

AN EVALUATION OF THE CONTRIBUTIONS OF
INSURANCE COMPANIES IN THE ECONOMIC
DEVELOPMENT OF NIGERIA: A CASE STUDY OF
NICON INSURANCE PLC

By

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DECLARATION

This work was conceived, carried out and written by me. I therefore take exclusive responsibility for its strengths and weaknesses.

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Date

CERTIFICATION

This project titled "An Evaluation of the Contribution of Insurance Companies in the Economic Development of Nigeria: A Case Study of NICON Insurance Plc, by Abede Oiza Husseina meets the regulations governing the award of the degree of Masters in Business Administration of Ahmadu Bello University, Zaria and is therefore approved for its contribution to knowledge and literary presentation.

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DEDICATION

This work is dedicated to my beloved mother (my inspiration) whose love and support contributed immensely to the success of the entire programme.

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ABSTRACT

The role of the insurer in any polity is that of bearer of risks. In other words, the populace can feel insulated from risks when they take advantage of insurance to rely on when the unexpected strikes. It is for this reason that the federal government mooted the idea of an insurance company in the late 60s which is today known as NICON Insurance Plc. Hence this project sets out to investigate the contribution of insurance companies in the economic development of Nigeria with keen interest in NICON Insurance Corporation Plc. In order to facilitate the research work and to get reliable information, the data was collected through primary and secondary sources. It is important to note that insurance has, over the years, developed both positive and negative facets – positive in its insulative function, negative in its refusal to perform this function. While acknowledging delay or outright refusal to settle genuine claims by some insurance companies, the populace in placing their insurance trust, must be made aware of the standards that are required of insurance companies to enable the insuring public separate the wheat from the chaff. The role of NICON in shaping the insurance industry in the country and in the general development of the financial industry is quite impressive. Besides, there are still more recommendations in the write-up to help them maintain their status quo in the insurance industry.

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background to the Study

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 industry plays a very important role in the mobilization and utilization of investible resources in an economy. It also acts as the absorber of the risks and uncertainties normally associated with economic activities, the absence of a market for which can greatly reduce the growth of economic activity.

The relevance of the insurance industry is even more 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. This gives rise to the dependence of these economies on those of the developed countries' balance of payments. In Nigeria, prior to the mid-seventies the insurance industry was dominated by foreign insurance companies. This meant that the premium paid for insurance placed with these companies were transmitted overseas, thus putting so much pressure on the country's balance of payments. With the indigenization of the insurance industry in the early seventies and the promulgation of the insurance decree of 1976, the activities of the industry were streamlined to enable it to have enough retention capacity and thereby to play a critical role in the development of the economy.

Since then, the industry has been playing a very useful role in the economy, most notably in the areas highlighted below:

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

Development of the 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 sectors of the economy.

Cultivating 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 encouraged enterprises and therefore enhanced the growth of the economy.

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

Prior to the formation of NICON, the Nigerian insurance industry was dominated by foreign, mostly European, insurance companies. The industry was also riddled with corruption and sharp practices among practitioners. In spite of the apparently considerable presence of the indigenous insurance companies, the bulk of the business went to the foreign owned companies. It was discovered that this imbalance was further reinforced by the specific instruction which foreign companies and businesses that were operating in Nigeria normally received from their home offices, that they should insure only with insurers that originated from the home countries.

Even where there were no such insurance companies from their home countries, the foreign owned companies maintained the policy of restrictively insuring only with any other foreign insurance company in preference to the Nigerian indigenous insurance companies. Consequently, foreign insurers were able to dominate the nation's insurance industry since the foreign businesses who normally placed insurance with them were themselves dominating the nation's economy.

With the exception of sophisticated insurance buyers such as corporate bodies, the role and benefits of insurance are not yet fully appreciated by the general public in most developed countries. Insurance companies carry out well organized awareness campaigns and invariably keep the public fully informed of the various services and benefits of insurance.

In broader terms, insurance is simply a business that provides some form of psychological relief to an individual or a business concern and this relief helps to redirect the energies of the insured to other useful resources, insurance therefore has two fundamental characteristics; the transferring of risk from one individual to a group and the sharing of losses, on equitable basis by all members of the group. Insurance therefore creates a security. It does not remove the fact that a loss will or will not occur, nevertheless, it alters the probability of the financial loss connected with the insured event. In addition to eliminating risk for the individual through transfer, insurance reduces the aggregate amount of risk in the economy by substituting certain costs for uncertain losses. This helps to provide a more optional use of capital. Without insurance individuals and businesses would have to maintain reserved funds to meet the risks which they must assume.

However, not all risks are insurable. Therefore to qualify for insurance, a risk must be pure and particular. A risk is classified as pure when it is undesirable and distasteful to the individual or organization. It is exposed to particular risks are those that have their origin traceable to individuals and individual events.

The threshold of the 21st century appears the right time for the Nigerian insurance industry to lay aside individual differences and come together so as to strengthen its collective position in the next millennium. The time presents itself for the operates in the market to constitute themselves into a formidable block

as other regions have been doing, so as to be able to compete effectively for business with other regions.

Apart from the strengthening of cooperation on regional levels, there is also the need to cultivate a better insurance culture among the Nigerian populace. Insurance for the small-scale industries presents a vital area where conscious efforts at cultivating insurance culture can be helpful to the growth of insurance in Nigeria. Experience has shown that many private sector business entrepreneurs are unaware of the benefits they may derive from insurance. Even where they are aware, they may not know of the type or class of insurance that may be beneficial to their business and themselves. The worsening state of the Naira is yet another challenge facing the Nigerian insurance industry. Before the devaluation of Nigerian currency in 1986, the share capital of most Nigerian insurance companies seemed adequate when converted to US dollars. This made it relatively easier for Nigerian insurers to transact business with overseas reinsurers. The devaluation of the Naira and the steady decline of the naira over the years have made a mockery of the share capital insurance companies.

From the foregoing, herein lies some of the problems facing the industry.

1.2 Statement of Research Problem

In Nigeria, as in most countries, banking and insurance constitute the predominant sequence of the financial system. Despite the realization that a well developed financial sector is needed as a catalyst for the development

process, all attempts in developing a sound insurance, industry have been confronted by market distortions, high rate of inflation, 'controlled interest rates and inimical government regulations. Worse still, the insurance of government property suffered from the self same corruption which involved the connivance between government officials who were in charge of the insurance of the assets of the government establishments in which they worked and the insurance companies. Unbridled capital flight by way of reinsurance and even primary placement was another serious problem which the federal government had to tackle.

Also many government officials were found to have secretly owned insurance companies and cleverly used their influence to insure the assets of government establishments which they worked, with the insurance companies which they owned or had interest no matter the adequacy or otherwise of the capacity of such insurance companies. This malpractice continued until government finally decided to set up its own insurance company.

In the course of implementation of various policy measures, economic deregulation, currency devaluation and depreciation resulted in issues like contract termination and suspension, increased liabilities and cost of claims, high rate of reinsurance among insurance companies. Practitioners agree that the devaluation of naira has affected prices and invariably affected the standing sum insured in insurance records.

Another serious problem facing the insurance industry is the very low response to technological change, as a result there is total neglect of the impact of new information technologies and global issues. Most of the companies in the sub-region are yet to employ the most effective and economic systems in their general operations and therefore are not efficient.

The insurance industry has often been criticized as being elitist. Most of the insurance companies have their main operational bases in the capital cities, and have not paid adequate attention to enhancing their operations in other centres. This has certainly affected the awareness and development of the business of insurance and has denied the industry the opportunity of taking full advantage of the enormous potentials of the sub-region.

The following research questions will help in the research process:

1.3 Research Questions

- 1) How suitable or relevant/reliable has been the insurance business in your corporation in a developing economy like ours?
- 2) What are the major policies undertaken by your corporation?
- 3) What outstanding role has NICON Insurance Plc played amongst other insurance companies in the upliftment of the insurance industry, i.e. alleviate the financial impact of a mishap affecting an individual, a corporate body or the society at large?

- 4) How has manpower development and planning helped the corporation?
- 5) How do you assess the contribution of NICON Insurance?

1.4 Objectives of the Study

- 1) To evaluate the importance of insurance industry in the development of Nigerian economy.
- 2) To create a better scope and understanding of insurance and its role as it boosts the level of economic activities of Nigeria.
- 3) To enable insurance industries adopt a modern technique and improved distribution network.
- 4) To define the yardstick by which insurance companies operate and be able to reach an understanding with their clients on expected standards of service.
- 5) To implement the various risk management programmes as well as monitoring their performance.

1.5 Significance of the Study

- 1) Research institutes conduct research on several issues that affect the economy, thus the study will serve as a guide in conducting investigations concerning insurance companies, stakeholders, monetary policies, the

- government as well as academia especially where there is inadequate literature in the area of insurance.
- 2) In some developed economies where the level of insurance awareness is relatively high, the insurance industry is as much a dominant force in the financial system as banks, to the extent that many banks and other financial institutions are either owned/sufficiently funded by the insurance companies. Thus, the essence of this study is to cross-check the records of insurance firms so as to identify conformity to, or deviation from set standards for the insurance industry in Nigeria.
 - 3) It will help insurance companies mobilize small savings from millions of policy holders which in turn provides the long term funds that leads to the creation of more wealth through investments in the productive sector of the economy.
 - 4) Another significance of the study is that it will help policy holders to know that they can get indemnified and also to restore peace of mind that is derivable from assurance of security in investments since insurance companies provide financial relief to insured victims who suffer losses occasioned by accidents, mishaps or unforeseen negative events.
 - 6) it will also ensure that insurance companies narrow the range of uncertain outcomes and aid in the planning process, thus stimulate economic growth.

1.6 The Scope of the Study

The scope of the study is confined to the contribution of insurance industries/companies to the development of the Nigerian economy with particular interest in NICON Insurance Plc from 1995 – 2005.

1.7 Limitations of the Study

There were some constraints in the course of carrying out the research work. Some of which are:

- 1) Some essential documents necessary for the research work were kept secret, i.e. confidential hence were not accessible to the research.
- 2) Finance was another constraint. Insufficient finance brought drawbacks to the research work, hence the research was made quite easy by the primary data area coverage.
- 3) Time constraint was another factor.

1.8 Definition of some Key Terms and some key Variables

Insurance:- This is a contract in which the insurer, for a consideration or for a sum of money which is called premium, agrees to pay to the insured a sum of money or its equivalent whenever the event that was insured occurs.

