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**Article**

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**Abstract**

Inability of local firms in Nigeria to compete globally informed the introduction of having a local input in form of a policy to enhance the ability of home grown 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. The 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 having local input as a form of 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 ability and competitiveness of the sector.

**Key words**

Local content policy, oil and gas portfolio, insurance firms, resource capacity, competitiveness

**JEL Codes**: L88, L5



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## 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) opined that the level of performance in the Nigerian insurance sector 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 and 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 volume of production in the nation which is commonly referred to as 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 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. This was also cited in the work of Ihua, Ajayi and Eloji (2009), The report of Business Day (2008) reveals that $8 was actually invested into servicing the operations in the Nigerian oil and gas industry, it is also believed that the investment in the industry will rise in the next few years to about $15 billion, but little of this profit from such huge investment is domiciled in Nigeria, while the huge part of the fund is being taken oversea because nearly all the equipment are manufactured outside the country, and the contracts signed to service this equipments are mostly awarded to firms overseas.

It was in view of this shortcomings that the Nigerian Government 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). The need to find solution to this problem informed the need to have local input in form of a policy to build the ability of home-grown organizations and to give home-grown organizations the opportunity to be involved in different sectors whereby foreign participation is predominantly high (Adedeji *et al.*, 2016; Stephen, 2011). Consequently, local input in form of a policy was drafted with the believe that it will enhance backward linkages in the areas of procuring, making use of locally produced input and giving a new face to the industry, thereby generating improved job opportunities for home grown vendors (Adedeji *et al.*, 2016; Ariweriokuma, 2009; Esteves *et al.*, 2013; Ihua *et al.*, 2011).

Given the fact that local input in form of a 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.

### 1.1. Statement of the problem

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 contributions of insurance firms in Nigeria to the aggregate national income is still considered very low and below expectations considering the huge economic role expected and which has remained unexploited for years (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 are not ineffective in drafting and formulating programmes, various initiatives and policies but poor implementation and translation of policies into viable results for the purpose they were being created (Ejere, 2011). For this reason, the topic was considered and became necessary to address the issue of local input in form of a policy and how it has affected the Nigeria insurance industry vis-à-vis the oil and gas industry and compliance in form of risk retention capacity to enhance the financial capacity of the operators.

### 1.2. Hypotheses

$H_{01}$: Local content policy cannot deliver significant growth in premium income generated 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 shaping years of institutional theory can be traced to the field of social sciences that incorporated the innovative approach of notable scholars like Marx and Weber, Cooley and Mead, Veblen and Commons among others to examine systems from a unit view of relations that is referred to as interpersonal to a larger unit referred to as 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 and Hinnings; Scott and Meyer, 1983). Institutional theory is a form of institution's influence over policy and action which can act as a form of prevention and at the same time act as imposing situations of possibility for to gain entry and enhance while restraining some actions and facilitate others ( Armenta and 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, local input in form of a 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 input in form of a policy was introduced in 2000s by the government with the aim of transforming the economy of Nigeria through the enhancement of home-grown indigenous firms across all sectors in areas of development such as facilities and infrastructure and manpower development to ensure participation and active involvement of indigenous Nigerian firms (Ihua *et al.*, 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), Insurance practice in Nigeria can be traced to the early 1874 as an outcome of financial operations of the then bank known as the Bank of British West Africa which later became First Bank of Nigeria. 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 engagements of Europeans with West Africa conducting business transaction within the West African coast. There are two major factors that led to the business transactions.

