



### ASSESSMENT OF THE LOCAL CONTENT POLICY ON OIL AND GAS INSURANCE UNDERWRITING IN NIGERIA

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#### **Abstract**

*The study is on the assessment of the impact of the Local Content Policy on the underwriting of oil and gas in the Nigerian Insurance industry. It aimed at examining the relationship between the introduction of the Local Content Policy by the government and the performance of non-life insurance companies in Nigeria and to examine the gap as we have in dearth of study in this area of insurance. The study is a descriptive survey whereby 200 copies of questionnaire*

#### **Keywords:**

*Underwriting  
Income, Local  
Content, Oil and Gas  
Policy, Insurance,  
Non-Life Policy*

#### **INTRODUCTION**

The Local Content Policy was introduced in 2007 by the Nigerian government to increase the vibrancy in the local insurance industry and to enable the insurance companies improve their local capacity to accept complex risks from the petroleum industry sector. It is pertinent to note that before the introduction of the policy only few insurance companies in the industry participated in the provision of cover for this sector of the economy. These companies, as revealed by Aniemeke (2013) participated in the provision of insurance cover for oil and gas risks in the country which were not covered locally initially as most of the companies participating in the

were distributed to oil and gas the study is that the respondents in underwriting in the pre-qualifications, selected insurance Nigerian insurance tender processes and companies in the industry in terms of inadequate finances country. Data obtained improvement of have significant impact were analysed with the capacity, premium on the implementation aid of Statistical income but however of the Local Content Package for Social the retention of the Policy. Also, that there Science 23 and the tool business is still low is significant employed were contrary to the relationship between Friedman test and provision of the the introduction of the regression analysis for Nigerian Content Local Content Policy hypothesis testing. The Development Act and the overall results showed the 2010. The null performances of the dimensions of the hypotheses were non-life insurance impact of the rejected and the companies in Nigeria. implementation of the alternate accepted. Local Content Policy in The conclusion from

**S**ector before the introduction of the policy were merely serving as “post office” for insurance companies abroad for the transfer for commission of these risks. Aniemeké (Ibid) went further to posit that local capacity for this context simply means the aggregate capacity of all registered insurers and reinsurers in Nigeria which shall be fully exhausted prior to any application to the National Insurance Commission to insure Oil and Gas risk abroad by the oil producing companies in the country.

It also resulted in the establishment of the consortium or pool known as the Energy and Allied Risks Insurance Pool of Nigeria (EAIPN) to address the problem of low participation in the oil, gas and energy underwrite to these risks (Insng, 2015; Business Day, 2015; Daniel, 2015). The pool was to take off with \$20 million capacity fund with each participating company in the pool paying \$250,000 per line. About 14 insurance companies subscribed to the pool and it was to be managed by the Africa Reinsurance Corporation (Insng, 2015). The pool witnessed a break though for the

industry as it offered avenues for spreading the risks involved in oil and gas business. The pool resources led to the emergence of some indigenous insurance companies' participation in the underwriting of these risks such as LASACO Assurance Plc partnering with the USAN oil field with a premium income of about \$83 million; Leadway Insurance Company Ltd managed both the Nigerian National Petroleum Corporation (NNPC) and OML 58 insurance accounts worth about \$49 billion and \$3.1 million respectively along with a foreign underwriter (Saghana, 2009).

The question that comes to mind from all above is whether those steps have any impact on the Local content policy on oil and gas on the general performance of insurance companies in the country. This investigation therefore attempts to find out the impact of the local content policy on oil and gas on the Nigerian insurance industry.

### **Statement of Problem**

There is no doubt that the Nigerian insurance industry has capacity problem in taking huge and complex risks as contained in the oil and gas sector. This position was confirmed by KPMG (2014) in its review of the market capacity using figures from 2010 Nigeria Insurance Digest on the capitalization of the Nigerian insurance companies, as it noted that the Nigerian insurance industry's statistics has shown that the industry has low capital enough to be able to provide insurance protection to the volatile oil and gas sector.