Reinsurance:- This is particularly important in any modern economy. It is simply a secondary insurance or the process by which an insurance company

places a proportion of its insured risks which it cannot bear with another insurance or reinsurance company.

Premiums:- This is the amount paid by the insured to the insurer for the insurance cover provided in the policy.

Indemnity:- The maximum amount payable by an insurer to a beneficiary of loss. The principle of indemnity implies that the claimant does not profit from the loss.

Insurable Interest:- The pecuniary interest a person has in a possible subject matter of insurance such as car, property or life, such that he might suffer a financial loss as a result of the happening of the event insured against.

Insurer:- The insurance company that has undertaken to provide an indemnity, pecuniary benefits or render services. The word insurer is sometimes synonymous to the word 'Assurer; Assurance or assurer' are however more applicable in life business. In view of the certainty of happening of the event assured, benefit could be paid on the death of the life assured or on the maturity of the policy.

Contribution:- This is a doctrine, which enables an insurer to call upon another insurers similarly (but not necessarily equally) liable to the same insured to share the cost of an indemnity. It arises when there are more than one policy in respect of the same loss and each policy is covering the interest of the same insured.

Claims:- A demand made by an insured or the insured's beneficiary for payment of benefits or indemnity following a loss in accordance with the terms of an insurance contract.

Cover: A contract of insurance, to effect insurance, that is to 'cover' and insured for example, motor insurance with effect from a given time.

Cover Note:- A document which signifies temporary acceptance of issuance of the policy document.

Excess:- The portion of a loss which an insured is expected to bear while the insurer will be responsible for any amount of the insured loss over the portion. This is mainly applicable to motor insurance.

Pool (insurance):- An agreement between a group of insurance and reinsurance companies to cede a percentage of some defined classes of business to a common source from where premiums, losses and expenses are shared in agreed proportion amongst them. Pools are usually formed to cater for volatile classes of business as well as to increase local retention capacity as in the case with most developing insurance markets.

Broker:- A broker is an independent operator whose main duty is to bring parties to an insurance transaction together for a commission. The broker conducts his business for all and sundry and does not represent any particular insurer to the exclusion of others. The broker is professionally liable to the insured in view of his professed expertise in insurance.

Agent:- One who solicits, negotiates and effects contract of insurance on behalf of insurer(s) within a defined limit of authority and subject to statutory and common laws. An agent may be a full time sales employee of an insurer or appointed on a part-time basis.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Origin of Insurance

Insurance is believed to have originated from the ancient practices of the inhabitants of the valleys of Rivers Tigris and Euphrates in the present day Iraq in about 4,000 B.C. Historians report that by 1800 BC, the Babylonian Code of Hammurabi contained provisions which had elements of insurance in the laws that governed their operators. In 1600 BC, the practice of insurance was said to have spread from Babylon to Phoenicia. In Babylon, insurance applied only to inland marine traffic whereas in Phoenicia it was adopted to sea traffic. Later, by 1000 BC, it spread to Rhodes and Greece where it assumed the present maritime form. It spread to Rome at about 600 BC to 500 BC.

History has it that it began with what was referred to as the bottomry contracts which were operated by Babylonian merchants between 4000 and 3000 BC. Bottomry gained ground in India by 600 BC just as it had spread to Greece and Rome around the same time. Bottomry was a system by which loans were granted to merchants and such merchants (borrowers) were given a protection or a guarantee that if the shipment for which loan was obtained was lost at sea, the loan didn't have to be repaid. The cost of getting such protection was usually higher than those that were charged on the loan, which was usually higher than those that were charged on ordinary loans.

Bottomry was more specifically used to refer to loans (with protection) on vessels while respondentia was used for the protection of cargo. Either the cargo or the vessel was usually pledged as collateral for the loan. If the ship arrived safely the borrower would pay back the loan with the interest. If it was lost at sea, the loan would be cancelled. As already explained, the development of insurance progressed for centuries and found its most fertile ground in Rome. In Rome by the 3rd century AD, life insurance had been well developed. In the traditional Roman society, burial societies were formed which usually bore the funeral costs of their members from the monthly dues of members. This was very similar to the "Esusu" system in the ancient western Nigeria and the Age grade system in the eastern Nigeria.

The earliest trace of interest in modern insurance in England dates to 1666 when London was ravaged by what was later known as the great fire of London. By 1711, many ill-formed insurance companies had sprung up in London. Most of them fizzled out due to their rampant fraudulent practices. Only two companies stood out clearly among others. They were London Assurance Corporation and the Royal Exchange Assurance Corporation. These two brought in an era of real professionalism in the conduct of insurance business in England. Hence, they were known as the fore-runners of modern insurance in England.

The Lloyds of London occupies the central position in today's global insurance market. It started as a small coffee house which was patronized by

merchants, bankers and insurance underwriters. Gradually, it became the right and most popular place to go whenever anyone needed an insurance underwriter known as 'Edward Lloyd's Place' (later as Lloyd's), the centre provided information on shipping. It was later in 1769 recognized as a formal group of underwriters in marine insurance. At that time, the word 'underwriter' came into use to refer to anyone who appends or signs his name under the proportion, size or amount of risk which he was prepared to accept at a specific premium.

Originally, Lloyd's was the world's dominant insurer of marine risks. This was due to the rising sea-power of Britain in maritime. Later, this was extended to cover fire and other property risks which were added to the risks underwritten at Lloyd's. At Lloyd's, member underwriters are engaged in both reinsurance and primary insurance. They accept insurance on their own account and bear the full risk. Lloyd's members compete freely with one another.

2.2 Evolution of Modern Insurance in Nigeria

Although modern insurance started in Nigeria in the early part of the 20th century, historians and sociologists argue that what is today known as insurance was not totally alien to indigenous Nigerian culture. For, before the advent of modern insurance, various communities in Nigeria were believed to have operated customs which looked similar to present-day insurance. For instance, the "Esusu" system in Western Nigeria was a traditional insurance custom. It was a social insurance system where some members of the community agreed to

pool their resources together by providing help and succour to any one of them when help was direfully needed. The system was wholly contributory. Only those who belonged to the groups could reap from the benefits they provided. In other words, each member of the Esusu group was obliged to contribute either money or labour, as the case might be, whenever the need arose to give aid to a member who needed it. All members of the group usually shared one another's risks.

Risk under this system covered both occupational perils and other social exigencies in which a member might be involved. Through the system, an improved wealth distribution system was achieved for the society where the lot of the poor was better enhanced and the losses that a person might suffer were considerably reduced. The Esusu appeared to be similar to the age-grade and communal union systems of Eastern Nigeria. The Igbo society for instance was traditionally organized into various groups which comprised same age brackets. As members of the groups grew older, they matured into some other age grades.

As in the rest of West Africa, modern insurance was introduced in Nigeria by the British merchants at the beginning of the 20th century. This was necessitated by the increased activities of the British trading companies including the Royal Niger Company, Paterson Zochonis, and Elder Dempster, who dominated commerce in Nigeria. As the volume of business of the trading

companies grew, the need arose for them to begin to organize their insurance locally in the colony.

For convenience, insurance companies in the United Kingdom decided to grant insurance agency licenses to the trading companies, expatriates and banks. Thus, the trading companies, expatriates and banks put together aided agency companies which began to handle the insurance of the trading companies, locally. Such agencies were empowered as chief agents to issue covers and to handle claims. They were concerned mainly with marine insurance, especially of export of cash crops, minerals etc. Evidently, the first of such agencies was the Royal Exchange Assurance Agency which was formed in 1919 by the African and East Trading Companies. Other agencies were the Liverpool London and Globe (of Parterson Zochonis), Legal and General Assurance of (BeWAC); and the Law Union and Rock (the first agency of a British company to be given to a Nigerian citizen, Sir Mobolaji Banke Anthony).

These agencies merely organized cover for European trading companies with insurance companies in the agencies' home countries. Later the companies appointed expatriate banks and traders as insurance agents in Nigeria. Again, the insurance companies gave the chief agents and Nigerian traders powers of attorney to secure insurance business, issue cover notes and assist in claims settlement. This was the situation until British insurance companies began to open branch offices in Nigeria.

The Royal Assurance Agency was raised to a full-fledged branch office of the Royal Exchange Assurance Company in 1921. In this way, till today, Royal Exchange Agency is regarded as the first insurance company in Nigeria. Almost 30 years passed before three other British insurance companies opened their branch offices in the country. The three Companies were the Norwich Union Fire Insurance Society (now known as Guinea Insurance Company Limited), the Tobacco Insurance Company Limited and the Legal and General Insurance Society Limited. The advent of the World War II brought a lull to trading in Europe and Africa, and invariably affected the pace of the development of insurance in Nigeria between 1921 and 1949. As soon as the war ended, business picked up again, and the insurance industry in Nigeria resumed its growth process.

In spite of this growth trend, before Nigeria attained independence on October 1, 1960, the volume of insurance business done in the country was very small. Marine insurance, for instance, merely consisted of produce exports since the economy and its external trade rested mainly on agriculture. Mortgage security was transacted mainly by expatriates. Also fire insurance was not yet popular. Even as from the late 1953, the Nigerian government had been taking active interest in the direction of the development of insurance in Nigeria. Although foreign insurance companies were credited, with the birth of modern insurance in Nigeria, their persuasive strangle-hold of the nation's economy was a source of concern to the newly emerging self-government in the country. In

1952, the Western Nigerian government intervened by establishing its own insurance company, Great Nigeria Insurance Company. Another private insurance firm, African Insurance Company was also established. By 1959, the federal government's interest in insurance had so increased that it formed a major subject in the Federal House of Representatives which extensively considered the need for the government to explore the vast economic potential of insurance as a major income earner to the emerging independent state.

At independence, however, the federal government had not intervened directly and so only four of the 25 insurance companies in the country belonged to Nigerians. These were Great Nigeria Insurance Company Limited, Nigeria General Insurance Company Limited and Universal Insurance Company Limited. However, by 1965, the number of insurance companies had risen to more than 50, with some of these founded by Nigerians. Within the next 10 years, the industry witnessed a proliferation with over 150 companies operating in the market, some of them illegally.

This period also marked the Nigerian government's direct intervention in the management of insurance companies, as a check on their operations. The government established the National Insurance Corporation of Nigeria (NICON) in 1969, and under the Indigenization Decree of 1972, acquired controlling shares in the 14 foreign-owned insurance companies.

