EVALUATING LOCAL CONTENT POLICY OF INSURANCE OIL AND GAS RISK PORTFOLIO AS CAPACITY BUILDING STRATEGY FOR NIGERIA INSURANCE COMPANIES

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Abstract

Inability of local firms in Nigeria to compete globally informed the introduction of local content policy to enhance the capacity of local vendors, but this is more pronounced in manufacturing sector than service sector. This study therefore evaluates the relationship between local content policy of oil and gas risk portfolio as a strategy and capacity enhancement of the Nigeria insurance companies vis-à-vis premium growth, resource capacity, and competiveness. Annual reports of 13 insurance firms in Nigeria were used from 2008-2016, while 150 copies of questionnaire were distributed to CHI Plc, STACO Plc, and SOVEREIGN TRUST INSURANCE. Growth rate analysis and nonparametric correlations were employed in this study. It was found out that local content policy has improved oil and gas premium income in the insurance companies in Nigeria. It was also established in this study that the policy has enhanced the resource capacity and competitiveness of the sector.

Key word: *Local Content Policy, oil and gas portfolio, Insurance firms, Resource capacity, competitiveness.*

1.1. Introduction

Insurance sector plays very important roles in ensuring that the economy of a nation is in a healthy shape through risk management. But insurance businesses are more encouraging in the advanced countries than the developing countries owing to lack of resource capability and proper orientation about the usefulness of insurance services. Chilekezi (2017) avows that the performance of insurance sector in Nigeria is below expectation in terms of growth and development. Olayungbo (2015) asserts that insurance is fundamental to economic growth not only in the developed nations but also in the developing countries considering the positive and pivotal roles it plays in servicing individual, groups, government and non-financial sectors. Omoke (2011) argues that insurance has become one of the pillars of financial service sector that can improve investment by way of reducing uncertainty in the business sphere. The function of insurance in an economy goes beyond the conventional task of managing risk, but also serves as an instrument to mobilize domestic savings, and funds from policy holders to more profitable investment and economic opportunities (Allen & Santomero, 1998; Skipper, 1987). Therefore, the need to have institutional policy that can enhance the capacity of insurance sector cannot be overemphasized bearing in mind its roles in contributing reasonably to the Gross Domestic Product of a nation (GDP) and the allocation of risks locally and globally

The wide gap between developed and developing countries in terms of technology advancement, technical knowhow, and innovation actually limits the capacity of indigenous firms to compete effectively with foreign counterparts. In attempt to salvage this situation since globalization has made business economy a global village, certain policies are now considered especially in Sub-Saharan Africa and Nigeria in particular as a giant of Africa that is endowed with different natural resources. Brown and Stephen (2017) opine that Nigeria is gifted with numerous mineral and natural resources (over 34 different natural endowments) starting from industrial materials, marbles, iron ore, bitumen, lead, limestone, coal, zinc among others across the country let alone crude oil that has become a major source of

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revenue. Most of these natural resources are in huge commercial quantities in Nigeria with the challenges of having financial capacity and technical capability to exploit and service them with the local vendors, thereby giving opportunities to foreign experts to repatriate the profits of their businesses that are in the country. As cited in Ihua, Ajayi and Eloji (2009), Business Day (2008) reveals an estimated $8 billion spent on servicing oil and gas industry operations, and it is estimated to arrive at $15 billion within the next few year, but a very minute fraction of the accruable profit is domiciled in Nigeria, while the rest is being repatriated abroad because nearly all the equipment are manufactured outside the country, and the service contracts are awarded to firms in overseas.

