

**Alternative Asset Management  
Strategies in the Insurance Industry**

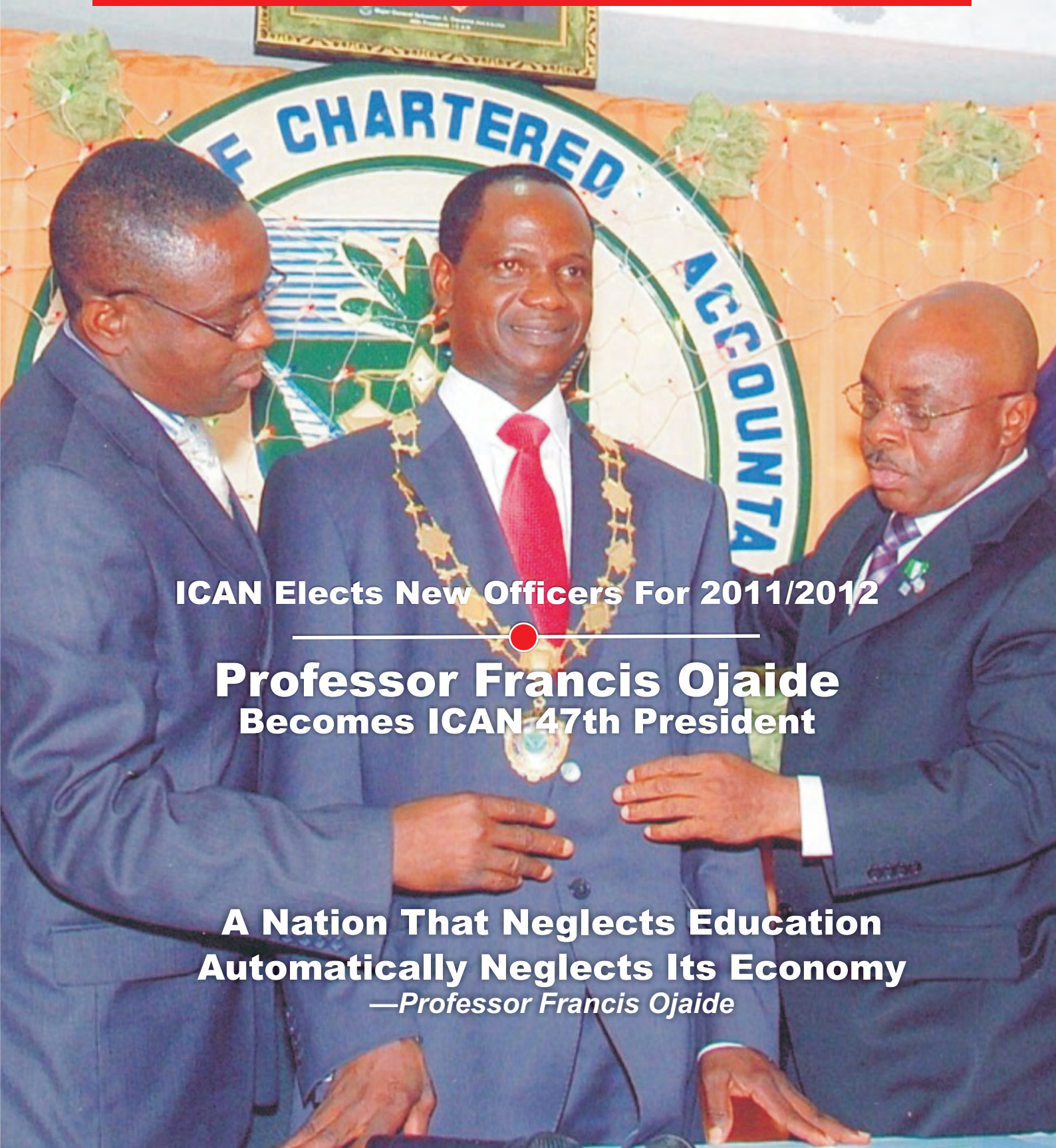
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# ICAN STUDENTS' JOURNAL



**ICAN Elects New Officers For 2011/2012**

**Professor Francis Ojaide  
Becomes ICAN 47th President**

**A Nation That Neglects Education  
Automatically Neglects Its Economy**

*—Professor Francis Ojaide*



## In This Issue

### News

4-9

ICAN Elects New Officers For 2011/2012	4
Ojaide Advises Jonathan to work with Professionals	7
Passing ICAN Examination is not enough to become a member - Ojaide	7
I'll Build on Foundation Laid by ICAN Founders - Ojaide	8
Ojaide Visits Price Waterhouse Coopers....Solicits for support	8
Ojaide Tours ICAN Facilities	8
ICAN, ANAN Meet ... Plans Reconciliation	9
New Exco for District Societies Ikeja	9
New SWAN Executive Committee Members	9

### Articles

10

**Alternative Asset Management Strategies in the Insurance Industry**

### President's Interview

16

**A Nation That Neglects Education Automatically Neglects Its Economy**

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## Editor's Note

**W**HEN a Professor is at the helm, the students rejoice. Professor Francis Ojaide, MSc (Econs), PhD (Money & Finance), FCA, was sworn in as the 47th President of The Institute of Chartered Accountants of Nigeria, ICAN, on May 31, 2011. One of the promises he made while presenting his inaugural speech during the investiture ceremony was to collaborate with universities and polytechnics to offer prospective students of the Institute enhanced training facilities and support in order to increase the level of their performance at the ICAN professional examinations. If the Prof is not passionate about students, who will be?

For close to three decades, he lectured mostly in the University of Jos even when he was Bursar, Internal Auditor or performing other administration functions in the University system. He had been external examiner to a number of tertiary institutions. He had supervised over 100 projects/theses of graduating students at both the undergraduate and postgraduate levels; has over thirty-five publications in both local and international academic and professional journals and has produced over 1000 students at both undergraduate and postgraduate levels for the different sectors of the National Economy and he attained the highest rank of a full Professor within seven years of leaving administration to full time academics.

While he was still a Chief Accountant in the Bursary Department in 1992, he had been appointed, on the recommendations of staff and students and with the approval of the Vice Chancellor, to set up a full-fledged Department of Accounting in the Faculty of Social Sciences of the University of Jos as Acting Head of Department. In July, 2008 after joining the Department of Accounting full-time, he was appointed the Head of Department of Accounting and, just last year (in October, 2010), he was re-appointed the Head of the Department by the Vice Chancellor for another two years. However, he had to relinquish the position in order to take up the responsibility of leading ICAN for the next one year as the 47th President of the Institute.

In his inaugural speech, he said the "performance of students in our professional examinations is not unconnected with the general level of education in the country" When he granted an interview to ICAN Students Journal team, there was no divorcing his experience as a teacher from his thinking on Nigeria's economy. As far as he is concerned, "a nation that neglects education automatically neglects its economy". The theme of the Prof's presidential year is "The Dawn of Transformation: Embracing Change and Seizing Opportunities". Boon to students, won't you say?

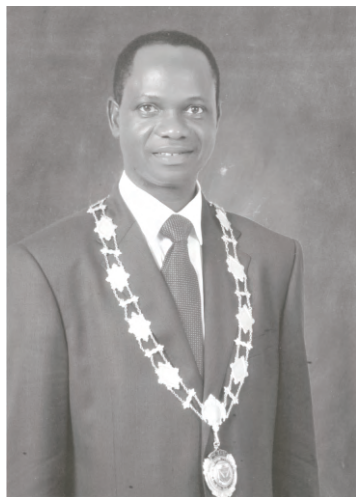
Apart from the cover interview granted by Professor Ojaide, we also serve you an article entitled, "Alternative Asset Management Strategies in the Insurance Industry" which seeks to provide effective ways of making better investments with a mix of traditional and alternative investment models by examining specific investment areas such as stocks, bonds, derivatives, real estate, and global investment options.

Your comments on the interview and the articles in this edition are welcome. Please write to: corporateaffairs@ican.org.ng; daajigbotosho@ican.org.ng.

## ICAN Elects New Officers For 2011/2012

The Institute of Chartered Accountants of Nigeria, ICAN, has elected new officers to run the affairs of the Institute for the next one year. Professor Francis Ojaide M.Sc, PhD, FCA, emerged as the 47th President and his investiture took place after an election on Tuesday, May 31, 2011 at the Institute's Secretariat in Victoria Island, Lagos.

Also elected are: Mr. Doyin Owolabi, B.sc, MILR, FCA as Vice President; while Alhaji Kabir Alkali Mohammed, mni, FCIS, FCMA, FCA and Mr. Chidi Ajaegbu, Bsc, MBF, FCA were elected 1st and 2nd Deputy Vice Presidents respectively; Mrs Onome Joy Olaolu became the Institute's Honorary Treasurer.



### Professor Francis Ojaide, 47th ICAN President

Professor Francis Ojaide, M.Sc. (Econs), Ph.D, FCA started his early education at Owan near Benin, Edo State and proceeded to attend Lagos Secondary Commercial Academy, Lagos from 1971 to 1972; Zik Academy, Sapele from 1973 to 1975; Auchi Polytechnic, Auchi from 1976 to 1980 for his HND Accountancy which he attained with Distinction in June 1980. In that year, he won: (i) the Principal Prize for having the Best Overall Result in the

Department of Accountancy; (ii) the prize of Onwufuju, Giwa – Osagie & Co (A Firm of Chartered Accountants) for having the Best Academic Performance in Financial Management; and (iii) he was recognized as having the Overall Best Result in the HND Final at Distinction Level (the equivalent of a First Class).

In his pursuit of further academic scholarship, he gained employment with the University of Jos in 1983 and started his Master's Degree Programme in Money & Finance in 1985. He was one of the three students with the overall best result on completion of the programme.

In 1987, he registered and started his PhD Programme in the same University. and was awarded PhD (Economics) (Money & Finance) by the University Senate in July, 1994.

Professor Ojaide has an excellent working career. During his Polytechnic education, he had his industrial attachments in the Accounts Department of Bendel Food Production Board, Benin City from July, 1976 to December, 1976 and in the Bursary and Internal Audit Departments of the University of Benin, Benin City from January, 1979 to June, 1979. During his National Youth Service Corps (NYSC), he served with Egunjobi, Sulaimon & Co. (A Professional Firm of Chartered Accountants Based in Kano) and was employed as Audit Semi-Senior and was later promoted Qualified Audit Senior. He worked in the Firm from July, 1980 to March, 1983.

At the University of Jos, he held several positions ranging from Principal Accountant, Chief Accountant, Chief Internal Auditor, Lecturer to Acting Head of Department of Accounting up to January, 1996. In January, 1996 he joined Akintola Williams Group (Akintola Williams, Deloitte & Co.) as the National Director of Education & Training on Leave of Absence from the University of Jos. In March, 1999 he proceeded from the University of Jos on Sabbatical Leave to the Nigerian Defence Academy (NDA) to train Officer Cadets offering courses in Accounting & Economics.

On the 21st of December, 2000 he was transferred from the Bursary Department to the Department of Accounting & Management Sciences as Senior Lecturer and thereafter promoted to the rank of Associate Professor/Reader with effect from 1st

October, 2004. On the 1st of October, 2007, Francis Ojaide became a Full Professor of Accounting. He attained the highest rank of a full Professor within seven years of leaving administration to full time academics. This is a rare feat achieved in a strictly guarded and protected academic environment.

On the 20th of May, 1992, he was appointed to set up a full-fledged Department of Accounting in the Faculty of Social Sciences of the University of Jos with immediate effect as Acting Head of Department (while he was still a Chief Accountant in the Bursary Department), and was appointed the Head of Department. Just last year (in October, 2010), he was re-appointed the Head of the Department for another two years. However, he had to relinquish the position in order to take up the responsibility of leading ICAN for the next one year as the 47th President of the Institute.

His services to the academic community include being unanimously appointed on the 8th of September, 1992 by the Senate of the University of Jos to serve on a seven-man panel instituted to review the instrument establishing the Centre for continuing education and its activities. On the 27th of February, 2007 he was appointed a member of the Senate special admission committee by the Vice Chancellor. He has been external examiner to the Federal Polytechnic, Bauchi, Federal Polytechnic, Nasarawa and external examiner in accounting and economics to the Nigerian Defence Academy (NDA) from 2000 to 2002, and he's currently an external examiner to the University of Benin from June, 2010 to date. He was a departmental seminar Coordinator in the department of Accounting and Management Sciences from 2001 to 2004. He was appointed on the 9th of July, 2004 for the 2003/2004 academic session as 100-level Coordinator in accounting. He was appointed departmental postgraduate Coordinator in the department of Accounting from August, 2004 to date.