Despite these measures, proliferations and the emergence of 'mushroom' companies continued. This led to the promulgation of the Insurance Decree of

1976 aimed at regulating and controlling insurance operators and to check the upsurge of these 'mushroom' companies. As most of the insurance companies were unable to meet the new capital requirement within the six month period stipulated by the decree, less than 60 companies qualified to be registered out of the over 150 that operated then.

However, the economic boom of the late 70s and early 80s encouraged the establishment of more insurance companies, with the result that by the end of 1985 the number of registered companies had risen to about 100. The boom period also witnessed the establishment of the Nigerian Reinsurance Corporation in 1977, as a government owned professional reinsurance company. This was followed in 1984 by the Universal Reinsurance Company, as the first private reinsurance company. By the end of 1999, there were four professional reinsurance companies excluding the National Insurance Corporation of Nigeria, all fully owned by the government; 18 insurance companies partly owned by the government and foreign interests, and 14 insurance companies owned by various state governments and about 60 privately owned insurance companies.

The development of an insurance intermediary market followed similar trends as that of the underwriting companies. Insurance broking was a much later development, considering that agencies and branch operational units of British insurance companies formed the nucleus of the insurance retail market. The first recognized brokerage company was C.T. Bowring, established in 1955. This was followed by Glanvill Enthoven & Co. in partnership with National Bank

of Nigeria in 1957. With the growth of insurance business, indigenous participation in ownership of brokerage firms saw the registration of a number of companies. Despite the Insurance Act of 1961, which sought to regulate insurance practice, including control of intermediaries, brokerage business in Nigeria continued to enjoy tremendous growth. It is estimated that over 300 registered brokers were operating in Nigeria by the end of 1990, and the majority of these were wholly indigenous.

2.3 Principles of Insurance

For a valid contract insurance to exist, certain basic ingredients must be identified in that contract. These ingredients are found in six basic insurance principles and they are;

1) Indemnity:- The basic concept of insurance revolves around this principle, which is to compensate or replace back the unfortunate for the loss they have sustained. Indemnity restores the insured to the same financial position after a loss as he enjoyed immediately prior to the loss. It simply means an exact financial compensation. However, indemnity cannot apply to every class of insurance, e.g. life and personal accident insurances, this is because it is impossible to provide an exact financial compensation for loss of life, limb etc. Also the insured is not allowed to make profit out of his misfortune by collecting more than the actual loss if the property is destroyed.

Full indemnity can be restricted by the following sum insured, inadequate sum insured and the policy excess. The indemnity expected will equal the intrinsic value of the property immediately prior to the loss of damage, taking account of depreciation, sum insured and excess or repair cost for partial damages.

Methods of providing indemnity are as follows; cash payment, replacement, repairs and reinstatement. Indemnity is modified by certain policies such as, reinstatement policies, New for old policies, value policies etc.

2) Insurable Interests:- This simply means the legal right to insure. This implies that the insured must have a legally recognized financial relationship with the subject matter of insurance.

For insurable interest to exist in motor insurance, for instance, there must be the following:

- Existing vehicle, which the proposer has rights or financial interest capable of being covered.
- The vehicle must be the subject matter of insurance.
- The insured must be in a legally recognized relationship with the vehicle where he benefits from its existence and suffers otherwise.

Generally, insurable interests may arise in property insurance as follows: Ownership, agent, administrators, executors and trustees, bailees, spouses, etc.

Insurable interest must exist both at the inception of the cover and at the time of loss.

3) Utmost good faith (Uberrime Fidei):- All contracts are subject to 'good faith' and in ordinary commercial contracts, the contracting parties are not required to reveal all they know about the proposed article or agreements. What is required of the prospective insured is to be aware of 'Caveat emptor' (let the buyer be aware) because good faith is the foundation on which legal contracts are found. An insurance contract unlike the commercial contracts, is based upon mutual trust and confidence. The common law applicable is much more stringent and is centred on utmost good faith. Utmost good faith simply means that each party to a proposed contract is legally obliged to reveal to the other all information which would influence the other's decision to enter the contract, whether such information is requested or not. The greater part of this duty rests on the proposer since he alone knows much about the risk to be insured. The insurer also needs to disclose the scope of cover he is granting. This brings us to the issue of material fact, which has been defined as a fact that would influence the mind of a prudent underwriter in assessing a risk.

However, a person cannot be penalized for not disclosing facts which he does not know and cannot be reasonably expected to know.

Some facts may not necessarily be disclosed such as

- a) Facts which improve the risk.
- b) Facts which the insurer may be presumed to know
- c) Matters of law

- d) Facts capable of discovery by the insurer from the information supplied.
- e) Facts which the insurer's agent would have discovered on inspection.
- f) Facts unnecessary to disclose because of policy conditions.

Utmost good faith is so fundamental that a breach would give the aggrieved party to avoid the contract if he wishes. He may sue for damages or waive the breach. The breach can be in the following forms, non-disclosure, concealment, fraudulent misrepresentation and innocent misrepresentation.

4) Subrogation:- This means the exercise for one's benefit of rights or remedies possessed by another against third parties. It is acquired once they have provided their insured with an indemnity. Any action to recover from the third party must be in the name of the insured. The insured can, however, make further claim from the third party where the compensation received from his insurer was not enough to equal the loss or damages he suffered.

Subrogation rights may arise as follows: (i) In tort e.g. negligence, nuisance (ii) By contract (iii) Under statute (iv) With salvage. Subrogation rights can be waived through "knock for knock" agreement or the third party sharing agreement.

5) Contribution:- This is a doctrine, which enables an insurer to call upon other insurers similarly (but not necessarily equally) liable to the same loss to share the cost of an indemnity. It arises where there are more than one

policy in respect of the same loss and each policy is covering the interest of the sum insured.

The operation of contribution

For contribution to be applicable to a loss situation, the following must exist:

- i) Two or more policies of indemnity must exist.
- ii) Each policy must cover the same peril giving rise to the loss.
- iii) Each policy must protect the same interest of the same insured.
- iv) Each policy must relate to the same subject matter
- v) Each policy must have been in force at the relative time i.e. not subjected to non-contribution clause.

Contribution by the insurers could either be on:

- a) Independent liability basis: A situation where each policy cannot fully indemnify the insured then, each is treated as if no other policies existed and if the total amount realized exceed the liability, each payment is scaled down until the actual loss is met.
- b) On sum insured basis:- Here the insurers will pay proportionally to the cover they have provided.
- 6) **Proximate cause**: According to a case "Pawsey Vs Scottish Union and National (1907)", proximate cause is the active efficient cause that sets in motion a train of events which brings about a result, without the intervention of any force started and working actively from a new and independent source.

Where many causes are involved, the proximate one is the most dominant that brings about the result.

2.4 Types of Insurance

1) Motor Insurance, Underwriting and Claims

A motor insurance policy is a document containing a pledge by the insurers that they will indemnify the insured against loss or damage, which may be sustained or liability which may be incurred at some future time. The insured does not receive anything tangible in exchange for his premium since he has been given an intangible service in the form of a promise to make good his loss, if one of the events described in the policy occurs. The insurer's ability to honour the promise made in the policy document should the need arise, will decide whether or not a reputation for service, reliability and efficiency will be acquired in the same way as the quality of goods bought and sold. Motor insurance is the single largest sub-class under general business on non-life insurance. As required by legislation in Nigeria, motor insurance offers a wide range of covers. These range from basic act only to full comprehensive insurance cover.

Act only cover provides cover up to the basic requirements of the Nigerian Road Traffic Act i.e. to provide insurance in respect of legal liability to pay damages arising out of personal injury to third party only.

Third party fire and Theft only cover offers cover for third party liability, fire and theft. It does not cover own damage i.e. damage to the insured's own vehicle. The premium chargeable for this type of cover is 50% i.e. half of the comprehensive premium that would be due.

Comprehensive Policy covers own damage third party liability, fire and theft.

Motor insurance is divided into various classes including private car; commercial vehicle, motor trade and special motor vehicle insurance.

Private car insurance relates to private cars which are used for social and domestic purposes or business purposes as well. Comprehensive policy issued to individuals also include personal accident benefits to the insured and his spouse; medical expenses and loss or damage to rogues, clothing and personal effects.

Commercial vehicle policies are obtained for vehicles which are used for commercial purposes. Such vehicles are lorries, taxis, vans, hire-cars, milk vans, police cars etc.

Motorcycle policies are not as expensive as those of motor cars. Motor trade insurance is offered to garages and other people who work within the motor trade to ensure that their liabilities are covered while using vehicle on the road.

Special motor vehicle policies are normally written for land vehicles other than railways rolling stock.

In the event of an occurrence likely to lead to a claim under a policy, there are certain implied or unwritten duties and certain expressed or written duties imposed on the insured such as; Implied duties which is a requirement of the law that the insured should always act as a reasonable person and he should therefore take all reasonable steps to minimize his loss.

Express duties: Almost all policies require the insured to be immediately notified of an event which could give rise to claim under the policy. It is the very first condition under which it is also required of the insured to provide full particulars within a stipulated period usually 30 days.

Insured's Rights: The insured has the right that, if he complies with all his duties he is entitled to a full settlement within the terms of the policy. This settlements must be speedily made and cannot be held up pending recovery of subrogation rights or contribution rights under a market agreement.

Notification condition:- The policy holder has to give immediate notice of all accidents likely to give rise to a claim. He must forward all notices of claim made upon him, notice of police or court proceedings and any other legal proceedings such as inquests or fatal incident inquiries.

Motor vehicle claims Procedure

Injury or death:- The number of claims for bodily injury or death is very much smaller than the number of claims for damage to vehicles or other property. Individual claims may cost a lot to settle and claims of this type account for a significant proportion of the money paid out in claims. Some

claims are for minor injuries, while other injuries are serious and the victims may take months or years to recover. It is in the interest of both victims and insurers to agree on amounts of damages quickly, but in complicated cases it is not possible to arrive at equitable figures until some time has passed.

Damage to vehicles:- The majority of claims are from damage to vehicles only. In some cases, the claim relates to the policy holder's vehicle under the own damage section of comprehensive policy or the fire theft section of a third party fire and theft policy.

Total loss:- Some vehicles are so severely damaged that it is clear immediately to both insured and insurer that they are beyond economic repair. Such cases are considered as total loss and insurers indemnify the owners by paying the estimated pre-accident market value of the vehicles provided these amounts are not more than the values shown in the policy schedules.

