INSURANCE COMPANIES AND THEIR IMPACT ON ECONOMIC DEVELOPMENT OF NIGERIA

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BEING A PROJECT PRESENTED TO THE POSTGRADUATE SCHOOL OF AHMADU BELLO UNIVERSITY, ZARIA IN INPARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)

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DECLARATION

I declare that the work in the project title “Insurance Companies and their Impact on Economic Development of Nigeria” has been performed by me in the Department of Business Administration Ahmadu Bello University, Zaria. The information derived from the literature has been duly acknowledged in the text and a list of references provided. No part if this project was previously presented for another degree or diploma at any University.

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Signature Date

CERTIFICATION

This is to certify that this project titled "***INSURANCE COMPANIES AND THEIR IMPACT ON ECONOMIC DEVELOPMENT OF NIGERIA.*** Written by KASIMU Iliya, meets the regulations governing the award of the Degree of Master of Business Administration (MBA) of Ahmadu Bello University, Zaria and it is therefore approved for its contributions to knowledge, and literary presentation.

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ABSTRACT

Business produce goods and services to satisfy the demand of customers. Much as these businesses declare profit year-in-year-out, they also face element of risk and uncertainties that may causes losses. This includes fire, theft, damage by artificial or natural agents and so forth. The business men in the olden days engage into economic activities with pessimism and fear of incurring losses. This inhibits large scale production which is capital intensive. However, with the advent of the insurance business, things improved for the between, as business men become encouraged to commit more of their resources in production activities, knowing fully well that the insurer will reimburse item in the event of damage or loss. Simply put, insurance is a contract of utmost good faith in which the insurer will pay compensation to a policy holder for loss or damage of insured items.

Meanwhile, the practice of insurance has become a lucrative business in itself, such that it contributes enormously to the national development in items of employment opportunity provision as well as Gross Domestic Product (GDP)

Thus, the interest of the research is aroused to carry out a study in this important, yet neglected sector of the economy with a view of sensitizing the students, business men and the entire public of the benefits derivable from the insurance business. The public policy makers shall be intimated as to the areas that require further regulations and or deregulations.

The researcher therefore employed and secondary sources of data collection in order to do justice to the topic. Chi-square technique of data analysis was used to fully digest the sourced information. This technique is quantitative and its choice was informed by its ability to give a pictorial view of the research findings numerically. Similarly, NICON insurance company was the focus as a case study.

The most important among the research findings include the lack of awareness on insurance issues by the teaming Nigerian populations, minimal coverage of the industry's activities in such important sector as health and agriculture, lack of adequate government as well as private sector participation in insurance business, death of professionally qualified staff operating with the industry to boost the confidence of patronizers; vague and intricate operational mechanism and of course public suspicion about the sincerity of purpose with which the insurance business is dispended, the researcher, hence, proffered such remedial recommendations as infusion of deep sense of professionalism by practitioners in the industry with a view to fostering public confidence, inclusion of insurance training in schools curriculum right from secondary to post secondary institutions as mandatory especially for science students, sponsored programmes on point and electronic media outfits on insurance matters, increased government participation and deregulation of stringent rules barring the engagement of private sector into insurance business and up-front settlement of genuine claims as they fall due.

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CHAPTER ONE

BACKGROUND OF THE STUDY

The developments in our society have made living complex and risky to life and properties. This has become so great that the traditional methods of assisting those affected by misfortunes in our societies are no longer adequate. Therefore, societies call for a more reliable and adequate means by which risk or any misfortunes can be covered in the future, and here lies the importance of insurance which safeguard against risks or losses incurred by clients.

Majority of the people in our society today are either ignorant or have a misconception of what insurance entails, what role it plays or its usefulness in the promotion of trade and commerce. As a service industry insurance plays a very important role in the economic and social development of a nation. In appreciation of this, the government has continued to take steps to regulate the activities of the insurance business in order to crate a sound and efficient insurance market.

Insurance business is one of the subjects that have been securing the public in this country. Many people outside the periphery of the business have looked at the institution with disdain and they are simply suspicious of

the insurer and their styles of business. They claimed that insurer are only interested in collecting premium and hardly settle claims, whenever they arise.

1.2 STATEMENT OF THE PROBLEM

The insurance industry is one of the misrepresented or misunderstood businesses in the world. This is mainly due to lack of knowledge on the part of the public concerning their activities. The degree of knowledge varies from century to century and is relative to the state of socio-economy development in each individual country concerned, which may in turn be governed by the level of the literacy component of each community. In a developing economy, problems associated with the misconception of the impact of insurance are not as pronounced as in under developed countries, including Nigeria.

All attempts in developing a sound insurance industry have been confronted by market distortions, high rate of inflation, various governmental regulations, unethical practices and fraudulent tendencies of the insuring public there are overwhelming. There are a few behaviors, which indicate that the Nigerian public, literate or otherwise, know little or nothing about the operation of the insurance business.

Consequently, many questions have been asked. Should insurance companies/brokers continue to exploit the general public as a result of their ignorance about the industry? Is there any need to control the business at all? What are the control measures? These are the questions, which shall be address my self within the essay together with same brief suggestions, and methods by which the loopholes discovered could be corrected. Therefore, this research work aims at highlighting the various function or importance of insurance industry to individuals and whole society of Nigeria.

1.3 **OBJECTIVE OF THE STUDY**

On a cursory look at the insurance mechanism, it would be seen that insurance is a service rendering business. There are special social characteristics of insurance that set it apart from tangible goods industries. Being mostly a contract of indemnity and more so that insurance is a commodity, which people pay for in advance and whose benefits are reaped in the future.

Furthermore, the objective of the study is to throw more light on the activities of the insurance with the view to arousing the awareness of the policyholders and prospective ones. This will be achieved by highlighting

the insurance mechanism, discovering the weak areas that need to be strengthened and recommendations will be proffered for further study.

Also the study is to highlight the fundamental principles of insurance, which the society has not been able to recognize. This work is made in such way as to highlight the need for insurance in our society. Taking all these into consideration, the following are the objectives of this study:

The main objective of this study is to outline the functions, roles and contribution of insurance companies to the development of the national economy.

To identify if insurance companies are useful to our day-to-day activities.

To ascertain if insurance companies actually perform their financial roles diligently.

To suggest ways of improving the functions of the insurance companies.

1.4 **ASSUMPTIONS OF STUDY**

The following hypotheses are developed to ascertain or otherwise of our identified problems.

Most Nigerians do not know the use of the insurance companies in our day-to-day business activities.

Majority of the public does not have confidence in the insurance industry in Nigeria.

Most Nigerians see insurance companies as embezzlers of invested capital.

1.5 SIGNIFICANCE OF THE STUDY

The research is done in such a way that it will contribute to the body of knowledge of insurance. The research work will help in popularizing the importance of insurance companies towards the achievement of the economic goals of the country. The research work will give the general public the chance to learn about the principle on which insurance companies operate and to remove any doubt in the mind of people with regards to the business style of insurance companies.

Finally, it is hoped that this research work would also make a great contribution to academic development.

1.6 HYPOTHESIS OF THEp11-15 STUDY

To establish the fact about insurance companies and their impact on economic development in Nigeria the following hypotheses have been formulated: -

Hypothesis 1

HO: There is no relationship between smooth trade and commerce with organized insurance business.

H_1: Smooth trade and commerce depends on organize insurance industry.

H_1: Trade can still achieve their desired goals in a nation without insurance company.

Hypothesis II

H_0: People that insure their insurable properties are more advantageous than those who do not, in terms of losses.

H_1: People who insure their insurable properties have no advantage over those who do not in terms of losses.

1.7 SCOPE OF THE STUDY

The scope of the study has been limited to the insurance companies in Nigeria. The research work is centered on the impact of insurance companies on economic development in Nigeria and the importance of insurance to individuals. The importance includes the function, benefit of insurance to the society as whole.

1.8 LIMITATION OF THE STUDY

In the Course of gathering the data for this research study, the following problems were encountered:

The degree of cooperation received was not encouraging especially from employees and top management of NICON Insurance Corporation.

Officers to be interviewed were mostly not on sit and those that are around could not attend to me due to the pressure of work as claimed.

Finally, funds and Time constraints serve a very important limitation to this research work.