The KPMG continued in its study of the state of the Nigerian insurance industry in providing cover as required by the Local Content Policy and came to the conclusion that although the oil and gas industry is highly volatile and requires insurance companies with huge financial resources to provide covers to the sector, there is no evidence presently that the Nigerian insurance industry could muster such funds to effectively provide such covers (KPMG, 2014). The insurance sector in Nigeria; the KPMG also revealed, is assumed to be underdeveloped and fragmented in nature as against what exists in other African countries. It added that as a result of this, the insurance sector is tagged as small, uncompetitive and inefficient in managing large risks as required in the oil and gas industry. Also, the sector lacks skills desired to manage specialized risks which has compelled

the oil companies to patronize the foreign insurers at the expense of the indigenous companies (KPMG, 2014).

### **Objectives of the Study**

The broad objective of the study is to examine the impact of the Local Content Policy on the underwriting of oil and gas risks in Nigeria while the specific objectives are:

- (i) To determine the effect of the pre-qualifications on the implementation of the Local Content Policy
- (ii) To ascertain the effect of Tender Processes on the implementation of the Local Content Policy
- (iii) To determine the effect of inadequate finances on the implementation of the Local Content Policy on the Nigerian insurance industry;
- (iv) To ascertain whether there is a significant relationship between the introduction of the Local Content Policy and the performance of non-life insurance companies in Nigeria.

### **Research Questions.**

The research questions are listed below

- 1) What are the effects of the pre-qualifications processes on the implementation of the Oil and Gas Insurance Underwriting in the Insurance Industry of Nigeria?
- 2) Are there any significant relationships between the introduction of the Local Content Policy and the performance of Oil and Gas Insurance Underwriting in Nigeria?
- 3) Are there any significant relationships between the contributions of the Local Content Policy and the development of the Oil and Gas Insurance underwriting capacity in Nigeria?
- 4) Do the requisite skills and Manpower available in the Nigeria Insurance Industry to effectively underwrite Oil and Gas risks in line with the Local Content Policy?

### **Statement of the Hypotheses**

In order to answer the research questions, the following null hypotheses were formulated

- 1) There is no significant impact of the pre-qualifications on the Local Content Policy and the Oil and Gas Insurance Underwriting in Nigeria.
- 2) There is no significant effect of the Local Content Policy and the Performance on the Oil and Gas Insurance Underwriting in Nigeria.
- 3) There is no significant relationship between the contributions of the Local Content Policy and the development of the underwriting capacity of the Oil and Gas Insurance in Nigeria
- 4) There is no significant effect of the Local Content Policy and the Improvement of the technical skills of Nigerians and the Oil and Gas Insurance Underwriting in Nigeria.

### **Literature Review**

#### **The Local Content Policy**

Grossman (1981) is believed to be the first one who introduced the academic literature on local content. There are literally different reports devoted for the definitions of local content, which is a recognized term in the oil and gas industry. It can, generally, be specified in terms of the ownership and/or location of the enterprises involved in production and/or the value added in the production process (Swage, 2016). Local content development in petroleum industry is a new concept, which has drawn academic attention in recent years. Therefore, there are limited numbers of academic works on this issue. During the past few years, various reports and papers have concentrated on local policies in various countries such as Norway, the Caspian Sea countries, Nigeria, etc. In Nigeria, researchers assessed the enabling environment for private sector development in the upstream.

On the part of the Nigerian insurance industry, some of the constraints raised, which although not peculiar to the sector alone, are capital and structural deficiencies, lack of partnership between the indigenous and foreign firms regarding technical competence, inadequate infrastructure and low capital base and relevant reinsurance treaties to mitigate risks in oil and gas operations (Oladele, 2001; Aneke, 2000;). This situation

necessitated the previous lack of patronage by the oil companies to the industry.