Usually the vehicle is referred to an engineer in the repair case, he assesses it and in his report gives the estimated pre-accident value (PAV) and the salvage value (SV).

Fire damage:- A vehicle may be damaged or become a total loss by fire. Insurers handle fire damage claims in the same way as claims for damage through other types of accident, but they are cautious when treating such claims, because some fires are not accidents. A vehicle may burst out in flames because the owner has failed to maintain it properly.

2) General Accident Insurance

This insurance represents a very large section of insurance business because of many classes of insurance that make up the class. From statistics taken, NICON alone out of 140 insurance companies in the country, controls an average of 10.88 percent of the entire general accident insurance in Nigeria. This is designed to provide compensation to insured who may sustain bodily injury, by accident, violence, external and visible means, which also covers insured employees against personal injury caused by accident in the course of employment, and it also covers the insured's property if damaged by an accident or misfortune, loss of damage to luggage can also be covered under this insurance.

3) Marine and Aviation Insurance

These involve heavy capital outlay. So very few insurance companies can boast of the required capacity to enable them underwrite the class of business. Given her financial capacity as the largest insurance company in Africa, NICON takes the lead in the Nigerian marine and aviation insurance sector. Marine claims are locally settled. The following are the type of marine claims; hull and machinery claims, cargo claims, ship repairers liability claims, Hull liability claims and the general average claims. Where a marine claim is valid and the required documentation is presented to the corporation, after proper scrutiny, approval is given, offer together with discharge voucher and subrogation forms will be forwarded to the claimant or his broker. On the other hand aviation insurance

covers risks or accidents such as aircraft hull all risks loss of use or consequential loss, deductible, legal liability to passengers in the aircraft, airport legal liability and aviation personal accident.

4) Fire and Special Perils

Fire policy is perhaps the most popular class of insurance. A standard fire policy covers such perils as fire, that is subject to certain limitations; lightning; and explosion of domestic boilers and domestic gas.

There are three basic factors to consider about fire;

- i) For the loss to be deemed to be a result of fire, there must be actual fire or ignition.
- ii) The fire must be accidental in origin.
- iii) The property being damaged by fire must not be so intended.

Lightening seems a very obvious cause of damage that can be easily ascertained. It is sometimes accompanied by storm. Where this involves damage or death to livestock, a veterinary surgeon's certificate will be enough proof for the cause of the death.

Fire policy indemnifies the insured against any physical damage or destruction to the property insured by fire or any of the insured special perils.

The primary aim of fire insurance is to pay compensation to the insured person in the event of loss or damage to the property insured. The special perils which are added to fire policy are perils which were originally excluded from the

policy but which the insurers are prepared to cover on certain conditions such as the payment of additional premium. Such perils include explosion, riot and civil commotion, malicious damage; storm and tempest, flood, earthquake, aircraft bursting or overflowing of water tanks etc. Of all the insurance forms NICON alone underwrites an average of 15.87% of all the businesses.

5) Construction/Contractors All Risks (CAR) Insurance

The basic concept of this policy is to offer comprehensive and adequate protection against loss or damage in respect of the contract works, construction plant and equipment or construction machinery as well as against third party claims in respect of property damage or bodily injury arising from the execution of a building contract. A (CAR) policy may be concluded by the principal or by the contractors engaged in a project including all sub-contractors. This policy provides an all-risks cover, i.e. every hazard is covered which is not specifically excluded. This means that almost any sudden and unforeseen loss or damage occurring the period of insurance to the property insured on the building site will be indemnified.

6) Life and Pensions Insurance

The Actuarial Sciences Unit does all calculations in respect of premium and commission payable in life policies. The actuarial team also handles special quotations using first principles to determine specific clients' assurances and investments. The life servicing and claims units handles all individual policy

holder's requests immediately after issuance of acceptance letters up to maturity, death or earlier withdrawal. These are some classes of life insurance;

- a) Whole Life Assurance:- This provides protection for the whole of life; the amount assured is payable only on the death of the life assured whenever it happens. Premiums are payable as long as the assured is alive. Policies are issued with or without profits.
- b) Limited-Payment Whole Life Assurance:- This is virtually the same with whole life assurance except that premiums cease at the end of a specified number of years on the attainment of a certain pre-determined age. Here the maximum number of years for which premiums are payable is equal to the difference between the selected age.
- c) Ordinary Endowment Assurance:- Under endowment assurances the sum assured is payable on the survival of the life assured to the end of the term of the policy or on his earlier death. The term may be selected as a specific period of years or otherwise. It is a highly popular savings scheme for making provisions for the proverbial "rainy day". The premium paying period may be limited to expire before the maturity date.

- d) Selecta:- This contract provides very generous assurance benefits such as, cash at retirement, adequate life assurances as well as future insurability. Provided there is 10 years to run before the assured reaches 60, further policy with sum assured up to 25% of the original policy can be taken out at intervals of every 5 years without further evidence of health subject to a total sum assured.
- e) Education Endowment:- This policy provides an income of $1/5^{\text{th}}$ of the sum assured payable at intervals of four months for a period of 5 years commencing from the end of the selected term. Premium payments however cease on the death of life assured within the selected term. These policies are issued without profits. Policies are issued on the life of a parent for the benefits of a named child or children. The early death of either the child or parent does not invalidate the contract. Even though premium payment ceases on the death of parents, benefits become payable as from the predetermined date.

2.5 Benefits of Insurance

The existence of a sound insurance market is an essential component of any successful economy and the proof of this can be seen in many parts of the world. Some of the benefits people derive from insurance are:

a) Loss Control:- The financial consequence of loss as a primary concern of insurance forms a basis for insurers to have more than a passing interests in loss control. Insurers do have interest in reducing the frequency and severity of losses not only to enhance their own profitability, but also to contribute to a general reduction in the economic waste which follow losses. Practically, buying of insurance normally comes with loss control services offered by an insurer. The investigation of loss, their causes and value is often a highly technical and complex process, which requires quick action after a loss, so as to accurately assess these factors and to take steps to minimize further loss.

b) Investment of Funds:- Insurance companies have at their disposal, large amount of money. This arises due to the fact that there is a time gap between the receipt of the premium and payment of claim. The insurer will have the accumulated premium of all insured, over a period of time. The insurer invests in widespread forms of investments. By having spread of investments the insurance industry helps national and international governments in their borrowing. It also helps industry and commerce by making various forms of loan, taking up shares which are offered in the open market. Thus the existence of an insurance market really brings about a form of enforced savings.

c) Social Benefits:- The ability of business or individual to recover from a loss will be provided for. Funds provides stimulus to business activity. Insurance plays a significant role in ensuring that there are no difficult or unnecessary hardships.

d) Country(s) spread risk across boundaries and this represent a substantial volume of earnings.

e) Security and Peace of Mind: The knowledge that insurance exists to meet the financial consequences or risks incurred, provide a form of peace of mind and security. Buying insurance at least allows the entrepreneur to transfer some of the risks of being in business to an insurer. Business is able to purchase insurance at a premium which is less than an amount required to retain such a risk.

f) Insurance brings about creation of common pool i.e. collection of premium from every member of the same group into a pool or fund, out of which claims of the few who suffered loss resulting from given perils are met.

2.6 Contribution of NICON to the Nigerian Economy

National Insurance Corporation of Nigeria was established in 1969 to serve as the insurers of the federal government of Nigeria as well as assist in the development of the Nigerian insurance market. After 20 years of operation, the government decided to fully commercialize NICON in order to maximize the return on its investment and also make the corporation efficient in the service of

its clients. NICON successfully protected the assets of government by way of insurance and has continued to play a significant role in the Nigerian insurance industry and in the development of the insurance market.

NICON's strength is supported by a huge asset base and a pool of experienced technical and management personnel. NICON has single-handedly sustained several insurance companies in Nigeria through business, in addition to training facilities offered to these companies. It is the only corporation that can effectively provide the technical know-how required to handle most of the huge risks associated with government projects.

Besides, NICON is well positioned on the international scene. Through its London Office, it is able to keep abreast of developments in the international market. The corporation accepts inward reinsurance from companies all over the world. NICON Insurance Corporation spearheaded the introduction of ECOWAS Brown Card Scheme which is to assist motorists traveling within the sub-region and serves as the National Bureau for the scheme in Nigeria. The Corporation is a member of the African Insurance Organization and the West African Insurance Companies Association (WAICA) and consequently participates actively in their annual conferences.

In 1975 the Corporation established a Fire Survey Bureau which has become a reference point for both industrial and private risks in Nigeria. The bureau is recognized internationally and has assisted other insurance companies in their fire survey and underwriting of risks. The risk management department

has since become fully fledged subsidiary company of NICON known as NICON Risk Management and Survey Company Limited.

There are plans to establish underwriting offices in some countries especially in the West African sub-region and other parts of Africa. It is for this and other important reasons that the corporation has been linked to the internet, thus it can be accessed through the website www.niconinsurance.com.ng.

2.7 NICON and the Challenges of Leadership in the Nigerian Insurance Industry

The Challenges from Nigerian Reinsurance Corporation

On January 1st, 1978 however, NICON lost a major source of its revenue as a result of the creation of the Nigeria Reinsurance Corporation (Nigeria Re) which was set up by the federal government on June 14, 1977. The decree empowered it to take over the 10% legal cession which NICON had until then been taking from every insurance firm in Nigeria. Besides, Decree 49 required every insurance company including NICON, to reinsure with the Nigeria-Re an amount that is equal to 20% of the sum insured on every insurance policy issued or renewed by such insurance firms, Nigeria-Re was made the repository for the 5% cession of the treaties of every registered insurance company, that was to be made to the African Reinsurance Corporation (Africa Re) which also commenced business on January 1, 1978.

That the corporation had cede a substantial portion of its premium incomes to Nigeria-Re caused a great discomfort. It was rightly feared, given

the high percentage of the cession to Nigeria Re, that the development would cause considerable drop in its profits. Hence, the corporation shifted its attention to vigorous improvement of its life assurance sales while it ventured into new areas of insurance such as the agricultural and crop insurance. The aggressive marketing which the corporation thus embarked upon yielded a remarkable result in the end. At the end of the year NICON posted a net profit of about ₦7.9 million.

The Challenges of the 1980s

In 1979, NICON completed its nationwide branch expansion programme with the commissioning of offices in Bauchi, Benue and Niger States. In spite of the wage harmonization policy of federal government and the establishment of the Nigeria-Re which took over a substantial part of NICON's resource base in 1978, NICON continued to maintain its leadership position in the nation's insurance industry.