It was in response to this condition that the government of Nigeria drafted local content policy in ensuring that certain percentage of contracts is given to local operators across all the sectors in the country particularly in the areas where they do not possess equal capacity with the foreign investors regardless of the owners of the business (either owned by foreigners or local investors). Local content policy is a scheme considered by the Nigeria government to build the capacity of home-grown organizations and to offer more opportunities for local involvement in sectors whereby foreign participation is predominantly high (Adedeji, Sidique, Rahman & Law, 2016; Stephen, 2011). Consequently, the policy is expected to enhance backward linkages in the areas of procuring and utilizing locally produced inputs materials, thereby generating more job opportunities for local vendors (Adedeji *et al*., 2016; Ariweriokuma, 2009; Esteves, Coyne & Moreno, 2013; Ihua, Olabowale, Eloji & Ajayi, 2011).

Given the fact that local content policy has gained momentum in the recent literature especially in manufacturing sectors, and majorly in oil and gas as high technology based industry; little is known about how the policy has affected the operations of financial institutions particularly insurance firms in Nigeria. Since insurance activities play important functions with other sectors of economy, there is a need to examine how government policy affects the operations of insurance. Hadhek (2014) infers that insurance business in a modern economy is essentially important; therefore, it deserves attention to empirically understand how it interacts with environment and other sectors of the economy.

1.2. Statement of the Problems

It is evidenced in the literature that Nigerian insurance industry has improved with positive signs; the country has the capacity through effective socio-economic policy to make the sector more inspiring and competitive. However, the industry is still facing some challenges from low penetration level and implementation of insurance policy obligatory, lack of consumer trust, and inadequate professionals that are skillful in this space (PWC, 2015). Insurance industry contributes actively to the stability and efficient diversification of risks, but it is unfortunate and dishearten that the opportunities in this sector of economy have not been copiously tapped in Nigeria (Meridian Securities, 2014). The participatory contribution of insurance to the national income in Nigeria is relatively minimal given the fact that there is high economic potential which has been left unexploited (Meridian Securities, 2014).

Nigeria has been making good policies, but ability to ensure compliance and effective implementation has been recognized as a major challenge. Most government policies in Nigeria have not been able to accomplish the expected objectives either because the implementation is lopsided or there is a systemic failure that could thwart the policy (Obodo, 2016). Formulating policy is not an issue in Nigeria, and this has been argued for long by experts and scholars that previous governments have not been ineffective in making policies, programs and initiatives, but poor implementation and translation of policies into viable results for the purpose they were being created (Ejere, 2011). For this reason, this study is considered necessary to examine how local content policy has affected the Nigeria insurance industry vis-à-vis oil and gas compliance in terms of risk retention capacity to enhance the financial capacity of the operators.

1.3. Hypotheses

H_{01}: Local content policy cannot deliver significant growth in premium incomegenerated by oil and gas risk portfolio of insurance firms in Nigeria.

H_{02}: Oil and gas insurance risk portfolio does not improve the resource capacity of Insurance companies in Nigeria as a result of local content policy.

H_{03}: Local content policy does not have a significant relationship with the competitiveness of insurance sector in Nigeria.

2. Literature Review

2.1. Institutional Theory in Policy Making

Scott (2005) argues that the origin of institutional theory could be traced to the shaping years of social sciences which incorporated the innovative approaches of scholars like Marx and Weber, Cooley and Mead, Veblen and Commons among others to examine systems from micro interpersonal relations to macro global structures. Institutional theory advances that organizations are surrounded with rules, policies, and requirements to which they are expected to conform for them to gain support and legitimacy of the environment (Kondra & Hinnings; Scott and Meyer, 1983). Institutional theory is a form of institution's influence over policy and action which can be constraining; superimposing situations of possibility for access and influence while restraining some actions and facilitate others (Armenta & Ramsey, 2009).

Meyer and Rowan (1977) opine that it is not strategic enough for firms to consider their structures from the area of task-performing functions, but aligning the structures with the institutional context (policies, professions, programs etc), thereby gaining legitimacy, resources, stability, and survival of the firm. Therefore, in the context of local content policy in Nigeria, organizations especially large companies and multinationals in particular are constrained to give certain percentage of their contracts to local vendors to improve their capacity. The local content policy in Nigeria was introduced in 2000s with the aim of transforming the economy of Nigeria through the development of home-grown capacity and indigenous capabilities across all sectors in areas of manpower development, facilities and infrastructure to guarantee active involvement of local firms (Ihua, Olabowale, Eloji & Ajayi, 2011). Local content policy constrains business corporations to take insurance policy with local insurance firms in Nigeria which ordinarily foreign companies would prefer foreign insurance companies to indigenous firms based on capability and service delivery.

