

## SUCCESSION PLANNING



“Insurance Companies and other Entities need to invest in their human resources because we cannot over emphasise the importance of training”

**Prisca Soares**  
Former Secretary General, AIO



**OLOLA OLABODE  
OGUNLANA:**  
Navigating Insurance Industry For

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# FROM THE DESK OF THE PRESIDENT



On behalf of the Governing Council of our Great Institute, I welcome you all to the first edition for the year of the Institute's Bi-Annual Journal. I wish to convey our best wishes to you our distinguished professionals and stakeholders, in appreciation of your efforts in moving the Institute forward and driving its ideals, especially in a world that has been greatly enmeshed by social, economic challenges and lingering pandemic situations.

Wow! How time flies, my tenure as the 50th President of our great Institute which commenced two years ago on Wednesday the 15th of July 2020 is graciously coming to an end. Hinged on the theme "REINFORCING PROFESSIONALISM AND ETHICS IN THE NEW ORDER", the tenure has been greatly eventful with a plethora of activities carried out and I am glad that we achieved to a great extent the set objectives.

It is important to note that the theme of my tenure was borne out of the need to establish a rolling plan which will guarantee that even in the face of the current global uncertainties, the Institute will continue to meet the needs of its members in the new order.

It was against this backdrop, my tenure focused on a six-point agenda which are:

1. Digital Transformation of the Institute.
2. Reinforcement of the Relevance of Professionalism.
3. Re-energizing the Institute's Administrative Structure.
4. Insurance Awareness and Youth Mentorship Initiatives

5. Infrastructural Development.
6. Advocacy and Collaboration with various Associations in the Private Sector.

It is delighting to note that the Institute in the last two years boosted insurance awareness and advocacy through several programmes and events as well as established, strengthened and visited strategic stakeholders in the government. Among the prominent individuals visited to promote the gospel of insurance were the Governor of Ogun State, His Excellency Adedapo Abiodun, the Alake of Egbaland in Abeokuta, His Royal Highness Adedotun Aremu Gbadebo III and the visitation and conferment of the Grand Patron and Fellowship Awards on the President/Commander-in-Chief of the Federal Republic of Nigeria, Muhammadu Buhari (GCFR) in Abuja.

In order to develop and engage young talents in the Institute and the Industry in general, the Institute under my leadership remodeled the 'Miss Insurance Pageantry' programme to form the 'Nite of Talents'. 'The 'Nite of Talents' was created for the purpose of promoting insurance awareness, intellectual prowess and gender equality as it will showcase the intellectual capabilities of the next generation of insurance practitioners in the industry; and this will consequently help boost insurance adoption. The Maiden Edition of the event, to the Glory of God was a great success as young contestants from various insurance companies competed for the crown and the best man won. I urge stakeholders of the Industry to vehemently support this programme and encourage the young insurers to continue to participate.

At this juncture, I like to commend the industry regulatory; the National Insurance Commission (NAICOM) for their support of the Institute's and College programmes. I also appreciate all trade bodies of the industry; NIA, ILAN, NCRIB and ARIAN for their unrelenting support even as I urge them to stay committed to promoting the industry's objectives and ensure all Nigerians are captured into the insurance safety net. I also express my profound gratitude to members of the Council, my esteemed team, all the staff members of the Secretariat and everyone who invaluable contributed to the success of my tenure.

I will like to restate that the membership of the Institute is one of the major ways to get to the pinnacle of the insurance profession. You can only pride yourself as a true member of the Institute by posting your dues, levies and actively participating in the programmes outlined in the Institute's calendar. The Institute remains committed to

offering value to its members and will continue to improve on its operations to achieve excellence.

Dear Professional Colleagues, I implore you all to embrace professionalism and uphold the Institute's ethics and values in the course of all your business endeavours. The Institute is our pride and it serves as a guiding light for the insurance industry.

Thank you all much for making the past two years in office a memorable one. I urge you to continue with your support of the Institute as partner in progress to the growth of the Insurance Industry.

Happy Reading!

Yours in Service,

**Sir (Dr.) Muftau O. Oyegunle** ACII, FIIN  
 President/Chairman in Council  
 Chartered Insurance Institute of Nigeria

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# JOURNAL

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**Meet the Institute’s 2022 Insurance Ambassador, Nurudeen Jamiu**

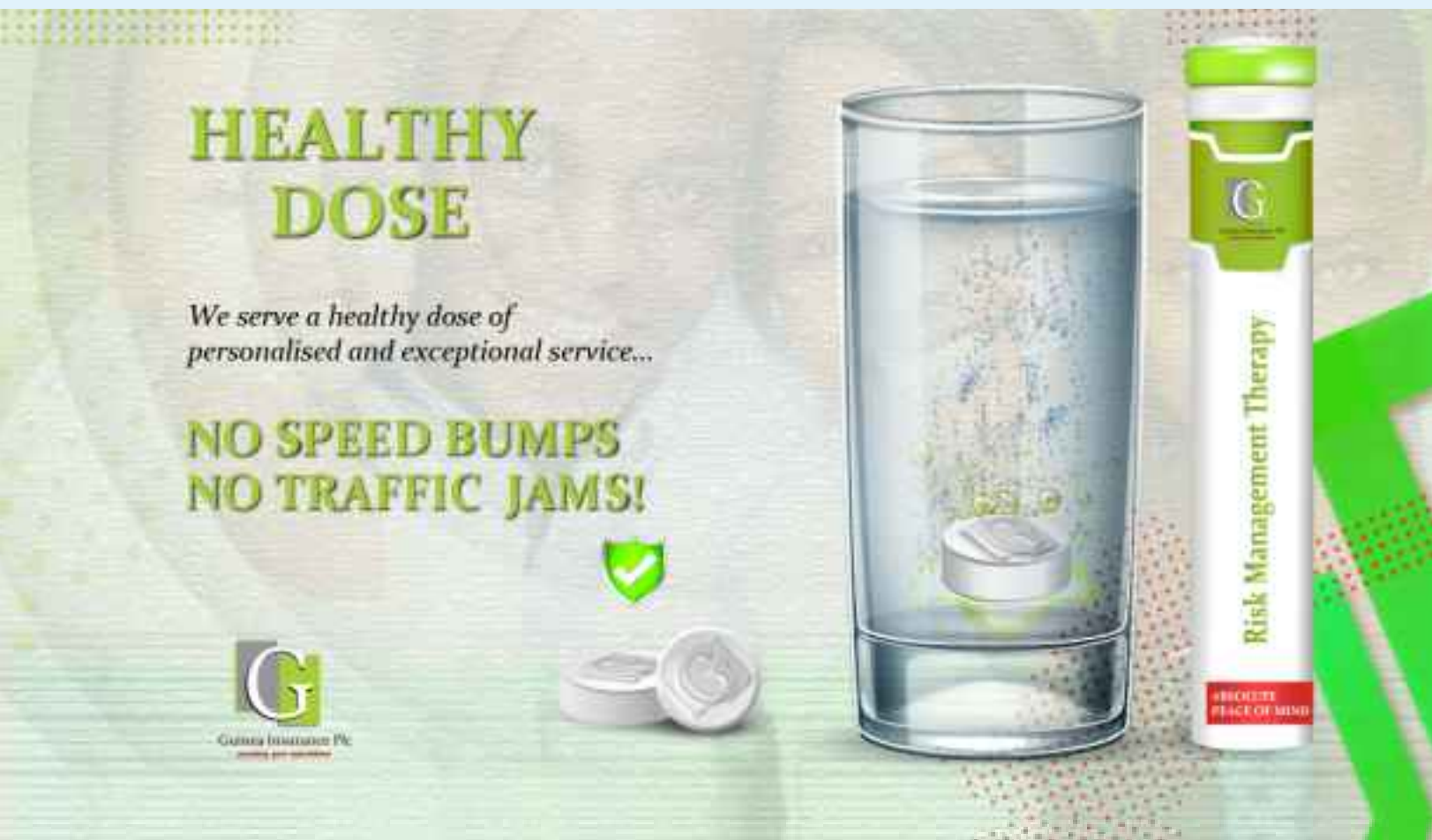
Mr. Nurudeen Jamiu was born on July 2nd 1989 to the family of Late Mr & Mrs Jamiu Alabi. He is a native of Ogun State but born and bred in Lagos State.

He is a graduate of Kwara State Polytechnic where he bagged a distinction in Statistics in Year 2014.

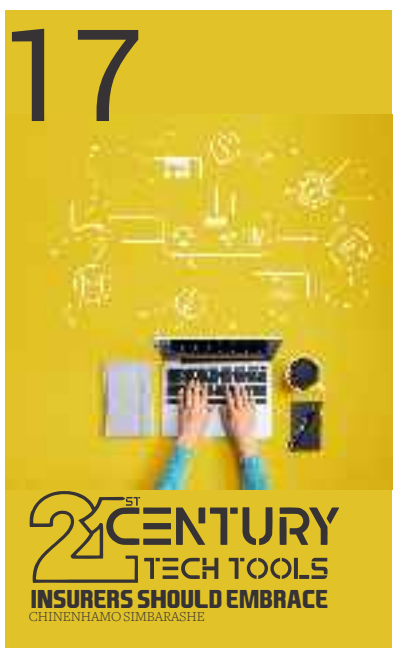
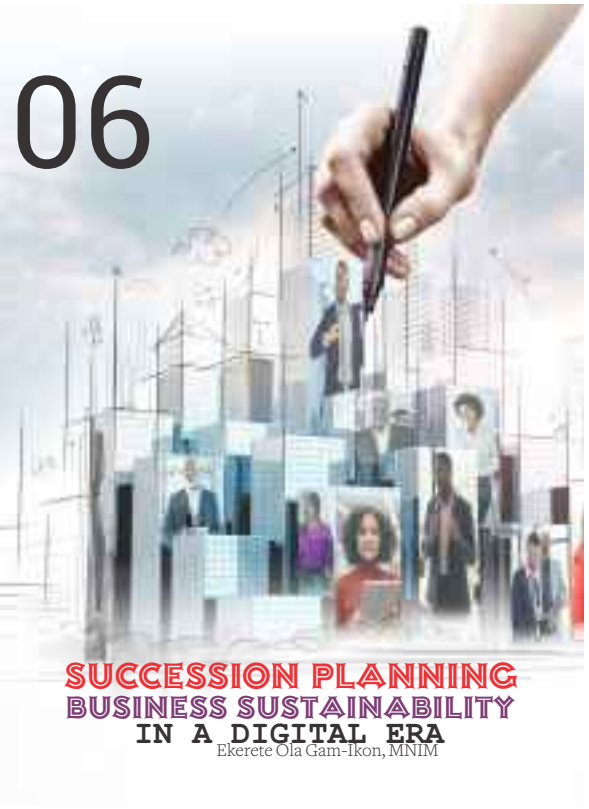
In his unwavering thirst for achievement, he joined the Linkage Assurance Plc as an Intern on January 5th 2015 (Filing Clerk) before proceeding on a pursuit of a Bachelor’s Degree in Economics with Operations Research at Crescent University, Abeokuta, Ogun State where he graduated with a first-class degree in Year 2020.