Professor Ojaide has supervised over 100 projects/theses of graduating students at both the undergraduate and postgraduate levels. He has over 35 publications in both local and international academic and professional journals including book reviews, conference proceedings and chapters in books. In short, Professor Ojaide has produced over 1000 students at both undergraduate and postgraduate levels for the different sectors of the National Economy.

Among his classmates at the Polytechnic and even the set before his own, Professor Ojaide was the first to qualify as a Chartered Accountant. He qualified in May, 1982 and was admitted an Associate Member (ACA) on the 26th of February, 1983 with Membership No. 2646 and a Fellow (FCA) in February, 1989. He was elected into the Council of the Institute in May, 1995 and has continued to be re-elected every three years into Council bringing it to 16 years on Council.

He has served in virtually all the committees of Council of the Institute.

Professor Ojaide has also served the Public in various capacities which include being: Member, Federal Government VAT Tribunal (November, 2002 to 2005); Member, National Universities Commission (N.U.C) Accreditation Panel to

Universities (August, 1995 to Date); Member, National Board for Technical Education (NBTE) Accreditation Panel to Polytechnics (April, 1997 to 1998); Visiting Senior Lecturer in Accounting & Economics to the Nigerian Defence Academy (NDA) (March 1999 to 2000); Consultant to the World Bank/ICAN on Ethics & Standards/September, 2006 to June, 2008).

He is also the First Chartered Accountant trained by ICAN to

be the President of ICAN. He was elected as the 47th President of the Institute at the Council Meeting of May 26, 2011 and his investiture took place at the same venue at a Special meeting on Tuesday, May 31.

Professor Ojaide likes leisure after a hard day's job. He likes singing religious songs and choruses.

## Mr. Doyin Owolabi, Vice President



The Vice President, Mr. Doyin Owolabi, attended Methodist Boys' High School Lagos, 1972 (WASC); Federal School of Science, Lagos, June 1975 (HSC); University of Ife, Ile-Ife (now Obafemi Awolowo University) June 1980, B.Sc (Hons) Economics; University of Lagos, Akoka 2005 for a Masters in Industrial and Labour Relation (M.I.L.R.). He qualified as a Chartered Accountant in 1985. He became a Fellow in

1995. He became a member of the Nigerian Institute of Management, MNIM, 1997.

He had his professional training at Akintola Williams & Co, Lagos (now Akintola Williams Deloitte) from 1981 – 1988. He was General Manager (Finance & IT) (1988 to Date); He also worked with Nfi Insurance Co. Plc (Formerly Nigerian – French Insurance Company Plc.). He is the Chief Executive of Doyin Owolabi Consulting Associates, Lagos – 2007 to date.

Mr. Owolabi has also served the Institute in various capacities which include: Chairman, Annual Accountants Conference Committee (2007 to Date); Chairman, Investigating Panel (2007 to Date); Council Member, of ICAN, 1998 to date; Member, Selection Committee (2006 to date); Director, VI Publishers Ltd, (Publishers of Students Study Packs); Member, New Syllabus Implementation Committee; Member, Finance and General Purpose Committee (2006 to date); Chairman, Professional Examinations Committee (2005 to 2007); Member, Annual

Accountants Conference Committee (1996 to 2004); Conference Director, (2000-2001); Deputy Chairman, Annual Accountants Conference Committee (2003 – 2004); Chairman, Investigating Panel (2000, 2003 to 2004).

Others include: Member, Members' Benevolent & Educational Trust Fund Committee (2000 to date); Member, Membership Affairs (1996 – 2003); Member, Computer Coordinating Committee (2000 – 2003); Executive Member, AAT Committee (1999 – 2003); Member ABWA Congress Committee (1999 & 2004); Member, ICAN Vision 2010 Workshop Committee (1997); Chairman, BPE/ICAN Committee on Insurance Sector Reform (2001); Member, Coordinating Committee of CAB (1998); Hon. Auditor, Ikeja District Society of ICAN (1993 – 1995); Social/Publicity Secretary, Ikeja District Society of ICAN (1996 – 1998); ICAN Assessor and Examiner (1989 – 2000); Chairman, Investigating Panel (2000, 2003 – 2004); Member, Staff & Organization Sub-Committee (2007 to date); Member, Induction Sub-Committee (1996 – 2000); Member, Funds, Revenue and Cost Control Sub Committee (2006 – 2007); Member Fellowship Award Sub Committee; Special Candidates Sub. Committee; Hon. Auditor, Ikeja District Society (1993 – 1995); Social/Publicity Secretary, Ikeja District Society (1996 – 1998).

Nationally, Mr. Owolabi has served in the following capacities: Chairman, Committee on Taxation of Insurance Business (2003– 2004); Chairman, Accounting Tech. Committee (NIA) (1996–1998); Chairman, NIA Review Committee on ED 16; Member, National Fund Raising Committee of Nigerian Red Cross (2001-2004); Member, Ikoyi Club; Lagos Country Club; Ikeja Golf Club; Abeokuta Golf Club; Member, Committee on Reconstruction/Commercialization of Trade Fair Complex (2006 – 2007).

## Mohammed Kabir Alkali, 1st Deputy Vice President



Mohammed Kabir Alkali, attended Government College, Sokoto (1965-1969) WASC Div. II; Federal Training Centre, Kuru, Jos (1970-1971); WestHam College, Now East London University (1972-1973) 3 "A" Levels; Chelmer Institute of Higher Education, Essex (1974-1977) (ACIS); London School of Accountancy

(1977-1978) (ACMA). National Institute for Policy & Strategic Studies (2007) Kuru, Jos (Policy & Strategy) mni; Harvard Business School, Boston, USA (2009) (Corporate Governance).

Professionally, Mohammed started his career as Secretary, New Nigerian Newspaper, Kaduna. He was Cost Accountant,

CRYO Plants, London (1978-1979); Principal Accountant, FRCN, Kaduna (1979-1980); Asst. Chief Accountant, FRCN, Kaduna (1980-1982); Chief Internal Auditor FRCN, Kaduna (1982-1984), Acting Bursar, University of Sokoto; Senior Manager, UBA Plc; Principal Manager, UBA Plc; General Manager (F&A) NEPA; Executive Director, (Finance & Accounts) NEPA; Diamond Bank Plc. Board Audit Committee Member; Director, T & T Engineering Limited ; Director, Deutsche Badcock Nig. Limited; Chief Executive Officer, Millennium Resources Limited.

Alhaji Mohammed has served the Institute of Chartered Accountants of Nigeria in various capacities such as Member, Deputy Chairman and Chairman of various committees.

His services to the public include National Treasurer, Alumni Association of the National Institute; Council member, Federal Polytechnic, Nasarawa; Member, Economic & Financial Committee (UPDEA), Ghana & Tunisia (1995-1999); Member, Commission on Review of By-Laws of UPDEA, Burkina Faso (1993).





## Mr. Chidi Ajaegbu, 2nd Deputy Vice President

Mr. Ajaegbu, Onyeukwu Chidi, attended Government College, Surulere, Lagos (1982 – 1984) GCE A' Levels; Government College, Surulere, Lagos (1977 – 1982) WASC; Mbutu Umuojima Pry School, Osisioma Ngwa, Abia (1970 – 1976) First School Leaving Certificate with Credit Pass. He trained and qualified as a Chartered Accountant in Binder

Balogun & Co. (BDO) 1984 – 1988. He holds a Masters degree in Banking and Finance from University of Lagos. He is a Fellow of

the Institute of Chartered Accountants of Nigeria (ICAN); an Associate of the Chartered Institute of Stockbroker (CIS); Associate of the Heritage Capital Markets Ltd. (Member, Nigerian Stock Exchange) Chief Executive Officer 2008 – till date; Mutual Alliance (Member, Nigerian Stock Exchange) Founding/Pioneer Chief Executive Officer 1997-2008; BCIC Investment Ltd/LTC Advertising (CBN Licensed Finance house) AGM to Executive Director 1992 – 1997; Binder Balogun Badejo & Co. (BDO) Audit trainee to principal analyst 1984 – 1992.

He has served the Institute in various capacities as member, Deputy Chairman and Chairman of various committees. He has been a member of ICAN Governing Council since 2001. He has also served the public in numerous capacities.



## Onome Olaolu, Honorary Treasurer

Mrs. Joy Onome Olaolu attended Federal Government College, Enugu from 1973 to 1977) and passed her WASC examination with Division One. She proceeded to the Federal Government College, Warri from 1977-1979 where she obtained her Higher School Certificate (H.S.C). She got admitted at the University of Benin, Benin-City, in 1979 and Graduated in 1982 with

B.Sc degree in Accounting with Second Class Upper Division. She later proceeded to University of Lagos, Akoka, for her M.Sc, Banking and Finance in 1997. She is an Associate Member of Certified Pension Institute of Nigeria (ACPIN), a Fellow of the Chartered Institute of Bankers of Nigeria (FCIB), Associate member of Nigerian Institute of Management (ANIM), an alumnus of American International Banking Summer School (2001) and alumnus of Lagos Business School (1998). She qualified as a

Chartered Accountant in 1987 and became a Fellow of ICAN in 1997.

Professionally, Mrs. Olaolu started as Treasury and investment Accountant at Texaco Nigeria Plc from 1987-1990. She later moved to Intercontinental Bank Plc as Assistant Manager in 1990-1992. From 1997- 2001, she was Manager/Senior Manager at Fidelity Bank Plc. She became Assistant General Manager in 2001. She was elevated to DGM, Transaction Support and Head Operations Bank Wide in 2002. From 2003-2005, she was DGM, Credit and Marketing. In 2005, she moved up to become General Manager, Risk Management. She is currently an Executive Director with the Bank.

Mrs. Olaolu has served the Institute of Chartered Accountants of Nigeria in various capacities such as Member, Deputy Chairman, Chairman and Secretary of various committees. She has also served as President, Vice President, Patron and Trustee of various associations.

The new officers will serve in their present capacities for one year.

## Okonkwo, Okwuosa Join ICAN Council

The newly introduced e-voting by the Institute of Chartered Accountants of Nigeria (ICAN), has produced two new entrants into the Council of the Institute. They are Ms Ngozi Monica Okonkwo, M.Sc., ACIB, FCA and Mr Innocent Iweka Okwuosa, M.Sc., ACIB, FCA.

**Ms Ngozi Monica Okonkwo** attended Girls High School, Nnewi, Anambra State (1978-1979); and Federal Polytechnic, Unwana-Afikpo, Ebonyi State (1982-1984) for her OND in Business Administration and Management. She proceeded to Federal Polytechnic, Idah, Kogi State (1984-1986) for her HND Programme in Business Administration and Management. She obtained her Masters Degree in Banking and Finance from University of Benin, Edo State (1999-2000). She started her professional career at Kates Associated Industries Limited, Onitsha as P.A to the Managing Director/ Account Superintendent. She rose to become the Group Accountant in the same company. She later moved to James Odocha & Co. (Chartered Accountants) as Audit Senior. She also became Audit Manager before setting up her own firm, Ngozi Monica Okonkwo & Co. in 2002. She is the Principal

Partner there. She has served the Institute and the Public in various capacities before her election.

**Mr Innocent Iweka Okwuosa** attended Ogbaru Boys Secondary School, Ogbakuba, Onitsha (1979-1983); and University of Ibadan (1997-1999) for his M.Sc. in Banking and Finance. He is currently a Ph.D student at University of Liverpool. He started his professional career at D.O. Dafinone & Co. as a Trainee (1995-1997) and moved to Bank of Industry as senior accountant (1986-1993). Between 1989-1991, he was a Principal Lecturer at Student PYE. He was the Founding Director of Safe Associates from 1991-2005. He became a Lecturer at Liverpool University from 2005 to date and he's also the Director/ Principal IFRS Consultant at Entop Consulting Ltd from 2010 to date. He has served the Institute and the Public in various capacities before his election.

Apart from these two new members, two old members who sought re-election were also re-elected. They are Mrs Shakirat Adepeju Babatunde, FCA and Chief Afolabi Ajomale, FCA.

## Ojaide Advises Jonathan to work with Professionals

The 47th President of the Institute, Professor Francis Ojaide has called on President Goodluck Jonathan to make use of professionals and professional bodies like ICAN and others to drive the country to greater heights.

Ojaide gave the advice in his inaugural speech entitled *The Dawn of Transformation: Embracing Change and Seizing Opportunities*, during his investiture in Lagos on Tuesday, May 31, 2011. According to him, no country can make positive impact on decision-making and effective implementation without seeking the advice of professionals and professional bodies.

He therefore appealed to President Jonathan and the Executive Governors of States to have a working relationship with ICAN in terms of enlisting the assistance of professionals both in governance and in an advisory capacity.

His words: “We are sure that our invaluable professional skills coupled with ethics of ensuring accuracy, transparency and integrity will bring the required transformation needed to put Nigeria among the top 20 countries in the year 2020”.