2.2. Overview of Insurance System in Nigeria

It was established that some traditional, social and mutual models had been in existence earlier than the overture of conventional insurance in Nigeria which evolved through the African shared cultures such as extended family system, age grades, communal labour, and clans (Obasi, 2010; Ujunwa, 2011). Typically, this came as a form of primordial social insurance through cash donations, labour communally organized to assist one another, the entire community, and sometimes those that suffered any form of catastrophe or having health challenges (Usman, 2009). In the same vein, insurance in Nigeria is neither new nor introduced by any Whiteman but a prehistoric form of insurance (Chilekezi, 2017; Irukwu, 1989). In the opinion of Ogunlana (1995), the modern insurance practice in Nigeria could be traced to 1874 as an outcome of financial operations of the Bank of British West Africa, the predecessor of First Bank Nigeria Plc. According to Chilekezi (2017), most of the insurance scholars argued that insurance made a landmark in Nigeria in 1921 as a result of the establishment of a Lagos branch office of Royal Exchange Assurance UK. Ujunwa (2011) also argues that conventional insurance in Nigeria originated from the business activities of European merchants in the West African coast, and this was motivated by two factors.

The first factor was the expansion of cash crop production for exports coupled with the upward trend in economic activities in the 1890s; while the second factor was the British aspiration to safeguard its interest and properties in the colony of West Coast Africa (Ujunwa, 2011). Agriculture was the major source of income for Nigeria at that time, and the major challenge confronting the European merchants then was the risk involved in transporting cash crops across to Europe according to Ujunwa (2011). Accordingly, this contributed immensely to the marine insurance domination in Nigeria within 1918 when the first insurance agency came into force in the country (Uche & Chikeleze, 2001), and 1942 when marine insurance dominance was slightly diluted (CBN, 2011). Trade and commerce experienced increase in Nigeria and this influenced shipping business activities, insurance and banking thereby making it attractive for foreign investors to think about handling a number of of their risks locally (Uche & Chikeleze 2001). The industry at present has 52 active players, two reinsurance companies, and estimated 500 insurance brokers, about 50 loss adjusters and 50 risk surveyors (Chilekezi, 2017). Other service providers in this industry are: marine superintendents, marine surveyors, claims assistants, claim superintendents, lawyers, doctors among others (Chilekezi, 2017).

The milestone achieved in this industry also is the establishment of the National Insurance Commission (NAICOM) charged with the responsibility of the administration and enforcement of provision of the insurance Act 2003 (Ojo, 2012). Some of the roles of NAICOM cover criteria and standard for registration, rates, investment funding, policy provision, valuation of assets and liabilities, qualifications of sale representatives, and expenses limitations (Ojo, 2012). The Nigerian insurance industry currently has witnessed immense growth and development, but its impact in the Nigerian economy is below expectation, and most especially in the areas of insurance density and insurance penetration (Chilekezi, 2017). However, with different reform processes ongoing in the Nigeria insurance industry, an enormous potential is abound for more profitable insurance businesses in the nation in terms of financial capacity to underwrite big and foreign insurance risks (Uddin *et al*., 2018).