Success driven Mr. Jamiu while still being a Filing Clerk at Linkage Assurance Plc, wrote the Institute’s Professional Examination and was declared the best candidate in Risk, Regulation and Capital Adequacy in Year 2019 Institute’s Examination.

Over the years, he has functioned in the Claims Unit of Linkage Assurance Plc before moving to the Reinsurance Department in July 2021 where he is currently. He is happily married with three children.



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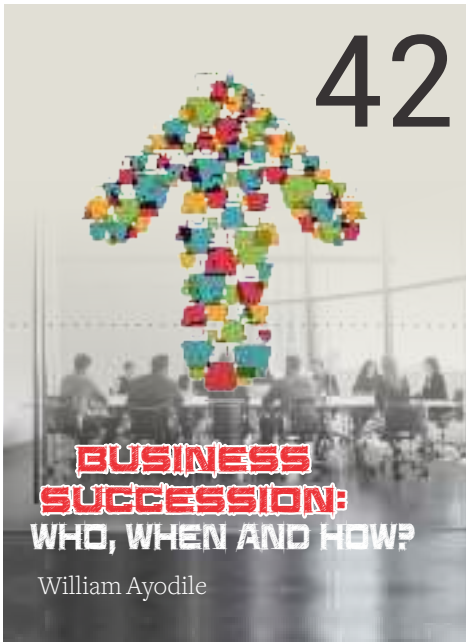
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# SUCCESSION PLANNING BUSINESS SUSTAINABILITY IN A DIGITAL ERA

Ekerete Ola Gam-ikom, MNIM



Quite often, we assume that every successful endeavour will see the next generation of leaders and hopefully remain a success into the future. However, it is common to observe that as soon as the personality identified with the organisation becomes absent, due to death or any illness of critical nature, the business steeply declines and fails to survive into the future.

While many reasons are adduced for such situations, the fundamental explanation has been traced to the question: "Did the Founder and Owner of the organisation desire that it continues after he or she passes on or become unable to lead effectively?"

On the basis of this poser, you are able to identify, consider and relate with organisations that, perceivably, have strong future and sustainable leadership.

Succession Planning is always discussed from the perspective of leadership and indeed had been defined severally with reference to leadership.

For the purpose of this discourse, I am taking it beyond, or rather besides, leadership so we can appreciate more of what goes into the process of succession planning.

### **It Starts with the Visionary**

Two young visionaries were in a conversation about the businesses they just launched. One, Bruno, was introducing a clothing brand and, the other, Adeline, launched an "everything food" brand.

"I have done this so that my family can become the name in every household when it comes to what they wear and of course, my children can have a place of employment when they graduate", Bruno said to Adeline. In response, Adeline retorted "Why would you think that far? You know how challenging it is to run a business in this part of the world. I am positioning in such a way that if the line of food supplies my company is involved in now becomes challenged, we can move to another line within the food industry."

Succession Planning is a process that identifies leadership gaps within organisations and provides solutions to ensure continuity and success.

The process begins in the mind, and the interaction between Bruno and Adeline can evidently show which of them can successfully undertake and conclude succession planning.

However, it is still likely that Adeline would later learn about succession planning and embrace it in her business though what resides in the foundation of the organisations would become the determinant of the future.

One can say that Bruno was deliberate about applying succession planning to his business and this is what we have seen with companies that are 100 years and more, even when the leadership have gone beyond family members.

When there was little or no thought about succession planning, like in the case of Adeline, the experiences around the Founder and Managers would often be pensive, even as the business was doing well.

At such times, consultants are brought in to attempt to sell the merits of succession planning while there might be executives in the audience that will argue that the organisation achieved significant success without it.

This is where the visionary needs to reiterate that he or she desires that the organisation and the business should outlive him or her, thus setting the tone for the next line of actions.

### **The Challenges of Succession Planning and Suggested Remedial Actions**

Whether, like Bruno, the Founder and Owner of the organisation, shared his or her vision with other business leaders, the challenges of going through the process of succession planning are oftentimes the same as there are for organisations that did not share their visions.

There are several challenges but let us deal with these few:

#### **1. Inadequate Vision Sharing Sessions**

It is common to find visionaries sharing their visions with the early set of their employees during the take-



off stage of the life of the organisation. However, as the organisation thrives and successes are recorded, the communication about the vision lessens and becomes weak.

Without a system to sustain the vision sharing by visionaries, the organisation loses the momentum of the message and fails to ensure it reaches the last mile.

This situation can be remedied by using available technologies to record the messages of the visionaries, then replay them for every new class of employees and older ones that need refreshing.

## **2. Irregular Capacity Building Programmes for Employees**

Many organisations have highly qualified persons in



key positions that can match their industry peers, however, they falter easily when it comes to presenting and discussing their organisation in unison.

This is attributed to the trend where individuals seek opportunities to develop themselves while the organisations that employed them no longer have in-house sessions for promoting the ethos of these

organisations. Indeed, most organisations only have Performance Review Meetings where there is little time to discuss the organisations and their visions.

The low capacity of employees to readily discuss the visions of their organisations, in unison, remain one of the biggest challenges of succession planning.

To remedy this situation and ensure employees,



especially top business leaders in organisations sustain the capacity to maintain shared visions, organisations must redesign the appraisal of employees at top level and maintain in-house leadership programs that emphasise the ethos of these organisations. Going for external programmes at Business Schools is good but the spirit of organisations towards succession planning are not captured well there.

### **3. Poor Response to Unforeseen Circumstances**

Some organisations have become the trend setters in their sector and the economy while others are left wondering what happened and when those things

happened. This continues to be the pattern of markets.

Notwithstanding where your organisation is, it is your response to unforeseen circumstances that will distinguish you from the pack.

Many years ago, a leading construction company lost its Chairman and two Directors in a plane crash but has continued to operate strongly in the sector because it did not take long for the organisation to activate its succession plan put in place shortly before the incident.

How many organisations are in a position to survive such devastating blows and still maintain leadership

positions in their sectors? Reflecting on this for a moment would reveal that our financial sector players in particular are challenged, and in some cases, the larger economy may be impacted.

Succession planning is not just about having vacant positions and getting people to fill them.

The unseen and unspoken impact of non-monetary benefits like insurance for senior executives form part of current discourse on succession planning by Human Resources Professionals.

With Post COVID-19, it is becoming more acceptable to top executives for their organisations to provide Directors and Officers Liability Insurance, Health Insurance, Travel Insurance and Group Life Assurance as required by the Pensions Reforms Act 2014 in Nigeria. These various types of insurance are available, affordable and accessible, not only to address risks bordering on professional misdemeanours but also where critical illnesses arise as we have seen lately.

### **The Dimensions of Succession Planning**

It is important to appreciate that succession planning is very unique to organisations that implement the process effectively.

As mentioned earlier, based on what we have seen recently, succession planning goes beyond leadership and some dimensions have already been identified.

First, ownership succession planning involves the process where the founders and owners of organisations seek to keep it in the family. Again, reference to our Bruno, he would have identified and groomed the children that will take over from him and this takes years.

Second is, management succession planning which entails simply identifying and grooming executives who could function effectively as managers, commonly referred to as the "engine room of the organisation". Executives that can get the job done rather than look around for others to do it are at this level.

Sometimes, finding effective managers to succeed successful ones can be herculean if not well planned in organisations.

Next is, and this is emerging with digitisation, product succession planning where organisations known for certain products have to plan for their succession in the market to retain their market shares.

This has been more evident in the technology and telecommunications sector where products drive the market and not just leadership of organisations.

Insurance professionals who have become capable of predicting the markets rather than, traditionally, studying events to understand the basis of underwriting have to consider these dimensions of succession planning going forward.

Changes with respect to what happens in different organisations based on these dimensions can impact the relationships between insurers and clients, and costs insurers more than they experienced previously.

### **Last line**

Succession planning is becoming an automated process especially with Artificial Intelligence, which predicts human behaviours and interests.

Organisations that will dominate their sectors into the future will have to embrace digitised succession planning, which is more objective and strengthens the process of decision-making across organisations.

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# BUSINESS SUCCESSION PLANNING & INSURANCE

by Tobi Osanaiye, President, YIPs Africa.



## Introduction

Succession planning is the process an organisation uses to ensure every critical position is occupied by an employee with the right skills and experience. It aims to ensure workforce continuity by identifying and preparing suitable candidates so that positions

aren't left vacant. (Byham WC 2002)

In a well-managed organisation, when employees retire, quit, or are dismissed, replacements are chosen through leadership succession which is an orderly process of grooming and identifying people to replace managers. Succession planning is linked

to leadership development in two distinct ways. Firstly, grooming a successor as part of leadership development and secondly, the process of choosing and fostering a successor as part of the manager's own development. (Dubrin, 2010).

