



THE SENATE

**COMMITTEE ON AGRICULTURE AND RURAL
DEVELOPMENT**

**REPORT ON THE 2017 BUDGET OF THE NIGERIAN
AGRICULTURAL INSURANCE CORPORATION (NAIC)**

2017

1.0 INTRODUCTION

Sequel to the Senate's resolution of Wednesday 12th July 2017, mandating all Federal Government Ministries, Departments and Agencies (MDAs) to directly send their 2017 proposed budget expenditures to the relevant Standing Committees of the National Assembly, the Nigerian Agricultural Insurance Corporation (NAIC) which is the executing agency of the Nigerian Agricultural Insurance Scheme (NAIS), forwarded its proposed 2017 Budget expenditure as requested to the Senate Committee on Agriculture and Rural Development for further legislative action.

2.0 BACKGROUND

The NIAC was established in 1987 to address the issue of risks faced by farmers as a result of incidences of natural hazards such as fire, lightning, windstorm, flood, drought, pest, diseases and invasion of farms by wild animals.

In 1993, NAIC Act No. 37 was promulgated to give the Corporation the necessary legal backing to enable it effectively perform its functions. The Act also allows the Corporation to participate in general commercial insurance, so as to broaden its income base to enable it service its agricultural insurance mandate.

The general objective of the scheme is to protect Nigerian farmers from the effects of natural hazards by introducing measures which shall ensure an indemnity sufficient to keep the farmer in business. More specially, the objectives of the scheme are to:

- a. Provide financial support to insured farmers where loss to crops or livestock arises from natural hazard;
- b. Induce the provision of credit by financial institutions to farmers (serving as collateral to the farmers);
- c. Promote agricultural production (by giving self-confidence to the farmer to diversify his/her investments); and
- d. Minimise or eliminate the need for government to provide ad-hoc assistance to farmers during agricultural disasters.

2.1 APPLICATION

The Scheme operates on the basis of subsidized farmer's premium, whereby the farmers pay 50% of the chargeable premium while the remaining 50% is shared between the Federal and relevant States governments (where the project is located) in proportions of 37.5% and 12.5% respectively for policies that fall under the subsidized insurance category. Most food crops and livestock items fall under this category and therefore are entitled to the 50% subsidy.

In actual fact, the Act, in Section 9(4) introduced some compulsion into the payment of the subsidy where stakeholders have defaulted.

3.0 METHODOLOGY

In carrying out this assignment and in line with its constitutional and legislative mandate, the Committee adopted the following procedures -

- i. Requested the NAIC to forward its 2016/17 budget proposal for further legislative action; and
- ii. After due consideration of the documents submitted by the corporation, the Committee resolved to invite the Managing Director to appear before it to defend its 2016/2017 budget.

4.0 The table below shows the Statement for the period 31st Dec. 2016 – 30th June 2017 -

*Nigerian Agricultural Insurance
Corporation
Annual Report – 31st December 2016*

4.1 Statement of Profit or Loss for the 30th June 2017

	31-Dec-2016	2017 Budget	30-Jun-17
	N'000	N'000	N'000
Gross Premium Written	1,056,585	1,800,000	409,925
Gross Premium Income	1,056,585	1,800,000	409,925
Reinsurance expenses	(260,629)	(254,150)	(7,125)
Fees and Commission Income	69,536	25,415	21,187
Net underwriting income	865,492	1,571,265	423,987
Claims Expenses	(194,240)	(295,000)	(95,802)
Underwriting expenses	(114,309)	(469,493)	(15,050)
Underwriting expenses	(308,549)	(764,493)	(110,852)
Underwriting Profit	556,943	806,772	313,135
Investment Income	385,445	518,133	85,874
Fair Value Gains(Losses) on investment properties	(96,506)	-	-
Impairment losses	(282,920)	-	-
Other operating income	32,922	44,300	825
	38,941	562,433	86,699
Net income	595,884	1,369,205	399,834
Personnel expenses	(792,717)	(844,073)	(372,894)
Foreign exchange loss	28,753	-	-
Operating expenses	(340,115)	(608,000)	(163,606)
	(1,104,079)	(1,452,073)	(536,500)
Profit (loss) before tax	(508,195)	(82,868)	(136,666)
Income tax expenses	-	-	-
Profit (loss) after tax	(508,195)	(82,868)	(136,666)

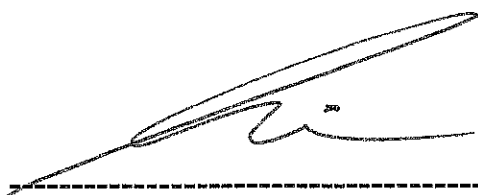
5.0 RECOMMENDATIONS

After a successful deliberation, the Committee recommends as follows -

- i. That the NAIC should intensify efforts in providing financial support to address the issue of risk faced by farmers as a result of incidences of natural hazards such as fire, lightning, wind storm, drought, flood, pest, diseases and invasion of farm by wild animals.
- ii. The Gross premium income projection totaling One Billion, Eight Hundred Million Naira only (₦1,800,000,000.00) of the corporation be approved for the 2017 financial year.
- iii. The expenditure proposal of NAIC in the sum of One Billion, Four Hundred and Fifty Two Million, Seventy Three Thousand Naira Only (₦1,452,073,000.00) be approved for the 2017 financial year.

6.0 CONCLUSION

Remarkably, the NAIC is vital to government's efforts at ensuring food sufficiency and poverty alleviation in the country generally and in rural areas in particular. NAIC is therefore playing a pivotal role in ensuring this and needs all the support from government and individuals to achieve its goals.



Sen. (Dr.) Abdullahi Adamu CON
Chairman



Dr. (Mrs.) Fortune Ihua-Maduenyi
Clerk to the Committee

MEMBERSHIP OF THE SENATE COMMITTEE ON AGRICULTURE & RURAL DEVELOPMENT

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