The above scenario prompted the government to come up with the Local Content Policy which was aimed at addressing the problem of lack of patronage of the local industry by the oil and gas companies in the country, which on the long run would add value to the nation's economy ( Nwapa, 2007; Ogbodo,2008; Ihua et al, 2009). This would encourage the local service industry to crude oil exploration to develop the relevant capacity to provide support services to the industry.

The variables included in the local policies factor were found to have direct impact on local infrastructure factor variables. The literature provided some evidence that the following causal relationships also exist:

In 2010 when the Local Content Policy was passed into law as the Nigerian Oil and Gas Development Law, the policy was seen as “huge of composite value added created in Nigeria through utilization of domestic resources and services in the oil and gas sector that maybe accrued to the development of home-grown capacity such that the quality, health, safety and environmental standards is not compromised” (Aneke, 2002). In this way, the policy came up with ways to accommodate domestic firms in oil and gas exploration in the country with the intention of growing domestic capacity building and strategic development of these domestic firms for the overall national economic growth.

### **An Overview of the Nigerian Petroleum Industry**

Oil and gas, also known as petroleum products are the main source of foreign earnings for the country. According to Adepoyigi (2005) the search for crude oil in Nigeria commenced in 1908 when a German firm, known as Nigeria Bitumen Corporation began exploration of the product in the present day Ondo State where unfortunately the firm did not find any oil. While in 1914, the Colonial government promulgated the Oil Minerals Act of that year. Adepoyigi also revealed that during the period of 1914 1918, the Colonial government granted oil licences to British companies and individuals to explore oil in the various parts of the country.

It was in 1956 that Shell-BP joint venture succeeded in finding oil in large quantity in Oloibiri which is now in the present day Bayelsa State with a

production of 5,100 barrels per day (Adepoyigi, 2005). This is the nascent beginning of oil exploration in Nigeria, which has developed to the main source of export, foreign exchange earnings and revenue to the Nigerian economy ((Adenkinju, and Ibitoye, 2017).

The oil and gas industry has played important role in the country's development (Agusto, 2012; Atakpa, 2007). The petroleum sector, described as the country's life-wire, contributed to the quantum of Nigeria's revenue and export but part of the share of the revenue from the oil proceeds are paid to contractors which are usually foreign for the services rendered in the operation processes that includes drilling, fabrication, engineering procurement and other essential services (Ihua 2010, Ajayi and Eloji, 2010).The both went on to state that the outflow of such payment is huge capital flight which could be avoided by the government. This payment according to Business Day (2008) climbed to \$15 billion within the past few years. Unfortunately, the oil and gas industry require large sums of money to service the industry, but only a minimal share is retained in the country with huge capital repatriated abroad, thereby creating more opportunities to citizens outside Nigeria in manufacturing, services, fabrication and equipment industry.

This could be attributed to the non-existence of Local Content Policy law then which had positioned the foreign firms as major supplier and provider of such services. Also it might be that the local firms lack the adequate skills and manpower, technical know-how, and production and capacity to undertake such task effectively.

### **The Local Content Policy and the Nigerian Insurance Industry**

The advent of the Local Content Policy ushered in the underwriting of oil and gas risks in the country. According to Laniyi (2017) before 2006 nearly all the oil and gas insurance are carried out or ceded to foreign companies which make the domestic insurance companies to have no stake in the sector. However, the volume of transaction was low but the oil and gas class now has the highest value of premiums in the insurance industry from 2013. A review of the statistical publication of Nigerian Insurers Association, 1986 to 2017 showed that it was in 2010 that oil and gas

insurance was separated from Marine and Aviation Insurance and treated on its own as a class of insurance.

### **Adequacy of the capacity of Nigerian Insurance Companies to underwrite oil and gas risk**

Capacity generally speaking has to do with the ability of the companies to provide insurance cover to this sector of the economy. The issue of capacity is broad and falls into areas like manpower, reinsurance protection and the retention of the risk in house. We will look at these issues below.