“The country has to address the challenges of poverty, poor infrastructure and decline in productivity among the workforce, incessant strikes in our educational, health and other sectors of the economy. Government has to address the issues of corruption, threats to lives and property, kidnapping of innocent citizens for a ransom, sensationalization of recklessness and indiscipline on the part of some Nigerians who do not mean well for the country”.

“We should start to develop underground tube system and overhead train transportation system in Nigeria to decongest traffic on our roads. We should begin to provide welfare schemes for the unemployed in our country. Basic amenities and necessities of life should be provided in the rural areas with a view to making them attractive for agricultural and industrial development. Nigerians should be treated equally and given equal opportunity irrespective of the person's State of Origin.

“As an Institute, we are prepared more than ever before to support government at all levels to make this country the pride of all Nigerians and a place to visit and invest in by our foreign partners,” he stated.

Speaking further, the ICAN President explained that change is a positive factor for development in any organisation and should not be feared, adding that change decisions and change management are crucial elements that would guide how ICAN would be positioned to be a leading global professional body in the world.

On what would be his focus during his tenure as ICAN President, Professor Ojaide placed emphasis on strengthening the capacity of the Institute's workforce. He envisaged a workforce that is proactive, excellent in service delivery and comparable to any world class professional body.

He also promised to address the challenges of total computerization of all the activities of the Institute and interconnectivity problem, while the ongoing building projects

of the Institute would be accelerated to ensure their timely completion.

Concerning ICAN members, the erudite Professor said he was aware of the impact of the global economic and financial crises on the members of the Institute, promising to explore areas where members would not only be job seekers but employers of labour.

“The employment bureau of the Institute will be revamped to make it more effective and useful to our members. Our members will experience an Institute that is more caring than ever before and more value-laden,” he reiterated.

## Passing ICAN Examination is not enough to become a member - Ojaide

The 47th President of the Institute, Professor Francis Ojaide has said that passing the prescribed examinations of ICAN was not enough criteria for membership of the prestigious professional body.

Ojaide stated this in Lagos on Thursday, 16th June, 2011 at the induction of the newly qualified members of the Association of Accounting Technicians (AAT).

His words: “Passing the examinations and acquiring the necessary skills are not sufficient to be members of the Institute but with good character and being fit, displaying objective, sound technical knowledge and exemplary character in work”.

“The effort of training its members in Accounting Technician Scheme is aimed at producing middle level staff as Accountants, Auditors, Management Consultants, who fit into Financial Institutions, Industries, Commerce and the Public Service”, he explained.

He affirmed that the invaluable professional skills coupled with ICAN ethics of ensuring accuracy, transparency and integrity will bring the required transformation to put Nigeria among the top 20 countries in the year 2020.

He added that several privileges are abound in AAT membership, out of which are the internationally professional status, designatory AAT after the name, improved employment opportunities, eligibility to attend ICAN events and activities and so on.



ICAN President, Professor Francis Ojaide congratulating one of the inductees during the 34th AAT Induction at ICAN Centre Amuwo

## I'll Build on Foundation Laid by ICAN Founders - Ojaide

The President of the Institute, Professor Francis Ojaide has promised to build on the foundation laid by the founders and fore-runners of the Institute in order to make it grow from strength to strength.

Ojaide made the promise at the thanksgiving service held in his honour at the Evangelical Church of West Africa (ECWA), Jos, Plateau State, on Sunday, June 12, 2011.

The ICAN President was full of praises to almighty God for his mercies upon his family, especially for making him the President of the prestigious professional Institute.

In his short exhortation entitled "Tested, Tried and Triumphant" Pastor Olalekan Akinleyo described Professor Ojaide as a great achiever, wishing him more grace and ability to achieve more.

## Ojaide Visits Price Waterhouse Coopers....Solicits for support

The 47th President of ICAN Prof Francis Ojaide, FCA in accordance with his theme for the presidential year tagged "The dawn of transformation, embracing change and seizing opportunities" commenced his transformation journey on Tuesday June 14, with a courtesy visit to PriceWaterHouse Coopers one of the big four Accounting firms in Nigeria.



ICAN President, Professor Francis Ojaide with the Managing Partner of Price Waterhouse Coopers, Mr Ken Igbokwe during Ojaide's visit to the organisation

The visit gave the president the opportunity to share his vision for the Institute this presidential year with the partners of the firm and to also get first hand information about the challenges and successes in the Auditing and Professional service area of the Profession.

Professor Ojaide stressed the need for a beneficial mutual relationship between ICAN and the Practice firms, emphasizing that the firms were too far away from the Institute.

He solicited the assistance of the Firm in sponsoring ICAN events. He also informed the Firm that the Institute was very much on top of the recent issue on the signing of Accounts by Audit Firms.

He then appealed to the partners of the firm to be more visible in ICAN activities especially in rendering service at the Committee level. He specifically requested for PWC assistance in helping ICAN to find a lasting solution to its IT Challenges.

Responding, the Managing Partner of the firm Mr Ken Igbokwe,

thanked the President for counting PWC worthy of being the first practice firm to visit. He later bore his mind on some issues relating to the Institute and the Profession which requires urgent attention such as: Improvement of the MCPE Programme; Development of a Strategic Plan for the Institute; Monitoring of members' compliance with ICAN Standards and Ethics, the International Financial Reporting Standards (IFRS) among others.

He concluded that PWC would be willing to work with ICAN in achieving some of the goals by setting up an internal committee that would work with ICAN on its 30 year long term plan and strategic thinking, the IT challenges and in any other area necessary.

The Vice President of the Institute, Mr Doyin Owolabi while giving the vote of thanks appealed to the Partners of the firm and the other big firms to be more involved in the affairs of the Institute by contesting in the Council election.

Also on the President's entourage on the visit are some members of the governing Council and Management of ICAN.

## Ojaide Tours ICAN Facilities

In a bid to improve productivity among the staff of the Institute as contained in his acceptance speech, the 47th President, Professor Francis Ojaide immediately after his investiture undertook a tour of ICAN facilities within the Lagos metropolis.

The visit which took place on Tuesday June 1st gave the President the opportunity to personally get a firsthand account of the condition under which staff works.

The visit took the President who was accompanied by members of the Presidency through the Victoria Island Corporate Headquarters, The Ebute Metta Annex office currently under construction, the Student Centre at Amuwo Odofin, the Ilupeju Annex office and the Faculty office where he was conducted round the offices and also met with the staff in the various departments.

While at the Ebute Metta Annex, the President met with the contractors working on the project, who conducted him round the five storey building and later gave assurance that the project would be handed over to ICAN in the last week of August.

At the ICAN Centre, Amuwo Odofin, the President charged the manager of the building, Jide Taiwo & Co to give the building the required attention at all times to preserve it and give it the world class status it deserves.



ICAN President, Professor Ojaide at the ICAN Secretariat Annex at Ebute Metta



## ICAN, ANAN Meet ... Plans Reconciliation

The hitherto face-off between the Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN) would soon become a thing of the past as the two Professional Accounting Bodies have agreed to embrace peace and settle out of court.

This was disclosed in Lagos on Friday, June 24, 2011 during a courtesy visit paid to ICAN Secretariat in Victoria Island by the ANAN President.



ICAN President, Professor Francis Ojaide with ANAN President, Hajia Maryam Ibrahim at ICAN Secretariat, Lagos.

The ANAN President, Hajia Maryam Ladi Ibrahim who led the visiting team disclosed that although ANAN, by virtue of its legal status is fully empowered as a Professional Accountancy body to practice the profession, it still needs to relate with other professional bodies, particularly ICAN, for the benefit of the Accountancy profession and nation at large.

"It is no doubt that ICAN set the pace for the accountancy profession in Nigeria, a senior colleague to ANAN in the profession, having been Chartered in 1965 while ANAN got its Charter in 1993. The contributions of ICAN to the profession cannot be over-emphasized, as this includes the starting of the Nigerian Accounting Standards Board (NASB), before the Nigerian State took it over. It is in recognition of this fact that ANAN has consistently made overtures to ICAN and this has been interpreted differently by various persons and groups," she reiterated.

Acknowledging ICAN's efforts to sponsor ANAN's application to the International Federation of Accountants (IFAC), the ANAN President urged ICAN to also help remove impediments to its membership of Association of Accountancy Bodies in West Africa (ABWA). ANAN also pleaded with ICAN to collaborate with ANAN in areas to be mutually agreed upon by both bodies.

She also pleaded that ICAN should withdraw its case against ANAN from the court, so that a formidable reconciliation would take place.

Responding, the ICAN President, Professor Francis Ojaide thanked the ANAN team for the visit. He declared that ANAN's applications to both IFAC and ABWA are being looked into,

adding that ICAN is not against ANAN's quest to become a member to the two bodies.

However, he also gave a condition that if ICAN must withdraw its case against ANAN, Section 17 of ANAN Act which states that nobody could practice Accountancy except he's an ANAN member. He also proposed that ANAN should also support ICAN's request at the National Assembly.

## Appointed

Engr. Omoniyi Ogunwa, FCA (M/N008334) as Senior Special Assistant (Project Monitoring) to the Governor of Ondo State, Chief Olusegun Mimiko.

Engr. Ogunwa attended Baptist Grammar School, Ode-Aye, Ondo State; University of Ilorin and Lagos State University for his Bachelors and Masters degree respectively. He qualified as a Chartered Accountant in 1993 and later became a Fellow of the Institute. He is also a fellow of the Institute of Taxation of Nigeria; an Associate of the Nigerian Society of Engineers and Nigerian Environmental Society.

## New Exco for District Societies Ikeja

Mrs Garuba-Ayeni Wendy	- Chairman
Mr Sanni Patrick	- Vice Chairman
Mr Ogunjobi Oluseyi	- Gen. Secretary
Pastor Ihekwoaba Chukwuma	- Asst. Gen. Sec.
Mr Adewole Gbenga	- Fin. Sec.
Mr Egba Francis	- Treasurer
Mrs Olaiwole Morenikeji	- Social Sec.
Mr Apanisile Olumide	- Asst. Social Sec.

## New SWAN Executive Committee Members

Mrs Tokunbo Obafemi-Adegbola	- Chairperson
Mrs Onome Joy Olaolu	- 1st Vice Chairperson
Mrs Titi Akibayo	- 2nd Vice Chairperson
Mrs Aina Bamigbose	- Secretary General
Mrs Catherine Nnaji	- Asst. Sec. Gen.
Mrs Gertrude Adetula- Martins	- Membership Secretary
Mrs Stella Soladoye	- Treasurer
Mrs Bimpe Dada	- Financial Secretary
Miss Oyinlola Oluyemi	- Publicity Secretary
Mrs Bukky Akinmoladun	- Welfare Secretary
Mrs Margaret Unubun	- Ex-Officio
Mrs Sarah Ogunde	- Ex-Officio
Mrs Folake Onabodu	- Ex-Officio



# Alternative Asset Management Strategies in the Insurance Industry

By Barry Thompson, MBA, FCA

## INTRODUCTION

In volatile and complex markets, it is increasingly challenging to design an optimal investment portfolio for an organization, clients, or oneself. We are presented with diverse opportunities in emerging markets, real estate, hedge funds, derivatives, and other alternative investments. As the choices increase, shaping, managing, and monitoring investment portfolios become more complicated. The challenge is compounded by the increasing demand of legislations and renewed guidelines insured by government. Which investments will generate the highest returns without exposing you to excessive risk?

A thriving insurance sector is not only the result of an efficient financial services sector but is also an important aspect of a healthy modern economy as the insurance sector promotes long-term savings, that support sustainable long-term development by:

- Creating long-term large investments for infrastructure development
- Generating funds to support a deep mortgage industry
- Providing a safety net to government, rural and urban enterprises and productive individuals.

The subject of this paper must be a topical issue to management of insurance companies in Nigeria today, and for understandable reasons. Insurance fund managers must be worrying about the performance of stocks in the Nigerian capital market. Two factors – declining underwriting margins and the poor showing of the stock market in recent times, present a real challenge to insurance managers and with that comes the search for alternative ways to optimize returns on the investment of insurance funds within acceptable risk profiles. I will simply be restating the obvious if I say that the successful investment of insurance asset is a necessity to insurance industry profitability in this era of sub-optimal national economic performance.

While the need has been clearly established, insurance funds managers would be significantly challenged as they strive to maximize the return on the long-term funds at their disposal. Many factors – the legal framework and regulatory environment, the

supply of investment funds, and alternative available investment outlets – all combine to make profitable and safe investing hazardous for Nigerian insurance companies. While these challenges are significant, in them you also have the opportunities. All these notwithstanding, the real challenge, in my view, is the search for creative ways the investment managers can rise to the occasion and make for a more profitable industry so it can contribute adequately to the development of this country, as insurance has done in countless other countries, through making sizeable, stable and long term fund available for alternative investment options in the productive sectors of the economy.