### **Importance of succession planning**

The potential gains from doing succession planning goes further than the obvious result of having a steady pipeline of leaders ready to move into new roles. (Calo, T. 2008). Some additional benefits are inherent in it and they include;

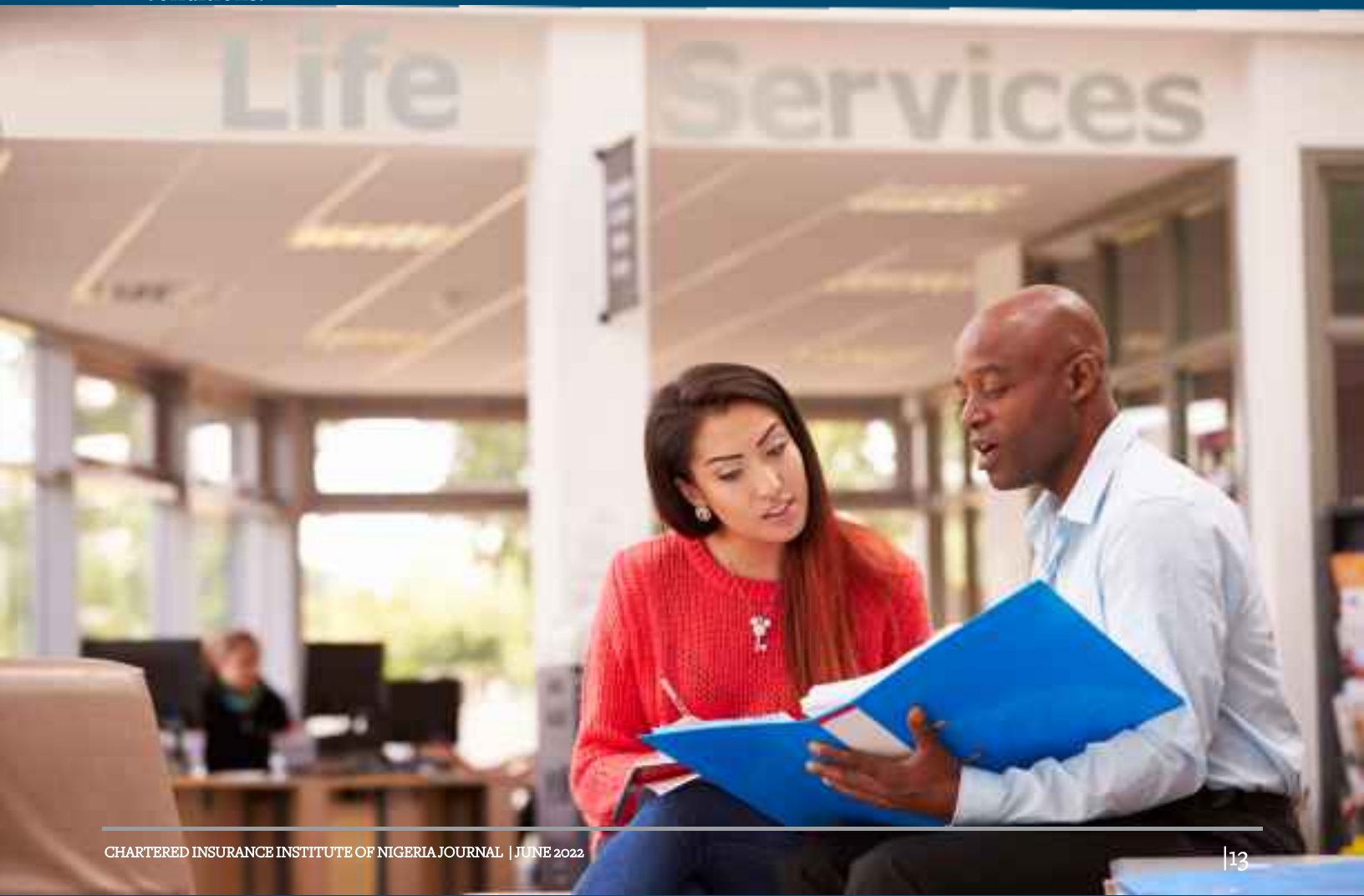
- A cross-cutting portfolio of leaders as a natural outcome of an objective, unbiased identification procedure.
- Higher-quality decisions across promotion and developmental investments due to the more active use of data and organisational input to make informed selections.
- Greater organisational resilience and stability, which breeds market confidence and drives shareholder value.
- A future-proofed workforce that is better prepared to succeed in dynamic and different conditions.

### **Relationship between Business Succession Planning and Insurance**

There are various business owners that do not have a proper arranged plan on how they will handle routine or unexpected changes within their business. For some of these owners, their business is the most significant asset they have and will represent a lion's share of their transportable wealth upon passing away. Therefore, Insurance as a risk management mechanism is considered to be a vital tool that can help foster an easy, well-oiled transition for a business during a time of change. However, to avoid any emotional huddles, proper planning needs to be put in place and synergized into the business succession plan and can be outlined as detailed below. (Heinen JS, 2004).

#### **• Inheritance**

Life insurance can be leveraged in this case in a way of providing a decent, comparable inheritance. The business owner may select the precise amount of death benefit needed based on the estimated value of his or her company. Upon his or her passing away, the loved ones will be left with an inheritance of





equivalent value, and the business will be left in good hands.

- **Buy-Sell Agreements**

The agreement can also incorporate disability insurance, which can fund business transfers upon the business owner's incapacitation. This would allow a non-disabled partner to purchase the business from the disabled partner at a reasonable price while maintaining ownership and control. The disabled owner would receive adequate, fair compensation for his or her equity within the business.

- **Key Employee Insurance**

Insurance policies can also play a vital role in ensuring that businesses maintain cash and liquidity flow after key employees pass away or become disabled. The proceeds that disability and life insurance can provide for the loss of a key employee can help guarantee there would be enough capital to maintain the business until production levels return

to normal. Also, it may help ensure that the business would have enough money to fund high employee replacement expenses.

- **Liquidity**

The life insurance policy provides an income-tax-free death benefit upon the passing of an insured individual. These tax-free funds can be set towards crucial business needs. Estate taxes can pose difficulty if there is insufficient liquidity within the estate to pay taxes. As most estate taxes are expected in cash within nine months of the date of death, they can find themselves without liquidity and needing to sell off properties to pay these taxes. Life insurance can provide liquidity when it is needed most.

### **Overcoming the Succession Planning Paradox**

While organisations realise that succession planning is an essential priority, few managers put that into consideration. The solution may lie in an approach that better brings together data-driven and people-centric elements of the process. Most

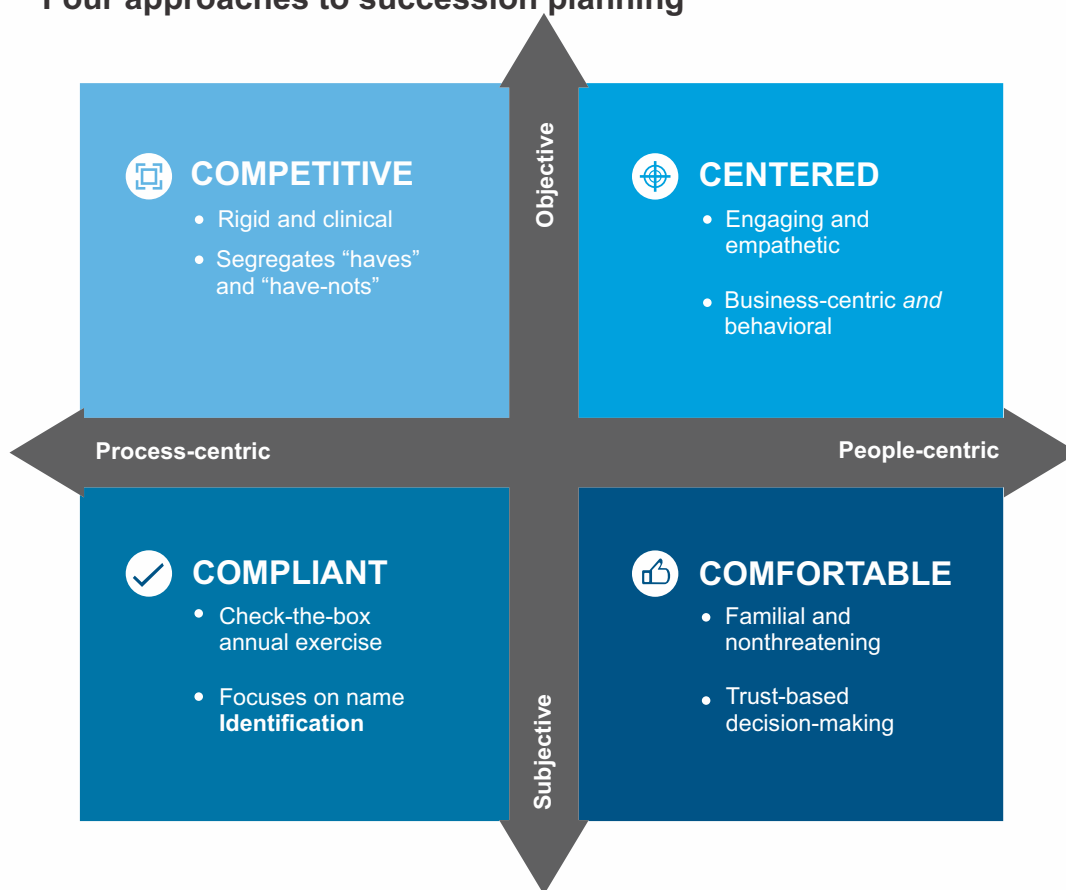


organisations came to realise years ago that future and current success is heavily based on having the right leaders in the right positions at the right time. However, few of these same companies have found ways to be proactive enough in orchestrating succession planning processes that yield results. (Calo, T. 2008).

An ancient Chinese proverb says, “A person who does not worry about the future will shortly have worries about the present”. However, effective leaders down through the centuries have built and

implemented succession plans for their organisations. In contrast, there are many leaders today who give small or no “thought to the inclusion of their leadership and so they do little to prepare for it. However, when suddenly confronted with leaving their offices, they realise that much of their work will have been in vain unless there is a capable successor” (Rothwell, 2001). Succession planning which is frequently referred to as talent management and talent development continues to be an element of regular practice in the corporate world.

FIGURE 1  
Four approaches to succession planning



Source: Deloitte analysis.

### Comfortable

It is an informal, people-centric but Subjective approach where companies or organisations leave these decisions to a small group of leaders who know what is important to the organisation. These

leadership groups tend to choose successors without putting much consideration to objective data, but rather on reputation and tenure. This approach is often found in private companies where even though they may have grown into large organisations, they continue to conduct business in

the old family business style. (Adam Canwell, 2014)

### **Compliant**

Some organisations recognise the importance of objective data, standardised processes, and a regular cadence of activities to structure their succession planning decisions. But with a more immediate priority competing for leaders' time, these tools and processes will likely fall by the wayside, and subjective decision-making takes over. This approach can be particularly evident in organisations where the onus for succession planning is vested completely on the desk of the Human Resource of the organisation. (Shah A, 2001).

### **Competitive**

Some organisations take succession planning as part of their corporate culture thereby building substantial processes (including objective criteria) to evaluate and advance elected successors. This type of succession planning typically recognises a select group of high-potential future leaders and puts them through a thorough assessment and development program for future roles. While this approach may be efficient at identifying and promoting future leaders, it also has the major shortcoming that it typically ignores the very real human reactions that can come up when a process fails to take people's factors into consideration. (Leibman M, 1996).