The first was the increased production of cash crops within West Africa, the improved economic and trade activities in West Africa in the 1890s while the second major factor was the encroaching and desire of the British to protect their properties and investments within West Africa (Ujunwa, 2011). Agriculture was the major source of income for Nigeria at that time, and the major challenge confronting the British then was the associated risk involved in moving cash and economic crops across to their country according to Ujunwa (2011). Accordingly, it contributed immensely to marine insurance domination in Nigeria within 1918 when the first insurance agency came into force in the country (Uche and 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 taking this issurance polices to reduce their risk and also creating room to share the risk (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 Nigerian government took a bold step by establishing a commission saddled with the responsibility of regulating the insurance sector. The commission was named National Insurance Commission (NAICOM) with the authority 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 reforms being implemented by the Nigerian Government in the insurance industry in Nigeria, the outlook of the industry looks very bright and promising 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 industry has being one of the sector sustaining the Nigerian economy since far back as 1950s (Ihua, 2010), and the insurance sector has being 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 propeller is accredited to low indigenous risk retention capacity whereby services agreements are being given to foreign companies mainly because indigenous firms have been characterized with deficiency in the required technical know-how, expertise, production skills and ability to compete in terms of delivery with the foreign coounterparts (Aneke, 2002; Ariweriokuma, 2009).

In the opinion of Heun *et al.* (2003), the reason for low indigenous 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 Nigerian government particularly for 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 and Aniche, 2014).

The policy was made primarily to make ensure that Nigerian firms' vendors participate and play a major role 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% home-grown by 2006 and 2010 in stated projects (Okafor and Aniche, 2014). To make this a reality, the Nigeria government also embarked on massive patronage of the Nigerian banks and insurance domiciling funds into them while the oil and gas firms were instructed to patronize and ensure 45% of insurance being undertaken by them are placed with local insurance firms (Stephen, 2011). According to the insurance Act 2003; sub-section 2.5 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 input in form of a policy is a bill passed to Law primarily to extend the business opportunities abound in the oil and gas industry to other areas of the of economy (Nwakoro, 2011), this will create room to harness the advantage associated with attracting foreign direct investment as well as creating more wealth (Nwapi, 2015). Consequently, the Nigerian Content Division (NCD) established within the NNPC to effectively monitor and enforce compliance (Okafor and Aniche, 2014). According to these authors, NDC has three main departments namely the planning department, monitoring department and capacity building department. Their main responsibility includes: (1) study best practices and advice 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.

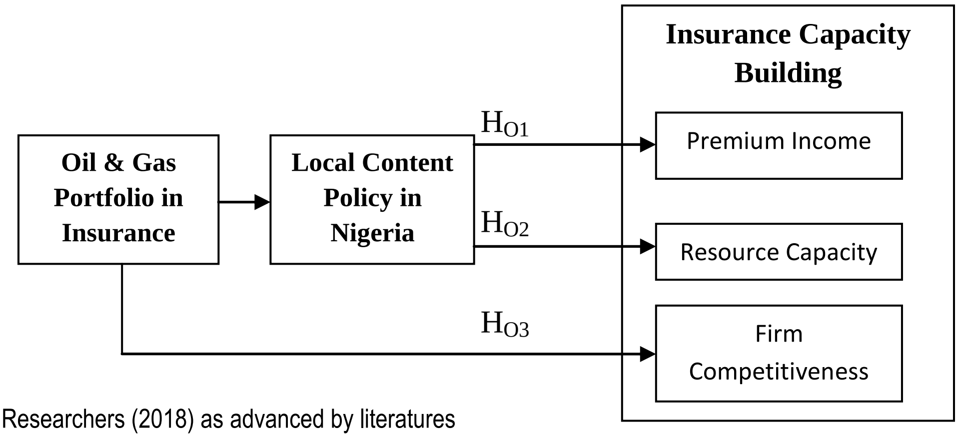
However, the Nigerian Content Consultative Forum (NCCF) was constituted to support the activities of Nigerian Content Division in agreement with major industry stakeholders such as the big oil and gas firms and other key operators (Okafor & Aniche, 2014). Also, NCCF has 8 sectoral working committees 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 carry goods or services to the oil firms thereby 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 1 illustrates the intervention of local input in form of a policy with firms carrying oil and gas portfolio in driving risk premium for local insurance firms in Nigeria.

## 2.6. 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 that is called premium usually settled or paid by the individual or firm being insured to the insurance company called insurer (Beard *et al.,* 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 agreed in the Nigerian local input in form of a 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 what was stated in the insurance Act 2003 and the National Insurance Commission Act of 1997 under sub-section 2.5 general requirements, and this could improve insurance premium in Nigeria.