Onabajo (2015) posited that there are a number of factors that contribute to the success of any organization, these factors include: capital, equipment, manpower, e.t.c. Onabajo argued that all these factors are important but the most significant factor is the human factor. He maintained that it is the people that will put the other resources to work, it should be viewed as such by management by giving it due attention in order to achieve its organizational goals and objectives. This is applicable to the insurance and it is a crucial factor in the adoption of local content policy in the industry. For where there is lack of adequacy of manpower to carry out the requisite functions, it will be difficult of this policy, notwithstanding that it is well intended to be implemented.

On the issues of Local Capacity to underwrite Oil and Gas risks, the National Insurance Commission (2010.) revealed that “Local Capacity” shall be defined as the aggregate capacity of all Nigeria registered insurers and reinsurers which shall be fully exhausted prior to any application for approval to reinsure any Nigerian Oil & Gas risks overseas.

### **Relationship between the Introduction of Local Content Policy and the performance of the Nigerian insurance companies**

It is important to note that as had earlier been identified before the introduction of the Local Content Policy in the country oil and gas insurance played very insignificant role in the Nigerian insurance industry irrespective of the fact that the country is a leading oil and gas producing country. It is also pertinent to add that before 2016 nearly all of the oil and gas insurance are carried out or ceded to foreign companies which had



made the Nigerian companies to not have participated in their own small way in providing cover for the risk.

Recent review of the Nigeria Insurance Digest has shown an improvement of participation by these companies in providing the requisite covers to the sector. In this way the sub insurance accounted for 22 percent and 25 percent of the gross Premium incomes for the industry for years 2012 and 2013 respectively and thus have repositioned the industry performance in the economy (see Nigeria Insurance Digest, 2012 and 2013). In this way the contribution of oil and gas insurance to the gross premiums of the industry outweighs that of motor insurance premiums. This way it has improved the performance of the Nigerian insurance companies.

Thus, the introduction of the Local Content Policy has helped in improving the insurer's capacity to underwrite risks (Onyi-Ogelle, 2016) It has also all most insurers who would not naturally to participate in providing cover for oil and gas risks to do so. This is shown in the table below:

#### **Contribution of the Local Content Policy to the development of non-life insurance companies in Nigeria**

Retrospectively the Local Content Policy has contributed significantly to the growth of the above as seen from the reviews above. For instance, in 2012, the Nigerian insurance industry witnessed significant growth in terms of volume. The sector witnessed an average increase of 15.79% between 2011 and 2012 that amounted from the sum of N217.74 billion to N254.14 billion respectively (see Nigeria Insurance Digest, 2012).

Since then there has been systemic improvements of the financial performance of the industry when compared to the other sectors in the economy. According to Marshall (2016) what distinguishes insurance sector from other sectors in the emerging economies are the capacity, safety, transparency and efficiency of most of the companies in the market. It is also important to note that the improvement of the capacities and efficiency of these companies helped to attract some foreign companies into the market. According to Laniyi (2017), among the insurers that invested directly and maintained subsidiaries' holdings in the domestic insurance companies are Saham Group, Old Mutual Group, Metropolitan Momentum Holdings and New India Insurance Company Limited in

Nigeria. He also revealed that other foreign insurers like Assure Africa, NSIA and International Finance Corporation bought private equity in domestic firms from domestic companies like AXA Mansard Insurance, ADIC Insurance and Leadway Assurance Company limited respectively. Thus apart from improving the local capacity to underwrite risks, the Local Content Policy has also helped the country to attract Foreign Direct Investment (FDI) in the economy. It is important to note that the philosophy behind Local Content Policy in business may not be acceptable.

### **Local Content Policy and the improvement of technical skills in the Nigerian insurance industry**

One of the major challenges in implementation of the Local Content Policy is the availability of the required technical skills. According to Swiss Re (2014) the UK insurance industry unlike its Nigerian counterparts has made significant success as a result of the following factors:

- i. They possess highly developed skill base on terms of capital, manpower, technical know-how, etc.
- ii. Provides expertise unmatched by other financial centers.
- iii. Fosters a creative environment where innovative solutions can be developed.
- iv. Specializes in global markets.