Consequently, this presentation seeks to provide effective ways of making better investments, with a mix of traditional and alternative investment models by examining specific investment areas such as stocks, bonds, derivatives, real estate, and global investment options, review the existing investment regulatory framework of insurance companies in Nigeria and attempt to proffer suggestion for strategies that would facilitate compliance with investment regulations and guidelines. It covers the following areas:

1. The concept and trends in asset management
2. Regulatory framework in the insurance industry
3. Causes of declining asset values
4. Investment options
5. Strategies for conducting effective investment performance appraisal and portfolio management
6. Managing receivables and investment returns
7. Bridging the Asset management skill-set gaps in the insurance industry
8. Conclusion
9. Case study

## THE CONCEPT AND TRENDS IN ASSET MANAGEMENT

The term asset management is often used to refer to the professional management of collective investment, whilst the more generic fund management may refer to all forms of institutional investment as well as investment management for private investors.

Investment management is the professional management of various securities (shares, bonds and other securities) and assets (e.g., real estate), to meet specified investment goals for the benefit of the investors. Investors may be institutions (insurance companies, pension funds, corporations etc.) or private investors (both directly via investment contracts and more commonly via collective investment schemes e.g. mutual funds or exchange-traded funds).

**Securities** are commonly known as shares, stocks, bonds etc.

**Assets** can include real estate, jewelry etc.

**An investment portfolio** is the list of the financial investments held by an investor taken collectively (a basket of investment).

**Investment portfolio management** is therefore the process in which an investment portfolio is acquired and maintained. Various professionals (individuals and organizations) specialize in this function. They advise their clients about the securities and assets that may be acquired, and when they may be disposed of for a profit, or to avoid a loss. Most professional investment portfolio managers do this process themselves, for their clients. Term of investment refers to the amount of time an investor is looking for, to generate his financial objectives. So the investor can either be looking for short term, medium term or long term goals which will give him quick returns, steady returns and long range returns respectively. It is the job of the investment portfolio manager to professionally ensure that such returns are gained by the investor.

Asset management has become more prominent in recent years amongst banks and other specialized institutions as manifested by the following trends:

- Volume of assets - the amounts involved have increased strongly as private sector assets have continued to grow and governments and central banks have more assets under management (sovereign wealth funds and larger foreign exchange reserves).
- Asset management has been extended - Once mostly limited to traditional long-only equity and fixed income investments, asset management now encompasses a wide

range of "Alternative" investments including hedge funds, structured products, private equity, commodities, foreign exchange, real estate and even climate-linked products.

- ◉ Complex trading strategies and investment approaches – For many strategies, trading and market access has become a key contributor to and driver of investment performance. Coupled with an explosion in derivatives, commodities, and high frequency trading approaches, investment managers are challenged with managing increasing complexity while maintaining the agility to accommodate increasingly sophisticated investor preferences.
- ◉ Derivatives volumes – Continued growth in derivatives investing for alternative and traditional investment strategies is expanding requirements for more sophisticated approaches to investment modeling, valuation, settlements, corporate actions, and risk management.
- ◉ Globalization – The increasingly international scope of investment strategies and investor base is driving the demand for a more diverse global product mix; there are increasing requirements for efficient and scalable global operating models that leverage local relationships, insight and expertise, while looking to effectively share common capabilities and assets.
- ◉ Growing investor sophistication – Increased scrutiny of investment performance and transparency over fees along with growing expectations for detailed reporting across the investment portfolio are driving innovation and complexity of investment mandates and increasing client reporting requirements.
- ◉ Product innovation – Alternative investments led by growth in hedge fund and fund of hedge fund strategies, short extension strategies, Exchange Traded Funds (ETFs), and retirement products and services, are presenting both business opportunity and operating challenges related to staff skills, technology, and business operations.
- ◉ Regulatory and compliance requirements - Expanding regulations, overlapping mandates and tighter enforcement continue to raise the cost of compliance and increase the consequences of non-compliance across geographic markets and jurisdictions. Regulatory and compliance initiatives remain among the highest priorities of investment managers operating across regions

These trends are having effects on the asset management industry itself and the economy at large as asset classes (stocks, bonds, real estate, commodities, derivatives etc) and investment strategies (hedge funds, private equity etc) and impact of regulation on asset management evolve, asset prices and wealth effects become potentially more important for economic outcomes and the stakes for financial stability become potentially bigger.

**Size of the global fund management industry**  
Together with alternative assets (sovereign

wealth funds, hedge funds, private equity funds and exchange traded funds) and funds of wealthy individuals, assets of the global fund management industry totaled around \$90 trillion at the end of 2008. The US remained by far the biggest source of funds, accounting for over a half of conventional assets under management in 2008 or over \$30 trillion. The UK was the second largest centre in the world and by far the largest in Europe with around 9% of the global total. Some of the largest asset management firms include JP Morgan & Chase (2.2T), State Street Global Advisors (1.9T); Bank of America/Merrill Lynch (1.5T) has taken over UBS AG (1.4T) as the largest global wealth management firm and Citigroup (1.3T) still in sight.

## REGULATORY FRAMEWORK IN THE INSURANCE INDUSTRY

As every successful business organization achieves their success in part by being law abiding, let's examine the laws and regulations governing the investment of insurance funds. The National Insurance Commission Decree No. 1 of 1997 (as amended in 2003) and the Insurance Act of 2003 provide the regulatory framework for the operation of the insurance industry. Other relevant laws which affect the operation of the financial system include: the Foreign Exchange (Monitoring and Miscellaneous Provisions) Decree No. 17 of 1995; Nigerian Investment and Promotion Commission Decree No. 16 of 1995; the Trustees Investment Act and the Companies and Allied Matters Decree No 1 of 1990, which provides the legal framework for Unit Trust operations in the country. The major regulatory/supervisory authority is the National Insurance Commission (NAICOM). There is however plans to integrate financial sector regulation in a single regulator, the Financial Services Commission through the launch of the Financial System Strategy 2020 (FSS 2020) initiative, and to implement Solvency II by 2010.

## The Insurance Act, 2003 & NAICOM 2010 OPERATIONAL GUIDELINES

The Insurance Act, 2003 section 25 (of which all of you are familiar) stipulates:

1. Where the assets of an insurer can be invested (S.25.2) and this include
  - (a) shares of limited liability companies;
  - (b) shares in other securities of a co-operative society registered under a law relating to co-operative societies;
  - (c) loans to building societies approved by the Commission;
  - (d) loans on real property, machinery and plant in Nigeria;
  - (e) loans on life policies within their surrender values;
  - (f) cash deposit in or bills of exchange accepted by licenced banks; and
  - (g) such investments as may be prescribed by the Commission.
2. That the maximum proportion of assets that can be invested in real property shall 35% and 25% for life and non-life businesses respectively. Similarly, NAICOM issues annual guidelines stipulating the provisions specified

above as reminder to insurers as contained in S.6.2 of the NAICOM 2010 Guidelines which, stipulates the minimum requirements of the Insurance Act 2003 and the need to minimize risk that could arise from over-concentration of assets in terms of security issuer, type and maturity as follows:

- A. Not more than 20% of total current account and placement shall be placed in any one bank
- B. Subject to the liquidity required for relevant obligations of the Insurers/Reinsurers, the limit on investment-types decision on insurance funds shall be:
  - i. Quoted equity, not more than 50%
  - ii. Unquoted equity, not more than 10%
  - iii. Equipment leasing, not more than 5%
  - iv. Property: Life insurance funds, not more than 35% and Non-life insurance funds, not more than 25%.
- C. No insurer/reinsurer shall invest in its parent company
- D. Insurance funds shall not be invested in any subsidiary
- E. Investment of shareholders' funds in subsidiaries shall be limited to 25% of such funds.
- F. Not more than 5% of the total equity investment shall be placed in the security of one company.

## Other Investment Regulations

The Trustee Investment Act further stipulates the securities in which a trustee may invest. In addition, the National Housing Fund Decree of 1992 specifies that at least 40% of the insurance funds of a life insurer and 20% of the insurance funds of a non-life insurer must be invested in housing. Of these investments, not less than 50% are to be invested in the National Housing Fund through the Federal Mortgage Bank. This investment will earn interest of 4% per annum.

## CAUSES OF DECLINING ASSET VALUES

The insurance industry is seen globally as deep-pocket investors. This is owing to the nature of the industry which has the traditional role of mopping up funds from the public and reinvesting such in profit yielding portfolios in both the money and capital markets. Because of their large pool of idle funds, banks, corporate organizations and manufacturing industries always resort to insurance companies for cheap loans. Insurance companies also have a culture to invest their premium incomes primarily in the capital market.

But sadly, the industry that was once the toast of investors has recorded a downturn in business following the global financial crisis and the depletion of capital funds in the stock market. Analysts have put the total loss of the insurance industry to the meltdown to not less than 55 per cent of the total investments of the sector in the capital market. Some of the immediate and remote causes of declining asset values in the insurance industry are:

**Capital market downturn** - divestment by foreign investors with attendant tightness and possible second round effects on the balance sheet of banks and insurance companies by increasing provisioning for bad debt and decrease in profitability.



**Systemic failure** - Insurance underwriting is risk-free over time, being the delicate balance between fear and greed (rating and cash flow underwriting), which insurance can adjust. Investment is more risky than underwriting and is subject to systemic failures as controls over insurers have focused on the technical underwriting risk. No insurance company in the world anticipated the global financial crises that have continued to affect insurance companies investments in the last few years to-date.

**Credit squeeze** - leading to reduced lending to the real sector (supply side) and reduced household demand (demand side). Banks are no longer financing projects, and when banks are not financing projects, it affects the premium income of insurance companies. There is down turn in the economy. When banks finance projects, the insurance companies benefit, and now that they are not, it also affects insurance.

**Wealth effect** - decreasing asset values (e.g., stocks and real estate) led to a loss of consumer confidence and a precipitous decline in consumption; and these translated into sharp decline in economic activities.

**Job losses** - decrease economic activity resulted in mass job losses in most sectors of the economy and consequent reduction in consumer spending.

**Limited foreign trade finances for banks** - as credit lines dry-up for some banks and having effect on insurance company's ability to generate improved revenue.

**Declining inflow of FDI** - Another factor that has affected insurance assets is the declining inflow of direct foreign investment in the economy which could have enhanced the capacity of insurance firms to undertake big ticket transactions. This could have helped them to grow their bottom-line and continue to make their stocks liquid. Already the industry has witnessed massive inflow of direct foreign investment such as IFC investment in Leadway Assurance Company Ltd, UBA/Metropolitan partnership, return of AIG to AIICO Insurance Plc, and Standard Alliance and their South African partners etc.

**Foreign exchange decline** - Decline in supply of foreign exchange to Nigeria due to:

- ✎ Falling oil price (from \$147 to about \$34)
- ✎ Falling portfolio, FDI, and remittance inflows
- ✎ Decline in trade/credit lines to banks from foreign banks.
- ✎ As demand for forex increased due to demand for forex by foreign investors in the stock market who were exiting as well as demand by Nigerians wanting to invest in cheaper assets abroad (stocks, houses, etc)

**Technology** - In terms of technology, in the past, some insurance companies have burnt their hands in foreign software due to enormous cost implication. You find a situation where local software costs about N15m and the foreign version is sold at N90m excluding the costs

enumerated above.

**Declining terms of trade** - is a major cause of capital flight. Declining terms of trade lead to a contraction in economic activity. This occurs when there is a reduction in investment, exchange rate over valuation and thus the fears of expected devaluation, manifested in balance-of-payments problems, fiscal deficits, and decline of investment. This usually forces the government to change its programmes. Declining terms of trade leads to a fall in government revenue, and government can no longer meet its obligations without an increase in taxes.

## INVESTMENT OPTIONS

Over the past decade, as the menu of investment options expanded, the insurers' tastes have evolved from traditional securities to ever more tantalizing and risky financial instruments,

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including mortgages, private equity, junk bonds, and collateralized debt obligations. But during the bull market, that approach seemed more than reasonable; the pursuit of ever-higher yields was apparently a surefire way to boost returns. Yet as the portfolios and risks of the insurers grew, few of them updated their systems and management processes to oversee the potential risks and downside of the investment strategies while others did not consider other alternative asset management options.

## Traditional Investment Strategies

Simply put, the traditional investment strategies include:

- § shares/stocks,
- § bonds, and
- § Cash and money market instruments.

**Shares** in financial markets is a unit of account for various financial instruments including stocks (ordinary or preferential), and investments in limited partnerships. The common feature of all these is equity participation (limited in the case of preference

shares).