1.9 **PLAN OF THE STUDY**

This project has been divided into five chapters, the first chapter is the introductory part, this chapter introduces the study and highlights the statement of the problem, purpose, scope and plan and also the significance of the study.

In realization of the need for adequate theoretical background, the second chapter deals with the review of existing literature. The literature consists of information gathered from written sources textbooks, magazines, journals and the likes.

The third chapter presents the research methodology. Hence it describes the various research methods used, method of data collection and analysis adopted for the successful completion of the project.

The fourth chapter is exclusively on data presentation and analysis. This contains the major work done by the researcher.

Finally, the fifth chapter ends the project by giving a summary and conclusion and making the necessary recommendations for better performance.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

This chapter which is the literature review would encompass the introduction, impact of insurance, companies, the risk that may be insured, types of insurance, the Nigerian insurance Market, how modern insurance works, fundamental principle of insurance law and practices, functions of insurance companies, importance of insurance companies in National Economy and the summary of the chapter.

Furthermore, we are going to look and assess the contributions of different writers on this subject in this chapter, which is the insurance companies, and their impact on the economic development in Nigeria.

2.2 INSURANCE COMPANIES AND THEIR IMPACT ON THE ECONOMIC DEVELOPMENT IN NIGERIA.

J.Okafor (1982:8) says that “Insurance can simply be defined as the transfer of risk of economic loss of the event insured against and the amount paid in insurance of such is the heart of the typical insurance contract. We all make plans and have expectation on how our lives will unfold. Experience however, shows that our plans do not follow with certainty their design are over expected and are not always realized. In

most cases, circumstances always interfere with our plans. The system is therefore developed to reduce the adverse of financial consequences that may result from random event intrude to prevent the fulfillment of reasonable expectation.

According to Hamsell (1987:113), insurance is a social process device to provide financial compensation for the effects of misfortune, the payments been made from the accumulated contributions of all parties participating in the scheme.

One of the indices for measuring the development of an economy is the size and maturity of its insurance industry. This is because the insurance industries play a very important role in the mobilization and utilization of investible resources in an economy. It also acts as the absorber of risks uncertainties normally associated with economic activities, the absence of a market for which can reduce the growth of economic activity.

The relevance of the insurance industry is even evident in such less developed economies as Nigeria where the financial system is not very sophisticated and where there is lack of basic infrastructures required to aid the growth of the economy. The industry has been playing a very useful role in the economy most notable in the following areas:

Reduction in the outflow of resources from the country through the retention of insurance and re-insurance premiums within the economy, with a consequent positive effect on the country's balance of payments.

Development of capital market: The insurance industry constitutes one of the major institutional investors in the capital market, thereby providing a channel for the sourcing of funds by both the public and private sector of the economy.

Evaluating insurance consciousness:-The advent of an organized insurance industry and the activities of its members have greatly improved the cultivation of insurance consciousness among business houses and individuals. This has reduced the level of risk, which generally encourage enterprises and therefore enhanced the growth of the economy.

Direct equity and loan investment industrial enterprises. The industry is a major catalyst in the development of large industrial undertakings, which are capital intensive.

Mobilization of savings. The activities of the industry particularly life assurance business have encouraged the mobilization of savings which otherwise may not have been channeled to any productive use such mobilized savings constitute an important source of long-term investible funds in the economy.

In another paper presented by a leading Nigerian Insurance Administrator Ogunlana (1973:44-45) while discussing the impact and role of insurance in the present day economy, he suggested that, “the role and objectives of insurance industry should be broadened beyond the very traditional role played by the industry in development countries. He further states that; “To determine the man power needs of industry it is only logical to ascertain, in the first instance the objectives of the industry”.

In addition to the impact of insurance companies to the development of the economy, it plays a prominent role in provision of life policies, which can be used as a collateral security when obtaining a loan while the value of real estate and other mortgaged properties covered by general insurance is greatly enhanced.

2.3 FUNCTIONS OF INSURANCE COMPANIES

Hamsell (1987), in his publication, "Elements of insurance" broadly divided the function of insurance into two, namely the primary and secondary function.

2.3.1 THE PRIMARY FUNCTION

The primary function is the indemnifying of the individual policyholders for losses or damages and also provides other valuable services to the individual. The policyholder or the insured community pays premium into a common pool out of which the unfortunate few who suffer losses are compensated.

2.3.2 THE SECONDARY FUNCTION

The Insurance Company provides a number of secondary functions, which are of great value to society and country in general. It offers financial security to businessmen and women uncovering and promotes trade, commerce and commercials enterprise. These include:

1. Investment: Insurance play an important role in the economy buoyancy of the nation by investing part of the premium collected to earn interest on government securities, mortgages, individual loans.

2. Reduction of losses: It help to reduce losses by the recommendation made by their surveyors, rating system applied for good and bad risk, allowance of discounts for security in fire and burglary insurance. All these encourage care and serve as inducement to reduce losses.

3. Assistance of Business Enterprise: Large business enterprise required the insurance assistance to enable them function well. Most of their fire, theft, equipment damages and capital risk are shared to insurers.

4. Cost of social services reduction: Premium contributed by the insured is saving in the period of loss or damage, the proceeds claim paid by insurers help to reduce cost of social services by the state, claims and third party liability and life. Individuals conveniently meet their general expenses where the state could have shouldered the responsibility.

5. Invisible Exports: In overseas trade transaction and balance of payments, insurance like banking and shipping contributes the invisible exports of the nation. Local legislation prohibitions transfer of foreign exchange. Some monies are invested locally.

2.4 THE RISK THAT CAN BE INSURED

Life is full of risk, and risk is inseparable from life. Some risks are insurance while some are not.

According to Irukwu (1988), risk can be literally defined as that thing that occurs to an individual in form of loss something which could be detrimental to the individual party or fully. He further states that there are several kinds of risks against which people may wish to protect themselves; farmers may wish to protect themselves against poor harvest that may result from risks of locusts' invasion or from any other danger.

Williams and Heins (1971), sees risk as the variation in the possible out comes that exists in nature of a given situation. But Willet (1951), view risk as the objectified uncertainty regarding the occurrence of an undesirable event.

To qualify for an insurance coverage, a risk must have certain characteristics. For instance, before any person can be allowed to take insurance policy for any property, he must evidently have sufficient interest in the property. This does not mean that a person must have absolute ownership of a property before he could be regarded as having sufficient interest that can enable him to take insurance.

The risks that can be insured is called insurable risk such risk must result from the fact that the circumstance was beyond the control of the person involved. A man who commits suicide cannot hope to benefit from insurance even if he already had a life policy. Once the proof of premeditation is evident and accident cannot be established as the basis or the cause of loss, the loss would no longer be tolerable under insurance.

2.5 TYPES OF RISK

1. **Pure Risk:**- is a risk where the event has two possibilities i.e. status quo or loss, for example destruction, damage or theft of a car.

Pure risk consequences are certainty insurable, but not the speculative risk itself. The provision of insurance may act as a distinct disincentive to efforts of realizing the gains of speculative risk, because the policy would pay up in the event that no gain is realized. It should be noted that not all pure risks are insurable but speculative risk are normally not this implied that insurance is based on the expectation of pure risk circumstances, that is a loss or no loss situation and not that of a speculative risk a chance of loss or gain-chartered insurance institute (1999:11-14)

2. **Special Risk:**- It involved an element of desirability of gain as the motive for entering into the activity . Speculation represents three possibilities, loss or diminution, status quo or gain/profit. Example is investment in equities or into a new market.

3. **Fundamental Risk:** - It affects a large section of the community than individuals. It is always a catastrophe and a disaster. Example: war, drought, natural and physical phenomenon.

4. **Particular Risk:** - Consequences of these risk effects restricted to individuals. It has its origin restricted to a particular individual.

Finally, the probability of loss in an insurable risk should be possible to draw upon statistics, which will reveal the frequency of occurrence of loss in certain classes of risks. Varied as human experience, occupations and social experience are, available insurance coverage's and polices vary from class to class.

2.6 TYPES OF INSURANCE

There are numerous type of insurance policies, the researcher for the purpose of this study has gone through a lot of published work among which includes IRUKWU (1988), OKWOR (1981), ABODERIN (1988) and

ATOKO (1989), they agreed that the major ones are classified into two broad groups these include: -

a) Life business

b) Non- life business

The life business consists of the life and health, while the non-life consists of fire, marine, motor, aviation, accident, workman compensations and miscellaneous business.