None of the above quality can be attributed to the Nigerian insurance industry hence the challenge on how the industry could effectively cope in provide cover to the volatile oil and gas industry as being propagated by the Local Content policy. As posited differently by Oladele (2001), Aneke (2000) and Hermans et al (2012) the only way of for the industry to effectively participate in the Local Content Policy, it will have to partner with foreign companies either through massive foreign direct investment, acquisition or normal partnership to help the local insurance companies to develop technical competence, inadequate infrastructure and lack of funds/capital and collateral to mitigate risks in oil and gas operations.

## **Theoretical Review**

### **Theory of Public Interest Regulation**

Regulation plays a very important part in the maintenance of order in a society or group. It is as a result of this that the government once in a while comes up with regulations to help it maintain order and achieve control in certain aspects of the lives of its citizenry. It is through regulations that the government can effectively achieve efficiency in the allocation of resources (Arrow, 1979, Corval (2007)). The public interest theory provides that the government through regulations attempts to overcome the disadvantages of imperfect competition, unbalanced market operations, missing markets, and undesirable results. In this way, regulations can be used to address identified problems in the system.

It is in line with the above that in 2007 the government through regulations directed that oil and gas companies in Nigeria should abide by the local content policy. This policy directive was later codified in 2010 to give it a stronger effect as a government policy. The essence of these regulations is to ensure that domestic firms participate actively in oil and gas production activities in the country since Nigeria is an oil-producing country.

### **Theory of Compliance**

The import of regulations is to ensure that they are complied with by those meant to do so. Naturally, if left alone, man will prefer not to obey laws to prefer obeying some; hence the need for a mechanism for effective compliance. Thus, Etzioni (1977) as quoted by Adeyemo (2016) developed an innovative approach to the structure of organizations that he called compliance theory. He classified organizations by the type of power they use in directing the behaviours of their members to obey rules and regulations of their members to obey rules and regulations.

Compliance theory according to Etzioni is an approach to organization's structure that integrates several ideas from the classical and participatory management models. The theory posited that the affected members should comply with the rules or regulations as required by the relevant authorities. This is the case of the local content that requires compliance by the oil majors that patronize the domestic firms in the request for raw materials, labour services, etc as the case may be.

Finally, since the oil and gas companies are faced daily with risks, of which they need insurance protections they should do so through buying such covers from the insurance companies in Nigeria as required by the Local Content Policy. Thus, Local Content Policy should therefore demand focused consistent pursuit of enabling policy, incentives and structural reforms in a conducive investment climate with sustainable environmental management (Mwakali and Byarunhanga 2012)

Furthermore, local firms must overcome a number of hurdles to competitively participate along the supply value chain of the oil and gas industry

### **Empirical review**

At an aggregate level, disparities in insurance penetration across countries can be explained in the context of income levels as shown by the S-shaped relationship, referred to as the curve model, between insurance penetration and GDP (Isnsg 2015) Yet, the importance of effective and sound insurance institutions for a well-functioning market is clear and several studies have underlined the need for certain elements to be in place to drive the development of insurance. For example, the availability of risk data (Brainard, 2008), education and financial literacy levels play a key role (Masci et al., 2007) as well as characteristics of the market such as distribution channels and the drive for innovative products and services (UNCTAD, 2004). Customs and traditions also play a part in explaining the different coverage levels that exist across countries (see Feyen et al., 2011 for reviews).

Over the last 40 years, developed countries like the UK and Norway have been successful in developing their local content These developed countries have been active in both the upstream and downstream oil industries Based on these successful experiences, other oil exporting enterprises have taken positive approaches towards local content development to increase the benefits from oil and gas extraction ( Sharp, 2009 ) The primary objective of local policies has evolved from creating backward linkages which is , supplying input to the local economy through transferring technology , creating local employment opportunities and increasing local ownership and control They also create forward linkages

which is processing the sector's output prior to export through for instance, the establishment of refineries petrochemical industry, and the production of fertilizers ( Bakare, 2011)

### **Research Design**

In carrying out the study the survey design was adopted which is based on the collection of cross sectional data from the respondents. This is to facilitate the collecting of important data about the targeted population with the use of the structured questionnaire. The survey design was adopted as a means for assessing the impact of risk management on the profitability of insurance companies in Nigeria.