2.3. Oil and Gas Risk Portfolio in the Nigeria Insurance Firms.

The oil and gas industry has sustained the economy of Nigeria since late 1950s (Ihua, 2010), and the industry has been generally recognized by literatures as the nation’s conduit pipe for economic growth and development (Agusto, 2002; Atakpu, 2007). However, in terms of servicing this lucrative industry, the accruable profit available for local oil servicing firms is not proportionate to their counterparts operating foreign servicing firms in Nigeria as this could have negative effects on the development of Nigeria’s industrial base (Ihua, 2010). The major reason for this is accredited to the issue of low local risk retention capacity whereby services contracts are being awarded to foreign companies mainly because indigenous firms have been allegedly characterized with deficiency in the required skills, technical expertise, manpower and production capacity to compete favorably with the foreign coounterparts (Aneke, 2002; Ariweriokuma, 2009).

In the opinion of Heun, Quale, Karlsen, Kragha and Osahon (2003), the causes of low local risk retention capacity in Nigeria comprise of inadequate technological capacity; funding issue from financial sector; poor infrastructure, strategic partnering deficiency between local contractors and technically skilled foreign firms; and policy ineffectiveness. Ihua (2010) opines that to address these issues, local content policy tagged ‘Nigeria Content’ was introduced in early 2000 by the federal government of Nigeria particularly in the oil and gas industry. The draft of National Content Development initially submitted as outlined by the

Nigerian National Petroleum Corporation (NNPC) in 2003 gave birth to Nigerian content policy in 2006 under the administration of President Obasanjo (Okafor & Aniche, 2014).

The policy was made primarily to ensure that indigenous vendors participate actively in the industry (Lawal, 2006; MacPeople, 2002; Nwapa, 2007). NNPC issued 23 content policy domiciliation guidelines in the industry with the aim of achieving 45% and 70% local content by 2006 and 2010 in stated projects (Okafor & Aniche, 2014). As regards the financial institution (Banking and Insurance) in Nigeria, the government increased the domiciliation of funds in indigenous banks, while the oil and gas firms were instructed to ensure that at least 45 percent of their insurance policies are placed with local insurance firms (Stephen, 2011). According to sub-section 2.5 of the insurance Act 2003 and the National Insurance Commission 1997, "No insurance risk in the Nigerian oil and gas industry shall be placed oversea without the written approval of the Commission which shall ensure that Nigerian Local Capacity has been fully exhausted."

2.4. The Concept of Local content policy as Capacity Building in Oil and Non-oil sectors

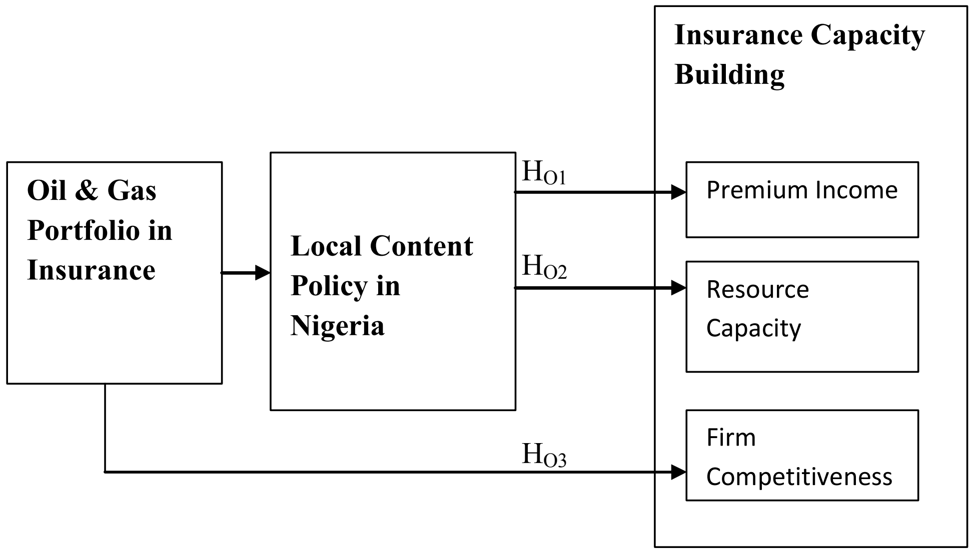
Local content policy is a bill passed to Law primarily to extend the business opportunities abound in oil and gas sector to other sectors of economy (Nwakoro, 2011), and this could make it possible to take full advantage of foreign direct investment (FDI) and as well creating more wealth (Nwapi, 2015). Consequently, the Nigerian Content Division (NCD) was formed in the NNPC to effectively monitor and enforce compliance (Okafor & Aniche, 2014). According to these authors, NDC has three departments (capacity building, planning, and monitoring departments), and they are cooperatively charged with some responsibilities which include: (1) study best practices and advise NNPC management on Nigerian content, (2) get relevant data from industry and drafting of plans for new opportunities, (3) map out strategies for skill and capacity building, and supplier enhancement, (4) foster and monitor Nigerian content implementation compliance, and (5) coordinate and manage sectoral working committees.