The management style of the corporation and its unflinching commitment to manpower development helped to sustain the image of NICON as a great attraction to both high calibre staff and the general public.

Yet again in 1980, Marine and Aviation as well as Burglary Departments posted huge losses whereas the contractors' All Risks Department which had in 1980 experienced an adverse result, recorded a reasonable profit in 1981. The corporation continued to maintain its diversification philosophy which began

seriously in 1978. for the first time the corporation provided a sum of ₱2 million for bad and doubtful debts.

The corporation's branch network had also increased. The austerity measures which the federal government had introduced as a result of the prevailing recession that had beset the domestic economy made the corporation to review its policy on overseas training.

The commercialization of NICON was an advantage for them amongst other industries. In 1989, the Corporation was commercialized, it adopted the chief executive management system which has the Managing Director as chief executive and three executive directors to constitute the executive management. Until 1989, the corporation had only the Board of Directors, the Managing Director and two main divisions (technical and administration) which were each headed by a General Manager.

Today, there are four directorates in the Corporation, one of them is headed by the Managing Director and chief executive while each of the remaining three is headed by the Managing Director and chief executive directors.

Since the commercialization of the Corporation area offices have been upgraded to zonal offices so as to decentralize operations and thereby give more powers to zonal and branch offices. Marketing has been better enhanced under commercialization. The zonal and branch offices are now better equipped to reach out to the grassroots for business especially in order to capture the private

sector in addition to the public sector over which it has already established a great reputation. Under this new structure, all branch offices report to zonal offices which in turn report to the head office. A zonal operations office has been created at the headquarters which coordinates and guides zonal and branch offices on underwriting and claims administration. The office spells out the powers of zonal and branch offices in the areas of claims and issuance of policies.

2.8 Insurance Laws and Supervisory Bodies

Until the nation's independence in 1960, Nigeria's insurance market was almost totally free of any form of governmental regulation and control. As such, it was to be expected that the home laws of each country would adequately take care of the operations of the companies. Besides, it was pointed out that since the insurance companies were still very few, the colonial government obviously did not feel obligated to clamp some legal controls on them. So at independence, the only laws of considerable significance on insurance were the motor vehicles (Third Party) Ordinance of 1945 and motor vehicles (Third Party) Act of 1958. At that time, once incorporated, just any company was free to operate insurance business.

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 the only

companies that were so specifically registered after their incorporation under the Companies Act could operate as insurance companies. The law also require that such companies must upon registration state the classes or types of insurance they proposed to operate. The insurance companies were required also to submit their audited accounts to the Registrar of Insurance. Still there existed certain anomalies and sharp practices which the government considered as being inimical to the development of the insurance industry in the country. Liquidation of companies were rampant while many of them refused to pay claims.

In 1968, the government promulgated the Nigerian Company Decree of 1968 which introduced more stringent registration requirements for insurance companies directing that each company should produce certified true copies of premium rates, rating plan, rules and standard of 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 transacting all classes of insurance became N100,000; for those with life only N50,000 and for those with all classes except life N50,000.

There were also manners of insurance practicing firms who did everything to satisfy entry requirements, collected premiums, but once faced with claims obligation, either blatantly refused to pay or pay low compensations or even go into self liquidation on pretext or the others.

The need to ensure adequate protection for policy holders from the consequences of the failures of insurance companies that may be due to incompetence, fraud or insolvency of the intermediaries necessitated the introduction of regulatory measures over the activities and operations of insurance companies, including brokers, loss adjusters, agents, reinsurers and insurers. These controls include the control of the terms and conditions of the insurance contracts, rates of premiums chargeable, rates of commissions payable to insurance brokers or agents, solvency requirements, stipulations in respect of reserves for outstanding claims and unexpired risks. Besides, the law goes further to stipulate conditions for winding up. All these were designed to protect the policy holders who are generally regarded as the weaker party in the bilateral contracts of insurance.

Nationalization:- In extreme case it was necessary that countries nationalize their insurance industry, this is in consideration of the belief that where a state acquires majority shareholding in some insurance institutions, control of the affairs of such institutions could be effected through the government representatives on the boards, whereas if there is no form of control and insurance institutions are given complete freedom of activities within the provisions of the ordinary laws, various abuses and malpractices will arise. In such a situation, the state might intervene and take prompt and effective measures to correct or control a particular situation which is a more permanent system of regulation.

In the case of Nigeria, the decision by the federal government to create NICON in 1967 by decree 22 of that year can be regarded as a far more constructive state intervention measure which was designed to create NICON as an intra-industry monitoring the institution, and as a role-model for the insurance, industry, as the means by which the government can maintain an effective control on the industry through such an effective presence. In 1975 for instance the Nigerian Insurers Association (NIA) proposed some increases in the rates of motor insurance premiums in the country. As there were no effective mechanism by which the government could exert control on the rates at that time and as the proposed increase appraised exercise and unfair, the government had to intervene in the interest of the policy holders. The result of the intervention was the promulgation of the insurance Decree of 1976. The decree provided for the rates of premiums and commissions payable, which were to be determined by rating committees whose membership included representatives of both government and the insurance industry.

The principal intent of the 1976 decree was to remove certain major structural defects in the organization and management of insurance in the country. Prior to the promulgation of the law, malpractices were rampant as practitioners generally flouted the laws and principles of the trade. This caused a consequent negative effect on the public perception of insurance and further eroded public confidence in it. Apart from transferring insurance into the Ministry of Finance, the decree classified insurance businesses into two; these

include life and non-life. Non-life was further divided into five; accident, fire, motor, marine aviation and transport, workmen's compensation and burglary, fidelity and miscellaneous.

It repealed the insurance companies acts of 1961 and 1964. It brought together and provided for the whole insurance industry including insurers, brokers adjusters and agents and it gave a wider protection to the insuring public.

Prior to the promulgation of the 1976 Decree, the most important insurance decree in all of the first two decades of the post independence was decree 22 of 1969 otherwise called the NICON Decree. Apart from the fact that the decree brought NICON to existence, its provisions made far reaching significant impact on the insurance industry in Nigeria. The decree established NICON with the express purpose of breaking the foreign domination of the Nigerian insurance market. The law gave NICON the powers to act as reinsurers to all other existing insurance companies in the country and to accept compulsory legal cessions of 10% on all insurance businesses carried out in the country. NICON Act 263 of 1990 was established to make amendments for the NICON decree of 1978, 1981 and lately NICON Act Cap 263 of 1990. The preamble to the NICON Act, Cap 263 explains that it is "an Act to establish the NICON, set out its functions, regulate its management and provide for other matters ancillary thereof".

On December 27, 1991, the federal government promulgated decree 20 which repealed and replaced the insurance decree of 1976. Decree 58 of 1991 otherwise known as the insurance decree was promulgated obviously as a replacement to and to fill the loopholes that were still left by the insurance decree of 1976. Decree 58 was largely more comprehensive than the 1976 decree. It covered such areas as registration and mode of operation of insurers amalgamations and transfers, winding up, agents, brokers and loss adjusters and premiums and commissions, disclosure condition and warranty, insurable interest and assignment, claims in fire insurance.

Insurance Supervisory Board

As remarked above, the introduction of one law after another since independence in 1960 has not completely succeeded in obviating malpractices from the insurance industry in Nigeria. Even when the supervision of the industry was brought directly under the influence of the Ministry of Finance when the Department of Insurance was transferred from the Ministry of Trade, the imperfections remained. As a result of this, concerned practitioners reviewed the situation and concluded that the office of the Director of Insurance was under equipped for the proper discharge of its supervisory responsibilities over more than 127 insurance companies, 400 insurance brokers and loss adjusters and over 14,000 insurance agents.

Consequently, the committee which comprised eight members confirmed the inadequacy of the existing office of the Director of Insurance in discharging

its insurance supervisory functions and recommended to the federal government the establishment of the National Insurance Commission. Subsequently, the government established the National Insurance Supervisory Board (NISB) through the Insurance Special Supervision Fund (Amendment) Decree 62 of 1992 which was published in Gazette No. 65 of November 23, 1992.

The NISB comprises a chairman, the commissioner of insurance, one representative from the Ministry of Finance, who must not be below the rank of Chief Finance Officer or its equivalent, from the Central Bank of Nigeria or the Nigeria Reinsurance Corporation and two other persons who are knowledgeable on insurance administration.

Insurance Associations

Before government began to exert some control on insurance practice in Nigeria, some private initiatives in form of professional bodies existed to regulate the profession. Such bodies were by and large able to influence the pattern and direction of the development of nation's insurance industry. This they achieved through professional training programmes and through the exchange of ideas at informal and formal levels of interaction among practitioners.

West African Insurance Companies Association

This is an International Association of Insurance Companies and Institutions in West Africa. It was formed on May 4, 1973. Its primary objective is the promotion of cooperation in every respect among all the insurers and

reinsurers operating in West Africa sub-region and to promote the quality and scope of the insurance industry in the region.

2.9 The Future of NICON and Insurance in Africa

As mentioned earlier, foreign companies came to Nigeria to trade and make profits which enhance their home economy. When it became no longer economically attractive for Nigeria insurance companies to underwrite in Nigeria as it used to be, the industry witnessed the emergence of foreign reinsurance brokers in the country. Before then, the insurance companies invariably approached their reinsurers directly for their reinsurance programmes. It was soon realized that the operation of NICON which at the early stages went direct to reinsurers for cover had greatly reduced the earning capacity of some foreign companies in the country. These foreign reinsurers have since continued to play an important role in the business. The indication here points to the doggedness of foreign insurance companies to review the new realities of the increasing wave of nationalization direct and indirect state intervention in the insurance business in Africa, and apply what they with their benefit of foresight could perceive as the best strategies to adopt in order to ensure that they remained highly profitable in the African insurance market. More and more of the African leaders are seemingly beginning to be persuaded by the liberalization arguments that African leaders should relax their governments' controls and ensure the Europeans greater participation in the African insurance market.

The intense interests which the African countries considered in setting up their own national and reinsurance corporations were largely fuelled by the activities of the United Nations conference on Trade and Development (UNCTAD) in promoting such initiatives in the new independent countries of Africa. Such efforts were geared towards using the opportunities offered by insurance to protect the properties of governments and the interest of the general insuring public, which invariably provides the necessary basis for the economic growth and development of the countries.