### **Centered**

It uses people-centered design tools that allow organisations to put into consideration objective talent assessment criteria without the process being identified as threatening to the leadership community. The idea is to create a succession program that leaders want to participate in, which can only happen when all the participants appreciate its value and feel that it is free, fair, and easy to navigate and that it ultimately creates more opportunity for everyone involved. Also, it can be said to be an approach that is designed to put the people involved i.e the leaders managing the

process and the successors who are being considered at the center, thereby supporting the processes that help decision-makers maintain objectivity. (William RJ 2005).

### **Conclusion**

Business succession planning is a vital part of preparing for the future. However, it is never too early to define a succession plan to ensure that the organisation could run smoothly. If organisations fail to address issues relating to the acquisition of Life insurance for their successors as part of their mandate, the organisation may face crisis in the nearest future. (Heinen JS, 2004).

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tools which 21<sup>st</sup> century insurers should embrace for their business purposes.

### **Internet of Things (IoT)**

The Internet of Things (IoT) is when sensors and actuators embedded in physical objects from roadways to pacemakers are linked through wired and wireless networks, often using the same

Internet Protocol (IP) that connects the Internet. IoT is primarily a connected chain of devices: mobile phones, printers, computers, cloud services, and so on. This technology does away with paperwork and the tedious delays caused by the physical exchange of documents. With IoT tech, a customer can quickly upload images of their damaged property; agents can review the data immediately, and process the claim in minutes. The



same is true for underwriting. With interconnected devices, all departments can access data simultaneously, adjust premiums, and onboard new clients in minutes. The immense wealth of data that is readily available because of widespread IoT use also means that you learn more about your clients. This allows you to provide them with custom, personalised offers, which are likely to bring higher conversion and customer satisfaction rates. You can

also detect frauds and create a more accurate business system.

### **Mobile technology and applications (apps)**

One of the most popular technologies in the 21<sup>st</sup> century is the mobile technology and applications. The network effect of mobile phones and development of applications for these devices (apps) has allowed many companies to reach a bigger audience than was previously impossible. Mobile technology may be working in different ways for insurance technology, depending on the generation of mobile networks available, and the types of handsets that are most widely used. Smartphones and internet access enable innovations which are based on the use of apps. For this, mobile networks that allow short messages and pre-paid mobile phones, as well as large data transfers would be necessary. This is particularly relevant to emerging markets which have low insurance penetration and do not have a well-established distribution network. Mobile phones have the ability to notify individuals via SMS on anything from the insurance coverage to reminding them of imminent withdrawal of airtime for premium payments.

### **Drones**

Insurers are taking to the sky, or at least their drones are. Unmanned drones are an insurance technology tool that will be utilised more by carriers in the 21st century. They can be used across many stages of the insurance lifecycle – collecting data to calculate risk before issuing a policy, aiding in preventative maintenance, and assessing damage following a loss. Farmers Insurance is a great example, as they deploy Kespry drones to aid risk and damage assessment on homes. These drones perform roof inspections and other assessments, and the drones transmit their data to the cloud for analysis. This is yet another instance of IoT and other technologies working together in the insurance industry.

### **Social Media Data**

Social media and its role in the insurance industry is evolving beyond marketing strategies and clever advertisements. Mining social media data is improving risk assessment for P&C insurers,

bolstering fraud detection capabilities, and enabling entirely new customer experiences. Take the Dutch insurance company Krooodle for example, their process of interacting with customers is entirely accomplished via social media. Customers log in using their Facebook credentials, and they file claims, get quotes, and request other services via a Facebook app. Insurance technology can also leverage social media to investigate fraud. Insurers can look at the social activity of insureds and compare it to claims records, looking for any discrepancies. A Morgan Stanley Report cited a tool utilised by carriers to investigate claims throughout the assessment process that examines the social relationships between parties involved – and monitors their activity on the day of the loss to look for red flags.

### **Blockchain Data**

Blockchain or Distributed Ledger Technology (DLT) is a protocol for the exchange of values or data over the internet which does not require an intermediary. The protocol of blockchain technology is to create a shared, encrypted database of transactions and other information. Blockchain as an insurance technology is still in its infancy, but insurers would be wise to get ahead of the game. Experts believe its impact will be seen in consumer trust, enhanced efficiencies, improved claims processing as well as fraud detection and prevention. Utilising blockchain tech is a crucial, innovative strategy that can put insurance companies on the map. Thanks to its tenet of decentralisation, all departments (IT, claims processing, and underwriting) can access records simultaneously. This saves a significant amount of time and effort in record keeping and information processing.

By relying on this relatively new technology in the insurance sector, smart contracts can also improve underwriting efficiency. Remember that blockchains share data with all departments, including third parties providing valuable data, such as meteorological agencies and field agents. With this accurate data so easily accessible, insurance companies can evaluate risk with minimal effort. Besides, as data accuracy is more reliable, fraudulent claims are less likely.



### **Artificial Intelligence (AI)**

Artificial Intelligence (AI) use is rapidly growing with AI-enabled devices becoming a common place in homes around the world. According to Deloitte Digital report, (2017) more than 35.6 million people in the United States alone have voice activated AI assistants and the world expenditure on these technologies was around US\$47 Billion in 2020.



**So how can this prevalent and accessible technology be leveraged by the insurance industry?**

AI is intelligence exhibited by machines. A machine would be considered “intelligent” when it takes into consideration its environment and takes action to maximise the possibility of achieving its given goal. It is widely used when computer programmes are developed to have cognitive functions such as learning and problem solving. AI research is taking place in fields including reasoning, knowledge,

planning, learning, natural language processing, perception and moving/manipulating objects.

Meeting clients’ needs at any time of the day, and without delay, is a priority for most companies. But this is an almost impossible task for a human workforce. Artificially intelligent tech, like robo-advisors, step into the breach. Properly deployed robo-advisors can handle routine or repetitive insurance operations that do not need human intervention, like collecting customer data, processing queries, and even underwriting new

policies. This technology could eventually replace brokers and automate most duties, while still offering customer support similar or better than that provided by humans.

### **Big data and Machine Learning**

Machine learning is technically a branch of AI, but it's more specific. Machine learning is based on the idea that we can build machines to process data and learn on their own, without our constant supervision. Not only does machine learning improve claims processing, but it also automates it. When files are digital and accessible via the cloud, they can be analysed using pre-programmed algorithms, improving processing speed and accuracy. Insurance firms can leverage big data and machine learning in pricing and underwriting operations. Life and health insurance companies, on the other hand, utilise the power of wearable IoT devices to monitor a person's behaviour before drafting a personalised insurance policy. Claim processing, fraud detection, and customer service are other areas that can benefit from trained AI bots to process multiple data streams in seconds and offer reliable feedback.

### **RegTech**

RegTech is an emerging area in FinTech that uses technologies to solve regulatory and compliance requirements more effectively and efficiently. Given the various regulatory reforms introduced after the financial crisis, RegTech has the potential to ensure more effective compliance of complex regulations. Technologies that are deemed to be applicable for

RegTech include machine learning and artificial intelligence, biometrics, the interpretation of unstructured data such as e-mails and Facebook posts, and the use of application programming interfaces (APIs). Those tools can be brought to bear on such areas as aggregating big data, modelling risk for stress-testing, monitoring of capital-requirement compliance, updating compliance manuals, improving anti-money laundering and know-your-customer (KYC) programs and preventing fraud and in-house violations. RegTech is an area where countries which have developed regulatory approaches to FinTech have benefited more from start-ups, with 31% of RegTech start-ups incorporating in the UK, as opposed to 20% in the United States (Mulder, 2016).

### **Conclusion**

From the above discussion we can deduce that technology can be used by businesses and employees in numerous ways for insurance purposes. The insurance industry has been stuck in the past for too long, continued disregard of technological improvements and evolving customer expectations will stymie its growth. Customers are now prioritising insurers who process claims and address their specific issues as quickly and conveniently as possible. There are numerous insurance industry trends and technological innovations that insurers can adopt to prevent customer churn and improve the experience for the existing user base.







# HOW DOES INSURANCE PLAY A SIGNIFICANT ROLE IN BUSINESS SURVIVAL AND RETIREMENT?

Grace Oluwafunmilayo Ojo

The maxim that says ‘There is no success without successor’ will ever be relevant when it comes to the subject of succession planning in business parlance. Every great business we see today was once an idea that was conceptualised and implemented by the owners of such businesses. In like manner, the thriving business of today would have at one point or the other struggled to survive at the initial stage of the business.

A business that had been in operation for over five decades would have witnessed the retirement of the pioneering visioner of such business, with particular reference to Late Sir Hassan Oluola Odukale, the founder of over five decades year old Leadway Assurance Company. Despite the retirement and demise of the founder, the company is still standing strong and continuously being recognised as one of the leading insurance companies in Nigeria. This is the epitome of business survival and retirement.



## **REASONS WHY BUSINESSES DO NOT OUTLIVE THE FOUNDERS**

It is common knowledge in Nigeria that most businesses struggle for survival after the demise of the founders of the business. Some businesses eventually die once the business owner is no more. There are several reasons why businesses do not outlive the founders in Nigeria, some of which are highlighted below:

- **Lack of policies and procedures**
- **Organisational Structure**
- **Leadership quality**
- **Tribalism and Nepotism**
- **No accountability**
- **Lack of Innovation**

**Lack of policies and procedures:** Policies define what is to be done, while procedures explain the way

things are done. Most businesses do not outlive the founders because there is no proper documentation of policies and procedures in place. The founders put in great efforts to build up their businesses as long as they still have the strength and vigour to work. By the time age sets in and the strength begins to fail them, if they had given their workers responsibilities and powers to back up the responsibility with adequate compensation, the succession would not be an issue at the retirement of the owner.

**Organisational Structure:** Most often, there is no clear-cut organogram in place. The owner of the business does not structure the business to have a clear line of reporting. Every worker reports to the owner of the business alone. This culture does not prolong the lifespan of the business. When a business is structured with a defined career



progression, employees will be motivated to walk through the ladder of career progression in such an organisation. Succession is readily incorporated into the business policy in such an organisation.

**Leadership Quality:** Many business owners do not train their employees to take over at retirement. The skill to do the business is not transferred to any of the employees, this discourages the employees from having a sense of belonging in the business. As a result of this, most times the business starts and ends with the business owners.