Apart from the data collected through the use of questionnaires, the industry data will be collected from the Nigeria Insurance Digest 2017 for review and analysis, this is to help in establishing whether there is any relationship between the growth of the premium income from oil and gas insurance and the overall premium income of the industry.

### **Regression analysis.**

Regression analysis is a technique used to estimate relationships between variables. The regression analysis helps to understand how the dependent variable changes when one of the independent variables is changed, while the other independent variables stay the same. The size and direction of the change in the dependent variable is shown by B in the regression formula (McShane et al., 2011; Baxter et al., 2013).

The regression analysis was performed using the statistical program SPSS. The outcomes of the regression analysis are the  $\beta$ 's shown in the regression formula. The value of  $\beta$  represents the factor of the change in performance if the independent variable changes. If  $\beta$  has a positive value, the performance will increase by  $\beta$  if the independent variable increases by 1 and performance will decrease by  $\beta$  if the independent variable decreases by 1. The opposite is true for a negative value of  $\beta$ .

### Analysis Base on Research Hypothesis

#### Hypothesis 1

**H<sub>0</sub>:** There is no significant difference in the main rank of the pre-qualifications and tender processes inadequate finances on the implementation of the local content policy on the Nigeria insurance industry

Friedman test of the pre-qualifications and tender processes, and inadequate finance affect the implementation of the local content policy in the oil and gas insurance.

	Mean Rank
<i>It does not affect the implementation.</i>	2.20
<i>It affects only in terms of bidding for the contract.</i>	2.77
<i>Inadequate finance is a major challenge.</i>	2.50
<i>They do not affect the implementation of the local content policy in any way.</i>	2.54
<i>X<sup>2</sup> = 28.593; df = 3; p &lt; 0.05</i>	

*Source: Researchers field survey, 2019*

The table above on the Friedman test shows that the chi-square is 28.593 at 3df with a p-value less than 0.05 This implies that the null hypothesis is rejected and we therefore conclude that there is significant difference in the mean rank of the pre-qualifications and tender processes inadequate finances on the implementation of the local content policy on the Nigeria insurance industry.

#### Hypothesis 2

**H<sub>0</sub>:** There is no significant difference in the main rank of the relationship between the introduction of the local content policy and the performance of oil and gas insurance in Nigeria.

Friedman test of the relationship between the introduction of the local content policy and the performance of non – life insurance companies in Nigeria.

	Mean Rank

<i>Local content policy has contributed to profitability of the insurance industry in Nigeria.</i>	2.53
<i>There is relationship between local content and the performance of insurance companies in Nigeria.</i>	3.63
<i>The level of adoption of local content policy by insurance companies in Nigeria.</i>	3.93
<i>Local content policy impacts positively on the performance of the insurance companies in Nigeria.</i>	1.10
<i>The national insurance commission should come up with a policy to enforce local content policy in the underwriting of oil and gas risks in the underwriting of oil and gas risks in the country.</i>	3.80

$\chi^2 = 526.254$   $df = 4$ ;  $p < 0.05$

*Source: Researchers field survey, 2019*

The table above on the Friedman test shows that the chi-square is 526.254 at 4df with a p-value less than 0.05. This implies that the null hypothesis is rejected and we therefore conclude that there is significant difference in the mean rank of the of the relationship between the introduction of the local content policy and the performance of oil and gas insurance in Nigeria.

### **Hypothesis 3**

**H<sub>0</sub>:** There is no significant relationship between the contribution of the local content and development of the underwriting capacity of oil and gas insurance in Nigeria.

Friedman test of significant relationship between the contribution of the local content and development of the underwriting capacity of non – life insurance companies in Nigeria.