**Stocks or capital stock** of a business entity represents the original capital paid into or invested in the business by its founders. Stock is distinct from the property and the assets of a business which may fluctuate in quantity and value. It could be short- or long-term. Bond is a debt security, in which the authorized issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay interest and/or to repay the principal at a later date, termed maturity.

**Cash & money market instruments** include commercial papers, bankers acceptances (BA), bank deposits, treasury bills and certificates, receivables/bills discounting, inventory financing, import finance, duty finance investment etc.

## Alternative Investment (AI) Strategies

I define 'alternative investment strategies' to include:

- ☉ Private, non-traditional, illiquid investments, such as distressed debt, emerging-market equity and debt, international private equity, leveraged buy-out funds, mezzanine financing, oil and gas programmes, real estate, economically targeted investments, and venture capital;
- ☉ Dynamic non-traditional investment strategies involving securities, derivatives or physicals in liquid markets, such as managed futures, commodities, currencies or hedge funds; and
- ☉ Investments involving longs and shorts and leverage.

Primary advantages to alternative investments are:

- § diversification - i.e., low correlations with the traditional asset classes - which, if handled correctly, can result in improved portfolio stability,
- § ability to be tailored to meet the investor's needs, thereby delivering very specific risk/return trade-off, and
- § Potential to offer a more efficient way of accessing certain markets and asset classes.

## Alternative Model Sets:

Many people may wonder how they can integrate alternative investment strategies into their portfolios. These two model sets can be viewed as defining two broad perspectives, and one may choose a hybrid approach somewhere between these two. There are two main model sets:

**The first model** - involves dividing a portfolio into two categories - traditional and non-traditional - and making an allocation based on economic and risk characteristics, as well as on the time and resources needed for effective management and monitoring of the activity. One also needs to take into account such factors as liquidity, transaction costs, pricing/valuation and regulatory supervision.

This approach allows investors to identify traditional strategies in stocks, bonds and cash, and then add alternatives as a catch-all category

for all those strategies that do not fit into the traditional framework; that allow investors flexibility to add strategies opportunistically as they are understood; and that have potential to add incremental value with an understandable risk that diversifies the overall portfolio. One has to recognize that the investment process is dynamic and evolutionary: new products and strategies are developed on a regular basis. Having a structure that devotes, for example, 80-90 per cent to traditional investments and 10-20 per cent to non-traditional investments gives investment professionals flexibility to add and reduce allocations to alternative investments in a dynamic investment environment.

**The second model** – involves developing target allocations, with ranges for each type of traditional and alternative investment, for example, by defining a portfolio framework that allocates A% - domestic stocks, B% - long/shorts, C% - international stocks, D% - emerging equity markets, E% - international private equity, F% - cash, G% - oil and gas, H% - domestic fixed income, I% - international fixed income, J% - distressed debt, K% - commodities, L% - managed futures, M% - venture capital, N% - hedge funds, P% - leveraged buy-outs, and so on. This model defines each activity and, depending on one's perspective is either more rigid or more disciplined than the previous model.

## Key considerations for appropriateness of AI:

The key to understanding alternative investments lies in the capacity of institutional investors first to understand themselves and their own characteristics, whether the institution is an insurance company, a pension fund, a foundation, a club or an endowment. The following checklist provides a quick way for institutional investors to begin to contemplate the appropriateness of alternative investments:

- Sophistication - funding sources - expected return
- Asset base - pay-out pattern - risk tolerance
- Asset classification - time horizon - benchmarking
- Staff and resources - investment process- tactical mix
- Legal framework- strategic mix - compensation

All of these issues enter into an institution's understanding of itself and the suitability of alternative assets for an investment portfolio.

## Key considerations for portfolio inclusion in AI:

One strategic reason for using alternative investments is to enhance return and diversification. The investor should look very closely at whether the proposed investment has an acceptable basis for adding value and whether it really improves diversification, using some quantitative tools on the correlation of one asset class to another. The following are some of the other key considerations on portfolio inclusion.

- leverage - concentration - benchmarks
- people - fees - tax
- legal - liquidity - investment process
- timing amount of cash flows - volatility of performance
- performance and experience - risk management

## Real Estate Investments

Some of the benefits of investments in real estate are as follows;

- (i.) Generates regular income for investors.
- (ii.) Creates wealth for investors and property owners, as capital value appreciates with time.
- (iii.) Provides a shield and security against mortgage and capital loans.
- (iv.) Adds to the housing stock and helps solve accommodation needs and demand.
- (v.) Contributes to private sector housing development.
- (vi.) Help solves the financial requirements of distressed sellers.
- (vii.) Helps boost property tax for the government

**Commodities:** refer to good for which there is demand, but which is supplied without qualitative differentiation across a market. It is fungible, i.e. the same no matter who produces it. Things of value, of uniform quality, that were produced in large quantities by many different producers; the items from each different producer were considered equivalent. These are basic resources and agricultural products, petroleum, timber etc.

**Hedge funds:** is an investment fund open to a limited range of investors that undertakes a wider range of investment and trading activities in addition to traditional long-only investment funds. As the name implies, hedge funds often seek to hedge some of the risks inherent in their investments using a variety of methods, most notably short selling and derivatives. Is also applied to certain funds that do not hedge their investments, and in particular to funds using short selling and other "hedging" methods to increase rather than reduce risk, with the expectation of increasing the return on their investment.

**Derivatives derivative:** in layman's terms, is an agreement or contract that is not based on a real, or true, exchange, i.e.: There is nothing tangible like money, or a product, that is being exchanged. For example, a person goes to the grocery store, exchanges a currency (money) for a commodity (say, an apple). In financial terms, a derivative is a financial instrument - or more simply, an agreement between two people or two parties - that has a value determined by the price of something else (called the underlying). It is a financial contract with a value linked to the expected future price movements of the asset it is linked to - such as a share or a currency. There are many kinds of derivatives, with the most notable being swaps, futures, and options.

**Mezzanine investment:** financing (also referred to as third-stage capital) refers to a later

stage investment provided to a company that is already producing and selling a product or service, for the purpose of helping the company achieve a critical objective that, in many cases, will enable it to go public. Mezzanine investment financing provides for major expansion in companies whose sales are increasing, and whose cash flow is break-even or slightly positive.

## STRATEGIES FOR PERFORMING EFFECTIVE INVESTMENT APPRAISAL AND PORTFOLIO MANAGEMENT

In investment decision making, time and risks are critical variables to be considered. The preliminary information needed when taking investment decisions are:

- ⊙ the size of capital or how much to be invested
- ⊙ the cost of capital on the opportunity cost of the amount to be invested
- ⊙ The rate of returns on capital or payoffs from investment.

In evaluating investments and potential investments, the relevant factors to be considered are liquidity; safety; structure; yield; and growth. However, the primary challenges to an investor would be to know:

- ⊙ Which of the investment outlets should be accepted now and for the future?
- ⊙ What total amount of capital or money should one invest and for which stock?
- ⊙ How should the portfolio options be financed?

The decision about portfolio choice and the acquisition of funds ideally must be made simultaneously. Developments, since the Second World War has stimulated the search for criteria or systematic decision rules for investment appraisal. Observably, rapid economic growth and technology progress have vastly increased the investment opportunities available to prospective investors having only limited funds. Although rapid technology advancement had tended to increase the lag between decision-making and the benefits of these decisions, advances in economic forecasting, econometrics and budgetary control have made the prediction and measurement of receipts and cost easier. Practically, we have myriads of investment appraisal criteria:

- Net Present Value
- Internal rate of Returns
- Benefits–Less–Cost
- Benefit/Cost ratio
- The Payback Period
- The rule of Thumb; and so on.

These are various methods of investment appraisal, still many problems do affect the level of accuracy on predictability of the several investment appraisal. Dominant among these problems is the lack of sound theoretical and operational way of handling the problem of uncertainty, which tend to render useless relevant estimates and predictions. Although model building and adaptation comes to help in this regard, but that is only when there are spelt out hypothesis and assumptions, which are often unrealistic, and when subjected to empirical test may exhibit lag between decisions and



outcomes. To optimize investment portfolio, ensure effective monitoring and management, insurers should be guided by:

## Define investment objective and risk profile

Setting an investor's objective and risk tolerance (i.e. the ability or willingness to endure temporary declines in the prices of an investment for future possible gains), are the key determinants in structuring an investment portfolio. Generally, investors fall within five broad risk profiles/portfolio objectives/return: very low risk/low income; low risk/conservative balanced income; moderate risk/balanced income; high risk/long term growth; and very high risk/aggressive growth.

## Performance measurement

Fund performance is the acid test of fund management, and in the institutional context accurate measurement is a necessity. Institutions measure the performance (on return basis) of each fund under their management, it is appropriate to assess performance over longer periods (e.g., 3 to 5 years) to smooth out very short term fluctuations in performance and the influence of the business cycle.

## Risk-adjusted performance measurement

Performance measurement should not be reduced to the evaluation of fund returns alone, but must also integrate other fund elements that would be of interest to investors, such as the measure of risk taken, evaluating if managers have succeeded in reaching their objective, i.e. if their return was sufficiently high to reward the risks taken; how they compare to their peers; and finally whether the portfolio management results were due to luck or the manager's skill. The need to answer all these questions has led to the development of more sophisticated performance measures, many of which originate in modern portfolio theory

Modern portfolio theory is a theory of investment which attempts to explain how investors can maximize return and minimize risk. Modern portfolio theory established the quantitative link that exists between portfolio risk and return. The Capital Asset Pricing Model (CAPM) developed by Sharpe (1964) highlighted the notion of rewarding risk and produced the first performance indicators, be they risk-adjusted ratios (Sharpe ratio, information ratio) or differential returns compared to benchmarks (alphas). The Sharpe ratio is the simplest and best known performance measure.

**Capital asset pricing model (CAPM)** is used to determine a theoretically appropriate required rate of return of an asset, if that asset is to be added to an already well-diversified portfolio, given that assets non-diversifiable risk. The model takes into account the asset's sensitivity to non-diversifiable risk (also known as systematic risk or market risk), often represented by the quantity beta ( $\hat{\alpha}$ ) in the financial industry, as well as the expected return of the market and the expected return of a theoretical risk-free asset.

## Use of investment portfolio management software

Today's world of emerging technologies has also evolved to create software which will help investors manage their investment portfolios. It should make operations easier and simpler, where, once he keys in his trade, the software takes care of the rest. And at the end of the day, he can see the records of what he has done and how much money he has made. Good investment portfolio management software will often offer the following features:

- Management of investment records
- Different types of accounting methods will often be supported by the software
- Facility for different portfolios
- Real Time Prices with share tracking facility
- Financial and Technical Analyses Graphs

**“ The problem of outstanding, un-remitted and withholding premiums have continued unabated in the insurance industry despite the fact that Section 50 of the Insurance Act 2003 provides that insurance companies should desist from granting insurance covers if the required premium has not been paid ”**

- Real Time Price Alerts such as stop loss, buy and sell
- Support For Multiple Currency Trades
- Generation of Various Types of Reports for filing returns etc.

## Use of appropriate benchmarks

Usually an area of contention between fund managers and investors is determining how well the manager has performed. If at the end of last year, your portfolio returned 20%, how do you know whether that is a good or poor performance? The best way of assessing performance is to benchmark. A benchmark is an unmanaged group of securities or a measurable index whose performance is used as a standard to measure investment performance. Benchmarks are essential tools in the investment management process, not only for individual's investors assessing performance but also for fund managers, who are often partly compensated on the basis of their performance. A “one size fits all” basis for measurement is a misleading tag in evaluating performance. Appropriate benchmarks should be unambiguous, measurable, appropriate and specified in advance.

## Benchmark Techniques

Customizing a benchmark for various portfolio objectives and risk profile would require a combination of the benchmark of the individual asset classes that make up the portfolio. Evaluating the performance of a diversified portfolio requires that the performance of each asset class within the portfolio is compared against a standard that is representative of its risks and reward. The following methods could be used to evaluate portfolio performance:

- Indices: the most common performance benchmark is the index
- Peer Group: this is used to see how your portfolio/fund performs against those that have the same characteristics, e.g. objective and composition.
- Customs Benchmarks: are designed to meet the specific objectives of a portfolio, given the portfolio's risk tolerance.

## STRATEGIC ACTION FOR MANAGING RECEIVABLES & RETURN ON INVESTMENT

The problem of outstanding, un-remitted and withholding premiums have continued unabated in the insurance industry despite the fact that Section 50 of the Insurance Act 2003 provides that insurance companies should desist from granting insurance covers if the required premium has not been paid. Section 50(1) of the Insurance Act states that: "The receipt of an insurance premium shall be a condition precedent to a valid contract of insurance and there shall be no cover in respect of an insurance risk, unless the premium is paid in advance" ("No Premium No Cover").