2.5.1 **FIRE INSURANCE: -**

This provides cover against loss or damages to insured properties such buildings, contents including furniture and fixtures, plant and machinery, stock of raw materials and finished goods, appliances, office equipment, household and other properties resulting from fire, lightening explosions, bush-fire, tornado, flood and civil commotion.

Fire insurance contract is an agreement between two parties, the insurer and the insured, whereby the insurers in return for consideration (premium) undertaking during the period of insurance to indemnify the insured up to property as damage by the fire and other special perils.

TYPES OF FIRE INSURANCE:-

(a) **Special Perils:-**This covers perils of chemical type instance, explosions, fermentation, riots, civil commotion, malicious damage, thunderbolt, bush fire and hail.

(b) **Ordinary Fire:-**Covers accidental materials damage to property insured including building. These include fire arising from a dual civil commotion, earthquake, explosion by fire and spontaneous contusions

(c) **Loss of Profit:** - is an ordinary fire policy on building or contends provide cover against material loss of capital but no protection against loss of revenue during the period or interruption of business. Fire insurance generally protects capital invested in building and their contents whether their capital represents the savings of the small industry concerned huge resources.

2.5.2 **MARINE INSURANCE**

This covers hull, cargo and freight. This type of insurance enable ship owners not to free portions of their capital as reserve fund for the loss of their vessel and make it possible for rapid expansion and development of the import and export trade.

In another way it is a collateral security which enable the banks to accept responsibility of advancing funds against documents of title (Nigerian experienced a remarkable growth of industries in both the private and public concerns/ Heavy importation of plants, machinery and raw materials for these projects was a boost to marine insurance and a savings of foreign exchange since 1976.

2.5.3 **LIFE INSURANCE**

This type of policy to which it is characterized such that the person insured pays special premium at regular intervals and the amount to which he is covered is payable on his death. When you take life insurance policy, it enables you to save money for your old age when your income earning capacity may have reduced considerably even up to zero. As such a time, you will be able to fall back on your life assurance policy by which the insurance company will take of you at your old age. Life insurance is subdivided into three types; Term assurance policy, Whole life policy and Endowment policy.

Term assurance is very useful where your need for protection is for a limited period. But where the need for protection is a longer period/ and is even permanent, whole life assurance will be the appropriate policy to buy.

Endowment policy is a form of investment or saving scheme for the insured. The insured himself can receive benefit from the policy. For term assurance, the limited period may be one to five years.

2.5.4 **MOTOR VEHICLE POLICY**

Motor vehicle insurance is one of the type of insurance which is undertaken to cover motor vehicle against risks. There are three categories of motor vehicle insurance policy namely:

i. Third party policy
ii. Third party, fire and theft policy
iii. Comprehensive policy

i. **Third party policy:**

This is policy that cover to third party only, this that provide compensation to third party's property damage, body injury or death caused by the insured.

ii. **Third party - fire and theft policy**

Such a policy provides compensation for third party's property damage, damage to insured vehicle by fire and in case the vehicle is stolen.

iii Comprehensive policy

Insurance covers a motor vehicle against physical damage losses arising from fire, theft, falling objects and various other perils and including third party liability for death, injury damage to property.

2.5.5 **WORKMEN'S COMPENSATION INSURANCE**

This is guided by the workmen's compensation decree now Act 17 of 12th June 1987. It covers insured employees against personal injury by accident or disease arising in the course of employment. This is for all sums, which the insured shall be liable and will in addition be responsible for all expenses incurred i.e. legal fee with its consent in defending any claim for such compensation.

Under the workmen's compensation insurance, there are various classes of benefits open to workers. These include medical, temporary incapacity and permanent incapacity.

2.5.6 **BURGLARY INSURANCE**

This provides insurance cover for loss to Insured property or any party they're of belonging to them or held in trust or on commission whilst contained within the premises. If the loss is coursed by theft or armed robber, but only if accompanied by actual forcible and violent breaking into

or out of the building or any attempt there at, or if there shall arise any accompanying damage to the property insured.

2.6 THE NIGERIA INSURANCE MARKET

A market is often regarded as a place where people meet to transact business. Sellers and buyers are physically present at such a place, which may be a building or an open space. The Insurance market, like any conventional market is a place, an environment, or a process through which buyers and sellers of insurance policy come together for the purpose of transacting business in insurance. Thus, the insurance market does not have a physical location. It is a process or a system.

According to Godwin (1985:10), “the Nigeria market is facing greatest problem of the market at present is acute shortage of trained and knowledgeable personnel. Hence in order to be able to cope with the future challenges, insurance manager must try to increase the trained tempo on the job and institution of higher learning.

Osuola E. C. (1993:5) says that “insurance was introduced into Nigeria in the first quarters of the 20th Century, by early British merchants who established training post on the invest coast of Africa”. Osuola further says that, “the business was hitherto conducted in skeletal agency arrangement

until 1921, when the Royal Exchange Assurance Company Limited opened its Office in Lagos. This company dominated practically all the insurance business for almost 30 years and its monopolistic was broken in 1949 when other three British owned Insurance Company enter into the market. By the time of independence in 1960, the number of insurance company has increase to 25 and two to three out of them were owned by the foreign country. From 1960, the number of insurance had increased eased to 109'

The Nigeria insurance market is very active member of the international insurance market. It offers opportunities for members of the general public to obtain insurance cover. This may be done directly with any insurance company or industry through insurance brokers, agents and other intermediaries who work closely with the insuring public to secure the best insurance covers for their customers. In Nigeria, the structure of insurance market include the sellers (that is, insurance companies and reinsurance companies), the intermediaries (that is, brokers and agent) the buyers (that is, the insured), the market associations (which include the Nigeria Insurers Association, the chartered Insurance Institute of Nigeria, the Nigerian corporation of Insurance Brokers, and Institute of Loss Adjuster of Nigeria), and the regulatory or supervisory body (that is, the National Insurance commission), Source an In house Workshop by Cornerstone Insurance Plc. "Introduction to Insurance".

According to Babalola (1989),in a speech delivered, in a seminar at Abuja. He said the insurance market is a free market environment, which encourages competition and participation by local and foreign investors. The regulatory environment is geared only towards the substance of ethical standards in insurance policies and toward sustaining the confidence of the general public in the insurance market. It is not kind of stifling intervention about which free market proponents usually complain.

This is because the federal government of Nigeria has always limited its intervention in the insurance market to the provision of regulatory measures that ensure the healthy growth of the industry. The nation's independence in 1960, Nigeria's insurance market was almost totally free of any form of government regulation and control. This was in part due to the prevalence of foreigners, mostly British Insurance companies whose home laws were believed to have adequately taken care of the operation of companies in the colony so, at independence, the only laws of considerable significance on insurance were the motor vehicles (third party) ordinance of 1945 and the motor vehicles (third party) Act of 1958. At that time, once incorporated just any company could operate as an insurance firm.

A stricter requirement came in 1961 through the marine insurance Act and the insurance company Act, and later in 1964 by the insurance (miscellaneous provision) Act. That was when the law required that only companies that were so specifically registered after their incorporation under the companies Act could operate as insurance companies. The law required that such companies must upon registration state the classes of insurance they proposed to operate. The insurance companies were required also to submit their audited account to the registrar of insurance. In spite of all these, still, there existed certain anomalies and sharp practice, which the government considered lnimital to the development of the insurance industry in the country. Liquidation of such companies were rampant (and the insured would lose huge resources) just as many of the insurance companies refuse to pay claims.

Therefore, in 1968 the federal government promulgated the Nigeria companies' decree, which introduced more string requirements for insurance companies. It directed that each company should produce certified true copies of premium rates, rating plan, rules, and standard policy forms of each class of insurance, together with a certified copy of audited accounts showing the financial position of the company. For companies that were established under the 1968 decree, the required paid – up share capital for those transecting all classes of insurance become

N100,00 for those with life only N50,000 and those with all classes of insurance was raised to N100,00 or 50 percent of premium income which ever was higher , while the solvency margin for those dealing on life only become N50,000 or Percent of premium income which ever was higher , and for those in all classes of insurance except life N50,000 or 10 percent of latest year premium income, which ever was higher.