**Tribalism and nepotism:** Most business owners are comfortable with engaging only employees from their tribes. They consider tribe over competence. The policy of equal opportunity employer that makes every employee have a sense of belonging in the business which is an intrinsic motivation that drives success in business is not in place in such organization. Any organisation that puts nepotism above competence cannot grow nor can it stand the test of time.

**No accountability:** Most business owners do not keep records. As a result, there is no documentation of strong internal control that can mitigate the risk and ensure long time survival of the business. There

is no corporate governance in place that regulates the activities of the directors of the organisation. Withdrawals are made from a business account at will to meet up personal obligations. This lack of proper record-keeping and accounting practice makes the business non-attractive to the investors when the business owner wishes to sell off the company at retirement.

**Lack of Innovation:** The ability of a business to readily adapt to innovation or even the willingness of a business to come up with innovation to satisfy the everchanging consumer trends and socio-political influence on businesses is a key strength to business survival. Any business that continues to use obsolete methods and fails to adopt new technology in the business cannot thrive in the ever-changing business world.

### **Why is Succession Planning Pivotal to Business Survival and Retirement?**

The saying that “The end justifies the means” is a measure of the tenacity of the purpose of a business owner. It is not enough to start a business, the ability to continue in business whether the founder of the business is there or not is what brings success out of business. The ability of a business to evolve into a

formidable institution is what brings about succession and survival at the retirement of the visioner or founder of the business.

When businesses are structured in a way that some levels of authority are being delegated to the employees in order of hierarchy, this motivates the employees and would make them feel committed to the vision and mission of the business. The organogram of an organisation should also reflect the succession planning of the organisation. As employees are being promoted along their career path, each person will be able to ascertain his reporting lines and reach up to senior management level. At the senior management level, the organogram will spell out the ranking of the staff to know the hierarchy to spell out the succession in clear terms. With this, the retirement of the Chief Executive Officer will not disrupt the organisation as the next Chief Executive Officer will come on board smoothly based on the well-documented succession planning.

### **Role of Insurance in Business Survival and Retirement**

In the light of the aforementioned discussion, no matter the size of your business, whether a small, medium, or a large corporation, insurance play a significant role in business survival and retirement. The following insurance products when implemented provide positive effects on businesses.

- **Fire and burglary insurance**
- **Pecuniary insurance**
- **Credit life insurance**
- **Group life Insurance**

**Fire and burglary insurance:** A lot of businesses with great potential for growth and survival have gone into oblivion because there was no fire insurance policy in place to restore the business owner to business when a fire disaster occurred and razed down the premises of the business, or when the business is burgled and valuable items are carted away. This unfortunate event had cut short the life of the owner, because, there may not be money to start up the business again. This thought usually sends business owners to their early grave.

**Pecuniary insurance:** This is usually referred to as business interruption insurance. Business interruption insurance provides indemnity to the loss of profit the business owners would have earned if there was no fire disaster at the business premises. Pecuniary insurance is one of the contingency plans, every business owner ought to put in place when considering a business survival strategy.

**Credit life insurance:** It is not unlikely that some of the regular customers in business take out goods from the business owners on credit, to pay back at an agreed time. What happens to the business if there is a sudden death of customers who have taken out goods on credit? Credit life insurance is a remedy to keep businesses running even if the debtors are not alive to pay back their debts. Every business that gives out credit facilities ought to have credit life insurance in place to protect their working capital in the business.





**Group life insurance:** This form of insurance is statutory, according to the pension reform act of 2004. Any business that has a minimum of five employees ought to put group life insurance in place for the employees. This act is protecting the working capital of the business owners for survival. Imagine if a lump sum of three times the annual emolument of a deceased employee is to be given out to the family of the deceased at once. This will impact negatively the finances of the business. Hence it is a business survival strategy to put group life insurance in place.

Other forms of insurance products that are pivotal to business survival depending on the nature of the businesses the owners are involved in are Fidelity insurance, which indemnifies the business owners their loss on the account of the dishonesty of the employees. Contractor all-risk insurance, that indemnifies the contractor on the loss incurred on the contract work. While car insurance to mention but few, indemnify business owners on the loss of the vehicles used for business transactions. However, this submission will not be concluded without having a reference to the significance of annuity and endowment policy in life insurance. An annuity is a convenient way to earn a regular income at retirement, while an endowment plan is a good

opportunity to earn a lump sum of money at maturity, which is likely to be close to the time of retirement.

In conclusion, the relevance of insurance in business survival and retirement to an individual or at the corporate level in business cannot be overemphasised. The insurance industry continues to remain relevant in business survival because of the financial succour the industry provides to businesses. In 2021, according to the report from The National Insurance Commission (NAICOM), the insurance companies paid the sum of Two Hundred and Thirty-eight billion Naira. (N238 billion) as claims. Every emerging risk sends the insurance industry to the drawing board to provide adequate cover to the risk. Insurance is one of the risk management tools used to mitigate risks in business.

Therefore, every organisation or individual who is not giving adequate attention to risk management is only operating risky management. Putting insurance in place in business is a major business survival strategy every organisation ought to embrace.

# PERSONALITY COLUMN WITH

**Ms. Prisca Soares,**

First Female Managing Director, NICON  
and Former Secretary General AIO





# INSURANCE INDUSTRY

yesterday and what it is today

In an era when the business and professional space has been quite discriminatory to the female folk, there was this Iconic woman who did not only open the horizon of hope for her gender but excelled brilliantly in all she laid her hands on to do. Ms. Prisca Soares joined the insurance industry in the early 80s and rose Meteorically on the ladder of the profession to become the first female Managing Director of National Insurance Corporation of Nigeria (NICON). Being a navigator, Soares also created space for the women folk in the African Insurance Organisation (AIO) where she held sway as the Organisation's Secretary General with unblemished professional and leadership records.

In this interview with the trio Tope Adaramola, Chuks Udo Okonta and Helen Chiamaka Ajeamo, this Amazon of distinction bears her mind on those secrets responsible for her consistent rise in the profession as well as success in life. It is indeed an engaging and interesting read.



**What are your thoughts about the insurance industry yesterday and what it is today?**

First of all, I will say that the insurance industry in Nigeria has come a long way from the days when it had mostly foreign owned companies. At the time I joined the industry we did not have many locally owned companies, the industry has grown in terms of number of companies and the classes of business, so in a lot of ways I would say that the industry has

changed. I love to say that the industry has all together improved and made giant strides. Unfortunately; if we are talking about professionalism, I would say that the standard then was higher than now, sadly I would have expected it to be better now especially, when you talk about ethics. When we are talking about professionalism, we talk about ethics I think it's something we need to work on now. Yes, the Institute has sustained the professional's forum which is a great way of training





the insurance industry there were more collaborations. I remembered my Assistant General Manager meeting his counterparts in other companies for lunch. We used to meet periodically for lunch but it wasn't all about socialising you know, they talked about industry and maybe things that needed to be done, like there was that collaboration but right now competition is so fierce that we have lost track of that. So, I think it is one of those things that we need to work on. Then I did say that professionalism to me was quality and the standards were higher because we kept to the ethics and principles of the business. Right now, I know that the industry has tried and is still trying to work on it but we still have a lot of sharp practices going on. I mean we should not be competing on price we should be competing on service delivery instead, that is how you show your work as an insurance company. If the sharp practices continue and we end up not delivering when it comes to payment of claims to our clients, issues like these will not help the industry. Those are my thoughts; I believe that we have come a long way but in certain aspects I would have expected we would have done much better than where we are now.

#### At what point do you think that the erosion started?

I think it was with the proliferations of insurance companies. There was a time when we had over 100 insurance companies unfortunately everybody was competing, running after the same business and so rather than collaborate, they reduced the prices of their products and you know, less is not always the best but then everybody wanted to reduce cost then, if you go to a client and say "I can save you some money," the impression is that the existing insurer you are with is cheating you by charging more. With

the practitioners and I believe the Institute is using the Mandatory Contributory Professional Development (MCPD). I am not sure to what extent those points count towards the progress of the practitioners but I think it's something that needs to be sustained and to be pursued vigorously for the advancement of professionals.

One thing I love to see improvement on is in the area of collaborations, from the days when I first joined



this we are shooting one another in the leg. When I was at National Insurance Corporation of Nigeria (NICON) we had such experiences. Such conducts don't help us grow so; it is one of those areas we really need to improve on.

### What is your perception of the industry?

I don't know what it is about the insurance business because even abroad, I found out that there is issue or problem of image perception of the industry by the public. We really need to work on this. First of all, I would say that insurance is a misunderstood business; a lot of people have not fully understood the benefits of insurance. So, in the area of public enlightenment, we need to do more. We need to embark on road shows, use the radio, and other media platforms to enlighten people on insurance. I have heard of a radio programme which talks about insurance and I think it is good because the ordinary man on the street can learn about insurance. If you talk to the young ones for instance, a lot of young people from my experience are not particularly keen on taking up insurance policies and the reason is that they don't see us in a good light. So, to address the image problem, we need to first of all enlighten the public; let them understand what insurance is about. We also level up our act, I know that most insurance companies when it comes to performance, are doing well but there are few cases of where they do not perform as expected. People only hear of the bad cases, as they easily forget the good news and that is why a lot of work needs to be done. It is not enough for companies to just publicise that they have paid a large claim in the media. One thing I learnt in business school is that the best advert you can have is a satisfied customer so, even if it is a small customer and he is satisfied and his or her claims are paid promptly when due, he or she will spread the good news to others; their friends, families, colleagues etc. When this kind of situation happens; we find out people get to know more about the business. Talk about motor insurance for instance, it is compulsory so people take it but I am surprised to find out that there are still people who take up third party insurance but do not know that the policy does not cover them instead it covers the other party. To them so long as the certificate keeps the police off their backs, they believe they have insurance. I believe that when the public is well informed



**Get Insured**

through campaigns and educational programmes on insurance and they take up policies we all are going to benefit from it. It should not only be one



company doing this sensitisation. When NICON was the biggest insurance company it was doing a lot of this and even having insurance training for

insurance correspondent so that they would understand and be able to report the business well. I think these are the major issues if we really want to

clean up the image of insurance in Nigeria.