Though, the Nigerian insurance market is described as the brokers market because brokers control over 80 per cent of the premium income, leaving less than 20 per cent in the hands of agents and direct marketing channel by insurance companies. Over 80 per cent of industry premiums are controlled by this large group of brokers as corporate accounts in particular are often and only secured with the involvement of a broker. Brokers have leveraged on that position of strength to dominate the industry. Brokers' dominance ordinarily is to ensure that premium payments by corporate customers and individual clients are paid through them to underwriters yet the premiums are hardly ever received on time if at all they are paid to insurers thus crippling industry premiums receivable ratio. S.41(1) of the Insurance Act 2003 stipulates that, “where an insurance business is transacted through an insurance broker, the insurance broker shall, not later than 30 days of collecting the premium, pay to the insurer the insurance premium collected by him”.

This has been the pattern since the industry failed to take advantage of section 50(1) of the 2003 Insurance Act requiring that "No Premium No Cover" thus making it a common practice in the sector for insurance companies to carry risks on their books for which premiums are yet to be received, and may never be received from the hands of brokers. Thus, collections remain poor, resulting in relatively high receivables. Insurance premiums are basically collections that should be made in advance and hence, its incomes are not earned until the policy expired. This feature, made the investment of premiums collected in advance inevitable. If the premiums

are properly invested, ability to settle claims will not be in doubt particularly when economic premium was charged ab initio.

Returns on investment have continued to pose a major challenge for the industry except for companies that are pro-active. To achieve good returns on investment, improvement in customer service, increased market share, sustenance of growth, and effectively reduce receivables, the following suggestions should be taken into account.

## Role of the Operators:

- Greater attention should be given to the management of receivables such that they do not engage in providing cover without premium receipts.
- Insurers should set up clear rules and guidelines on all underwriting and marketing activities such that they:
  - i. sell to those who can pay,
  - ii. go off cover after defined credit period and avoid non-payment risks;
  - iii. Should not report premium income that is not going to be collected.
- Insurers should strengthen their credit control departments and functions.
- Carry out regular reconciliation of account with brokers/clients.
- Invest in IT to assist in having error free statement of account.
- To enhance return on investment, insurers must revisit their cost structure and value chain in order to determine and eliminate areas of waste.
- Given the dynamics of the traditional market for investment, insurers should ensure that they invest their fund in line with the statutorily approved proportions.
- Insurers should take advantage of the current bearish market to invest more as the opportunity may not come again.
- Insurers should continuously comply with best practices and principles of corporate governance, be careful about their investment decisions and avoid speculative investment in complex financial transactions.
- Insurers should draw lessons from the AIG experience and avoid unbridled and speculative business decisions, which exposed the conglomerate to unduly high risks, caused in the main by undue exposure to complex financial transactions/instrument.
- Cultivate the culture of good financial reporting.
- Insurers should embrace risk-based management strategies.

## Role of the Regulators:

- Enforce the "no premium no cover" provision in the Insurance Act, 2003 and adhere strictly to the 2010 Insurance Guidelines on provision for outstanding receivables.
- Regularly visit insurance Companies and Insurance brokers to ensure compliance to the rule on remittance of premiums.
- The full weight of the law should be brought to bear on deviant companies to serve as deterrent to others and thus sanitise the insurance business.

- Insurance companies should be made to report on their level of solvency particularly as it relates to the age analysis of their receivables.

## Outsourcing accounts receivable services:

This enables insurance companies to increase their control on every account with consistent follow-up on outstanding invoices, and extensive reporting on account activity, and facilitate quicker payments and improved cash flow.

## BRIDGING THE SKILL-SET GAP IN THE INSURANCE INDUSTRY

It is generally accepted that the most important asset of an organization is its people because they make things happen. They are the soul and controlling mind of the organization. The major obstacle to performing and implementing an effective investment appraisal and portfolio management is the dearth of investment and risk management skills in most insurance companies. Inadequate training, low investment and asset management capabilities, a poor industry image and uncompetitive compensation have all contributed to the industry's inability to attract and retain the best and skilled talents and develop superior risk management and investment skills that are required to move the industry forward.

Such is equally the case in underwriting capacity and as we speak, a lot of reinsurance companies are skeptical in giving treaties arrangements to insurance companies in Nigeria. Why? It is because they believe that we don't have the requisite manpower and the training. And that is why you see a lot of capital flight in the oil and gas industry businesses from Nigeria due to lack of requisite skill to participate in highly specialized transactions especially in high value risk segments such as marine, aviation, oil and gas. There is an urgent need for insurance companies to develop the skills and competencies required to manage insurance assets in a professional and profitable manner.

Also, If insurance funds are to grow and be well managed and the resulting income that emanates from the investment of these fund be optimized, then active investment management units must be set up as strategic business units much like underwriting. Investment managers that head these units should be given targets on investment yields and portfolio performance and these should be regularly reported upon.

Consequently, there is an urgent task for the insurance industry to break out of the vicious circle of poor quality people = poor quality products/service = poor profitability = poor image = inability to afford, attract and retain quality people and deploy latest technology. It is high time insurance practitioners stop allowing them to be looked upon as "the poor cousins of the bankers".

But there is hope, because an insurance company with a minimum capital of N5billion, which use to be the capital base for banks few years ago, will be able to invest in their human resources. They will be able to train at home and abroad, and in technical, asset management and other areas. As a way out, insurers should:

- ⊙ Place greater premium on human capital

development as a competitive strategy.

- ⊙ Improve remuneration and incentive packages.
- ⊙ Bridge the skills gap through intensive human capital recruitment and development.
- ⊙ Embark on training and retraining of personnel to update and upgrade their skill and competencies, both locally and abroad.
- ⊙ Management development programme.
- ⊙ Set up an active investment management unit with requisite training and IT tools.

## CONCLUSION

There are no black and white answers to any of the wide range of questions surrounding alternative investments. However, over time, today's alternative investments will come to be viewed more and more as reputable core investments. The only real problems involve investors' capacity and techniques, both for managing and monitoring these investments, and for truly understanding the risks.

In the light of the meltdown and now that returns from traditional asset classes has reverted to the mean after several years of outperformance and the credit squeeze ushered in by the August 2009 CBN driven banking reforms, investors are now left with the question of where to move their money to. More importantly, I have made propositions on how the various challenges can be surmounted. They include:

- ⊙ Diversifying investment instruments product portfolio to better spread portfolio risks.
- ⊙ Adopting effective performance appraisal of investment portfolio.
- ⊙ According investment management the appropriate importance organizationally and developing the skills (risk management and investment) required to professionally and profitably manage insurance funds.
- ⊙ NAICOM is to purposefully beam its searchlight on some insider abuses.

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# A Nation That Neglects Education Automatically Neglects Its Economy

— Professor Francis Ojaide

**H**ardly can anyone divorce the issue of education from any discourse involving an academic. When the **ICAN Students' Journal** team of **Dayo Ajigbotosho**, editor, **Dayo Kowe** and **Muyiwa Dare** got the appointment to interview **Professor Francis Ojaide**, it was clear he had to speak on the challenges in the educational sector as well as the concerns about the state of the Nigerian economy. They did not however bargain for the adroit manner in which he brought the two very pressing issues together to make the perceptive statement on the state of the nation — **A Nation that Neglects Education Neglects its Economy**. Excerpts:

**Congratulations on your election as the 47<sup>th</sup> President of the Institute of Chartered Accountants of Nigeria. What has been your experience in the past few weeks of assumption of office?**

It has been quite interesting, exciting, and expository in terms of leadership. Assuming responsibility has also helped me to be closer to the staff of the Institute, both the unionised staff and the

management staff. The period between the investiture and now has been activity-driven. I told myself I must familiarise myself with the requirements of the staff of the Institute in terms of welfare and the facilities that should be made available to the staff of the Institute.

What I did first was to have an interactive meetings with the unionised staff and the management staff. I also visited the various

offices and facilities at Victoria Island Secretariat which is the Headquarters of the Institute. I visited Ebute Metta office annex which is under construction, and I read a riot act immediately that by 1<sup>st</sup> of September, whether the building is completed or not, all staff of Ilupeju office will move to that edifice. It's quite a magnificent building. I also had an interactive session with past and current Council members of the Institute, during which they also gave useful suggestions that would move the Institute forward. Also quite recently, we had an interactive Council meeting with the Body of Past Presidents.

Apart from such meetings, we also visited the doyen of the accountancy profession, Mr. Akintola Williams as well as some corporate organisations. All of these interactions have exposed me to the sensitivity of staff and colleagues in the Institute.

**As usual, when a new President takes over, there are lots of expectations from members and other stakeholders. What will you focus on during your Presidency?**

First, I want to make sure that the workforce is quite strengthened in terms of capacity building. Also, I want to ensure that members of the Institute are continuously abreast of the

**The theme for this Presidential Year is “Dawn of Transformation: Embracing Change and Seizing Opportunities”. How do you intend to take the Institute to greater heights?**

Yes, there are three key words there. They are “transformation,” “Change” and “Opportunities”. I will definitely drive the theme for the Presidential year. The theme is basically about change and change management, in the sense that, looking at the Institute that has been in existence since 1965, there are certain things that have to be changed.

As I discussed with the Body of Past Presidents, we need to revise our ICAN Act. Many fundamental issues have taken place since that Act was promulgated in 1965. Again, there is the issue of agents of change. One of the agents of change is the Secretariat staff. Staff members are the ones that would be used to make the changes. That is why I told you earlier on that we put in place a human capacity development programme that would ensure our staff can compete anywhere in the globe and that is why we are also not restricting them to local and indigenous training. We will expose them to foreign and international training, where they can also draw



**“Also, we want to ensure that professionals are used in government. We have advised the nation's President that the only way nations are driven is to engage professionals. Politicians have their roles but if you want to drive a vision, you use Professionals and put square pegs in square holes. Those Professionals are held accountable for whatever lapses or pitfalls that is associated with them. So, the Institute of Chartered Accountants of Nigeria has to assist in financial, economic and budgetary and other associated issues, and also be able to speak out on matters affecting the economy.”**

technical and competency issues and what's happening in the professional arena, such as publication of literatures, standards, and changes that are taking place. All these are to ensure that stakeholders and employers of labour have first class professional accountants that can compete with any of our contemporary professional Institutes in the African continent or worldwide. The way we have gone about it is to ensure that staff of the Institute are not only trained locally but are also to be given international exposure. We have approved a training programme that encompasses both local and international training which staff have started benefitting from.

Then in the area of enhancing the competence and proficiency of our members, we have been running programmes of the mandatory continuous professional education, and our Faculties have also put in place certification programmes and other seminars to keep our members abreast of the rapid happenings in the changing world. For our students, we are also looking at programmes and challenges we are having in terms of literature, which will also be addressed. Of course you are aware that the Institute now has electronic library facilities. For those students who registered to take advantage of the Institute's e-learning facilities, they are exposed to the entire world. We are also looking at a situation where we enter into partnership and cultivate a good relationship with the employers of labour, so that we can see how both parties would benefit in the overall interest of the economy.

experiences from other colleagues in other continents. You know, leaving a particular environment to a new environment means an opportunity to learn from other cultures and bring into your own environment, new ideas.

In essence, opportunities would be created for Staff, members and students to develop in such a way that our stakeholders will see us as the first choice in the profession.

**The Institute scored another first recently by conducting its election via e-voting. What is your assessment of the exercise?**

Good. I was one of those task masters that drove the process of e-voting as Vice President then. We have always emphasised that we have the best electioneering process. We looked at the issue of e-voting as a way of improving what we had on ground. And e-voting means minimal interference with members, yet it ensures that members know those they are actually voting for to represent them on the Council of the Institute. With e-voting, you will be able to read the profiles of those candidates that are vying for positions. Before now, people were not really interested in looking at the profile or achievements of any candidates before they voted for them. So we felt that it is good to know the caliber of people you are voting for, the antecedents, the achievements and see how this can add value to discussions on the Council, add value to policy decisions emanating from the Council, that will affect the generality of our



members. So we had to adopt e-voting and it has been a very good one, and many people have commended it.

**Let's go national sir. Recently, the CBN Governor proposed a minimum amount that could be withdrawn or saved by individuals and corporate organisations. What is your own view about this move?**

We are following the global trend. The trend is cashless economy and we can't run away from it. However, there are limitations which should be taken care of for a smooth operation of the system. For instance, there should be regular supply of power. We would also need to put security measures in place. In the United Kingdom, there are cameras all over the place. You won't even see police on the highway. Even at filling stations, you don't see attendants or armed policemen there. These are what we call self-regulatory measures, which guide how you operate.

It is a good move, because the quantity of cash we carry is too large and it also has its own associated risk. It is when you carry physical cash that armed robbers will be after you and that is why we have a high incidence of robbery.