In spite of these stringent foundation requirements by the law, the market remained too open to all comers who entered at will and quit at will. There were all manners of insurance companies who did ever thing to satisfy the formation requirement, collected premiums from the public, but once faced with claims obligation, either blatantly refused to pay, or pay low compensation or even go into self liquidation on one pretest or another.

Therefore, the need to ensure adequate protection for policy holders from the consequences of the failures of poorly managed insurance companies led the government to introduce regulatory measured over the activities and operations of insurance companies, brokers, loss adjusters, agents, and insurers.

The aim was to fully protect the insuring public who are usually regarded as the weaker partly to the bilateral contracts of insurance. All these constitute

the intermediate measures the government takes in its concern for the protection of the insurance and the national economy.

2.7 HOW MODERN INSURANCE WORKS

In any classes of insurance each members of an insurance group know as the insured, the assured or the policyholder pays a relatively small amount of money into a common pool administered and control by the insurer. Which is usually an incorporated insurance company (under the company and allied matter decree 1990) with limited liability return for a payment which is called premium, the insurer agrees assure the insured risks and under taken to indemnity the insured against losses arising from specified period insured against.

The term of insurance agreement are embodied in a document, which is known as a policy. When the insured loss occurs, the insured will report the event to the insurance company, the Insurance company will look at the genuinely of the claim, if truly he suffered the loss and all the necessary terms of agreement are not breach then the company compensate the agreed sum to the insured.

In the early days of insurance, mutual insurance operates on the assumption that only a few of the risk. Insured against will materialize; as

such the insurer will be left with some profit at the end of each insurance period. The modern insurer operates under a sight more sophisticated system than early mutual insures. Un like mutual insurer the modern proprietary company has both policyholders and shareholders and interest of each group has to be protected. The modern insurance work on the assumption that the premium received over their business will be enough to meet the claims arising together with their working expense and leave him a small profit.

The assumption is based on the theory of the total premium, fund being atrophic events, producing a rest accumulation of claims amending to more than the premium fund, the insurer is required by law to maintain a specific relationship between it's asset and premium income that is his liabilities assumed.

2.8 **FUNDAMENTAL PRINCIPLES OF INSURANCE LAW AND PRACTICES**

Like other professionals, insurance practitioners operate with some principles that have been upheld by the courts over time and some codified in statutes. These are the principles and doctrines upon which insurance is based.

Recently, changes have been made by appropriate authorities to reflect the changes as well as peculiar problems of our society.

The principles are:

i. Insurable interest.

ii. Utmost good faith.

iii. Indemnity.

iv. Subrogation.

v. The subject matter.

vi. Proximate case.

2.8.1 **INSURABLE INTEREST**

The insurable interest is the legal right to insure arising out of a financial relationship recognized by law between the insured and the subject matter of insurance. By this, the proposer stands to lose by the destruction or loss of the subject matter insurance and again in the retention of the status quo.

The subject matter of insurance can be informed of property or event that result in a loss of legal right or creation of a legal liability for example, a building its content or liability at law for to other property.

2.8.2 **UTMOST GOOD FAITH**

The second fundamental principle governing insurance transaction is that of utmost good faith, under the general law of contact, there is each party to contract is entitled to make the best bargain he can and so long as he does not make a false or fraudulent statement, he need not to draw the attention of the other party to anything that influenced his judgment.

2.8.3 **INDEMNITY**

This can described as the financial compensation made available to place the insured in the sane financial position that he occupied immediately before the loss. The insured is not entitled to receive anything in excess of the monetary extent of his loss and he will receive less than this if any limitation in the policy operates. An insured is not allowed to make a gain from an insurance contract.

2.8.4 **SUBROGATION**

Subrogation is the right of one person having indemnified another under a legal obligation to do so, to stand in the place of that other and avail himself of all the right and remedies of that other whether already enforced or not.

Subrogation therefore allows the insurer to recoup any gain the insured might make from an insured event. These rights are usually pursued in the name of the insured.

2.8.5 **THE SUBJECT MATTER**

The subject matter of insurance may be some material, property of value, for example a motorcar or a house. Alternatively, it might be an event the happening of which will create a legal inability for example, the insurance policy taken by a doctor insuring himself against a possible claim by a patient for professional negligence.

2.8.6 **PROXIMATE CAUSE**

The standard legal case of PAWSERY V. SCOTTISH UNION and national (1902), defined proximate cause as the active efficient cause that sets in motion a training of events brings about a result a new and intervention of any force started and working actively from a new and independence source. In order words, this principle stated that there must be a close connection between the loss actually suffered and the risk for which insurance has been taking out. The insurance company will not be liable if risk other than those insured involved. Thus, if when filling out a proposal form, the insured are required to state the names of people who will normally drive a car under which insurance policy is taken. If the car is

involved in an accident driven y another person other than those stated in the form, the insurer will not pay compensation because the person driving the car is not covered by the policy.

2.9 **IMPORTANCE OF INSURANCE COMPANIES IN THE NATIONAL ECONOMY**

The society is changing at a very fast rate than over before, people no longer their brothers keepers and the attachment for extended family is gradually eroding, the economic condition is daily and gradually dwindling which no doubt has lead to the closured of some companies and as a result, the fate of the laid off employee who has spend most of their working life toiling for the employer now a mirage. NICON Historic strides (1999:21)

One finds it difficult to talk of purpose of insurance without linking it with its economic importance, which rest on economic and social benefits. Insurance companies are establishing to make profit, which in turn accumulates and makes profit, which generate economic development through investments.

The economic importance of insurance is outlined as follows: -

Insurance reduces losses, both the policyholders and the entire community are affected in one or the other by the losses, weather or not

there is insurance. Insurance provide services, which reduce the amount of loss through research into loss prevention.

Insurance offers assistance to business enterprise by absorbing most of the risks in their operations, considerable amount of capital are sunk in industries giving rise to risks of fire, theft and damages, insurance therefore venture unto new risk without fear or loss. Thus without insurance such needed capital must necessarily be put side against the possibility of loss, thereby safe guarding capital and freeing it for further investments in business.

Another importance of insurance is the equitable distribution of loss, by the payment of premium, each policyholder contributes to accentual fund (pool) and is managed by the insurance, it is the fund that accumulates for economic investments.

Insurance is of great importance company in the wheel of national socio-economic development in the sense that it is an important segment in social, industrial and commercial life.

Insurance aims at guarantying reliability, viability, solvency, managerial efficiency and probity in protection of the legitimate interest of the policy

holder, third parties and the public at large. Without the security of insurance cover, destruction of personal possessions and industrial undertakings could not operate as banks and similarly, large commercial and industrial undertakings could not operate, as banks would be relevant to finance them. Sources an In house Workshop by Cornerstone Insurance Plc. “Introduction to Insurance”.

2.10 **SUMMARY**

In conclusion, insurance companies have emerged not just as the biggest player in the Nigerian economy, but indeed as one of the biggest firms operating in Nigeria. NICON insurance as a whole controls about 55 percent of the entire insurance business in Nigeria and ranks among the largest insurance firms in all of Africa. With a very large number of employers, the insurance company is one of the largest employers of labor in the finance sector of the nation’s economy. The impact and contributions of the insurance companies to the Nigerian economy is the promotion of socio-economic stability of the nation, and are more than what a private or a privatized institution will ever achieve for the nation.

For thirty years, the insurance companies have played a very significant role in the growth and development of the Nigerian economy and have also standardized it, indeed the stature and role of insurance companies in

Nigeria, have carved on available position for the Nigerian insurance market in Africa.

So, insurance companies have not only been a leader of development resource mobilize in the country, but also been acting as the senior prefect for the economy which holds the ace for the proper direction of the developmental efforts of the nation's economy.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Research is simply the process of arriving at dependable solutions to problems through the planned and systematic collection, analysis and interpretation of data Osuala (1987:26) for any given problems to be solved, information concerning those problems has to be available and must be collected in the light of that problem.

In like manner, this chapter seeks to explain the design of research project and method used in collecting data or information in order to find solution to the problem of the subject matter of this research project.

3.2 RESEARCH DESIGN

Kinner and Taylor (1970) emphasized that research design provides a broad frame work of determine the type of information to be collected, the source of data and collection procedure. Also Wentz (1979) contributed that there is no research design as such the major guide for appropriate research method and procedure is the objectives.