**There is this notion that insurance is for the rich and not for the poor, how do you respond to this?**

Insurance is definitely not for the rich alone, insurance is for everybody. The problem the low-income people have especially, now that things are so expensive is that they do not have the disposable income for insurance because they have to first think about having a roof over their heads; being able to carter for their families and pay school fees. So they do not think of insurance but this is where microinsurance comes in. When it comes to acceptance of insurance in the country, the corporate bodies understand why they have to take insurance but the low-income earners do not know. Well, it not everybody that will get into microinsurance but it is very important that we develop it because it is affordable. I believe that anybody today who is a petty trader without any form of insurance and a casualty like fire occurs, the chance that the person's business will survive and bounce back is slim. Fortunately, if there was any form of insurance even if it is at microinsurance level then that person will be able to recoup, continue and grow the business. When someone has started at a low stage to understand and appreciate the value of insurance when they move up the ladder there would not be the need to convince them because already, they would have seen the benefits of insurance and will continue to take up insurance policies. This is one of the ways we can deepen penetration since our penetration rate is abysmally low.

We really need to get close to the grassroots so that insurance adoption can increase. So, because the premium of microinsurance is not much numbers are needed to really scale up and boost penetration. Some of our companies doing microinsurance are doing fairly well. Microinsurance is something they need to work at for a long period of time to get results. If efforts are made to engage the low-income earners at different forum, I believe it will greatly help deepen penetration.

**What made it possible for NICON to actually stand out at that time and for it to have laid a foundation on which the industry is standing on today?**

I think perhaps the first and the most important thing was the financial strength of NICON. It was set up with the government grant of ₦2 million in 1969 and by two years later the company had repaid that loan to government and from then on NICON has never taken subvention from the government. The Corporation as it was then had the benefit of writing government business but writing businesses prudently, professionally and investing well made the company acquire a lot of assets, and it grew the



asset to a high level. At one point I knew we had N10 billion so the financial strength was there. Everyone knew if you insured with NICON you could go to bed with both eyes closed because if there was any problem arising to claims the Corporation was able to pay you. There was also the fact that NICON was unique in some respect. I believe that at the time I joined the industry NICON was the only company writing contractors for businesses, NICON had a survey department and we had surveyors trained in

house. It was really a big training ground that helped the members because they had exposure after such trainings. Staff members were equally exposed to training both locally and internationally. Also, before the establishment of NICON training school; we had a training school, people were both trained in management and took courses in Nigeria Institute of Management and so on. So, there was technical training and management training and the fact that it was a training ground, some companies hoped on



NICON and as a matter of fact the number of companies that were set up were by former NICON staff and some of them left at Assistant management level. Some of these companies were: Industrial and General Insurance (IGI), Custodian, Sovereign Trust, Cornerstone. So, the trainings were good, the staff had skilled manpower and with that kind of situation you could only go up from there. Many will say NICON had the monopoly of government business but if you got the business and you were not underwriting properly and delivering then you were not going to remain there. It was strong I mean, there was a time the Corporation controlled about 45% of the market. These were the quality attributes that really made NICON stand out in the industry.

### How should the challenge of filling top management positions in the industry be addressed?

Indeed, there is a dearth of skills but funny enough it is not only in Nigeria. I think the only way to tackle this is through training. Companies need to invest in their human resources because we cannot over emphasise the importance of training. I know that companies may think that if they train their staff, they might go to another company but look at it this way; if I train my staff and you train yours, you know everybody else will just do the same and we are going to get to a situation where we would have a high level of skilled manpower in the market. So even if somebody poaches my staff I can also poach some other company's staff. But if it is a situation where just one or two are trained this will not work. We should not put people in positions when they do not have the requisite skills and experience to run that position. I talked about proliferation of insurance companies earlier, I started my carrier in the reinsurance department and know that reinsurance is a specialised field, so those days there were so many new companies were coming up; and I kept on wondering who is going to handle their reinsurance because I knew that there was a shortage of people who were versed in reinsurance, and reinsurance is a very critical part of insurance. So, staff training is important. Companies have to make a commitment to training their staff. They must invest in human capital otherwise I think we are heading for trouble.

### Kindly take us through your programmes and activities while at the AIO

Well, when I got into the African Insurance

Organisation (AIO) there were challenges. First of all, the financial situation was poor it seemed like many companies had lost interest in the Organisation. This challenge had to be tackled to be able to maintain the current members and attract more. There was the need to make sure that AIO added value to members so that they will know that it was worth while being in the AIO. Also, there was the culture challenge. Dealing with the different cultures, I had to learn how to navigate and we came



up with strategic actions that we used. I would say that one of the things we managed to achieve was organising capacity programmes. In the past apart from conferences there were three major events in a year; the annual conference and general assembly; the reinsurance forum and the life seminar but then we realised we needed to do more. So, we started running seminars. We first did a seminar on finance; we looked at areas of need and the International Financial Reporting Standards (IFRS) had just come

into operations so we knew members needed to understand how to navigate it. We also had seminars on microinsurance, agricultural insurance apart from the conferences. There were also practical field trainings as well as risk-based supervision when the National Insurance Scheme (NIS) decided that was the way forward for the insurance companies to go. We did these because there was a need for members to be conversant with it. On the much talked about digitisation, we also had trainings we





said it was not just going to be an academic exercise so, we talked about it in conferences and fortunately we partnered with an organization which trained us on the practical aspect of it. We had the first phase before I left the Organisation and I think doing these gradually rekindled members confidence. Recall I said the purse then was very lean when I joined but by the time I was leaving, we had a surplus of over \$1 million. So, we were able to overcome that financial challenge.

Also working with international organisations helped boost the activities of the Organisation. Prior

to when I joined the AIO the collaborations with other organisations was not on the high but now the Organisation has had a lot of collaborations with the World Bank. During this process we realised there was a dearth of skills in the actuarial sector, we had very few actuaries in Africa and so we worked with them to train middle manpower in actuarial techniques. We also did a lot with International Labour Organisation in the field of microinsurance and we started a relationship with them and opened access to insurance initiatives. We started with a policy seminar in 2011 for supervisors. As companies in the continent were beginning to migrate to



**Dignitaries at the 2021 African Insurance Organisation (AIO) Conference held in Nigeria.**



microinsurance we found out that there was no regulatory framework for it. The only country at that time that was working on one was South Africa and even like six years down the line they did not really come out with it. So, we started working towards it and I think the following year or two years later SEMER; Francophone countries started to work on one and they came up with one and that subsequently metamorphosed into dialogue between now supervisors and the industry. This we did with access to insurance initiatives; those were really programmes and activities that boosted the confidence of AIO members. In addition, I think in the 80's AIO published a newsletter so when I got in; I thought of starting a journal and we began to work on that and in 2010, I think, we produced the first journal. I believe that members were quite happy with it.

To what extent has the Nigerian insurance industry

been able to utilise its membership in the AIO?

I think Nigeria has always been the dominant member country in the AIO even before I got there as the Secretary General I was on the Executive Committee. Nigeria had the highest number of members and I believe that is still the situation. Now if you look at our conferences for instance, one of the biggest benefits that any one will derive from these conferences is networking and to the extent that Nigeria had so many companies that are members of AIO many of them do take stands and organise meetings with people, so I will say Nigeria benefited a lot; expanding the scope of their operations, having collaborations with companies from other countries and so on. Even when you look at the foray of some of our companies into different companies in Africa even venturing into Francophone countries, that opportunity was created by AIO because they had the opportunity to meet with



companies from other countries and forge alliances with them. When they wanted to buy into a company in other countries, they already had that platform on which to operate. Also, when it comes to trainings Nigeria usually had the highest delegation.

### The challenges, achievement and lessons you would like to share with us?

Well, I mentioned that one of the challenges I had at the AIO was having to deal with people from different countries which meant different cultures, different ways of doing things and different languages. Although, I had the advantage of having studied French but by the time I got there my French was somehow rusty. However, living in Cameroon and Duala which were in the French speaking zone helped me. When organising conferences for instance, you going to a different country and I found I knew some of these things before I joined the Organisation. You know we Nigerians are always on the go, we are very dynamic some people will always say we are rushing and things like that but in other countries I saw that people do things at a slower pace. For instance, when we are organising a conference and there are certain things we have to achieve and deadlines we need to work around and the people you are dealing with are not that fast as you need them to be so, that was a challenge. To handle this, I knew how to be diplomatic.

### What inspired you to build a career in insurance?

It will surprise you to know that Insurance was my least favourite subject in school. Initially I wanted to build a career in the foreign service. I wanted to be an interpreter but at that time it did not seem like the Foreign Ministry wanted an interpreter they wanted a Foreign Affairs Officer and as a Foreign Affairs Officer; that I studied French does not mean I will be sent to a French country. I could be sent to Bulgaria or Romania and I did not want that. Meanwhile by then I had heard from a source that NICON was looking to recruit graduate trainees so, I thought about it and I remembered what one of my Lecturers used to tell us that first degree is only a stepping stone. I thought to myself that this was something new, let me give it a try but it being something new means I will have to work to at it for two years for me to know if I liked it. After a year we were asked to make progress in professional examinations

otherwise we would not be expected to move up in the Corporation. I saw this as a challenge and started to take the insurance examination. As I moved up the ladder, I believed I was enjoying what I was doing, stayed at it and there was no need to look elsewhere. In the end, I thought it to be more of divine providence than an accident I thought it to be.

### What were the up and down times in your career?

To be honest with you when I made it to Assistant General Manager level in NICON, I thanked God for taking me that far because then there were only two Deputy General Manager positions that I could aspire for but the positions were occupied. When I was made Deputy General Manager that was an icing on the cake because that was the highest one could go by promotion because the Executive Management position was political since the appointment was made by the government. So, when I was made the Executive Managing Director and the first Female one at that, was a gratifying feat for me. I was impressed on how far I could go in the industry. The position was a struggle at first because no woman has ever occupied that position in NICON and I understood why many people showed interest in that position. I do not think anybody thought the government will put a woman in that position. So, getting there was one of the highs of my achievements in the industry. The road there was part of the lows because the competition was so fierce, I got some bad breaths during that period. Under the administration of my predecessor, a change management programme was initiated which was finally implemented during my tenure and I felt good to be able to achieve this, and this convinced our clients to stay with us. We organised customer focused sessions for different departments where we asked our clients what they like and did not like about the Corporation. These were some of the highs. On the lows, we had cut throat competitions and they were so bad that sometimes they gave me sleepless nights because rumours that were peddled to our clients from our competitors. Notwithstanding the fierce competitions, we agreed that NICON will be ethical and professional in all its dealings. There were some businesses we even had to walk away from to keep our reputation but at the end of the day we made our profits. In the end, the fact that we were able to surmount these obstacles without lowering our

professionalism and standards brought satisfaction.