The cyclists are even robbing those who have gone to bank to collect money, because they see the physical cash. But by the time we start operating the credit system, cheque system with minimal quantity of cash, the robbers will know it is not worth their while to go after people who have little or no cash to give.

The only problem is that there will be initial resistance because we are not used to it. We are used to a cash and carry economy. The traders will not believe in this because they want to see their money and they also want to drop it at their destination. So, the issue of confidence has a fundamental role to play. Trust and confidence should be there. If you say you are paying someone a certain amount of money at a particular time and you fulfill the promise, then you start cultivating that trust relationship. People will now start believing you.

The policy therefore requires a lot of sensitisation, a lot of publicity, a lot of confidence-building. That is what is required in the economy. It is good for everybody because the cost of printing currency is very high. If you look at the Nigerian currency vis-à-vis the U.S. dollar and U.K. pounds, you will be surprised to see that dollars that have passed through several hands still look neat when it is given to you. The way the Naira is being treated is bad. People even write on the naira note. This is not acceptable.

The time you even waste going to bank to collect money is another problem. When you get to the bank, you see long queues and pity people. If the withdrawal limit is put at N150,000, it's okay. Some banks will even tell you that if you are withdrawing not more than N150,000, go and use ATM machine. It has the potential of reducing the queues we have in banks, time lost and security risk associated with carrying large sums of money. It will also reduce the level of corruption in the country, because the more the quantity of money you have on you, the more the desire to induce people you are dealing with. For example, you enter into a deal with somebody and because you don't want the money involved to be traced to your account, you want the money to be paid to you in cash and you go away. But with this policy in place, if you withdraw more than N150,000 there is a cost associated with it. When you talk of the restriction, it is on cash withdrawal and also on cash deposit. It will also bring less stress to officers handling cash in the bank. All of us will get used to the system.

**Considering the level of illiteracy in this country compared to the level of illiteracy in the advanced countries where this system is being practised, don't you see that we will have some problems implementing this policy?**

Well, that is a point but it cannot be a stumbling block. Look at the GSM, the grandparents are also using it in the villages now. They use it in the markets, rural areas and look at the butchers, those who sell onions, pepper sellers and so on. They all use GSM. They call their children. They are not literate but they have been taught how to use the phones. They taught them how to make and receive calls. So, we can also teach them how to use ATM cards. It just requires

enlightenment and direction. Illiterate people are driving vehicles. In fact, most illiterate people are driving trailers and trucks, even though they may not be able to read road signs because they can't speak English, they are able to understand what the road signs are. The issue is not really level of illiteracy, but education, enlightenment, instructions, making them to understand how to use them. Also, over time, the level of their proficiency will improve and definitely be enhanced. For example, market women use calculators. Who taught them how to use calculators? They use it to calculate their money. They punch the calculator to get whatever value they have. Is it different from how to use the ATM card? It is the same punching of numbers. If someone can count the numerals in his own dialect and even recognise the figures in his own dialect, he can be taught all these things. So, if he goes there, it is just the application of those techniques.

**As a Professor of many years, what will you say about our level of illiteracy in Nigeria? Do you foresee a time in the near future when we will have the level of literacy that will match that of those countries we are hoping to catch up with by year 2020 or eventually outrun?**

Yes, it requires exposure, education, enlightenment and persuasion for people to embrace development. The level of illiteracy is very high and that's why World Bank and other financial institutions are helping on all things associated with level of illiteracy, level of poverty, level of infrastructural development, level of healthcare delivery etc.

**If we are going to start the process of persuading people to go to school now, do you see the number of the institutions we have as being adequate to contain all of these people who will want to be educated? As you said, the level of illiteracy as at now is very high and there are whole lots of people who are not sending their children to school. And that is probably why we have a high incidence of crime, political thuggery and the like.**

I think the institutions have grown over time. You will recall that when university education actually started, we had only three universities. We had the University of Ibadan. They used to call it University College then. We also had University of Nigeria, Nsukka, University of Lagos followed by Ahmadu Bello University Zaria. But as you can see, the number of universities has grown over the years. And that time, we were even talking only of federal universities but due to liberalisation of licenses for the establishment of universities, we now have state universities that came on board. Almost all the states now could boast of a university and of course private universities with different backgrounds. We have Christian universities, Islamic universities and other specialised ones established by private individuals. So, there is a growth in the number of universities and what is required is proper national development planning. We must know the number of people, take a proper census and know the true population of the country. Also, we should find out the growth rate of the population. Then we have to look at other infrastructural, social facilities that also go with the growth in population.

What we have not done as a country is building models and scenarios where you now look at what's on ground, the growth rate and the other things we need to put in place to match the growth rate. That is what the developed countries have done.

Let's just take the third mainland bridge for example. Those who built the bridge must have looked at the capacity of vehicles plying the bridge. How many years will the bridge be able to cope with that level of capacity? The third mainland bridge was not built for 'thy kingdom come'. Data should be available as to the number of vehicles to ply it and for how long before we will now enhance the capacity of the bridge, expand it or think of alternative bridges. At the time the bridge was built, the capacity of vehicles plying it was not much unlike now. That's what we call poor development planning. And on that third mainland bridge, you should be able to see the name of the consultants who conceived the idea, those who executed it, and the capacity of the bridge and for how many years they have projected that those vehicles should ply the bridge, and at

## PRESIDENT'S INTERVIEW

what point in time will the bridge be maintained. In the U.K. anything put in place will have something to tell you how far it will go, but we don't have it in this country. And when we talk of Tafa Balewa Square, there is supposed to be a history, like how many people it should contain at a particular point in time. Take South Africa for example, particularly in Johannesburg, you don't see heavy vehicles like range rover, jeeps and the like. You see small and low cars. The roads are so smooth and the people even drive at high speed. If you use those types of small cars in Nigeria, you can only drive them for one week and you might as well throw them away because the pot holes on the roads would have damaged them. Look at the roads that are constructed in Nigeria, do they even have a history about how long those roads will be in use before undergoing repairs? These are issues on which government should use professionals, those who have the knowledge, those who have the expertise and experience to drive processes. To achieve success requires the will power to change and if you want to change an environment, you may not be a beneficiary of that change. If you

service to the nation. But during this period, we have taken steps to be part and parcel of the advisory team to ensure that the economy which belongs to us is going to a higher level comparable with other developed countries.

**You mentioned that you have already started something on partnership with the government of President Goodluck Jonathan. Can you let us know some of the things you have done?**

We visited the Clerk of the National Assembly and at that point in time, I also had the opportunity of speaking on phone to the Clerk of the Senate and the Clerk of the House of Representatives. At the point we met with the Clerk to the National Assembly, we brought up a certain proposal. Now that we have the 6<sup>th</sup> National Assembly in place, we have legislators with different backgrounds, some are sociologists, some are geographers, some are educationists, medical doctors, lawyers and others from different disciplines which may be different from issues that are directly affecting national



**“... we put in place a human capacity development programme that would ensure our staff can compete anywhere in the globe and that is why we are also not restricting them to local and indigenous training. We will expose them to foreign and international training, where they can also draw experiences from other colleagues in other continents. ”**

want to be a change driver, you cannot be a beneficiary of that change. That is the only way you can succeed, but if you want to benefit from that change, then you cannot do the change.

**In the next one year, which role do you see ICAN playing in the economy of Nigeria? You know the theme of your Presidency is similar to that of President Jonathan Goodluck's: what would be ICAN's contribution to the nation's economy in the next one year?**

The Institute of Chartered Accountants of Nigeria has to be a partner with the government. There is no running away from that. Government is definitely involved in policy making and policy implementation. So, ICAN definitely is ready to partner with the various arms of government. In fact, we have started doing that in the areas of education, enlightenment of legislators on issues concerning accounting, taxation and means of generating revenue. Also, we want to ensure that professionals are used in government. We have advised the nation's President that the only way nations are driven is to engage professionals. Politicians have their roles but if you want to drive a vision, you use Professionals and put square pegs in square holes. Those Professionals are held accountable for whatever lapses or pitfalls that is associated with them. So, the Institute of Chartered Accountants of Nigeria has to assist in financial, economic and budgetary and other associated issues, and also be able to speak out on matters affecting the economy. We will also contribute to public debate on issues affecting the generality of citizens, because If ICAN which is better positioned to do that, does not speak out, it is not doing the right

economy. The blend of all these professionals will enhance policy formulation and implementation. So we said that ICAN would develop an interactive forum in terms of enlightenment for the newly inaugurated National Assembly and we have developed the programmes. We want the legislators to have more informed and in-depth knowledge of accounting, finance, economics and other related issues so that when they are discussing bills and issues on the floor of National Assembly, they are better equipped to arrive at decisions that will impact positively on the lives of the citizenry. You cannot give what you don't have and you cannot teach what you don't know.

So, the Clerk to the National Assembly agreed that we should also visit and interact with the Speaker of the House of Representatives and also some committee members of the House of Representatives. The Speaker was quite happy with it and embraced it. Some members also had input into that programme. The programme is tagged **“Interactive Session with Members of the National Assembly”** under the auspices of the Clerks of the National Assembly and the Institute of Chartered Accountants of Nigeria. We also intend to pay a visit to the Senate President and the President of the Federal Republic of Nigeria, Dr Goodluck Ebele Jonathan. During that particular visit, we will be able to espouse the relevance, the services, the importance of engaging professionals like the products of the Institute of Chartered Accountants of Nigeria. We also plan several visits to the Honourable Ministers of Finance, of National Planning, of Trade and Investment, of Federal Capital Development Authority, the Corporate Affairs Commission, National Universities Commission, National Board on Technical



Education and so on.

Besides government, we are also going partner with other stakeholders. You see, an economy cannot grow without partnership between the Public and Private sectors. The thing that is in vogue now is the triple "P" — Private Public Partnership. Government cannot do everything. All these road constructions, building of bridges, provision of capital intensive facilities require Public Private Partnership arrangement, to be able to drive such projects. The sources of finance available to the government are dwindling because some states can hardly pay the salaries of their workers, so, they focus more on the recurrent expenditure rather than capital expenditure.

Let me recall the visit to the Speaker of the House of Representatives. We arrived at a decision with the Speaker that any time the members of the House of Representatives are going on oversight functions to ministries, departments and agencies, members of the Institute of Chartered Accountants of Nigeria, would be invited to be part and parcel of the team to the various MDAs, to enhance the level of verification process and reporting of these various ministries, departments and agencies and it will enhance their decision-making processes.

**Nigeria's adoption of the IFRS is commencing in January 2012. What is ICAN doing to build the capacity and technical skills of its members in readiness for the task ahead?**

ICAN has gone out in full scale on sensitisation, education and certification. These were done through the Institute's Mandatory Continuing Professional Education programme, MCPE. We use it to enlighten our members in the various states on the value, the relevance, the essence and issues associated with the International Financial Reporting Standards. We have even gone beyond that. We have certification programmes that are organised by the Corporate Finance Faculty of the Institute and many of our members have been attending. As I discussed with the Body of Past Presidents, the programme will be open to those who are not our members because they are also showing interest.

Recently, we had a meeting with the Director General of the Nigerian Stock Exchange and his Management team. The outcome of the meeting was that the Nigerian Stock Exchange and the Institute of Chartered Accountants of Nigeria will run an enlightenment programme for CFOs and CEOs of listed companies. That would be one of our Corporate Social Responsibilities and we want to drive it free for members. Later we will expose it to other levels of staff to attend under the auspices of Nigerian Stock Exchange and ICAN.

**There is this recent controversy over Islamic banking in Nigeria. On which side are you?**

I was invited in my own capacity as Professor Francis Ojaide to a seminar and various issues came up. For clarification purposes, it is entrenched in the banking and other financial Institutions Act. We have the orthodox banking system and we also have the non-interest banking system and, in the non-interest banking system, you have the Islamic approach and the other approaches. The non-interest Islamic banking system is developed with the principles of the Islamic religion. As I said at that forum, the controversy there revolves round the word 'Islamic'. Once the word Islamic is off, everybody will embrace the non-interest banking system. The non-Islamic people were wondering whether it was another approach to Islamising Nigeria.

**There are other people who have spoken that the same principles that are entrenched in the Islamic banking that is being proposed now are also advocated in the Bible of the Christians. So, such people who are canvassing this position are saying the criticism against it is largely political and insincere.**

What I personally see as the problem for many is that word 'Islamic'. But the point is that it is voluntary. It is not compulsory you must bank with those banks. It is a choice. It is a free market economy. If you want to go to the traditional bank, go there, if you

want to go to an Islamic bank, go there. I think we Christians can also set one up if we so wish and probably call it Christian bank and that will resolve the controversy.

Sincerely, the non-interest bank is another alternative to banking for those who want to embrace the principles that are associated with Islamic banking. They are not charging you interest, rather you share profits. It is different from traditional banking where you will be given loan and straightaway, the interest rate applies.