	<b>Mean Rank</b>
<i>The underwriting capacity of the Nigerian insurance before the introduction of the local content policy was very low.</i>	1.09

<i>The capacity of the companies has increased greatly with the introduction of the local content policy.</i>	2.67
<i>The Nigerian insurance company can effectively underwrite oil and gas risks.</i>	2.88
<i>There is adequate capacity to underwrite oil and gas risks in the country presently.</i>	3.37

$\chi^2 = 392.360$   $df = 3$ ;  $p < 0.05$

Source: Researchers field survey, 2019

The table above on the Friedman test shows that the chi-square is 392.360 at 3df with a p-value less than 0.05. This implies that the null hypothesis is rejected and we therefore conclude that there is significant difference in the mean rank of the of the relationship between the contribution of the local content and development of the underwriting capacity of oil and gas insurance in Nigeria.

#### Hypothesis 4

**H<sub>0</sub>:** There is no significant effect of the local content policy and the improvement of the technical skills of Nigerian to underwrite oil and gas risks.

Friedman test of significant effect of the local content policy and the improvement of the technical skills of Nigerian non-life insurance companies to underwrite oil and gas risks.

	Mean Rank
<i>There are adequate skills and manpower of all classes of insurance.</i>	2.19
<i>The level of skills and manpower required for the implementation of the local content policy is very low.</i>	3.43
<i>The industry should source out from above the relevant skills and manpower for the implementation of the oil and gas risks.</i>	2.02
<i>There should be the pooling of skills and manpower in the industry for the implementation of the local policy.</i>	3.89



*Your insurance company's response to risk includes an evaluation of the effectiveness of the existing controls and risk management responses.*

3.46

$$X^2 = 269.884 \text{ df} = 4; p < 0.05$$

*Source: Researchers field survey, 2019*

The table above on the Friedman test shows that the chi-square is 269.884 at 4df with a p-value less than 0.05. This implies that the null hypothesis is rejected and we therefore conclude that there is significant effect of the local content policy and the improvement of the technical skills of Nigerians to underwrite oil and gas risks.

### **Discussion of findings**

The finding of this study revealed that pre-qualifications, tender processes and inadequate finances affect the implementations of the local content policy. This may not be unconnected to the argument of Nwapa (2007) that the content noted would help to develop to the processes of bringing in the various skills requirements in the oil and gas sector. The implication of this is that there is need for the Nigerian Content Development Board to review the pre-qualifications, tender process while on the part of the operators they should look at issues of inadequate finances and how they can get more finances to fund their activities in the sector.

The second findings show that the local content policy has contributed profitability of the insurance industry. This is in line with the position of Ihau et al, 2009 that it creates a value chain and that this value chain of the Local Content Policy is measured in monetary terms and could be measured from its contribution to the nation's gross domestic product (GDP). For the oil and gas industry to emerge as a catalyst for economic development, every policy direction taken or introduced should be aimed at guiding or redirecting the oil and gas sector on the need to development the domestic firms into making positive contributions to this sector (Ihau et al, 2009).

The third findings the underwriting capacity of the Nigerian insurance industry before the introduction of the local content policy was very low and has improved significantly. This shows that there is a positive

relationship between the introduction of the local content policy and the development of underwriting capacity of insurance companies in Nigeria. Thus, Local Content Policy, according to Aniemeke (2013), is a strategy by the Nigerian government to increase the vibrancy of the local insurance industry and improve local capacity. Aniemeke went on to state that the local capacity in this context simply means the aggregate capacity of all registered insurers and reinsurers in Nigeria which shall be fully exhausted prior to any application for approval to the National Insurance Commission to insure Oil and Gas risks abroad by Oil majors, who are very keen in insuring their risks overseas.

Finally, our findings revealed that there are adequate skills and manpower for all classes of insurance in the country. In a similar manner, Nwapa (2007) maintained that skills and manpower, technical know-how, and production and capacity to undertake such tasks effectively have been improved with the introduction of Local Content policy. This confirms the fact that the Nigerian insurance industry has the requisite skills to underwrite complex risks like that of oil and gas.