***Source:*** Researchers (2018) as advanced by literatures

Figure 1. Relationship among local content policy, oil & gas portfolio in Nigeria insurance firms

2.7. 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 institutional environment external to the organization (values, attitudes, laws and regulations); while other factors considered internal in the organization such as relationships, systems and skills skills, systems are elements of organizational capacity that can be leveraged upon to manage the external environment (Bolger, 2000). In the opinion of Otoo *et al.* (2009), capacity building has transformed the business of international engagement with the ability to speed up development by tapping available openings within the country instead of waiting or looking for resources that will come from oversea. The insurance act of 2003 sub section 3.1 and the act establishing the National Insurance Commission of 1997 define "Local capacity 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".

2.8. 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 in many financial and accounting systems in the world which is the major reason why the numerous reforms initiated in the insurance sector are indicators to reinvigorate and enhance the competitiveness of the industry (Uddin *et al.*, 2018). Local content policy as stated by Stephen (2011) has made it possible for insurance firms as a matter of instruction to enjoy 45% risk policies in the oil and gas and seeking to improve the competitiveness of the industry.

## 3. Methodology of research

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 input in form of a 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 (Table 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. 150 of the questionnaire were distributed while 132 copies were filled and returned by the respondents representing 88% response rate. Correlation method was adopted in order to find significant relationship between the used 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 centre in Nigeria where most of the companies situated their corporate head offices.

## 4. Data Analyses

*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 |
| 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)

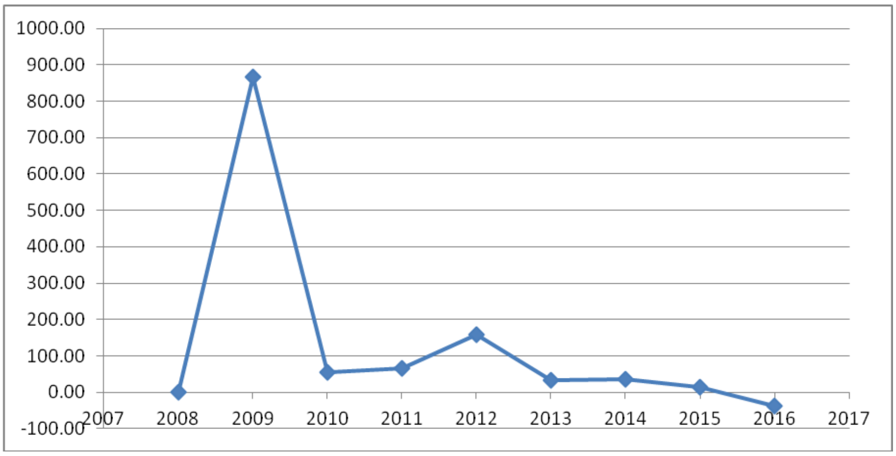



*Figure 2.* Growth Analysis

The Figure 2 showed the growth rate of oil and gas risk premium in insurance companies in Nigeria as extracted from the Table 1. The growth rate between 2008 and 2009 showed that there was a huge gap owing to inability to get 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 Figure 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 the premium generated by the insurance firms.

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

| | Cronbach's Alpha (5items) | 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)

Table 2 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. Table 2 also illustrates the relationship between local input in form of a policy and resource capacity; local input in form of a 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 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 input in form of a policy in Nigeria actually shows significant relationship with the resource capacity and competitiveness of Nigerian insurance firms. Similarly, the result shows significant relationship between local content policy and the competiveness of Nigerian insurance firms.

## 5. Conclusions

This study evaluates oil and gas risk premium income portfolio in insurance companies in compliant with the local input in form of a policy in Nigeria. The study is structured to empirically examine if local input in form of a policy is well implemented in the insurance industry under consideration, 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 input in form of a 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 input in form of a policy, domestic insurance firms have been able to acquire the needed required 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. Considering the findings from this study, 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.

## 6. 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 input in form of a policy local.

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 the policy has enhanced the capacity and ability of indigenous Nigerian insurance firms.

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