### Your thoughts about women in leadership?

Truly I am so happy to see many women in top positions in the industry because when I joined the industry it was not like that. I think the late Mrs. Erelu Aina was the only female Chief Executive Officer then in the industry. Now we have come a long way and I am really proud about it. For us as women, we have to work twice as hard as the male counterpart. Women are home makers and have to combine their work with raising a family and this does not make things easy. We have our way of doing things and if you look at some countries around the world where women are at the helms of government, you will see that those countries are doing very well. So, we must not join the rat race that the men folks are doing certain things does not mean we should join them. Women must ensure they keep to the best practices and ethics of the profession. We should never try to be men, we are women with inner strength, we should use it and not let circumstances happening around us deter us. Never succumb to pressure and ensure all you do is properly done. Work hard and be

yourself as a woman.

### Word of advice to the young generation?

Hard work is extremely important; I am someone who you will term a workaholic. There is also need for high level of integrity and diligence in whatever one is doing. I do not think that somebody should want something so badly to want to bend the rules. It is very vital one does something properly and thoroughly. I have the habit of not taking a No for an answer. I do not give up easily. So, I would advise the young generation to learn their jobs well, be thorough in whatever they do and be patient as they grow. A major problem in the society now is that people want to move from one position to the top overnight. Growth comes with years of hard work. For employers in the industry, there is need for innovation and listening to the young generation. With digital disruption, competitions and change in trends there is need to think out of the box and the millennials have a lot to offer and I believe they should be given a chance to express their opinions and ideas.



### **Prisca Soares**

First Female Managing Director NICON  
and Former Secretary General AIO



# **BUSINESS SUCCESSION: WHO, WHEN AND HOW?**

By William Ayodile, B.A Philosophy (Uniben), M.A Philosophy (Unilag), Associate Member (CIIN)

## ABSTRACT

*The aim of this paper is to critically explore the idea of succession in business. The concept of succession is fundamental to understanding not only how business owners/investors in this frame of thought see a/an company or organisation, but also how other matters such as best timing, factors to consider in a succession plan and the strategies for retiring/prospective successors adopted are essential in a healthy business succession plan, as emphasised by the fact that this concept encompasses the role that investors/business owners expect of their establishment in any Industry. This paper is centred on Business Succession and the Importance of Insurance in Succession Planning for an Organisational growth.*

**Keywords:** Business Succession, Insurance, Investors, Organisational Growth, Succession Plan.

## BUSINESS SUCCESSION PLAN

“There is nothing permanent except Change”, says

Heraclitus (a Greek Philosopher) and if there is anything we have learnt through Covid-19 pandemic: It is Change. Extrapolated from a business perspective, the greatest possible flexibility for an organisation is to be prepared at all levels in the face of uncertainties and especially at the management level in the form of succession planning.

One definition of the term “Succession Planning” is the transfer of a business that results from the owner’s wish to retire or to leave the business for some other reason. The succession can involve a transfer to members of the owner’s family, employees, or external buyers. Successful succession results in a continuation of the business, at least in the short term (Martin et al, 2002).

It could also be the strategy of passing on leadership roles to an employee or group of employees, to ensure that businesses continue to run smoothly even after a company’s most important employees separate. Organisations emphasise on building



value that will endure generations, yet too little of that work goes into determining who will take over when the founders or senior leadership leave the stage (S. Dwivedy, 2021).

In a broad sense, it is the process by which a company plans for a future transfer of ownership and/or control. However, it is important to ensure that succession planning is not confused with replacement planning. While replacement planning is often referred to as a risk/crisis management tool aimed at reducing the likelihood of a disaster resulting from an unplanned loss of key personnel, succession planning involves a longer-term and broader approach to training and replacement of key personnel.

Considering future business changes and creating a succession plan is helpful in many ways. It can prevent knowledge gaps and ensure important information is transmitted rather than staying with you. This then gives you peace of mind that the right person is taking over the business and passing on your legacy. It saves time, money, energy and resources when you are ready to transfer your business and reduces the possibility of business interruption.

Unfortunately, successions do not work out naturally and in absence of proper planning it can create chaos and disarray. A question comes to ask itself: What then are the common mistakes in business succession planning? Succinctly put, they are:

- Failure to plan (Procrastination)
- Failure to take time to address whom will be on the succession team
- Failure to plan for disability/critical illness
- Failure to integrate the business succession plan into your estate (private ownership) plan
- Failure to identify key employees who may have concerns with your succession plan

Much has been written about succession planning, and often the wealth of information can be overwhelming, especially given the many responsibilities that must be handled simultaneously by the Management.

## DEVELOPING AN EFFECTIVE SUCCESSION PLAN

In order to develop an effective succession plan, business owners first need to realise that there is no single approach to succession. But a journey of a thousand miles must begin with a single step, and a holistic view of succession planning can provide a starting point.

What may work for one business may not be effective for another. The following are some strategies that can be helpful for getting started:

### • Articulate goals for the business

It can be tough for business owners to be impartial, however take a step back and analyse the present state of the business, its prospects and key areas for growth or improvement which will give an important roadmap for the longer term.



- **Identify key roles**

Will business progress be interrupted if a clerk retires? Probably not. Will progress be interrupted if the key manager leaves? Yes, if the position is not filled immediately. The first step in succession planning is to identify positions that are integral to the company's success. This is a position that, without an heir, will slow or stop the company's growth.

In most cases, the higher up your chain of command, the more important it is to nominate a successor. Once these positions are identified, they need to be prioritised to determine which roles are most important if left open without successors. This gives management an early picture of what the replacement plan might look like.

- **Determine the best fit for the roles**

Once key positions have been identified, the next

step is to determine who can be trained and directed to fill those roles. Without succession planning, when a key employee leaves, management is faced with the choice of either filling the position with an internal employee, who may be underqualified, or seeking an external replacement.

That doesn't even take into account the costs of advertising, hiring, and on boarding efforts, much less the costs associated with keeping key positions open. It is therefore in an employer's interest to ensure that heirs within the company are identified and trained before the need arises.

- **Develop a training and development process**

After identifying employees whose current positions and skills match the key positions requiring successors, management should meet with employees to discuss training or mentoring plans. Discussions should include the employee's



interest in a potential transition to a new role, a schedule for the training process (which may take several years), including short- and long-term goals, and management's expectations, including the skills and knowledge required for the effective fulfilment of obligations.

Even if an employee already has the skills and knowledge needed to move into a key role, failure to discuss a succession plan may cause him or her to consider other options. This can happen because employees never know they are on a path to progress.

Often, employers are so overwhelmed with what needs to be done to be successful today that they neglect what is important to be successful tomorrow. Millennials are daily increasing in taking up the employment space in the world and Africa (Nigeria) is not an exception.

Millennials are also believed to change jobs more often than previous generations. Given the risk of reducing employee tenure, it is important for employers to develop succession plans for key, if not all, senior positions to ensure stability and success when employees inevitably leave the company.

Having discussed extensively on the strategies and also identified the common mistakes involved in succession planning but one would wonder when it's the best time to activate this process. The right answer is that it's never too early to start business succession planning. In fact, it is not uncommon to begin exit planning early once the business is financially stable.

## CONCLUSION

For many business owners, their business is the most important asset they own and will make up the bulk of their viable wealth in the event of their death/retirement. Without a business succession plan, a business could easily face failure. Insurance can help foster an easy and well-oiled transition for a business in times of change.

More often, some questions always ask themselves in the mind of a business owner who has spent countless years building a successful business. Questions like: Can I see myself ever leaving my

business? How familiar am I with corporate succession planning? Do I worry about creating relationship rifts by allocating my business before I die? Am I comfortable thinking about dying or becoming disabled that would prevent me from conducting my business? Am I more interested in current growth and success than thinking about what will happen to my business in the future? The answer to these questions is Insurance (Life).

Life insurance can be an important way to protect your loved ones if something were to happen to you. But that's just one role it can play in your financial strategy. An often-overlooked use of life insurance is business succession planning. Here are three situations where this strategy might make sense.

- **Ensuring a successful transition from one owner to the next**

An insurance policy with a buy/sell agreement can provide liquidity for you to buy out a deceased





partner's share of the business – helping reduce business interruption. This strategy can help provide more certainty on the "when" and "how" of ownership transition. A Term Assurance policy could be used in this situation.

- **Protecting the business from the loss of a key employee or top performer**

Are you concerned about losing a high-producing employee or partner and the significant impact that loss could have on your business? Having an insurance policy on that person, known as key person insurance, could help the business recover financially. A Term Assurance policy could be used in this situation also.

- **Leaving a business to one heir while leaving an equivalent amount to others**

Maybe you have a loved one who is more interested in running the business than others, but you want to

treat all heirs fairly. It's hard to split a business evenly among beneficiaries. A Term Assurance can help you leave the business to one heir and cash equivalent to the others.

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# POOR SUCCESSION PLANNING A DOZEN RED FLAGS

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1

## CESSATION

Businesses can totally cease to exist and very quickly too.



2

### **GAPS ARE CREATED**

Should anything happen to the key employee, business will grossly suffer.

3

### **LOW PRODUCTIVITY**

Due to the gaps created, low productivity arises attributable to the loss or absence of a key Personnel.



4

### **REDUCTION IN WORK OUTPUT**

A reduction usually occurs in any business that has lost a vital employee when adequate preparation or planning is implemented.



5

### BUSINESS SUSTAINABILITY THREATS

Organizations without proper succession planning run a major risk of inadequate knowledge to equip them for the sustainability of the Business.



6

### FAULTY VALUATION

There is a proneness for Businesses to be wrongly valued when a key Staff is unavailable and unable to set records straight.



7

### WORK FLOW HINDERANCE

Employees may be left without proper workflow monitoring. This will invariably affect output, productivity, profitability and continuity.





8

### **INEFFECTIVE OPERATIONS**

Failure to make adequate plans in the event of the exit or loss of a key personnel, efficiency in operations is inevitable.



9

### **IMPACT ON FINANCING**

The chances of attracting financing on long term basis is inhibited and lowered due to perceptions of inadequate planning.