In Nigeria, apart from the legal frameworks and the creation of NICON, the government further consolidated the indigenization of the insurance industry through the Enterprises Promotion Laws of 1972 and 1977.

Just as there are marked differences between insurance markets of the developed countries and those of the developing countries, similar differences are found within the African markets, between countries. In some markets, foreign and domestic (public and private) companies compete while in others the former were not allowed to operate. Some markets are competitive while some are monopolistic. Public companies control a considerable proportion of insurance and reinsurance operations forced on the market by government-conferred privileges or financial and technical strength.

It is obvious that Nigeria may not see a return to the affluent times of pre-1982, the current economic recession is, therefore not likely to be short-term. The country must prepare for a lengthy period of cut-back and economic

contraction. The economic environment in the next ten years will almost certainly be characterized by lower economic growth, severe reduction in government spending, possible privatization of more government parastatals, increase in level of unemployment, increasing social and political pressures on businesses and further widening of the gap between the rich and poor countries.

There is also the need for steady increase of the capital requirement for the formation of new insurance companies so as to keep pace with new socio-economic realities and for stricter control and supervision of the industry. All these are likely to come about within the period under consideration.

With Nigeria's current situation, efforts are being made by most managers within the economy to achieve more. Adaptations and innovations will have to be made to achieve this objective. New technologies will emerge, these will definitely bring changes. Staff must be trained to contribute towards changes and their implementations. In effect, the future envisages a new breed of managers who must be professional in their approach as well as being good insurance businessmen and women. This will entail the re-education of old hands and the introduction of an improved management education for new comers.

Insurance companies and the intermediaries will of necessity have to offer risk management services of which insurance companies and intermediaries will just form a part. The market then will not tolerate a situation where investment

returns will be needed to subsidize the underwriting departments. Each area of operation will be a profit centre.

For NICON of the future to maintain the market leadership, it will need to gear up to introduce and sustain a dynamic organizational culture, pursue a vigorous manpower development programme, ensure that its average manager carries a greater workload, becoming more marketing oriented by aiming to increase its business volume through customer satisfaction and alter significantly the distribution pattern of its workforce.

As every manager will have his personal computer and aided by other equipment such as telefax, the number of secretaries, messengers and clerical staff will be reduced to the barest minimum.

Quite a lot will be expected of this new breed of leaders, it will need leaders, who must take care of their staff, leaders with vision, leaders who will subordinate their ambitions and egos to the goals and objectives of NICON; leaders who will establish and maintain high standards of dignity and exude integrity, dedicated leaders that will give true leadership examples that inspires a sense of belonging to all. This is the type of leadership which the NICON of the future will require, and which the corporation is already gearing up to provide.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

According to Henry W. Holmes et al (1969), "Research is simply the process of arriving at dependable solutions to problems through the planned and systematic collection, analysis and interpretation of data".

Research may be basic or applied. The basic research deals with the relationship between two or more variables, the objective here is to develop theory by identifying all relevant variables in a particular field and making generalization for propositions about their relationships. Applied research on the other hand tests the product of basic research findings. The objective is to test the theories, concepts and model derived from the basic research in real problem situation.

Thus, this chapter contains the step by step procedure in which the researcher carried out the research processes or procedures i.e. the research method/design, population of the study, methods of data as well as the justification of the methodology she used.

3.1 Research Methods

Generally, this is intended to specify the methods and procedures for acquiring the information needed to structure the project work and also state the sources of such information. There are three broad classes of research methods;

these are historical research method, descriptive research method, and experimental research method.

However, for the purpose of this research work; the descriptive research method was adopted.

Descriptive research is concerned with the collection of data for the purpose of describing and interpreting existing conditions. Hence, this research work can be seen as a descriptive research (case study) because it concerns the collection of data for the purpose of describing and interpreting the evaluation of the contribution of insurance companies in the economic development of Nigeria.

3.2 Research Population

The study examined the evaluation of the contribution of insurance companies in the economic development of Nigeria with a keen interest of NICON Insurance Plc. The population of the study therefore embraces all the workers of NICON Insurance Plc Abuja (Headquarters).

3.3 Procedure of data Collection

Considering the largeness of the population involved in the study, the researcher had selected a sample from the population which the study was conducted and generalizations made based on the assumption that the sample is a good representation of the whole population.

Since a good sample must be a total representative of the population, care was taken in research to make sample size relatively large in order to convey a measure of credibility to the outcome of the study. Care was also taken to choose members of the sample randomly because when the choice of the subject is left to chances, the possibility of bias entering the selection of the sample is reduced.

3.4 Sources and Methods of Data Collection

Data collection is the cornerstone of any research work to be carried out, because it is a medium through which necessary facts and information are obtained for the justification and success of the research work.

However, data collection was done through the following ways:

Primary Source

- 1) Visit to the Corporation's head office in Abuja for more information about their existence.
- 2) The sampling method (population sampling).

To facilitate easy administration of the questionnaire, the various departments of the corporations were used.

- 1) Motor Department
- 2) Marketing/Client Services Department
- 3) Fire Department
- 4) General Accident Department

- 5) Life and Pensions division
- 6) Aviation Department
- 7) Marine Department
- 8) Oil Department
- 9) Legal Division
- 10) Human Resource and Administration Department
- 11) Accounts Division
- 12) Car/Engineering Division

The questionnaires were administered on a simple randomly selected member of each department. Based on this procedure a total of 20 respondents were used for the study comprising of males and females. This will help the researcher to have a true representative of the total population since they are all unique and of different characters.

The interview method was also adopted, which provided an opportunity for the researcher to meet members and staff of the various departments in the Corporation and valuable information were obtained about policies, processes and situations that might not be apparent from some of the documents. This method provided a room for every question to be asked and answered in detail and it provided first hand information about their day to day activities and operations.

It is important to note that this method has some set-backs. For instance, the researcher is always at the mercy of the interviewee for if he does not

understand a question about the Corporation he/she can easily get annoyed and may refuse to give a satisfactory answer, thus defeating the aim of the research.

No matter how truthful an interviewee is or a respondent is, he or she can only inform the researcher of what he believes to be the state of affairs in a given circumstance.

For the mere fact that, NICON Insurance Corporation was the researcher's place of primary assignment, she was already used to and attuned to some of their policies, operations, procedures (rules and regulations governing their existence) etc. Thus this made the research work very easy and fascinating.

Other Sources (Secondary Sources):-

The secondary sources of data collection used were:

- a) Information from textbooks, journals, the organization's periodicals, NICON magazines/publications, seminar papers pertaining to the Corporation.
- b) Other sources include unpublished work/term papers, related project work, write-ups related to the field and other miscellaneous.

The data collected from various sources were carefully studied and analysed in order to carry out meaningful recommendations that are aimed at assisting policy makers and also help the Corporation in taking appropriate decision in improving the performance of their services in the insurance industry, maintain high standards of dignity and exude integrity in their leadership roles.

Information gathered so far were to some extent reliable. However, the information gathered will help greatly in the compilation and writing of chapter four of this study, which is the data presentation and analysis.

3.5 Justification of Research methodology

Decision to use the various methods in this study to get the type of information needed was necessary because they all play prominent roles (primary and secondary sources). Data from questionnaires as well as interviews formed the basis of the primary data.

While secondary data were drawn from insurance textbooks, write-ups, journals, NICON News magazines and other relevant literatures. The major purpose of these instruments was to have (primary sources) personal contacts with heads of departments, the workers and other management staff of the Corporation to investigate more on their upliftment of insurance in the industry. A free discussion was held with the workers and management on their major day to day services and among many others, how they provide quality insurance services to their customers. The discussions any way, centred mainly on the central problems being investigated.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This section deals with the presentation and analysis of the data collected. The data used for analysis were obtained from the administered questionnaires and personal interviews. This chapter is aimed at aiding the reader or whoever is going through the manuscript to gain more insight on what is being discussed.

The data collected will be presented in tabular forms and expressed in percentages/weighted average.

4.2 Historical Background of NICON Insurance Plc

Africa's leading insurer, NICON Insurance Corporation was partly owned by the federal government of Nigeria. The Corporation was established by decree No. 22 of 1969 (now Cap 263 LFN of 1990 as amended with the main objective of assisting in the development of the insurance industry in Nigeria and specifically to ensure that federal government assets and property are fully protected by way of insurance.

The Corporation which is now the leading insurance company in Nigeria, accounts for 45% of the total premium income of the Nigerian insurance market, with a gross premium income of N1,729.7 billion and an underwriting result of N8.2 million in 1992. In 1993, the Corporation generated a premium income of N2,912.3 billion with a profit of N112.6 million, while in 1994, the total premium

income was N3.4 billion and profit was N157 million. The Corporation also hit the billion Naira Mark as its share capital base was raised to N1 billion. This has made the corporation one of the foremost insurance companies in Africa.

It has nine zonal offices and 48 branch offices, located in virtually every State in the country and leads in the underwriting of such personal line insurance as life, motor, personal accident as well as in the insurance of aviation, marine, oil and energy and other special target risks.

The Corporation also has a contact office in London for its international operations. Some of the branches are listed below:

Head Office, NICON Plaza, plot 242, Muhammadu Buhari way, Central Business District, PMB 5029, Abuja FCT.

Lagos Office, NICON House, 5 Customs Street, P.O. Box 1100, Lagos.

Lagos Island Branch, 118/120 Broad Street, P.O. Box 1100, Lagos.

Victoria Island/Lagos Zone, 8 Adeyemo Alakija Street, Victoria Island, P.O. Box 55505, Ikoyi, Lagos.

Ilorin, NICON House 219, Ibrahim Taiwo Road, P.O. Box 1566 Ilorin, Kwara State.

Osogbo, Ede-Iwo Road, Opposite Government House Annex Ede/Osogbo Road, Okefia P.O. Box 1773, Oshogbo.

Enugu Zonal Office; 5/14 Cathethral Drive, Independence Layout, P.O. Box 340, Enugu State.

Onitsha, 62, New Market Road, P.O. Box 5379, Onitsha, Anamba State.

Owerri, 43 Okigwe Road, P.O. Box 370, Owerri, Imo State.

Umuahia, 2 Ohafia Street, PMB 7009, Umuahia, Abia State.

Awka, 5 Enugu Road, Opposite Total Petrol Filling Station, Awka, Anambra State.

Abakaliki, 37 Ogoja Road, Abakaliki, Ebonyi State.

Kaduna Zone/Branch Office, Plot 1B, Yakubu Gowon Way, Kaduna.