Hence the historical performance of the case study (NICON Insurance Corporation) was used. Data were collected using different method of data collection such as textbooks, journals, insurance yearbook, interview and questionnaires etc. Then a solid background was laid for the subject matter through a detailed literature review. A study of NICON insurance was made. Date collected on the company were presented, analyzed and interpreted.

3.3 METHOD OF DATA COLLECTION

For the purpose of this research, various methods were adopted to collect the required data for the research work. Some of these methods include: -

3.3.1 INTERVIEW

This was carried out to get official views and information relating to the financial policy, planning and control.

3.3.2 QUESTIONNAIRE:

Copies questionnaire were administered on impact of insurance companies on economic development of Nigeria for the purpose of collecting pertinent data required by the study.

3.4 DOCUMENTARY

The researcher used documentary materials such as the annual report, magazine, statistical yearbooks and general reports.

3.5 PROCEDURE FOR DATA COLLECTION

The major sources of data for this study were the primary and secondary sources of data.

(a) PRIMARY SOURCES OF DATA

These include responses received from respondents on whom the Questionnaires were administered. The respondents are the senior, intermediate, and junior staff of the NICON Insurance Corporation.

(b) SECONDARY SOURCES OF DATA

In order to be more comprehensive in information gathering, the researcher also consulted the follow-up secondary source, the journal of NICON insurance PLC, and the journal of the charted institute of Accountants in Nigeria (ICAN) and printed materials like Newspapers bulletin and published reports.

3.6 POPULATION OF THE STUDY

All companies that fall under insurance industry would be the population of this research. The companies under this industry are mostly found in most states of the federation.

NICON INSURANCE CORPORATION was selected for investigation because of the following reason: -

Firstly, NICON Insurance Corporation is largest insurance company in Nigeria, because it accounted for 45% of the total premium income of the Nigerian Insurance market, with a gross premium income of N9.96 billion generated with a profit after tax of N871 million. It has nine zonal offices and 48 branch offices located in virtually every state in the country.

Second, necessary information about its different departments might be easier to obtain than the others.

Thirdly, easy accessibility to the researcher.

3.7 METHOD USED IN ANALYZING DATA COLLECTED

The essence of statistical analysis is to transform the raw data into meaningful form for easy understanding and as a basis of drawing

inference. In this study, the simple percentage% and chi–Square statistic will be employed.

3.7.1 **SIMPLE PERCENTAGE METHOD.**

This is used to analyze and interpret each response in relation to the overall responses expressed as a percentage. It is represented by the formula.

$$\frac{\text{No of respondents}}{\text{Total No of respondents}} \times 100$$

3.7.2 **CHI – SQUARE METHOD**

The statistical method of data analysis will be used to test the hypothesis formulated in chapter one. It is represented as:

$$X^2 = \frac{(fo - fe)^2}{fe} \; or \frac{(o - E)^2}{E}$$

Where: X^2 = chi – Square.

F_o = Observed frequency

F_e = Expected frequency

The 5% or 0.05 percent level of significance will be used.

3.8 **SUMMARY**

The foregoing chapter had given a detailed explanation on the method employed by the researcher in obtaining relevant facts about the subject of the study. The methods used are both primary and secondary. Data expressly collected for the purpose of this study are known as primary data; through the administration of questionnaires as well as personal interview. On the other hand, the data used here in, which are collected and documented for some other purposes, but become relevant to the subject in hand, are called secondary data. This includes Magazines, Journals, Statistical Reports, Textbooks and Newspapers.

The contribution of both primary and secondary data becomes necessary because the researcher cannot obtain all the desired information from one source alone. Primary data is fresh and first hand, while secondary data is second hand but serves as a standard against which the actual performance discovered through primary sources can be measured with a view to do justice to the topic of the study.

Finally, the population covers all insurance companies in Nigeria, but NICON Insurance Corporation was selected for a case study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS INTERPRETATION

4.1 INTRODUCTION:

The aim of this chapter is to present and analyse the data collected from the staff of NICON Insurance Corporation and other insurance companies. Therefore the data are presented in a tabular form and are analyzed accordingly. Data were collected through questionnaire, observation, personal interview and existing documents in the corporation.

A total of fifty (50) Copies of questionnaire were administered; and they were completed by the staff of NICON Insurance Corporation and the employees of other Insurance companies with offices in Zaria and Kaduna. However, not all the respondents responded to the all questions as expected.

Based on the questionnaire and other research method used, the presentation, analysis and interpretation of respondents' answers are as follows:

QUESTION 1: Your Sex?

Table 1

SEX	NO OF RESPONDENTS	PERCENTAGE
MALE	34	68%
FEMALE	16	32%
TOTAL	50	100%

Source: Field work

Comment: The result obtained from the respondents as shown in the table 1 indicates that 34 of them were male and 16 were female given 68 percent and 32 percent respectively, which is in favour of male but still it is a good development to have such a number of female staff in the insurance industry. Even though, the number of student graduating out of university from this profession are very few and also the professionals in the field are limited in number it shows that female has really come of age.

Question 2: For how long have you been in Insurance business?

Table 2:

NO OF YEARS	NO OF RESPONDENTS	PERCENTAGES
0 - 5	7	14%
6 - 10	8	16%
11 – 15	21	42%
Over 15 Years	14	28%
TOTAL	50	100%

Source: Fieldwork

Comment: Table 2 reveals that only 14 percent of the working population out of 50 are in the Insurance industry for 0-5 years, which is an indication that the insurance industry is not recruiting new staff. The insurance companies mostly depend on their old staff as indicated in Table 2, that is, over 40% of their staff have 11–15 years working experience. When you combine this with those with experience of over 15 years, you obtain a staggering proportion of 70%. This undermines the recruitment policy of fresh graduates in the country.

Question 3: Trade cannot achieve its desired goals in a nation without the aid of insurance companies?

Table 3

OPTION	NO OF RESPONDENT	PERCENTAGE
Strongly Agree	34	68%
Agree	11	22%
Disagree	3	6%
Strongly disagree	2	4%
TOTAL	50	100%

Source: Fieldwork

Comment: Table 3 revealed that 34 respondent out of 50 representing 68 percent of the total population strongly agree that trade cannot achieve its goals without the aid of Insurance, which is quite obvious as the saying goes that Insurance act as the senior prefect for the economy which holds

the ace for the proper direction of the development of the nations economy. Hence the responses of 68% as against 22% confirm the relevance that trade cannot achieve its objectives without the aid of Insurance, which provides full security coverage in the event of risk or misfortune.

Question 4: People that insure their insurable properties are more advantageous than those who do not in terms of losses

Table 4

OPTION	NO OF RESPONDENT	PERCENTAGES
Strongly Agree	40	80%
Agree	10	20%
Disagree	-	-
Strongly disagree	-	-
TOTAL	50	100%

Source: Field work

Comment: The percentage obtained from the result of Table 4 revealed that 80 percent of the total populations as against 20 percent strongly agree that people who insured their insurable properties have more advantage than those who do not in terms of losses. This indicates that people who insure their insurable properties are more at ease than those who do not in term of losses because of the protection insurance provide. Moreover, insurance helps, people to maintain their previous position before calamities. Insurance also contributes to the national economy.

Question 5: Do you believe that without risk there will be no insurance?

Table 5

OPTION	NO OF RESPONDENT	PERCENTAGE
Strongly Agree	50	100%
Agree	-	-
Disagree	-	-
Strongly disagree	-	-
TOTAL	50	100%

Source: Fieldwork

Comment: From the above table, it is quite obvious that all the 50 respondents strongly agree that without risk there will no insurance, meaning that the existence of risk gave birth to insurance i.e. insurance is a risk transfer mechanism.

Question 6: Did insurance companies have some principles and doctrines upon which they operate?

Table 6

OPTION	NO. OF RESPONDENT	PERCENTAGE
Yes	50	100%
No	-	-
I do not know	-	-
TOTAL	50	100%

Source: Fieldwork

Comment: All the respondents unanimously agree that insurance companies operate with some principles that have been upheld by the court over time and some codified in status. These are the principles and

doctrines upon which insurance is based. The principles are insurable interest, utmost good faith, indemnity, subrogation, contribution and proximate cause.