**The security situation in the country in recent times is nothing to write home about, especially with the bombings, killings and kidnapping that have become very rampant. What is your advice to the government?**

The genesis of the whole thing is that some people want to be more comfortable with less effort. They want to be rich overnight and they will be classified as people who have made it. The society also recognised such people and gave them different types of chieftaincy titles. You see them in every social gathering. These are issues government has to look at seriously. Government should address the issue of our social values by putting in place welfare schemes. We are producing graduates every year but what arrangements are we making for them. That is the social fallout because when a graduate is unable to secure employment they look out for alternative sources of getting money, cheap money of course! Before you know it, they are recruited as thugs and when they are paid N500,000 in one day, you know what that means. You know how many months you will work to get that. So, it boils down to lack of social values. When we were growing up, anybody that stole became an instant outcast. They would parade the person round the whole town, beating the gong. The thief would be made to re-echo the gong and tell the whole town that he was a thief. And you were even scared to be associated with such a person because the moment you associated with him, you had also become a thief. So, we were always careful. The message would be passed from generation to generation like that. Even in future when people see the son of that man that stole many years back, they would describe him as the son of the man who stole so and so item the other time.

Let the social values be integrated in our national planning. Let us know the accurate population of this country. What we need to solve this problem is to let those in charge of national planning start taking the responsibility of national planning seriously. Let's know the population of the country and the number of graduates being churned out yearly. We should also look at the facilities that are available. Are they enough for the graduates we are producing every year? Let's look at the growth rate of the country, even the death rate. Let's look at the national development process. If we put all these in place then government will know how to plan for the people. The people should have access to social amenities and if these are provided, people won't take to crime. Government should put proper social amenities in place. For example, government should start looking at issues now, because our roads are congested. People don't need to travel long distances before they can access public transport. In London, if you have to take your car to the city, you pay congestion charges. That is to discourage people from bringing their cars out. Then, you make use of public transport. It is very cheap, highly subsidised. You can also use underground tube or surface train. When I was in London, the fastest means of transportation is the tube, and we also have the direct line. They make life more meaningful. In Lagos now for instance, I think they should be developing the tube system. In London too, there is an underground tube that passes through the water. The tube can pass through the lagoon in Lagos. London has a history of everything they put in place. Nigeria should also look at train transportation system. Many people have died because of congestion on our dilapidated roads. Recently, I went from here to Ogere, it was hell passing through that place. At a point there was a complete stand still. We should be sensitive to the needs of the people. Government should also try to see the graduates that are coming. You know the graduates have their specialised skills. Government should start expanding and developing rural areas by providing electricity, water

## PRESIDENT'S INTERVIEW

and other facilities that would make life comfortable.

Then, agriculture should also be developed. In Malaysia, they have palm produce plantation and people are working in that plantation. Nigerian government should encourage this Private Public Partnership arrangement to set up plantations. We have land in this country. They should also set up linkage industries. The output of an industry is the input of another. Then, for the artisans and craftsmen, let us make facilities available for them to work with. As you can see every home has a generator and every home has a rechargeable lamp or torch light or whatever you call it, and the artisans are making use of generators to do their work, and every generator uses fuel, so we are encouraging sales of black market products. So, that is another issue in this matter and that would also encourage oil bunkering. This issue needs to be addressed appropriately to make life meaningful for all of us and let all of us be happy. In terms of self-checking measures, you don't see policemen on the highways in London begging you for money. In fact the first time I visited London, I was asking, where are the policemen? Where are the armies? They said we don't have them around this place, all we have are cameras. When you leave London to Sussex,

say ÒI hope you take care of yourselfÓ. When you have a Minister, they will tell him, this is your time and the first question your friend will ask is which contract will you give to me? By the time people start knowing that this is not the purpose why people are in government, you will know.

As the 47<sup>th</sup> President of ICAN, if I have come to make money here, I won't be able to drive the change process I want to do. Or if I'm here to look at the contract that will be awarded and all that, I won't be able to drive the change process because I will be begging the Chief Executive and staff to help me get the contracts and all that. So, it shouldn't be, and that is why you see that I can sit here and drive the change process because I'm not begging anyone for contracts. If you go contrary to the rules, you face the wrath of the law and if you do well, we commend you.

**Sir you will recall that there was always a problem between University Lecturers and government. As a Professor, what do you think is the cause of the problem and the possible solution?**

The problem is lack of confidence of the Lecturers in those who



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you just have cameras everywhere even along the highway. In shopping malls, even large markets, it is cameras everywhere. Even if you are driving and you default, nobody would come and grab you that you beat traffic light, but within twenty four hours, you will just see them in your house, giving you your charges. It is not a matter of *oga* I beg you. Your licence is also endorsed, after which you can forfeit it. These are the things we should put in place here also. Even at bus stops, you don't see people jumping queues. When you are walking on the roads too, there is orderliness and if you want to use the elevator, you don't just stand on both sides of the elevator, you stay on your own side.

**Sir, do you see us achieving these by the year 2020?**

Oh! definitely we can. It only needs will power. It needs determination. We don't need sycophants in government. We need those who have the will power to call a spade a spade. You know it is difficult to call a spade a spade. It is very difficult and you don't want to lose out, rather most people will say it is not my father's property. We need people who are drivers of change process. That is what Goodluck Jonathan should actually do. He needs those who drive the change process. They are just to play the role and just keep on going. But when you have bureaucrats, there is no moving ahead, because they want to benefit from those deceptive processes. When those gaps are filled, there is no benefit accruing to them. That's why most times when those people are in government; they

negotiated or who have promised to carry out and implement the agreement. Government has not really been fulfilling its own part of the agreement. The Lecturers have really lost confidence in the government. The Lecturers are so sensitive to whether government's yes really means yes. Again, the neglect of the educational sector is quite appalling. Education is the bedrock for any advancement and if it is neglected, you now know that we are also going to have a neglected economy. What we also requested is proper funding of education and provision of facilities for the various institutions, from the lower level to the highest citadel of learning.

In my days when we were in school, we had those who kept the hostels clean. Every week, they washed our bed spread. They would give us new supplies. If they anticipated there was going to be scarcity of water, they would fetch water and put it under our beds. Again, they cleaned the hostels three times in a day. In the cafeteria too, those who wanted to drink tea would go to the dispenser, open it and collect tea. Nobody would serve you. If you needed coffee, you went there and collected it. There was maintenance, there was care. Bursary awards were available, federal government scholarships were available, scholarships by other philanthropists and the private sector of the nation were also available. But now, nothing is on ground. That's why many of the indigent students finance their education on their own. Those who had scholarships on the basis of academic excellence, from poor homes were able to finance it, but now, nothing like that. Even if you make a first class,



## PRESIDENT'S INTERVIEW

you just get your first class and go away. Whereas, at that time, if you made a first class, you had a job waiting for you. There is nothing like that now.

But in my own University, we have what we called staff development training. When we have these kind of students, we bring them in as graduate assistants, trying to see how we can put them in place, develop them so that we enhance the workforce and it also enhances the profile of the department in terms of the quality of lecturers.

**On the funding of the educational sector, do you have any specific proposal as to what the budget should look like for education.**

We should look at the state of the various Universities. If we just have flat budgetary provisions for the Universities, it may not meet their needs. So, there is need to categorise the various Universities and also look at the growth rate of those various Universities. We should also look at the existing and proposed facilities. Then, when we come to the supervisory aspect of it, what is each University expected to accomplish every year in terms of infrastructural development. You know you just don't put the facilities there; they also need to be maintained. We should have a maintenance culture. That's why this projection is very important. The government should be able to appropriate sufficient fund to meet those requirements. The University is an environment where everybody is a watchdog. So, Vice-Chancellors cannot easily enrich themselves because everybody is watching. There is no secrecy in the University system. When you provide the money, you say the capital project they should carry out and the period they should carry it out and the terms of those projects. These should be spelt out clearly. I'm telling you, the union will even want to monitor the projects, if the monies are sent by government to the institutions. They will be willing and happy to be supervisory consultants to such projects.

**What is the relationship between ICAN and other recognised professional bodies both within and outside Nigeria?**

Well, the relationship is in the area of cooperation, exchange of ideas, exchange of knowledge, exchange of technical literature and reciprocal arrangements. You know, we have a Memorandum of Understanding with ACCA based on a reciprocal arrangement. We thought with such a reciprocal arrangement, there would be harmonisation between the two Institutes so that when you have the ICAN certificate in Nigeria, you will definitely have the same exemption given to ACCA (by ICAN) when you get to the UK, but it has not worked out so well. It was supposed to be 'give and take', 'live and let live'. If we accorded you concessions, I think it is also good you offer the same level of concessions. On the basis of that gap, the Council of the Institute has reviewed the position of the special candidates course and agreed that from June 2012, graduates of ACCA and other foreign bodies who are not giving us commensurate concessions, will have to be writing the examinations of the Institute, because we don't want to play the second fiddle to anybody. Many of our colleagues also trained in the U.K., they wrote the same examinations, sat in the same classrooms with them and they excelled in their studies, so there is no difference. We are against the manipulation of our children in Nigeria to write their examination and acquire their qualification, without allowing them to work with the qualification in U.K, because their feeling is that what they have is substandard to the stuff of those of them who trained in UK, even though it is the same qualification. The issue of racism is not completely wiped out yet. A black man is a black man. In the U.K. when they are talking of downsizing, it is the black man they will first think about, even if you have nationalized as a citizen of the place. Some of our friends are in a big mess in U.K. now. I was in U.K. in December and March too and I met quite a number of them. They are frustrated and they even find it difficult to come home. The kind of jobs some of them do in U.K. is anything but healthy. It's true that when they convert their pounds to naira, they seem to have much money, but they also want

to enjoy stable power supply, world-class transportation system and internet facility. That is still a tall order in Nigeria. Here, every house provides for its water, every house provides for a generator, rechargeable lantern and torchlight like watchmen. So, you can just imagine the mess. Look at nearby Ghana, they have stable power supply. That's why our own products come at a higher cost. Foreign goods are cheaper than locally produced ones. Naturally, people will embrace foreign products produced at lower cost and with higher quality.

**You are from a humble background and you rose to become a Professor and the ICAN President. How was your growing up like?**

My growing up was quite interesting. I grew up with my grandparents. Those days when parents gave birth to children, they sent those children to their own parents. I don't know why they did that. I knew my father and mother were in the city enjoying themselves, whereas they sent us to the village to stay with their parents. Well, I enjoyed my stay with my grand-parents, because it was from there I imbibed certain values that have stuck with me up to this moment. When I was with my grand-parents that was when I knew what they called tales by moonlight. They used to tell us stories about life generally and also imparting into us certain values. They would tell us not to play with a certain child because he was not a responsible child. If they said that a child was a thief, we would have nothing to do with the child or if they said that a boy was following girls and misbehaving, we wouldn't have anything to do with him. We had all these values being inculcated in us.

If you stole, they would tie snail shells around your neck and they would be knocking the gong and taking the person round the city. You would not associate with those people. I also imbibed the value of hard work: time for work was time for work; time for play was time for play. You never mingled the two of them at all. I think young men these days can't even enter the rain without carrying umbrella. They will ask for a rain coat, but when we were growing up, when my grandmother had made up her mind to go to a place or do a particular task, whether there was rain or no rain, she would enter and say children, follow me. If you were trying to resist, she would ask you "are you salt?". We would enter the rain and catch cold but we also knew what we were going to achieve at the end because if we waited for the rain to subside, we would miss the appointment. That is how we grew up. They also taught us that your sacrifices of today are for a better tomorrow and it is what you sow that you will reap. If you don't sow, and your colleagues are harvesting what will you reap? That was the kind of value we grew up with. I was very much afraid of women. I was to be a reverend father and you know reverend fathers in those days didn't have anything to do with women. I had friends who used to write love letters and they had a good handwriting but I dared not try it. It didn't even come to my mind at all that I should write such letters. I was more committed to going to church and being involved in church activities.

**By the next AGM when the baton of leadership in ICAN will be changing hands, what type of ICAN will you be handing over?**

I will be handing over an ICAN that has gone to the next higher level; an ICAN that would be the reference point for government in the selection of federal cabinet, state cabinet and local government cabinet. I will leave an ICAN that would be a point of reference in terms of advice on divergent issues, which may not even be connected to accounting, because of our ethical values, proficiency, competency, skills and experience.

**How do you relax?**

Well, I only relax when my wife and children are around me. That is the only time I relax because I'm always on the move. I also read the Bible to look at those great men, their achievements and their pitfalls: Abraham, Isaac, Joseph – the dreamer, Samuel, David, Elijah, Elisha, Ruth, Deborah and at Jesus Christ himself. These are the things I do to relax.