However, the Nigerian Content Consultative Forum (NCCF) was constituted to support the activities of Nigerian Content Division, NNPC in agreement with major industry stakeholders such as oil and gas multinationals and other key operators (Okafor & Aniche, 2014). Also, NCCF has 8 sectoral working committees overseeing the fabrication, petroleum engineering and sub-surface, shipping and logistics, manufacturing, banking and insurance, and other committees of sub-sector (Okafor & Aniche, 2014). Therefore, this makes local content policy an all-encompassing scheme to encourage growth in the non-oil sectors through oil sector investment, as this can improve oil industry when non-oil enterprises supply goods and services to oil firms and in returns enhancing the capacity of non-oil sectors towards economic sustainability in Nigeria (Ovadia, 2014).

2.5. The Study Conceptual Model

Local content policy has not only gained consideration in manufacturing industry, but also in service sector to assist in building the capacity of local service providers such as insurance, banking, local contractors among others. The figure 2.1 illustrates the intervention of local content policy with oil and gas portfolio in driving risk premium for local insurance firms in Nigeria.

Fig 1: Relationship among local content policy, oil & gas portfolio in Nigeria insurance firms



Source: Researchers (2018) as advanced by literatures

I. Local Content Policy and Insurance Premium Income

Insurance contracts are generally regarded as transactions that take place whereby the insured exchange uncertain 'prospects' for certain 'prospects' at a cost which is the premium paid by the insured to the insurer (Beard, Pentikainen & Pesonen, 1972). Insurance premium is the consideration for covering of the risks of the insured, and it comes in form of a price. It is also a financial consideration that a policyholder is expected to pay for the benefits that the insurer has agreed to offer on the happening of an event as scheduled. It is established in the Nigerian local content policy that for any insurance risk of oil and gas firm to be placed overseas, there should be an approval from the designated commission so as to protect the interest of local insurance firms by making sure that their capacity has been fully utilized before considering foreign insurance firms. Therefore, all oil and gas firms are expected to follow this instruction in accordance with the provisions of the insurance Act 2003 and the National Insurance Commission Act 1997 under the 2.5 general requirements, and this could improve insurance premium in Nigeria.

II. Local Content Policy and Resource Capacity in Insurance Firms

Capacity building is a major concern in the 21st century business activities considering the level at which technology innovation has made global economy a mere village. Therefore, there is a need for capacity to be improved continuously. The perspective of capacity development is that firm's performance can be shaped by forces in the enabling environment external to the organization (laws and regulations, attitudes and values); while factors internal to the organization such as skills, systems, leadership, relationships are elements of organizational capacity that can be leveraged upon to manage the external environment (Bolger, 2000). In the opinion of Otoo, Agapitova, Gold and Fisher (2009), capacity building has transformed the business of international assistance with the paradigm shift to speed up development by tapping the available potential within the country rather than resource transfer from abroad. According to sub-section 3.1 of the insurance Act 2003 and the National Insurance Commission 1997, "Local Capacity" shall be defined as the total capacity of all Nigeria registered insurers and reinsurers which shall be fully consummated and exhausted completely before any application for approval to reinsure any Nigerian Oil & Gas risks overseas.