Question 7: Not all risk presented for Insurance can be covered?

Table 7

OPTION	NO OF RESPONDENT	PERCENTAGE
Strongly agree	14	28%
Agree	36	72%
Disagree	-	-
Strongly Disagree	-	-
TOTAL	50	100%

Source: Fieldwork

Comment: Fourteen out of 50 staff, representing 28% strongly agree that not all risks could be covered. While 36 respondents out of 50, representing 72% agree that not all risk presented for insurance can be covered, which is true. For a risk to be insurable, the following general conditions must be met. The risk must be pure, it can be capable of financial measurement, person insuring must have insurable interest, the premium must be reasonable, the damages must be inherent in nature and lastly there must be adequate knowledge to enable insurers quote terms and conditions.

Question 8: Kindly give at least two examples of each pure and fundamental risk.

Most of the respondents that were able to respond to these questions give example of pure risks as:

1. Earth quake
2. Explosion
3. Destruction
4. Damage
5. Or theft of a car

While fundamental risks include:

a. War

b. Inflation

c. Etc

Question 9: Briefly, differentiate between risks and chance.

Respondents defined risk as uncertainty of loss, which may likely happen, or a probability of an event happening and can be insured against. While chance is the likely opportunity of something occurring or the probability of loss or occurrence or positive expectation of event and cannot be insured.

Question 10: Briefly state the role insurance plays in the growth and development of the Nigerian society and economy.

Respondents cited the following roles:

a. Availability of funds (life) for investment.

b. Provision of employment.

c. Provision of settlement money for claims.

d. Loss prevention and social security.

e. Providing financial security.

f. Insurance investment and national income.

g. Insurance and social development.

h. Insurance investment in real estate department.

i. Insurance investment and the balance of payments.

j. Insurance investment and gross National product (GNP)

Question 11: Many people outside the periphery of the Insurance Industry have looked at the institution with disdain and they are simply suspicious of the insurer and their styles of business. What effort does your corporation do to remove doubt in the mind of the public?

Respondents outline some effort put in place by the insurance companies to remove the doubt in the mind of the customers or the general public at large. Some of the efforts employed are public awareness campaign through advertisement for example; “A caged lion” advert. By NICON insurance at 9:00 pm network news break every night, many pamphlets have been published to create awareness and to show how claims are openly settled so as to convince people that funds collected from insurance companies were rightly used, extensive public awareness campaign through seminars and customers forums, establishment of branch network, so as to come closer to the people at a grass root and educate them on what insurance is all about.

Question 12: Kindly suggest ways of improving the function of insurance companies.

The respondents suggested the following major ways of improving the function of insurance companies.

Through more inspections and regulations by the relevant Government agencies.

Insurance professional bodies should be more strict in supervising the activities of insurance companies for example N.I.A. (National Insurance Association).

Employing professional and technically sound employees.

According to the insurance industry more recognition and relevance should be given by the government as is done for the banking industry.

More public enlightment by the insurance companies.

Better welfare on insurance personnel's.

More government involvement on the activities of insurance industry.

4.2 HYPOTHESIS TESTING

To draw a generalized and valid conclusion on the study, chi-square x^2 was used in testing the hypothesis. Hence the hypothesis was tested using the chi- Square x^2 formula.

$$x^2 = \frac{(fo - fe)^2}{fe} \; or \; \frac{(o - E)^2}{E}$$

Where: fo = Observed frequency

fe = Expected frequency

4.2.1 HYPOTHESIS 1

Smooth trade and commerce depends on organize insurance industry. The hypothesis will be tested using table to ascertain, whether smooth trade and commerce depends on organize insurance industry.

ALTERNATIVE RESPONSE	FREQUENCY O	PERCENTAGE
Strongly Agree	34	68%
Agree	11	22%
Disagree	3	6%
Strongly disagree	2	4%
TOTAL	50	100%

SOURCE: Fieldwork

The researcher carried out the computation using the sight steps of chi-square x^2.

1. State the Null and alternative hypothesis:

H_1 – There is nor relationship between smooth trade and commerce with organized insurance business.

H_0 – Smooth trade and commerce depends on organize insurance industry

2. State the testing statistic, which is

$$x^2 \frac{(fo - fe)}{fe}$$

Where: fo = Observed frequency

fe = Expected frequency

3. State the level of significance mostly used in 5% i.e.

5% = 0.05

4. The degree of freedom is given as

df = (k – 1) Where: k = Total no_ of row = 4

(4 – 1)

df = 3

5. The critical value of significance

0.05 at 3 df = 7.82 i.e. using chi–square table.

6. Computation of the test statistics, using the table response on whether there is any relationship between smooth trade and commerce with organized insurance business.

∴ Expected frequency = e = $\frac{Efe}{n}$

Where: e = Expected frequency

∑fo = Observed frequency

n = Total no_ of row

$\therefore$ e = $\frac{50}{4}$ = 12.5 or 13

e = 13

ALTERNATIVE RESPONSE	FREQUENCY O	E
Strongly Agree	34	13
Agree	11	13
Disagree	3	13
Strongly disagree	2	13
TOTAL	50	

To calculate what is observed we use:

$x^2 \frac{(fo-fe)^2}{fe}$ or $\frac{(o-E)^2}{E}$

= $\frac{(34-13)^2}{13}+\frac{(11-13)^2}{13}+\frac{(3-13)^2}{13}+\frac{(2-13)^2}{13}$

= $\frac{(21)^2}{13}+\frac{(-2)^2}{13}+\frac{(-10)^2}{13}+\frac{(11)^2}{13}$

=33.923 + 0.308 + 7.692 + 9.308

=51. 231 ⟶ Calculated value x^2

7. Comparing the test statistic with the critical value.

x^2 test statistic = 51.231

x^2 critical value = 7.82

$\therefore$ 51.231> 7.82

8. Decision: Since the calculated value of x^2 is greater than the table value of x^2 we reject the Null hypothesis and accept the alternative hypothesis.

   Therefore we conclude that smooth trade and commerce depends on organize insurance industry

4.2.2 HYPOTHESIS 11

People that insure their insurable properties are more advantageous than those who do not in term of losses.

This Hypothesis will be tested using table. The purpose is to know whether people that insure their insurable properties are more advantageous than those who do not in term of losses.

ALTERNATIVE RESPONSE	FREQUENCY	PERCENTAGE
Strongly Agree	40	80%
Agree	10	20%
Disagree	-	-
Strongly disagree	-	-
TOTAL	50	100%

Source: Fieldwork

1. State the null and alternative hypothesis.

Ho - People who insure their insurable properties have no advantage over those who do not in terms of losses.

H1 - People that insure their insurable properties are more advantageous than those who do not in terms of losses.

2. State the testing statistic which is.

$$x^2 = \frac{(fo - fe)^2}{fe} or\ x^2 = \frac{0 - e}{e}$$

Where: o = Observed frequency

E = Expected frequency

3. State the level of significance mostly used in 5% i.e. 5% = 0.05

4. The Degree of freedom is given as

df = (k – 1) Where: k = Total no_ of row = 4

4 – 1

df = 3

5. The critical value of x^2 level of significance 0.05 at 3 df = 7.82. i.e. using chi – square table.

6. Computation of the test statistics, using the table response on whether people that insure their insurable properties are more advantageous than those who do not in term of losses.

∴ Expected frequency = $E = \frac{Efo}{n}$

Where: E = Expected frequency

∑fo = Observed frequency

n = Total no_ of rows

∴ E = 50/4 =12.5 or 13

E = 13

ALTERNATIVE RESPONSE	FREQUENCY O	E
Strongly Agree	40	13
Agree	10	13
Disagree	-	13
Strongly disagree	-	13
TOTAL	50	

To calculate what is observed we use:

$$x^2 \frac{(o-E)^2}{E} \; or \frac{(fo-fe)^2}{}$$

$$= \frac{(40-13)^2}{13} + \frac{(10-13)^2}{13} + \frac{(0-13)^2}{13} + \frac{(0-13)^2}{13}$$

$$\frac{(27)^2}{13} + \frac{(-3)^2}{13} + \frac{(-13)^2}{13} + \frac{(-13)^2}{13}$$

56.077 + 0.692 +13 + 13

=82.769 ⟶ calculated value x^2

7. Comparing the test statistic with the critical value.

x^2 Test statistic = 82. 769

x^2 Critical value = 7.82

$\therefore$ 82.769 > 7.82

8. Decision: Since the calculated value of x^2 is greater than the table value of x^2 we reject the null hypothesis and accept the alternative hypothesis.