10

### **TAX IMPLICATIONS**

Perceptions of instability and insecurity send wrong signals which in effect can cause a catastrophic effect on taxes



11

### ENGAGING INCOMPETENT SUCCESSOR

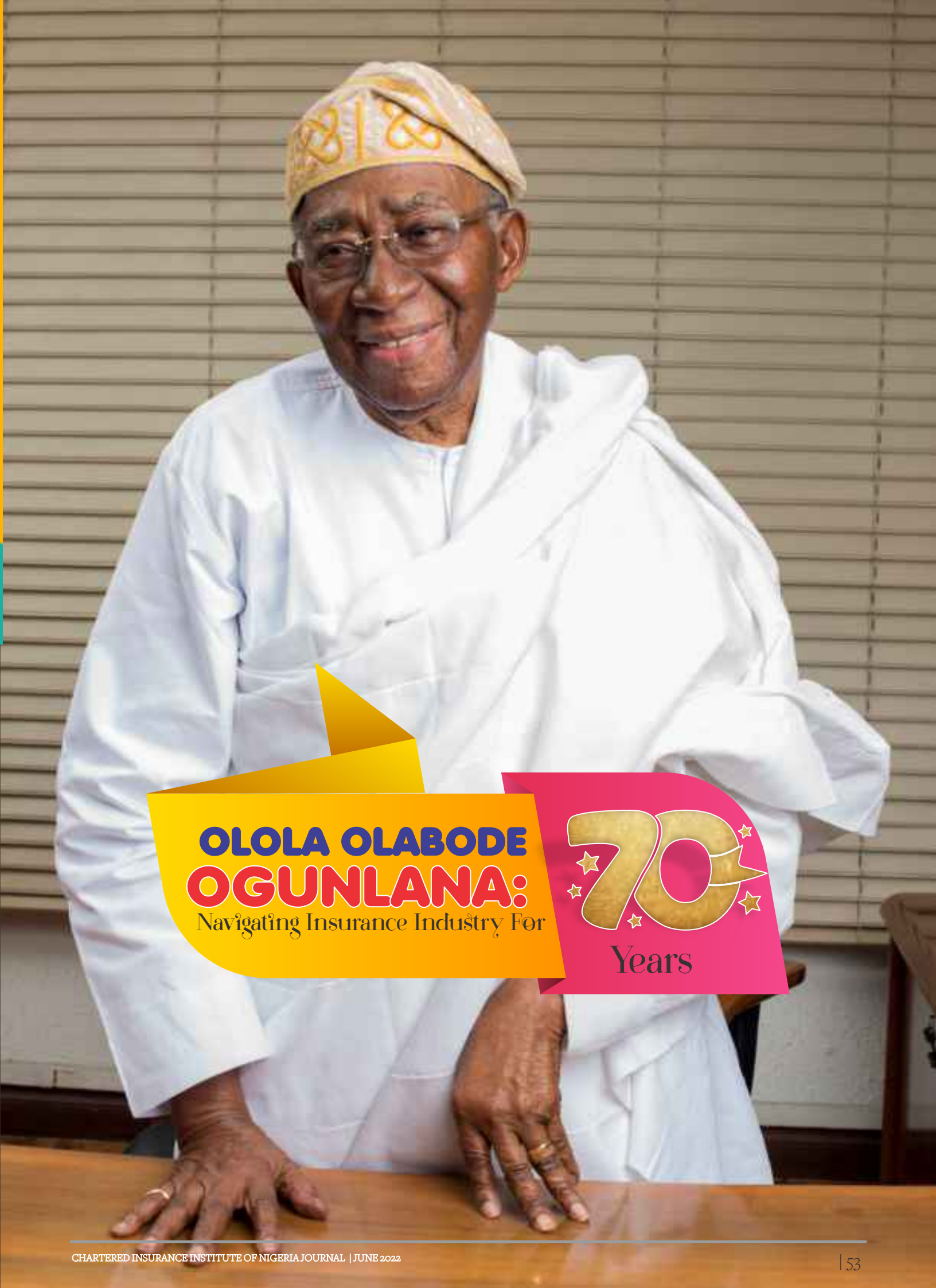
Naming a successor who lacks skills, training, drive, commitment and loyalty can cause the downfall of a business.



12

### NEGATIVE IMAGE

A negative image can alienate potential successors which may include Senior Staff, Family or Outsiders.



**OLOLA OLABODE  
OGUNLANA:**  
Navigating Insurance Industry For

**70**

Years

I like to start this write up by scooping from the salutary letter of the President of the Nigerian Council of Registered Insurance Brokers, Barr. Rotimi Edu, to Olola Olabode Ogunlana on his 70 meritorious years of service to the insurance industry. Edu had noted that “in the famous book of J.C Maxwell, entitled “Ultimate Leadership”, the Law of Navigation posited that “Anyone can steer a ship, but it takes a leader to chart the course”.

For Olola Fredrich Olabode Ogunlana, it has taken these 70 years of solid commitment and devoted service to the Nigerian Insurance industry to carve such a great niche for himself as one of the leaders of the professions in Nigeria and by extension, Africa. Save the Accountancy sage, Akintola Williams, there is no living professional in Nigeria, whose years of services surpasses Olola Ogunlana. Although joining the insurance industry at a time when the Nigerian nation had not really evolved or extricated herself from the colonial strangle hold must have posed several besetting challenges to surmount for a fresh bee like Ogunlana, it is on record that, at that young age he was stoically determined to turn all obstacles encountered on his way to required steppingstone for greatness in life.

It was not an accident of fate that Olola chose the profession of Insurance, having obtained the prestigious award of the Chartered Insurance Institute of London, making him one of the very few professionals to have been so qualified at the time. Driven by significant passion and inspiration from the likes of respected mentors, like Late Pa E. A. Elebute, the horizon was quite promising for him against all perceived odds. All those who come across Olola in social conversations are never spared of his fond memories of the part played by Late Elebute in his life by infusing in him integrity, sense of duty and strong character which were the oxygen required for anyone to make a success in life and career. On return from England he reminisced living with Pa Elebute who had become a household name amongst the few insurance practitioners, expatriates and insurance clients at the time. Olola often averred that Pa Elebute’s footprints remained indelible in the establishment of such companies like Royal Exchange Insurance and New Africa Insurance Company Limited.



In the last 70 years, it has been sheer grace of God and providence that Olola’s career had crisscrossed several phases and decades of history in the insurance industry, having been around when the industry was at its formative period with few operators, to the epoch when the industry got to the threshold of history with the emergence of the corporate insurance giant, National Insurance Corporation, popularly referred to as NICON Insurance. The lot fell on him as the first Nigerian to head the reputable insurance company, which later served as the springboard or fountain for so many generations of insurance practitioners in Nigeria. As a consummate manager, Olola sat competently over the company, giving it the required direction to weather the odds by giving insurance protection to the growing national assets of the country, being the first indigenous insurance company owed by the Nigerian government. He and his team gave an enviable narrative to NICON as a critical player in the nation’s burgeoning financial ecosystem that later gave birth to other reputable business entities which thrived for a long time. It was indeed the golden age in the history of insurance business operation in Nigeria!



The need to harmonize the existing potentials of the insurance industry by ensuring a strong bond of collaboration by then few qualified insurance practitioners led to Olola's active involvement in the then newly established Insurance Institute of Nigeria (IIN), which later metamorphosed into the Chartered Insurance Institute of Nigeria after its charter. Although he could have become the President of the Institute, perhaps shortly after Late T.A Braithwaite, his four year senior in secondary school, Olola's preoccupation and passion for knowledge impartation delayed his interest in the Institute's topmost position as President. It remains indelible that the unquenchable passion for training and scholarship prodded him to, among other things, establish the Financial Training Centre, located in his home town, Ogere, Ogun State. Many lives and careers have been shaped through that great citadel of learning for which the entire financial system would ever remain grateful. At the continental plan, Olola has his footprints as one of those who sowed the proverbial seed that has grown and renowned as the African Insurance Organisation (AIO), with the intent of providing platform for exchange of knowledge and professional expertise amongst insurance practitioners in the continent.

As a cerebral and seasoned professional, Olola has remained respected for his strong voice of advocacy when it comes to ethics and professionalism. The icon was one of those whose opinions about a stronger and virile regulatory organ for the insurance industry led to the creation of the National Insurance Commission (NAICOM) from being a mere department of the then Federal Ministry of Trade. All insurance institutions, particularly the Chartered Insurance Institute of Nigeria and The Nigerian Council of Registered Insurance Brokers of which he is the Chairman of the Elders Committee value his impactful contributions. Olola has brought his administrative sagacity and adroit leadership to play in founding Scib Nigeria & Company Limited and positioning the company as one of the foremost Insurance Broking companies in Nigeria today. In chance discussions with Olola one could not but notice his admix of emotions in his reflections on the state of insurance industry yesteryears and what it is today. His sore points border on the massive erosion of ethics and professionalism, coupled with

the dying culture of camaraderie which made the industry thick in the years of yore. Be that as it may, he has not lost complete hope in the capability of the modern day operators to turn the tide through their sophisticated environment and vast exposure to information beyond what was extant in the past.

A vanguard of the Yoruba culture and tradition who does not lose touch with base despite his providential grace of wealth, Olola has without a doubt remained a leader who connects excellently well with everyone across age and social status. As first class folklorist and author, he remains a tireless reader and writer of solid scholarly books and folklore. His advanced age has not in any real measure slenderized his warmth and creativity with which he energises those around him, including the youngerfellas. Olola is a churning caldron of ideas.

In appreciation of his profound contributions, it was not news that the insurance industry, under the aegis of the Chartered Insurance Institute of Nigeria (CIIN), invited the crème de la crème of the professions to the high profile metropolitan club to solidarise with this great icon of the professions for trudging on and pathfinding the industry these 70 years. His life no doubt has remained a study of how a professional could remain untainted, relevant and constant in ideas and principles in an ever changing environment like we have in our clime today.

We can only wish Olola Ogunlana many more years of positive contributions to our world and the profession of insurance in Nigeria.

Written by Tope Adaramola  
The Executive Secretary  
The Nigerian Council of Registered Insurance Brokers



The Institute was founded in 1959 by Article of Association and Memorandum. The Institute was known and referred to as the Insurance Institute of Nigeria until February 26, 1993, when it became Chartered vide Decree (now Act) No 22 of the Federal Republic of Nigeria. Upon establishment in 1959, the Institute became the rallying point for insurance practitioners in Nigeria comprising a few Expatriates and their Nigerian counterparts whose pioneering effort provided the building blocks for what has now become a veritable force in the Nation's Financial Services Industry and the economy at large. The Institute was affiliated to the Chartered Insurance Institute (CII), London in 1960 for reasons bordering on the need to model its operations after the London Institute which then produced the bulk of insurance professionals whose expertise were indispensable in shaping the face of professionals' practice in the days.





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