The Friedman test shows that the chi-square is 28.593 at 3df with a p-value less than 0.05. This implies that the null hypothesis is rejected and we therefore conclude that there is significant difference in the mean rank of the pre-qualifications and tender processes inadequate finances on the implementation of the local content policy on the Nigeria insurance industry.

Testing the second hypothesis which states that: There is no significant difference in the main rank of the relationship between the introduction of the local content policy and the performance of Oil and Gas Insurance Underwriting in Nigeria the results of the analysis on the Friedman test shows that the chi-square is 526.254 at 4df with a p-value less than 0.05. This implies that the null hypothesis is rejected and we therefore conclude that there is significant difference in the mean rank of the of the relationship between the introduction of the local content policy and the performance of non – life insurance companies in Nigeria.

The test of the third hypothesis which states: There is no significant of relationship between the contribution of the local content and development of the oil and gas insurance underwriting capacity in Nigeria

on the Friedman test shows that the chi-square is 392.360 at 3df with a p-value less than 0.05. This implies that the null hypothesis is rejected and we therefore conclude that there is significant difference in the mean rank of the of the relationship between the contribution of the local content and development of the underwriting capacity of non – life insurance companies in Nigeria.

On the test of the fourth hypothesis which states: There is no significant effect of the local content policy and the improvement of the technical skills of Nigerian non-life insurance companies to underwrite oil and gas risks on the Friedman test shows that the chi-square is 269.884 at 4df with a p-value less than 0.05. This implies that the null hypothesis is rejected and we therefore conclude that there is significant effect of the local content policy and the improvement of the technical skills of Nigerian non-life insurance companies to underwrite oil and gas risks.

### **Conclusion**

Based on the reviewed literature and statistical findings of this study, the following conclusion are drawn:

- Most operators in the Nigerian insurance industry were of the view that the pre-qualifications and tender processes, inadequate finances have impact on the implementation of the local content policy on the Nigerian insurance industry;
- The respondents agreed that there was a significant relationship between the introduction of the Local Content Policy and the performance of non-life insurance companies in Nigeria;
- Most of the operators were of the view that there was significant relationship between the contributions of the Local Content Policy and the development of the underwriting capacity of non-life insurance companies in Nigeria;
- The respondents equally agreed that there were requisite skills and manpower in the Nigerian insurance industry for them to effectively underwrite oil and gas risks in line with the local content policy.

### Recommendations

The following recommendations were advanced by the study based on the conclusion and statistical findings:

1. The Local Content Policy on oil and gas insurance has tremendously improved the accounts of operators since its introductions (see figures from various issues of Nigerian insurance digest, 2008-2017) and as such should be extended to other classes of insurance business.
2. There is need to increase the capacity of the companies so as to enable them retaining some of the risks locally than serving as post offices for foreign insurers and reinsurers, thereby indirectly defeating the aim of the Local Content policy.
3. There is need for a general review of the current pre-qualification tender policy by oil and gas companies for the bidding of cover in the sector. This will go a long way in creating more flexibility for operators to provide the requisite insurance covers as required by law.
4. There is still need for further injection of capitals in the Nigerian insurance industry to enable them effective meet their financial obligations under the Local Content policy regime. Currently most of the companies' retention of oil and gas risks are low showing that the operators' capacity for the risk is still very low, for example the Nigerian Insurance Digest 2017 revealed that Leadway Insurance Company Limited, the biggest company by way of assets and premium income wrote oil and gas business of N12 billion but could only retain N2 billion or 16.67% which is against the envisaged retention of 70% as stipulated in the Nigerian Content Development Act 2010.
5. Insurance companies should develop regular training programmes to ensure improvement in the technical quality of services delivery since this contributes to increased customer satisfactions generally. In the same vein, there is need for more oversea training for the employees who are underwriting oil and gas risks to enable them enhance their underwriting capacity in the sector.

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