III. Local Content Policy and Firm Competitiveness

Arslan and Tathdil (2012) argue that the concept of competition power should not be restricted to country's productivity level, but should also be extended to the firm and the industry level competition power. This is also supported by Kotler (2000) that competitive advantage is an organization's ability to achieve results in one or more ways than competitors. Consequently, the insurance business has become a basic component of every country financial system, the major reason why many reforms initiated in the Nigerian insurance industry are indicators to reinvigorate and enhance the competitiveness of the industry (Uddin, Oserei, Oladipo, & Ajayi, 2018). Local content policy as stated by Stephen (2011) has made it possible for insurance firms as a matter of instruction to enjoy 45% oil and gas risk policies, and to improve the competitiveness of the sector in Nigeria.

3. Research Methods

This study was carried out to empirically examine the contribution of oil and gas risk premium in the Nigeria Insurance companies in respect to local content policy. Therefore, both secondary and primary source of data were employed to gather relevant information using the available annual financials of 13 insurance companies in Nigeria (NEM Plc, PRESTIGE Plc, LINKAGE Plc, NSIA Plc, LAW UNION and ROCK Plc, CHI Plc, STACO Plc, SOVEREIGN TRUST Plc, CORNERSTONE INSURANCE Plc, MUTUAL BENEFIT ASSURANCE Plc, REGENCY ALLIANCE Plc, AIICO Plc, and SUNU ASSURANCE Plc) from 2008 to 2016 to analyze the study hypothesis one. However, purposive method was used to select CHI Plc, STACO Plc, and SOVEREIGN TRUST Plc for the purpose of questionnaire. The justification for selecting these insurance firms for the source of primary data was that they have consistent data that were used for the secondary analysis (see table 4.1) compared with other insurance firms operating in Nigeria. Again, the staff members of these three companies were disposed to respond to the questionnaire. Consequently, cluster and convenience methods were employed to distribute 50 copies of questionnaire to the staff of each of these insurance companies (CHI Plc, STACO Plc, and SOVEREIGN TRUST Plc) in Lagos making the total of 150 copies of questionnaire, while cross sectional survey was adopted to get the responses of the respondents. Out of the 150 copies of questionnaire distributed, 132 copies were filled in and returned by the respondents representing 88% response rate. Correlation method was adopted to establish the significant relationship between the variables as stated in the hypotheses two and three. Branches of these insurance companies in Lagos were considered suitable for this study being a commercial hub in the country where most of the companies situated their corporate head offices.

3.1. Analyses and Testing of Hypotheses

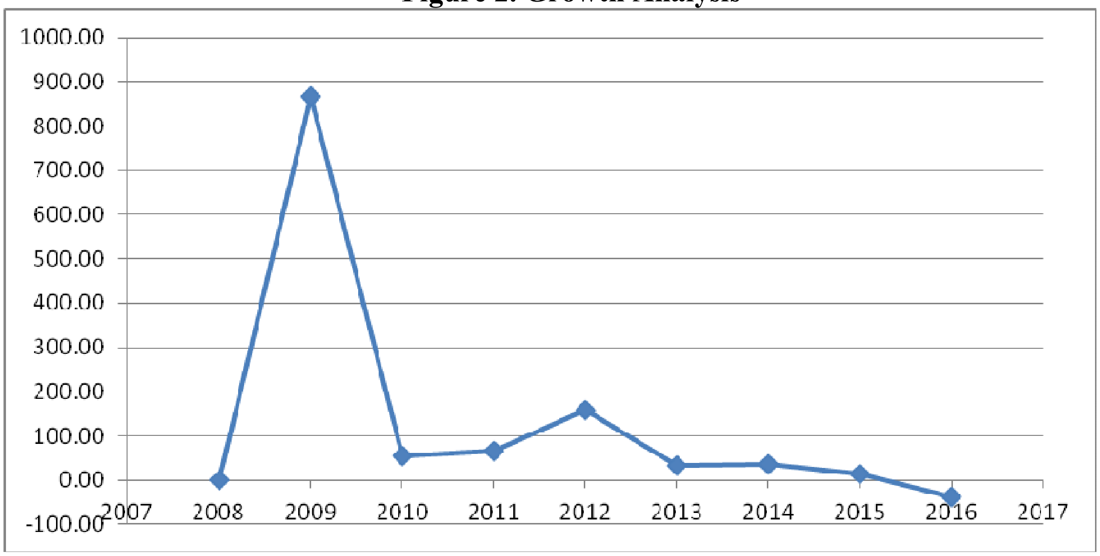
Table 1: Oil and Gas Gross Written Premium in Nigeria from 2008-2016