Therefore we conclude that people that insure their insurable properties are more advantageous than those who do not in terms of losses.

4.3 FIVE YEARS ANALYSIS OF THE PERFORMANCE OF THE INSURANCE INDUSTRY

The financial performance of the industries over the years is summarized below. (See appendix for financial details). Though, not the most current financial information, but are significant records for the assessment of the industry's performance and contributions in national economic development.

The five years analysis of the insurance market in Nigeria is based on the data obtained from annual returns of the insurance companies during the quoted periods. (1994-1998), this period was relatively stable for insurance activities. However, the high level of political economy instability has

significant effects on the general performance of the entire industry during this period. Some factors that affected the performance of the industry include;

Low disposable income.

Low industrial activities, particularly the private sector of the economy.

Unhealthy rivalry among operators.

Unstable political atmosphere.

High level of sharp practices among operators.

Low capitalization of companies.

Lack of innovation in terms of product development.

Management and meeting the desires of the insuring public.

A look at table A2 reveals the investment pattern of insurance companies. On the absolute, more investments are made in form of stocks and bonds and real estates. This can be explained in terms of investment over others, especially government securities. However, Insurers are compelled by law to invest in government securities to provide the needed securities for insurance funds.

The gross income premium of registered insurance companies as at 1998 (see table A4) totaled N 19, 159,901 by class. The growth trend as seen varies between classes of businesses.

The net premium income shows a noticeable decrease during the period. This could be explained in terms of low performance of the reinsurance sub –sector. One major reason might be poor marketing strategies on the part of the reinsurance companies. There is the need for insures to have a close relationship with insurers to improve their reinsurance culture. The premium with holding strategies of the underwriters can be broken if the reinsurance adopts aggressive marketing strategies.

The indigenization of the insurance decree of 1976 has led to the strengthening of the activities of the industry. Thus, enabling it to have enough retention of risks and indeed premium within the country.

Finally, according to the insurance year book of 2001 we have 116 registered insurance companies, 6 Re-Insurance companies, 369 registered insurance brokers and 32 registered loss adjusters.

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION:

In this chapter, a Summary is made of all the matters discussed in the previous chapters. Conclusions and recommendations are also made.

5.2 SUMMARY:

This project work is aimed at highlighting the various functions and importance of Insurance Companies to the Nigerian economy.

This project work has five chapters, the first chapter consist of the Nature and origin of Insurance in Nigeria which deals with the statement of the problem, assumption of the study objective, significance, hypothesis, scope, limitation and plans of the study.

The second chapter is the literature review, it contained the data collected from documented materials or published information such as annual reports, magazines, journals etc. The chapter also contained discussions on impact of Insurance Companies on the development of Nigerian economy and the role of the Nigerian Insurance market.

In the third chapter, which is the research methodology, attempt was made to explain the design of the research project and the method used in collecting data that were relevant to the study.

The fourth chapter deals with analysis and interpretation of the data collected.

And finally, in the concluding chapter, we present a summary of the study, conclusions, recommendations, and suggestions for further studies.

5.3 CONCLUSION

This study has attempted to highlight the impact of insurance and its major contributions to the economy. It has revealed the significance of the insurance industry, in national economic development. The industry is still quite young, however, the regulatory body, MAICOM are laying down regulations in an attempt to revitalize the industry. The insurance industry acts as an absorber of the risks and uncertainties normally associated with economic activities, it is our conclusion that enactment and implementation of laws that would enhance the growth of the industry that would increase its contribution to the gross domestic product. We cannot have a buoyant economy if it is not insurance backed. Hence, we must support our insurance industry to enable it play an effective role as the nation's risk

bearing industry, capable of propelling the national economy to greater heights and further growth. Also, the entire insurance mechanism and the national economy can only function effectively in a peaceful and orderly environment under the rule of law.

The future of this industry looks promising if the professionals will remain united, having the same vision and pursuing the same goals.

The industry has been under serious criticisms on account of its reluctance in the settlement of claims and alleged unclear terms of insurance, which were often interpreted against the interest of the clients. These misconceptions have given the industry bad name, to the extent that members of the public consider it a waste of resources to insurance any property. According to Late Mrs. Stella Obasanjo, as quoted in a meeting tagged FIICEN (forum of Insurance Institutions chief executives and National Insurance Commission) said “There remains this belief that the insurance company will manufacture some excuse not to settle your claim in the event of accident”. According to her, an efficient and reliable insurance Industry should constitute a major element in the overall economic development plan, adding that it remains one of the ways in which investors could be persuaded on the security of their investment.

5.4 RECOMMENDATIONS

The fact that the performance of the insurance industry depends to a large extent on the social, economic, and political environment in which it operates, the insurance industry of any nation is to a large extent, a reflection of the level of performance of the nation's economy.

In this light therefore, to have a viable insurance-backed economy that is to improve on the efficiency of insurance industry, we recommend followings:

1. A revolutionary promotion of knowledge and education: the number of professionals in this field is too limited. In an effort to improve the status of the industry, there must be a revolutionary promotion of knowledge amongst the brokers. Insurers, reinsurances, activities and loss adjusters. The industry must now begin to recruit young graduates for training as future leaders in all sectors of the industry.

2. Marketing culture: For the industry to develop there is the need to be more creative and innovative especially in marketing initiatives. Due to lack of marketing orientation, the level of awareness of insurance business has remained low in Africa.

3. Agricultural and Health Insurance: The present Government of the country has to give more emphasis on agriculture and health insurance, because they are the areas that demand urgent coverage by insurance industry. This is because at this stage of our development it is obvious that our survival as a nation depends on our ability to feed ourselves. Therefore, the funds accumulated by the Nigerian Agricultural Insurance Company should also be used to assist the small-scale farmers, so that they will use the fund to purchase fertilizer and other tools and farming equipment.

   Further more, the problem of health care and medication has become so costly, that there is a yearning need for health insurance scheme in Nigeria. Nigeria is highly populated, the benefit of large number will make the health insurance viable.

4. Government policies and programmes should be geared towards the promotion of insurance awareness by making it mandatory by certain class of insurance in the interest of the public. For example, the employer's liability to their employees for death or injuries at work, fire insurance for all installation in office buildings, factories etc, would have the advantage of promoting awareness and availability of funds thereby increasing the investment power.

5. Insurance company could also further invest in the construction of housing estates in urban and rural areas that could be rented out to members of the public at a reasonable amount. Also the educational sector needs the insurance companies to provide special funds for under privileged children, orphans and also for technical training in order to learn a trade.

Finally, certain control should be incorporated into the operation of the insurance companies in order to check against misuse of funds, which is supposed to be used in indemnifying people concerned, such control are to make sure that the operations are carried out and the staff are efficient. The areas of control include:

a. Structural control
b. Procedural control
c. Custodian control
d. Efficiency control

All these are along institutional line and often referred to as check and balances. Hopefully, if these few suggestion is adopted effectively, the insurance industry will have a remarkable impact on the economic planning of the nation.

SUGGESTION FOR FURTHER STUDIES

The topic insurance companies and their impact on the economic development of Nigeria; this research has merely sentenced the surface to the enormous field that could be further looked into.

It will be interesting if further studies will be carried out on the following areas:

1. Travelers Personal Accident Insurance Scheme (TPAIS): This scheme was conceived to cushion the effect of the accidents involving inter-state or inter-city travelers within Nigeria. The researcher suggested that further study should be made so as to enhance the scheme to cover the passenger from the beginning of his journey to the final destination that is death, permanent disability and medical expenses per trip.

2. Police/Customs Welfare Insurance Scheme: This is a special welfare scheme packaged for the Nigerian Police/Customs. It is a combination of personal Accident and Group life assurance. Benefit becomes payable to a member of the scheme in the event of death or permanent disability and retirement from service. It is suggested that

further studies should be carryout to make the scheme a reality and to be comprehensive to cover both the offices in junior cadre and offices in the higher cadre.

