-economic model for stimulating financial market from the bottom-up.

The proposed Nigeria's FIRS is largely informed by the PMA model in operation in South Africa. In fact, the available evidence reveals that micro-insurance in South Africa is already yielding positive results (Bester, 2009). For instance, various insurers and intermediaries in South Africa have started designing innovative products and delivery channels that fit the requirement of low-income households rather than simply assuming they are unprofitable (Akaayar, 2014). The motivation for these innovations appears to hinge on the positive expectations that micro-insurance would help low-income earners in accessing other financial services. Also, it could stimulate the supply of other services that are important to them, for instance, credit services, funeral services and health services (Brown & Churchill, 1999: 17), thereby enhancing national development. This is achieved, in part, by providing an enabling environment for providers in order to ensure more predictable income flows and viability of such services to potential clients (Brown & Churchill, 1999: 17).

Viewed in the light of experience from South Africa, it is submitted that proper reform and implementation of the GMON 2013 will not only enhance financial inclusion, but also facilitate national transformation for Nigeria. Above all, it is submitted that facilitating micro-insurance in achieving national transformation in Nigeria requires coordination and cross-sector cooperation between other financial regulators such as National Insurance Commission (NAICOM), Ministries of Agriculture, Ministries of Health and the Central Bank of Nigeria (CBN) among other relevant regulatory agencies.

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