	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
	N	N	N	N	N	N	N		N
NEM PLC	NIL	4911298	6386277	8381196	974240000	1524120000	1327231000	1304387000	1018253000
PRESTIGE PLC	NIL	NIL	NIL	84705	204590000	214710	226324	191303	139454
LINKAGE PLC	NIL	196467095	275554783	369935000	639377902	903369604	694261000	1488100000	1461445000
NSIA PLC	NIL	NIL	NIL	NIL	NIL	230503000	371944000	446059000	512360000
LAW UNION AND ROCK PLC	NIL	NIL	94110	141333	440938	567384	998541	713924	788717
CHI PLC	126527823	261278793	539353404	474717820	623709447	962179679	1059965142	1307037124	885207340
STACO PLC	16191000	200533000	273143000	565304000	958453000	968055000	678895000	612508000	612508000
SOVEREING TRUST PLC	NIL	720548749	980074000	2083066000	2863274000	4420222000	2724993000	3169931000	2235192000
CORNERSTONE INSURANCE PLC	NIL	NIL	NIL	NIL	NIL	1209845	718365	1075338000	1368623000
MUTUAL BENEFIT ASSURANCE PLC	NIL	NIL	NIL	NIL	NIL	NIL	7045435000	6343753000	1440545000

	2008	2009	2010	2011	2012	2013	2014	2015	2016
	N	N	N	N	N	N	N		N
REGENCY ALLIANCE PLC	273024	282182	315870	480439	734140	1208333	712697	1002465000	913198000
AIICO PLC	NIL	NIL	NIL	2133627	2618445409	2290906837	1945481810	1617199970	1081492236
SUNU ASSURANCE PLC	NIL	NIL	59266856	42432978	330700262	845982766	724360583	619341931	509580279
TOTAL	**142991847**	**1384021117**	**2134188300**	**3546677098**	**9213965098**	**12148539158**	**16575222462**	**18987025252**	**12039332026**
GROWTH RATE %	**0.00**	867.9	54.20	66.18	159.79	31.44	36.44	14.55	-36.59

Source: Annual Report & Account (2008-2016)

Figure 2. Growth Analysis



The Table 4.2 showed the growth rate of oil and gas risk premium in insurance companies in Nigeria as extracted from the Table 4.1. The growth rate between 2008 and 2009 showed that there was a huge gap owing to lack of data in the 2008. However, oil and gas risk premium in the Nigeria insurance industry increased from 54.20% to 66.18% between 2010 and 2011; copiously increased from 66.18% to 159.79% within 2011 and 2012, but dropped drastically to 31.85% between 2012 and 2013. It was revealed in the Table 4.2 also that between 2013 and 2014 oil and gas risk premium in insurance increased from 31.85% to 36.44% but started decreasing in the 2015 to 14.55% till 2016 when the rate dropped to negative (-36.59%). These findings showed that local content policy can deliver growth in the risk premium income generated through oil and gas portfolio in insurance, but factor like dwindling global oil prices could contribute to the decrease in the premium income particularly in the year 2015 and 2016. Similarly, other factors like deliberate underwriting decision by insurance firms not to underwrite oil and gas business more than agreed percentage with their reinsures, and competition in the Nigeria insurance could contribute also to the drastic reduction in risk premium income of insurance firms.