3. Okada or Achaba Riders Insurance Scheme (OR15): Due to the growing use of motorcycles in Nigeria for commercial purposes it should be wise if the insurance industry can design a package i.e. an insurance cover for “Okada, express, or Achaba riders”, for death, disability and medical expense of the riders, one passenger and any other third party.
4. Cellular Phone All Risk Insurance: This product is to be designed in conjunction with Nigeria Mobile Telecommunication Limited(M-Tel) to provide cover for subscribers in respect of their cellular phone handsets against perils like fire, theft, breakages liquid damage and electrical faults.

Finally, it is important to note that the best security money can buy is insurance, therefore it will be suggested that public should be encourage to buy insurance cover for their properties and valuables just as the saying goes “keep something aside for a rainy day”. On the other hand, government should also design a policy that every business corporation should insure their employees or properties against any form of loss.

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APPENDIX
Table A1

Summary of asset of Insurance Companies for a Period of five-years.

ASSETS	1995 (N'000)	1996 (N'000)	1997 (N'000)	1998 (N'000)	1999 (N'000)
Cash and cash Items	20.00	29.50	43.00	45.50	28.40
Advance held with CBN	282.40	278.00	288.70	260.80	350.70
Advance held with other banks	1,217.00	2,200.40	1,900.90	2,614.80	2,684.30
Loans and Advance	288.30	546.10	364.80	511.60	544.80
Investment in Govt. Securities	242.00	464.90	421.70	463.90	375.10
Investment in Private Sector Security	1,907.90	2,560.60	5,249.20	4,617.40	5,347.90
Investment Abroad	322.50	104.80	427.50	367.30	349.10
Saving	41493.90	4,617.20	6,126.00	10,211.70	11,643.60
Other Asset	6,642.20	6,343.30	9,122.10	17,602.40	16,941.70
Total Assets	15,416.20	17,144.80	23,943.90	36,495.40	38,465.60

Table A2

Investment Pattern of Insurance Companies (Life) 1994 – 1998

Type of Investment	1994 (N'000)%	1995 (N'000)%	1996 (N'000)%	1997 (N'000)%	1998 (N'000)%
Government Security	310,730 39	423,680 10	491,180 11	442,916 11	335,282 7
Other Bond & Stock	162,250 21	1,503,150 38	1,653,400 35	1,283,100 32	1,665,377 34
Real Estate	21,020 3	1,135,580 29	1,476,250 32	1,192,380 30	1,019,698 20
Mortgage Loans	159,240 20	68,280 2	75,100 2	70,500 2	26,778 1
Loans to Policy Holders	15,770 2	230,470 6	299,610 6	301,224 8	14,942 0
Other Investment	116,090 15	617,580 15	681,440 15	692,030 17	1,898,994 38
Total	785,390	3,978,740	4,676,980	3,982,150	4,964,071

Table A3

Investment Pattern of Insurance Companies (Non-Life) 1994-1998

Type of Investment	1995 (N'000)%	1995 (N'000)%	1996 (N'000)%	1997 (N'000)%	1998 (N'000)%
Government Security	248,610 14	662,650 18	845,470 18	755,400 16	1,715,345 12
Other Bond & Stock	587,850 33	1,112,930 29	1,335,510 29	1,666,980 36	3,258,931 23
Real Estate	397,510 22	1,222,490 32	1,589,200 35	2,421,642 14	5,679,833 40
Mortgage Loans	60,690 4	90,530 3	89,480 2	98,047 2	182,588 2
Loans to Policy Holders	53,910 3	4,850 0	3,780 0	3,990 0	66,998 0
Other Investment	427,700 24	694,500 18	744,130 16	745,830 16	3,301,645 23
Total	1,776,270	3,787,950	4,607,570	4,633,217	14,205,340

A five – years Summary of the Investment Pattern from (Non-Life) Insurance Companies.

Table A4

A five years Summary of Gross Premium Income by class

TYPE OF INVESTMENT	1994 (N'000)%	1995 (N'000)%	1996 (N'000)%	1997 (N'000)%	1998 (N'000)%
FIRE	40,770 11	1,557,780 15	2,850,071 14	2,229,827 12	2,894,624 15
MOTOR	2,110,360 26	2,994,590 28	4,061,407 19	5,108,312 29	5,888,918 31
GENERAL ACCIDENT	977,080 12	1,292,000 12	1,767,212 8	2,421,642 14	2,602,705 14
MARINE & AVIATION	1,142,270 14	2,944,460 27	2,992,406 14	2,364,413 13	2,690,588 14
LIFE	923,510 11	1,919,010 11	2,054,906 10	2,364,780 13	2,649,942 14
OIL AND GAS	0	0	0	0	1,130,073 6
OTHERS	2,036,570 25	728,262 7	7,107,062 34	3,351,762 19	1,309,051 7
TOTAL	8,115,560	10,716,102	20,833,064	17,845,7 36	19,159,901

Table A5

A five years Summary of net Premium Income by class

Type of Investment	1994 (N'000)%	1995 (N'000)%	1996 (N'000)%	1997 (N'000)%	1998 (N'000)%
FIRE	40,697 10	71,130 12	1,436,401 18	1,125,825 10	1,739,758 13
MOTOR	165,541 39	238,268 39	2,454,734 31	4,071,557 38	4,537,809 35
GENERAL ACCIDENT	60,310 14	84,344 14	985,171 13	1,380,409 13	1,622,023 12
MARINE & AVIATION	37,692 9	87,026 14	741,993 9	971,048 9	806,951 6
LIFE	55,077 13	103,853 17	1,925,714 24	2,323,909 21	2,329,573 18
OIL AND GAS	0	0	0	0	331,940 3
OTHERS	60,047 14	32,529 5	329,226 4	937,338 9	1,657,351 13
TOTAL	419,364	617,150	7,873,239	10,810,086	13,025,405

Table A6

A five-years Summary of Paid claims by class

Type Of Investment	1994 (N'000)%	1995 (N'000)%	1996 (N'000)%	1997 (N'000)%	1998 (N'000)%
FIRE	136,840 12	142,770 9	567,819 17	698,347 15	392,475 11
MOTOR	523,730 45	598,970 38	1,327,156 40	1,439,248 43	1,216,896 36
GENERAL ACCIDENT	369,710 23	271,430 17	752,415 23	1,134,374 34	479,171 14
MARINE & AVIATION	199,780 17	220,170 14	381,880 11	599,941 18	231,002 7
LIFE	40,130 3	55,890 4	207,880 6	517,958 16	532,029 15
OIL AND GAS	0	0	0	0	0
OTHERS	2,036,570 25	300,160 19	86,513 3	173,783 5	153,343 4
TOTAL	1,170,190	1,589,390	3,323,663	4,563,651	3,496,016

DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF ADMINISTRATION
AHMADU BELLO UNIVERSITY ZARIA

Dear Sir/Ma,

This research is on Insurance Companies and their impact on the economic development of Nigeria. NICON Insurance Corporation has been selected for a case study.

Kindly tick the correct option you have chosen. And please endeavor to answer all questions in the questionnaire.

QUESTIONNAIRE

1. Your sex:

Male ☐ Female ☐

2. For how long have you been in insurance industry?

☐ 1 – 5 Years ☐ 11- 15Years

☐ 6 – 10 Years ☐ Over 15 Years

3. Trade cannot achieve its desired goals in a nation without the aid of insurance Companies?

Strongly agree ☐ Agree ☐

Disagree ☐ Strongly disagree ☐

4. People that insure their insurable properties are more advantageous than those who do not in terms of losses?

☐ Strongly agree ☐ Agree

☐ Disagree ☐ Strongly disagree

5. Do you believe that without risk there will be no insurance?

☐ Strongly agree ☐ Agree

☐ Disagree ☐ Strongly disagree

6. Do Insurance Companies have principles upon which they operate?

Yes ☐ No ☐ I do not know ☐

7. Not all risks presented for insurance can be covered?

☐ Strongly agree ☐ Agree

☐ Disagree ☐ Strongly disagree

8. Kindly give at least two examples of pure risks and two examples of fundamental risks.

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9. Briefly, state the role insurance in the growth and development of the Nigerian society and economy.

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10. Many people outside the periphery of the insurance industry have looked at the institution with disdain and they are simply suspicious of the insurer and their styles of business. What effort does your corporation do to remove doubt in the mind of the public?

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12. Kindly suggest ways of improving the function of insurance Companies

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