Sokoto, Dogon Daji House, 5, Birnin-Kebbi Road, P.O. Box 815, Sokoto.

Birnin-Kebbi, Sambawa House, 1 Emir Yaya Road, Birnin Kebbi, Kebbi State.

Kano Zone/Branch Office, 1st Floor, NICON House 13B, Post Office Road, P.O. Box 2045, Kano.

Bauchi, Giwo House, 6 Ahmadu Bello Way, PMB 0272, Bauchi.

Katsina, 7 IBB way, Kofar Kaura, P.O. Box 494, Katsina.

Gombe, Biu Road, Opposite Jewel Furniture, PMB 091, Gombe.

Dutse, Kiyawa Road, Opposite Bank of the North, P.O. Box 42, Dutse, Jigawa State.

Port-Harcourt Zonal Office, Orosi House, 28 Force Avenue, Old GRA, Port-Harcourt, River State.

Calabar, Desan House (1st Floor) 38, Ndide Usang 180 Road, P.O. Box 927, Calabar, Cross River sTate.

Makurdi, 26 Abdullahi Shelleng Road, high Level, P.O. Box 1277, Makurdi, Benue State.

Jos, 4, Secretariat Road, PMB 2085, Jos, Plateau State.

Growing rapidly over the years, the Corporation's mission is: "Providing superlative insurance and financial services to customers, wherever, whenever and in whatever form desired".

NICON Insurance Corporation as a patriotic and responsible corporate citizen, has contributed immensely to ensuring the achievement of the federal government's social responsibilities to the citizenry. The Corporation, in line with the objectives setting it up is the largest employer of labour in the insurance industry in Nigeria, in addition to providing training to the highest number of professionals.

In support of government's efforts to ensure a better society, the Corporation introduced the Nigerian Police Force Insurance Scheme which supplements the welfare provisions to serving members of the Nigerian Police Force.

The federal government divested its interest in the organization through privatization of the company by the Bureau of Public Enterprises in December 2005. the Assurance Acquisition Consortium acquired 70% of the share while the federal government retained 30%.

In the light of the foregoing development, the company has transformed from public to private enterprise with effect from 1st January, 2006.

The new company is just setting down and the short duration that dovetailed into the period covered by this study would not permit objective appraisal.

4.3 Organizational Structure of NICON Insurance Plc

By the very nature of insurance, any cumbersome structure will affect prompt delivery of service to its clients.

At the top of the organization chart in NICON is the Board. Then the Managing Director and executive and non-executive Directors.

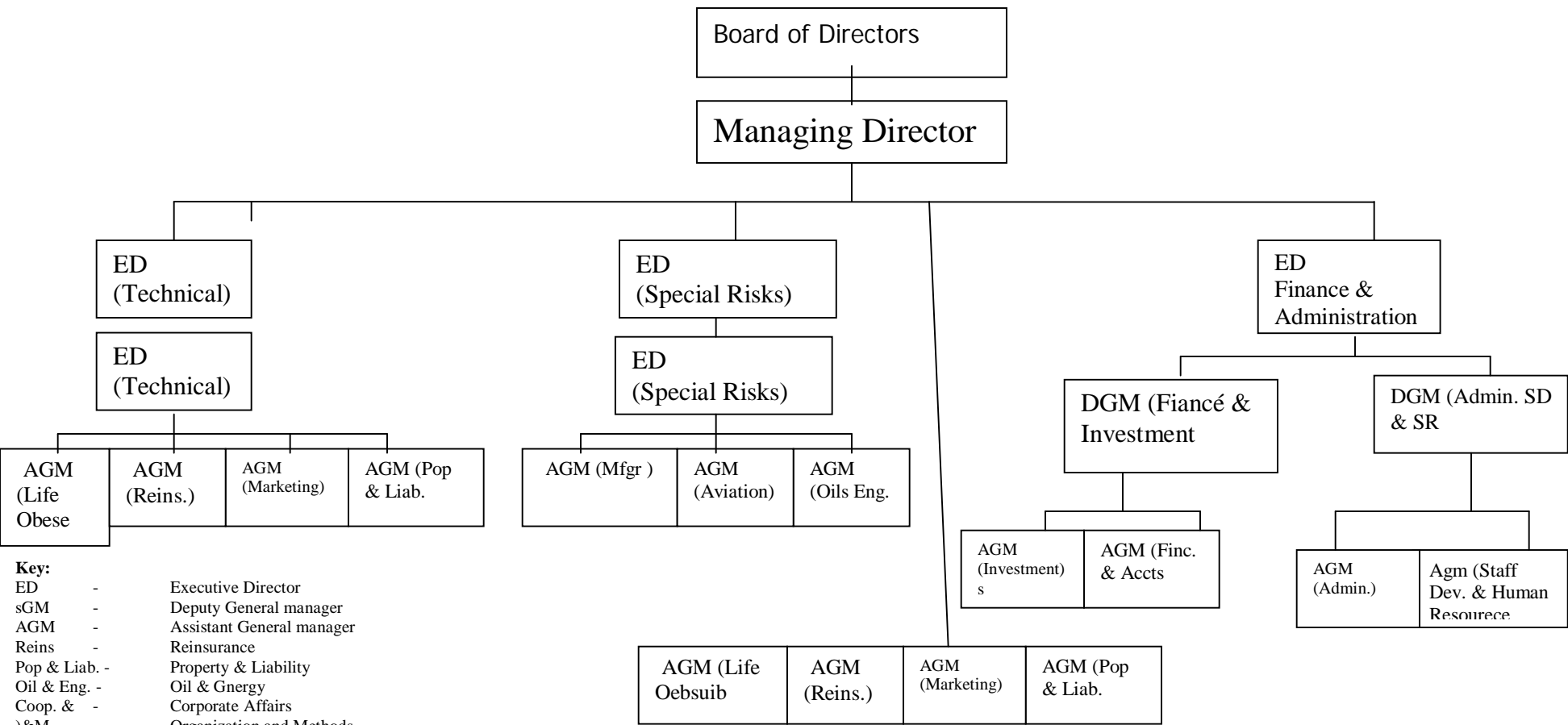
The Managing Director and Executive Directors make up what is generally called executive management. This has recently been expanded to include Deputy General Managers, the Head of London Contact Office and the Corporate Secretary/Legal Adviser.

There are four directorates namely, Technical, Special Risks, Finance and Administration and Administrative staff development and human resources.

The executive management is followed by senior management which comprises Assistant, General Managers and Senior Managers, Managers, Managers and Assistant Managers constitute what is known as General Management.

NICON INSURANCE PLC

ORGANIZATIONAL STRUCTURE



- Key:**
- ED - Executive Director
 - sGM - Deputy General manager
 - AGM - Assistant General manager
 - Reins - Reinsurance
 - Pop & Liab. - Property & Liability
 - Oil & Eng. - Oil & Gnergy
 - Coop. & - Corporate Affairs
 -)&M - Organization and Methods
 - Fin. & Admin. - Finance & Administration
 - Admin. - Administration
 - Admin SD & HR - Admin. Staff Development & Human Resources

Source: NICON Insurance Plc, 2006

4.4 Presentations and Analysis

Table 4.3: Age distribution of respondents

Age	No. of respondents	Percentage
Under 2 years	---	--
25- 30 years	3	15%
31 – 40 years	4	20%
41 – 50 years	8	40%
Over 50 years	5	25%
Total	20	100%

Source: Field survey.

The table above shows that 15% of the respondents are between the age brackets of 25-30 years, 20% are between 31-40 years, 40% are between 41-50 years, and 25% are over 50 years. This implies that majority of the respondents are between the age of 41-50 years.

Table 4.4: Sex of respondents

Sex	No. of respondents	Percentage
Male	16	80%
Female	4	20%
Total	20	100%

Source: Field survey.

The table above shows that the male respondents are 80% while female respondents are 20%. This means that the male respondents are more than the female respondents in the population

Table 4.5: Level of education of respondents

Level	No. of respondents	Percentage
OND	3	15%
HND	3	15%
Bachelor's Degree	5	25%
Masters Degree	9	45%
Ph.D	-	-
Total	20	100%

Source: Field survey.

The table above shows that the respondent with OND level of education are 15%, 15% HND respondents, 25% of Bachelor’s Degree respondents, and 45% Master degree. This means that the Master degree respondents are more than every other respondent in the population under review.

Table 4.6: Length of service of the respondents:

Length of service	No. of respondents	Percentage
- - 5 years	3	15%
6 – 10 years	3	15%
11 – 15 years	4	20%
16-20 years	2	10%
Over 20 years	8	40%
Total	20	100%

Source: Field survey.

The table shows that the respondents with 5 years length of service are 15%, 15% respondents are between 4-10 years, 20% respondents are between 11-15years, 10% of respondent are between 16-20years and 40% of the respondents are over 20 years. The implication of the affirmation is that the lengths of services of the respondents over 20 years are more in the population.

Table 4.7: Major policies undertaken by the Corporation:

Options	No. of respondents	Percentage
Fire and special perils	---	--
Motor Policy	1	5%
Theft	-	-
Goods-on-Transift	1	5%
Marine	--	--
Total	20	100%

Source: Field survey.

The table above shows that 5% of the respondents suggested that the major policies undertaken by the corporation is motor policy, while 5% also opined that the major policy undertaken by the corporation is Good-On-Transift. The implication of this analysis is that the corporation undertaken both motor policy and Good-on-transift policy at equal percentage.

Table 4.8 Does NICON Insurance adequately respond to the insured in terms of claims?

Options	No. of respondents	Percentage
Yes	15	75%
No	--	--
Do not know	5	25%
Total	20	100%

Source: Field survey.

The above table depicts that 75% of the respondents suggested that the NICON Insurance respondents claims adequately, while 25% of the respondents said they do not know. This means that the NICON Insurance respond to its clients claims adequately going by the majority of the population.

Table 4.9 How reliable are the services rendered by NICON Insurance Corporation to their clients.

Options	No. of respondents	Percentage
Very reliable	17	85%
Averagely reliable	3	15%
Not reliable	-	--
Total	20	100%

Source: Field survey.

The table above depicts that 85% of the respondents suggested that the services rendered by NICON Insurance Corporation are very reliable, 15% said they are averagely reliable.

The implication of this is that the services rendered by the NICON Insurance to their clients are okay.

Table 4.10 How has manpower development and planning helped the Corporation?