Table 2: Cronbach Alpah and Correlation analysis for local content policy, resource capacity, and competitiveness

(5items)	Cronbach's Alpha	Sig. (2-tailed)	N	Local Content Policy	Resource Capacity	Competitiveness
Local Content Policy	.706	.000	132	1		
Resource Capacity	.770	.000	132	.461**	1	
Competitiveness	.751	.000	132	.553**	.614**	1

** Correlation is significant at the 0.01 level (2-tailed)

Source: Researchers' field survey (2018)

The Table 4.3 shows the cronbach alpha (.706; .770; .751) for local content policy, resource capacity, and competitiveness respectively, and this indicates that they are sufficient to measure the variables as advanced by Burns and Burns (2008) that a cronbach alpha of 0.8 or above is considerably high while acceptability limit is 0.7 and above.

The Table 4.3 also illustrates the relationship between local content policy and resource capacity; local content policy and competiveness of insurance companies in Nigeria with special reference to Chi, Staco, and Sovereign Trust. Since correlation significant value is 0.000 which is between the ranges of 0.00-.001, it implies that there is a significant relationship among the variables. In addition, a statistically high positive relationship exists between local content policy and resource capacity (r=.461, $p<0.01$); local content policy and competitiveness of insurance companies in Nigeria (r=.553, $p<0.01$). Similarly, there is a high statistical positive relationship between resource capacity and firm's competitiveness. Therefore, the results of the Table 4.3 showed that both hypotheses two and three should be rejected showing that local content policy in Nigeria actually has significant relationship with the resource capacity and competitiveness of insurance firms in Nigeria. Similarly, there is a significant relationship between local content policy and the competiveness of insurance firm in the country.

4. Discussion of Findings and Conclusions

This study evaluates oil and gas risk premium income portfolio in insurance companies in compliant with the local content policy in Nigeria. The study is structured to empirically examine if local content policy is well implemented in the insurance industry, and if it actually achieves the purpose with which it was initiated by helping the capacity of local firms and vendors. Virtually all the International Oil Companies (IOCs) operating in Nigeria preferred having huge percentage of their insurance policy domiciled outside Nigeria prior the local content policy probably for fear of trust or low capacity. It is therefore found out in this study that the implementation of local content policy has improved oil and gas risk premium income in the Nigeria insurance companies though not consistent owing to the instability in global oil prices.

Basically, with the implementation of local content policy, domestic insurance firms have been able to acquire technical skills in oil and gas underwriting thereby making them more competitive. The findings also established that local competition has been intensified in the Nigeria insurance industry because the policy contributes immensely in enhancing the resource capacity of the players. Also, it was established in this study that service quality has experienced improvement because of the enhancement in the human capacity purposely to manage more sophisticated transactions of international oil companies (OICs) operating in Nigeria. Based on these findings, it is concluded in this study that oil and gas risk premium income has improved the capacity of insurance companies in Nigeria through local content policy, though much still need to be done in terms of total compliance from the operators.

5. Recommendations

1. There is need for the Nigeria insurance firms to embrace latest technologies that can transform the industry since international oil companies are meeting up with their insurance risk premium obligations as a result of local content policy.
2. The designated agencies or commissions that are saddled with the responsibilities of monitoring the policies should be properly equipped to enforce the compliance to avoid breach of contracts between the local insurance firms and the international Oil companies.
3. Local insurance firms should comply with the policy in terms of meeting the basic requirements that can ensure maximum utilization of the opportunities.
4. Employees in the Nigeria insurance companies should be given constant modern training regarding high-tech transactions and relationship management for them to have adequate capacity that will enable them to manage foreign risk portfolio under their supervision.
5. The policy should be given more attention and monitored since it has been able to enhance the capacity of local insurance firms in Nigeria.

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