Options	No. of respondents	Percentage
Sustain staff loyalty	3	15%
Dedication to duty & commitment	2	10%
Sustain the Corporation's leadership position in the nation's industry	1	15%
All of the above	12	60%
Others, specify	--	--
Total	20	100%

Source: Field survey.

The table above shows that 15% respondents opined that manpower development and planning has helped the corporation in terms of sustain staff loyalty, 10% respondents suggested that it helped in dedication to duty and commitment, 15% respondents are for sustaining the corporation's leadership position in the nation's industry and 60% are of the view that all of the above. The implication of this analysis is that all of the above options (sustain staff loyalty, dedication to duty and commitment and sustain the corporation's leadership position in the nation's industry) are all achieved through proper manpower development and planning.

Table 4.11: What is the level of insurance awareness among the insuring populace?

Options	No. of respondents	Percentage
The answer is very limited	9	45%
Educational curriculum generally hasn't encouraged people to know what insurance is all about	2	5%
It is something that cannot be tackled in one day, so the awareness comes with time	2	10%
All of the above	7	35%
Don't know	1	5%
Total	20	100%

Source: Field survey.

The table above depicts that 45% of respondents suggested that the level of insurance awareness among the insuring populace is very limited, 5% said educational curriculum generally hasn't encouraged people to know what insurance is all about, 10% viewed to be something that cannot be tackled in one day so the awareness comes with time, 35% looked that it involved of the above options, and 5% said they don't know,

The implication of the analysis is that the level of insurance awareness among the insuring populace is very limited.

Table 4.12: How do you assess the contribution of NICON Insurance Corporation to the economic development of Nigeria?

Options	NO. of respondents	Percentage
Very significant	14	70%
Significant	6	30%
Poor	--	--
Very poor	--	--
Total	20	100%

Source: Field survey.

From the table above, it's clearly shown that 70% of the respondents suggested that the contributions of NICON insurance to the development of Nigeria is very significance, while 30% responded that its not contributing significantly. What this analysis means is that the NICON Insurance has been contributing greatly to the economic development of Nigeria.

4.5 The findings

With the following responses, these are some of the solutions to the research questions:

- a) With reference to research question one, majority of the respondents portray that it has been very reliable with the minority saying that it was averagely reliable/suitable/relevant as the case may be.
- b) The research question pertaining to the major policies undertaken by the Corporation was responded to this way: Majority embraced all the following policies; fire and special perils, motor policy, theft, goods-on-transit, marine, fidelity guarantee engineering, combined comprehensive, consequential loss except a few of the respondents who chose just motor policy.
- c) Research question three referring to the extra or outstanding unique services the Corporation has offered amongst other insurance companies was responded to this way: Most of the

respondents embraced, prompt payment of claims, provision of cover for special risks and training of insurance industry workforce.

Others are; mass oriented insurance product like NICON airplan, high level of social and tennis tournaments.

- d) For research question four which was particular about how manpower development and planning helped the Corporation.

Most of the respondents were of this view; to sustain staff loyalty, dedication to duty and commitment and also to sustain the corporation's leadership position in the nation's industry. A few others went just for sustaining staff loyalty, and so.

- e) The major and most important of the research questions, referring to how the contribution of NICON Insurance Corporation towards the economic development of Nigeria be assessed was responded to this way: Majority went for very significant, while six out of the twenty respondents went for significant.

For the purpose of broadening knowledge, and allowing the respondents air out their views freely, some open ended questions were asked, such as the methods they employ to improve their computer based information system in insurance in their corporations. Majority of the respondents went for using or adapting modern information technology. Providing for seminars and workshops which will help the staff gain and acquire more computer knowledge as well as

insurance journals and inter-company cooperation. Others proposed that educational curriculum should encourage people to read insurance. In addition to this, insurance could also be known by carrying out proper research in both technical and marketing areas.

Another aspect of the questions asked was the extra unique services the cooperation has provided that made the outstanding amongst other insurance companies. Most of the respondents stressed their ability to pay claims regularly no matter how large the size was, thereby having more clients. Also the provision for specialists and training for insurance industry workforce was another major advantage they had over other insurance companies.

Few other respondents stated the following that, NICON is within a conglomerate of companies such as NICON Properties, NICON Airways, NICON London as well as NICON Hotels which no other insurance company has embraced. In addition to the previous questions asked previously, the respondents were also asked to state some of the obstacles they faced in their operations.

Majority of them said that most customers refused to pay up their premiums especially on large risks which NICON insured thus causing great set backs to the Corporation. The others felt that over-dependence on government business was an obstacle too as well as poor staff welfarism, existence of murhsroom

companies, staff turnover due to better job opportunities, inadequate working tools and low morale as well as lack of public awareness of insurance.

Conclusively, the respondents were asked to suggest measures for correcting some of these problems. Majority felt that for the problems to be well solved, insurance should be introduced into the curriculum of students at secondary level, so that they become versed by the time they finish their university programmes, ready to compete in the labour market.

Others were of the view that government should create favourable economic environment, Nigeria should imbibe the culture of reforms in the Nigerian polity, and they should be transparent in their mode of operations at all time. Awareness campaigns by all and sundry , retraining of old staff, increase in staff salary to motivate them to work harder was also raised.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter sets out to attempt a brief summary of the major findings of the study, conclusion and recommendations before terminating with a bibliography.

5.2 Summary of the Major Findings

Over 30 years of existence, NICON has made giant strides of establishing itself in a strategic position as one of the strongest insurance companies in Nigeria in discharging its function. NICON Insurance is closely involved and committed to the mobilization of resource in virtually every sector of the economic growth and development of the nation.

Similarly, in the pursuit of its development and finance, it has constantly contributed to the removal of technical and managerial bottleneck in business development. The insurance company is deeply conscious of its social responsibility.

5.3 Conclusions

Based on the major findings of this study, insurance industry particularly the NICON Insurance Plc has been of great immense contribution to the

economic development of Nigeria. The Corporation contributed in areas like sport, by sponsoring football matches and table tennis tournaments.

In the business sector, they have reduced drastically risks by trying to alleviate the financial impact of any mishap affecting any individual, corporate bodies as well as the society as a whole.

From the discussions so far, it can be seen that this insurance corporation (NICON) despite some of its shortfall has really played a very vital role in the economic development of Nigeria, thus the motive behind their establishment had been fulfilled to some extent.

5.4 Recommendations

The crucial role of insurance in the country as an engine towards rapid economic growth and development cannot be over emphasized. Therefore, I will make recommendations that will make insurance companies create impact in people's lives and also curtail anything that will be an obstacle for its smooth operations.

Here are some of the recommendations:

- 1) The insurance companies should embark more extensively on educational and training programme for their employees as well as recruiting intelligent individuals from related disciplines.

- 2) There should be control of costs through productivity and more effective management of resources as well as management of structural changes.
- 3) With the ever changing and dynamic environment, insurance companies should adopt modern marketing techniques and improved distribution network.
- 4) To assist managers in making the right decision, a good network of information flow must be established.
- 5) As professionals insurers need to define the yardsticks by which they operate and be able to reach an understanding with their clients on expected standards of service. The timing of delivery of documents, speed of service, claims handling and other services should be agreed to in writing. These represent measures against which service levels can be judged. They also represent a measure of professionalism.
- 6) The insurance companies should device more effective means of communicating, interacting and relating with the rural populace towards patronizing their services by motivating them.
- 7) The insurance officials should maintain very cordial relationships with their clients to promote sustenance in the industry.
- 8) There should be flexibility in the systems when necessary.

- 9) There should be a code for action, conduct and professional ethics in their insurance laws which will enable set a good standard of behaviour and integrity for professional insurers and other employees in the industry to avoid distress and failure of insurance companies.
- 10) The regulatory body or authority must also design rules and regulations binding any operation to enhance confidence in the system, and where rotten persons are found wanting, they should be brought to book or relieved of their jobs in order to maintain the standard of insurance in the country.

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APPENDICES

Department of Business Administration,
Faculty of Administration,
Ahmadu Bello University,
Zaria.

4th November, 2006

Dear Respondents

A REQUEST TO COMPLETE/FILL QUESTIONNAIRE

I am a master student of the above-named university and department. In pursuance of my MBA programme, I am carrying out a research on "Evaluation of the Contribution of Insurance Companies in the Economic Development of Nigeria using your Corporation as a case study.

This research is purely for academic consumption. I pledge all pieces of information gathered shall be treated with utmost confidence and used solely for the purpose mentioned above.

Please, provide the correct responses to these questions.

Yours faithfully,

Abede Oiza Hussein
Student Researcher

Biodata of Respondents:

1) Age:

- a) Under 25 years
- b) 25 – 30 years
- c) 31 – 40 years
- d) 41 – 50 years
- e) over 50 years

2) Sex:

- a) Female
- b) Male

3) Qualifications:

- a) OND
- b) HND
- c) Bachelors degree
- d) Masters decree

4) Years of experience:

- a) 0 – 5 years
- b) 6 – 10 years
- c) 11 – 15 years
- d) 16 – 20 years
- e) Over 20 years

5) What are the major policies undertaken by your Corporation?

- a) Fire and special perils
- b) Motor Policy
- c) Theft

- d) Goods-on-transit
- e) Marine
- f) Fidelity guarantee
- g) Engineering
- h) Combined comprehensive
- i) Consequential
- j) All of the above

6) Does NICON Insurance adequately respond to the insured in terms of claims?

- a) Yes
- (b) No

7) How reliable are the services rendered by NICON Insurance Corporation to their clients?

- a) Very reliable
- b) Averagely reliable
- c) Not reliable

8) How has manpower development and planning helped the Corporation?

- a) Sustain staff loyalty
- b) dedication to duty and commitment
- c) Sustain the Corporation's leadership position in the nation's insurance industry
- d) All of the above
- e) Others, specify.....

9) What is the level of insurance awareness among the insuring populace?

- a) The awareness is very limited
- b) Educational curriculum generally has not encouraged people to know what insurance is all about

- c) It is something that cannot be tackled in one day so the awareness comes with time
- d) All of the above
- e) Don't know

10) What methods/ways do you employ to improve your computer based information system in insurance in your Corporation?

11) What extra/unique services has NICON provided which makes them outstanding amongst other insurance companies?

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12) How do you assess the contribution of NICON Insurance Company to the economic development of Nigeria?

- a) Very significant (b) Significant
- c) Poor (d) Very poor

13) What are some of the obstacles facing NICON in its operations?

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14) Suggest some measures for addressing some of the problems you have highlighted above:

