TOTAL PREMIUM AND THE PERFORMANCE OF INSURANCE INDUSTRY IN NIGERIA

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A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BANKING AND FINANCE, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN, BENIN CITY.
IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF A BACHELOR OF SCIENCE (B.Sc) DEGREE IN ACTUARIAL SCIENCE

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DECLARATION

I declare that:

(1) This project work is based on a study undertaken by me in the department of banking and finance, university of Benin, under the supervision of Ven. Prof. I.O. Osamwonyi, FAMN

(2) This work has not been previously submitted for the award of a degree elsewhere.

(3) All ideas and views are the products of my personal research and where the views of others are expressed, have been duly acknowledged.

Signed............... Date ....

OSAMUDIAMEN JOSHUA OSAYEMWENRE

This Research Project has been submitted for examination with my approval as University Supervisor.

SUPERVISOR: Ven. Prof. I.O. Osamwonyi, FAMN

Department of Banking and finance

CERTICIFATION

We certify that this project work was completed by Osamudiamen Joshua Osayemwenre. The project work is in partial fulfillment of the requirement for the award of a Bachelor of Science (B.Sc. Hons.) degree in Actuarial Science, Department of Banking And Finance, Faculty of Management Sciences, University of Benin, Benin City.

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DEDICATION

This project is dedicated to the Awesome and Almighty God for keeping me alive, for his grace, wisdom, knowledge, accuracy and strength, also for providing for me throughout the course of this study.

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All thanks to Almighty God for His grace, strength, wisdom and for his guidance and direction throughout my stay in the school.

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ABSTRACT

Insurance companies in Nigerian have undergone reform in 2004 in order to enhance their Performance and to make them stronger players nationally and internationally. Besides, in 2014 available statistics revealed that the performance of insurance companies in Nigeria Still remains below average. The statistics further indicated that the companies contribute Only 0.3% of overall GDP in 2014 in terms of the value of gross premiums written which Was very minimal if compared to 16% of South African insurance contribution to GDP. This among others provides a cause for assessing the total premium and determinants of insurance Companies' performance in Nigeria.

This study evaluated empirical review on concept of insurance, its business in Nigeria and also the financial performance in Nigeria. This study is descriptive in nature and used secondary sources of data collection. The secondary data for this study Were obtained from the CBN statistical bulletin of 2018, also including variables like TASSETS, TPREMIUM, NDGP and CLAMIS using E-views 7.0 software to fit ordinary least squares to evaluate the relationship between the total premium and the performance of insurance industry in Nigeria.

The study improves the understanding of total premium and the performance of insurance industry in Nigeria. This study recommended that there is a need to build a stable and vibrant environment to foster the improvement of insurance industry in Nigeria.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The Origin of the concept of insurance is traceable to the business practices adopted by Italian Merchants in the beginning of the 14^{th} century which was similar in structure to modern day insurance practices. The risks associated with shipping of goods facilitated the evolution of risk insurance policy. Insurance business is also seen as the backbone of any country's risk management system, since it ensures financial security, serves as an important component in the financial intermediation chain and offers a ready source of long term capital for infrastructural projects in Nigeria (Augustine & Nwanneka, 2011). Similarly, insurance business plays a vital role in the Nigerian economy through risk bearing, employment of labour, payment of tax, providing vehicle for investors and other financial investment services, (Hamadu & Mojekwu, 2010). Therefore, it is important to ensure that insurance companies' in Nigeria are performing efficiently and significantly.

Insurance is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. The amount of money charged by the insurer to the insured for the coverage set forth in the insurance policy is called the Premium. According to Section 50(1) of Insurance Act 2003; The payment of premium is a condition precedent to the valiodity of any insurance contract. To determine this premium, the worth of what is been insured must be known hence the need for valuation for insurance.

Insurance companies are the sellers and suppliers of insurance product in Nigeria. According to the Nigerian Insurance Act 2003, there are two broad categories of insurance business in Nigeria: Life insurance business and Non-life (General) insurance business. Premiums are used to describe payments made on an insurance policy. It is evident from early insurance documents that the word "premium" was used when referring to the price attached to the product. The early use of the word premium was on a Fire Insurance policy purchased on March 17, 1796. On that day, Thomas Meacham paid $45.60 premium for $3000 coverage with a $600 deductible.

Globally, the performance of insurance companies is an important indicator of a thriving economy that could lead to an increase in Gross Domestic Product (GDP) of a nation, more specifically non-banking sector like insurance companies (USAID, 2012). Moreover, the performance of a company can also be measured in the form of qualitative features like market position, quality of product, and goodwill of the customers (Kruger 2004).

1.2 Statement of the Problem

The main concept of insurance is that of spreading risks. Insurance facilitates investment by reducing the amount of capital that businesses and individuals need to keep at hand to protect themselves from uncertain events. According to some scholars, insurance is a barometer of economic activity in a country and thus, protects the success of emerging economies.

Insurance in Nigeria can be traced back to the 20th century when Nigeria's economy was solely dependent on agriculture. There was a need for merchants to transport their cash crops to Europe and also reducing the risk of such transportation. This majorly contributed to the dominance of marine insurance in Nigeria at that time.

Despite its importance for economic development, the gross premium collected by insurance companies in Nigeria is about 1.9 Billion United States Dollars compared to the 3.8 Billion United States Dollars collected in South Africa.

In the United Kingdom, the insurance industry contributes about 20% of the total GDP of the country. In South Africa, the insurance industry contributes 17% of the total GDP and in Kenya, the insurance industry contributes 3.4% of its nation's GDP. However, in spite the astronomical growth of the Insurance companies from just one agency in 1918 – Royal Exchange Assurance Agency to the present number of 56 Insurance companies as stated on National Insurance Commission ("NAICOM'S") website, the Nigerian Insurance industry contributes a meagre 0.7% of the total GDP of Nigeria. It will be right to say that the performance of Nigerian insurance industry is sub-optimal.

In defiance of National Insurance Commission's constant effort to cure and mitigate the challenges causing the sub-optimal performance of the insurance industry, there are still a couple of challenges militating against the growth of the insurance industry; antagonistic and hostile economy, Nigerian market is doubtful of insurance companies, inadequate access to information technology, weak regulatory framework, lack of skilled personnel, poor knowledge of insurance services by the prospective assured.

In order to address these issues with the performance of insurance industry, it is important to empirically investigate and identify the determinants of insurance companies' performance in Nigeria in order to make recommendations as a result of the following problems; firstly, in the past years there was a question of available and sufficient data for empirical study that outlines properly the determinant of insurance companies' performance in Nigeria. Secondly, to the best of our knowledge; studies that assess the determinants of insurance companies' performance in Nigeria are scarce. In addition, even few studies conducted in Nigeria have some limitations. For instance, such studies focused their data collection in states or geopolitical zones of the country.

Although there have been many studies on insurance business (i.e. insurance patronage, Nigerians attitude towards insurance and efficiency of insurance companies) but a detailed research to explain the growth of premium and performance of insurance industry is lacking. Therefore, it is against this background that this study intends to assess the growth of premium and performance of insurance industry in Nigeria.

1.3 Research Questions

In order to address the problem of the study, the following research questions were raised:

i. What are the effects of premium growth on the performance of insurance industry in Nigeria proxied by shares index?

ii. What is the relationship between Gross Domestic Product (GDP) and the performance of insurance industry in Nigeria?

iii. What is the relationship between Expenditure in the industry and the performance of insurance industry in Nigeria?

1.4 Objectives of the Study

The specific objectives of this study are as follows:

i. To evaluate the effect of premium growth on the performance of insurance industry in Nigeria.

ii. To relate Gross Domestic Product (GDP) with the performance of insurance industry in Nigeria.

iii. To relate total expenditure of insurance companies with the performance of insurance industry in Nigeria.

1.5 Research Hypotheses

For the purpose of this study the following hypotheses are formulated:

H_{01}: Total premium has no significant effect on the performance of insurance industry proxied by sectoral index.

H_{o2}: Gross Domestic Product (GDP) has no significant effect on the performance of insurance industry in Nigeria.

H_{o3}: Total Expenditure of insurance companies has no significant effect on the performance of insurance industry in Nigeria.

1.6 Significance of the Study

Premium growth measures the rate of market penetration. In the past years, the insurance companies in Nigeria have undergone several reforms and transformations in order to enhance the performance of the insurance industry in Nigeria. But available statistics revealed that the performance of the insurance industry is still below average. It is believed that this study would be informative and relevant to stakeholders and prospective investors by clearly revealing the current position of the performance of the insurance companies in Nigeria in Addition, stakeholders of the insurance companies in Nigeria would be guided by this informative research to design a plan that would be used to improve upon the shortcomings from reforms and other regulations in insurance business in Nigeria.

The results generated from this study would provide decisions qualitative and quantitative measures to be used in selecting the real determinants of the performance of insurance companies in Nigeria. This in turn, would allow managers, owners and outside investors to be better informed about the determinants of the performance of the carriers and how stakeholders may use these determinants to allocate their resources so that the carriers in this sector could become more profitable when alternatives are available to them

Finally, this study was also designed to benefit students and other researchers that might venture into future researches in this area. The study provides reference material for them since to the best of our knowledge no empirical research has been conducted on the growth of premium and the performance of insurance industry in Nigeria.

1.7 Scope of the Study

The focus of this study is on listed insurance companies in Nigeria. The listed insurance companies were chosen because of the fact that their financial reports and accounts over the period of study (2000 - 2017) were published under strict supervision of NAICOM. In Addition, the financial report which is among our sources of data collection is available in the Nigeria Stock Exchange published fact book. Hence, given the above background; in my opinion, the listed insurance companies in Nigeria representatives of other insurance companies that were not listed on the floor of Nigeria Stock Exchange Market.

Furthermore, this study covered the period after the regulation of insurance business in Nigeria spanning from 2007 to 2018. It is believe that the choice of this period has far reaching implications on the study because of the fact that the period of the last reform (recapitalization) introduced by the Federal Government of Nigeria in collaboration with NAICOM ended on 28h February, 2007. The reform was aimed at strengthening the operating performance of Nigeria insurance companies. Therefore on this ground it is important for us to study the performance of insurance companies in Nigeria.

Lastly, the study was designed to analyze the relationship between performance and factors that determine the performance of listed insurance companies in Nigeria for the eight years (2007 – 2018) using the data obtained from secondary sources

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter deals with review of some related literatures available on the subject matter. This chapter presented the concepts of Insurance and the performance of insurance company. Review of empirical studies as related to the topic of the study. It is the aim of the researcher to ensure that this review will foster a better understanding of the performance of insurance companies in Nigeria.

2.2 The Concept of Insurance

Scholars all over the world have attempted to define insurance based on their opinion. Dickson (1960) in Oke (2012) opined that insurance is designed to protect the financial wellbeing of an individual, company or other entity in case of unexpected loss. According to him, some forms of Insurance are required by law, while others are optional. Agreeing to the terms of an insurance policy and paying the premium create a contract between the insurer and the insured. Adebisi (2006), states that insurance is complicated issue which involves economic and social devices for the handling of risks to life and property. It is social in nature because it represents the cooperation of various individuals for mutual benefits by working together to reduce the consequence of similar risks. As every new area of risks, and since new insurance package is mounted to take care of more and more areas of risks, the insurance industry flourishes.

Furthermore, Kunreuther, (2010) opined that insurance is an economic institution that allows the transfer of financial risk from an individual to a pooled group of risks by means of a two-party contract. The insured party obtains a specified amount of coverage against an uncertain event for a Smaller but certain payment. Similarly, Igbojekwe (2006) defined insurance as the identification of a purchaser of an insurance contract against losses Which may arise from the occurrence of specified type of events after the Payment of a consideration called Premium. Insurance also entails a contract between insurer/assurer and insured/assured whereby one party agrees to undertake the risk of another in exchange for consideration known as Premium.

Agbaje (2005) defined insurance as the business of pooling resources together to pay compensation to the insured or assured (i.e. the policy holder) on the happening of a specified event in return for a periodic consideration known as Premium. Note that, an insurance contract is usually evidenced by a document called the insurance policy which is usually signed by the insurer or assurer or his agent and also the payment of Premium gives validity to the insurance contract. Insurance businesses help buyers organize their risk. In exchange for a constant stream of premiums, insurance businesses offer to pay conditioners an addition of cash upon the incident of a predetermined event, such as a natural disaster. More amply put, insurance businesses conceive worth by pooling and redistributing diverse kinds of risk. It does this by collecting liabilities (i.e. Premiums) from every person that it insures and paying them out to the few that really need them. Insurance businesses theoretically make cash in two ways: Firstly, by ascribing enough premiums to cover the expected payouts that they will have to cover over the life of the principle. Secondly by earning investment comes back (the float") utilizing the collected premiums.

Linus, (2001) defined insurance as a mechanism for reducing the uncertainty of an individual or organization through the exchange or transfer of specific risks to the insurer who offers a form of economic restoration, albeit partly, to the insured for losses incurred.

Insurance is a financial device for transferring or shifting risk from an individual or entity to a large group with the similar risk. This is accomplished through a contract, the insurance policy, with an insurance company. Under this arrangement, the individual, along with other insured, pays premium to the insurance company and the insurance company agrees to pay an amount of money (indemnity) to the individual, if the events described in the policy occur. Insurance is used to indemnify, or restore, a policyholder to a pre-loss condition. The individual accepts a known cost. the premium, in exchange for payment of a large, uncertain financial loss. The insurance company combines, or pools, a large number of similar units and thus can predict losses within reasonable limit.

According to the Nigerian Insurance Act 2003, there are two broad categories of insurance business in Nigeria: Life insurance business; and

Non-Life (General) insurance business. It is permitted under the Nigerian laws for an insurance company to engage in both. Therefore, general insurance business can be sub-divided into: fire, accident, oil and gas, contractors all risks and engineering risks: marine and aviation, Credit insurance, bond and surety ship among others. The second category of insurance business in Nigeria is life insurance which comprises individual life business, group life insurance and pension business, health insurance business and annuities (Eze & Victor, 2013). According to Black and Skipper, (2000), there are three main types of life insurance policies in actuarial literature including (a) Whole Life Insurance- which provides cover for lifetime; (b) Term Life Insurance- that provide cover for a limited number of years and, (c) Endowment Life Insurance- which is a term life insurance with a saving component. In general terms, life insurance is a way of Dealing with risk and a saving medium for consumers.

The concept behind insurance is that a group of people exposed to similar risk come together and make contributions towards formation of a pool of funds. In case a person Actually suffers a loss on account of such risk, he is compensated out of the same pool of Funds. Therefore.

contribution to the pool is made by a group of people sharing common Risks and collected by the insurance companies in the form of premiums. Furthermore, risk has the element of uncertainty. Human life is subject to risk of death, disability as a result of natural or accidental causes, diseases and hazards.

Generally, loss or damage could occur at anytime and losses can be mitigated through Insurance. Therefore, any introduction to insurance requires a clear understanding of the Concept of risk. In this case, many insurance professionals use the word risk to refer to an Insured, a prospect for insurance or to the peril that is being insured. They will say that a Particular person or property is a good risk or a bad risk, meaning that they have evaluated the underwriting characteristics of that person or property for a particular insurance policy. This usage differs from the strict insurance definition, which defines risk as the uncertainty regarding financial loss. Insurance can generally be defined as the pooling of funds from the insured (policy holders) in order to pay for relatively uncommon but severely devastating losses which can occur to the insured. It is a contract between two parties whereby one party called the insurer undertakes to pay the other party called the insured a fixed sum of money on the Occurrence of a certain event. Obasi (20T0) defines insurance as "a contract between the person who buys insurance and an insurance company who sold the policy". He opines that by entering into the contract, the insurance company agrees to pay the policyholder or his dependents a predetermined sum of money in any case of any unfortunate event for a predetermined fixed sum payable which is referred to as the premium. In Nigeria, the types of insurance products available include: fire, marine, aviation and transit, life covers, health, oil and gas insurances amongst others (Akpan and Acha, 2011). With the aid of these products, insurance provides stability by allowing large and small businesses operate with a lesser risk of volatility or failure; thus promoting the growth of large and small firms. By collecting premiums from insureds, Insurers are able to pull together a large pool of funds that could be invested for short or long term periods. Such long-term funding in the economy is very critical for economic growth and the deepening/broadening of the domestic financial system (Acha and Ukpong, 2012; Obasi, 2010; Augustine and Nwanneka, 2011).

2.3 Historical background of Modern Insurance Business in Nigeria

According to Hamadu and Mojekwu (2010), historically, insurance business behavior in Nigeria can be traced to the actions of British merchants in 1874. These British merchants commenced their insurance business activities as agents for insurance companies in Britain, the major area of business being marine insurance. These agents operating in Nigeria packaged and organized insurance covers for imported and exported products. The modern insurance business was introduced into West Africa during the early 20th century by European traders to provide financial and economic protection for their business (Ngwuta, 2007). All underwriting was done at the metropolitan head office while the headquarters office was in Europe. Subsequently, local agents were appointed to represent their interest in the country.

The first branch office in Nigeria was the Royal Exchange Assurance in 1921, 1ater followed by other British companies. There was an initial slow pace of the growth of the insurance industry in the country, particularly between 1921 and 1949. This has been traced to adverse effect of the World

War II on trading activities both in United Kingdom and Nigeria. As soon as the war ended, business activities gradually picked up again, and insurance industry in Nigeria began to record remarkable improvement in growth NICON, 1994). It was not until 1958 that the first indigenous insurance company, the African Insurance Company Limited, was established. At independence, only four (4) of the then twenty five (25) firms in existence were indigenous. Following this development, more insurance companies were established in the country.

According to NAICOM (2011), the first major step at regulating the activities of Insurance business in Nigeria was the report of J.C. Obande Commission of 1961, which resulted in the establishment of Department of

Insurance in the Federal Ministry of Trade and which was later transferred to the Ministry of Finance. The report also led to the enactment of Insurance Companies Act 1961, which came into effect on 4th May, 1967. The 1961 Act focused mainly on the activities of direct insurers, made provisions for registration and record keeping.

Furthermore, in 1968, Insurance Companies regulations was put in place to facilitate the implementation of Act No 58 of 1961 which then classified insurance business into different classes for registration purpose and relevant forms for record keeping. The promulgation of the 1968 companies Act requiring the incorporation of indigenous companies also facilitated the establishment of more insurance companies in the country (Kantudu and Tanko, 2008). The 1968 Act stipulated a paltry N50,000 and N100,000 for life insurance companies and composite insurance companies respectively. Indigenous Nigerian insurers such as NICON which was established in 1969 later followed (Agbakoba, 2010). In addition, the Insurance Decree No 59 of 1976 was enacted putting together the provisions of the various laws. The 1976 Decree among others made the following provision; Condition for authorization of Insurers, Mode of operation. Amalgamation and Transfer, Administration and Enforcement and Penalties. The Insurance Decree, No 59 of 1976 constituted the first All-embracing Law for the regulation and Supervision of Insurance business in Nigeria. By 1976 the number of indigenous companies had far surpassed that of the foreign companies. Indigenous Nigerian Reinsurance Corporation was then established in 1977 (Agbakoba, 2010).

Moreover, the National Insurance Commission (NAICOM) was established in 1997, with the responsibility of regulating and supervising insurance business in Nigeria. It replaced the previous regulatory organ – the Nigerian Insurance Supervisory Board. Prior to 1992, The Federal Ministry of Finance licensed and supervised insurance companies. Historically, In 1968, concern was given to life Insurance business and it led to the enactment of Decree 40 of 1988 which made provisions among others for Assignment of Life Insurance Policy, named beneficiary on Life Insurance Policy document. The Agricultural Insurance Scheme was established on 15th of November, 1987. The Implementation of the Scheme was initially vested in the Nigerian Agricultural Insurance Company Limited, which was later incorporated in June, 1988 but later turned into a Corporation in 1993 by the enabling Act 37 of 1993. Nigerian Agricultural Insurance Corporation IS therefore a Wholly-owned Federal Government of Nigeria insurance Company set up specifically to provide Agricultural risks insurance cover to Nigerian Farmers.

The Pension Reform Act 2004 established the National Pension Commission (PenCom) as the body to regulate, supervise and ensure the effective administration of pension matters in Nigeria. The pension reform programme is governed by the key principles of sustainability, safety and security of benefits, transparency, accountability, equity, flexibility, inclusivity, uniformity and practicability. The recent Pension Act repeals the Pension Reform Act No.2, 2004 and enacts the Pension Reform Act, 2014 to continue to govern and regulate the administration of Uniform Contributory Pension Scheme for both the public and private sectors in Nigeria.

The recent Act was the Nigerian Insurance Commission Act, 2003, which recapitalized the insurance companies in the country. The Objective

of insurance sector reforms is achieving a consolidation that will produce companies capable of meeting claims obligations and compete at the continental and global levels. The Insurance Act 2003 required the insurance Companies to increase their capital bases and the companies were given February, 2004 as a compliance month. After the recapitalization period the Companies were reduced from 117 to 103. On September 5, 2005 Insurance

Companies were also required to increase their capital bases and they were also given a maximum period of 18 months to comply with the 2005 recapitalization requirements (From 5th September, 2005 to 28th February, 2007). Following the completion of the 2005/6 recapitalization exercise, which also involved quite a number of consolidations, the number of insurance companies dropped from 103 to 49 as at 31st December, 2007.

According to Ngwuta (2007), indigenous Nigerian insurance companies were not profoundly entrepreneurial at the earlier stage because of lack of trained manpower, intense competition from superior foreign companies and lack of adequate and sufficient capital base on the part of indigenous insurance companies, poor infrastructural development and poverty of the Nigerian capital market. Therefore, early indigenous Nigerian Insurance companies were owned and operated by regional governments, aid the patronage of these insurance companies was mainly from the regional governments that owned them. The relatively good performance of these regional insurance companies, in addition to the liberalized regime of governments of the day pertaining to regulations in the Industry, resulted in proliferation of insurance companies. This proliferation tasked Insurance

Companies to design and implement efficient and effective marketing strategies, in addition to other strategies, in order to achieve set organizational goals and objectives. Presently, the Nigerian insurance market consists of the buyers of insurance and the sellers together with the intermediaries (agents) who bring the two together. In addition, there are Also the regulators, representative bodies or organizations, consultants and technical Advisers which are part and parcel of the market (NAICOM, 2012). The buyers of Insurance can be segmented as follows: Individuals and families, Governments (federal, State and local Government) and their agencies, parastatals, multinationals, conglomerates, Manufacturing industrial concerns, small and medium scale industries, banking industry, Health institutions, tourist and hospitality industries, hotels, transport industry, other corporate bodies, educational institutions, oil and energy Industry. For marketing purposes the buyers can further be segmented to suit the strategy of the insurer, or the insurance Agent.

The intermediaries are mainly insurance brokers and insurance agents. Nigerian insurance Market has been described as brokers market because Presently brokers control over 90% of the premium income, leaving less than 10% for insurance agents and even direct Marketing channel by insurers (Daniel, 2014). The banking industry on the other hand has become formidable channel for distributing insurance services not necessarily as Intermediaries, but by facilitating a form of direct marketing by insurers.

2.4 Insurance Companies and the Nigerian Economy

The channels through which insurance can positively impact on the economic growth have been identified in many literatures by different contributors. These include mobilization of domestic savings, more efficient management of different risks, mitigation of losses, more efficient allocation domestic capital and promotion of financial stability (Black & Skipper, 2000). Several studies have attempted to identify the various ways through which insurance could affect economic growth. In the literature, there are three schools of thought on the nature of the relationship between insurance and economic growth. The first school of thought postulates that insurance leads to economic growth while in contrast, the second school of thought argues that economic growth leads to the development of insurance sector (Patrick, 1966). The third school of thought suggests directional relationship between insurance development and economic performance (Haiss & Sumegi, 2008). The available empirical evidence on the insurance-growth relationship has produced mixed results. Therefore, a study on the causal relationship between insurance and economic growth in Nigeria (1986-2010) by Akinlo (2013), uses Vector Error Correction model (VECM). In his study the co-integration test shows that GDP, premium, inflation and interest rate are co-integrated when GDP is the endogenous variable. The Granger causality test reveals that there is no causality between economic growth and premium in short run while premium, inflation and interest rate Granger cause GDP in the long run which means there is unidirectional causality running from premium, inflation and interest rate to GDP. This means the insurance industry contributes to the economic growth in Nigeria as they provide the necessary long-term funds for investment and while also absolving risks.

Analysis of insurance practice and economic growth in Nigeria was conducted using co-integration test and error correction model by Richard and Victor (2013), The study examines the impact of insurance practice on the growth of Nigerian economy. Insurance premium income, total insurance investment and income of insurance development was used as determinants of insurance practice. The study employed unit root tests, Johansen co-integration test and error correction model in data analysis and to determine the short and long run effect of the model. The study also observed that the insurance premium capital has significantly impacted on economic growth in Nigeria; that the level of total insurance investment has significantly impacted on the economic growth in Nigeria; and that there is causal relationship between insurance sector development and economic growth in Nigeria.

The practice of insurance sector in Nigeria has played a crucial role in the development of the economy and in managing the risks of households and firms through the issuance of insurance policies and mobilizing and transferring funds to the deficit unit for financing real sector investment. Similarly, Oke (2012) and Shittu (2012) opined that insurance companies affect economic growth by providing protection for the insured through the channels of marginal productivity of capital, technological innovation and savings rate. Furthermore, Philip, (2011) in his research work assesses insurance market activities in Nigeria with the view to determining its impact on economic growth. The period of study was 1970- 2008, the study made use of insurance density measures (premium per capita) as a measure for insurance market activity and real GDP for economic growth. It also employed control variables such as inflation and savings rate as other determinants of growth. The Johansen co-integration and vector error correction approach was used to estimate the relationship between the variables. All the variables used were stationary at first difference and the result showed a long term relationship existing among the variables. The hallmark finding of this study is that the insurance sector did not reveal any positive and significant effect on economic growth in Nigeria within the period of study. The result shows a low insurance market activity in Nigeria and that Nigerians have not fully embrace the insurance industry despite its importance to the growth of the economy.

Moreover, Olalekan, and Taiwo (2013) conducted a study which analyzed both the long and short run relationship between insurance development and economic growth in Nigeria over the period 1986 to 2010. The study used Error Correction Model (ECM), and found that insurance development co-integrated with economic growth in Nigeria. That is there is long run relationship between insurance development and economic growth in Nigeria. The results also shows that physical capital and interest rate both at contemporary and one lagged value has significant positive effect on economic growth in Nigeria while physical capital and inflation has negative long run relationship with economic growth. The results of this study indicated significant contribution of the insurance sector to economic growth in Nigeria. The insurance industry has continued to play a notable role both in the private and public sectors of the Nigerian economy through risk bearing, employment of labour, payment of Tax and other financial investment services. In addition, insurance industry facilitates Innovation within an economy by offering to underwrite new risks. Productive initiatives are developed through the coverage of insurance policies. Furthermore, Insurance services are capable of risk transfer services, increase productivity and investment within the economy.

Different participants in insurance business/ classes of insurance normally pay their consideration/premium. These insurers mobilize these funds Which they utilize to indemnify losses. Some of these funds are usually invested in other variable businesses or companies. For example, the mobilized funds may be used to buy shares of a blue chip company, attracting dividends to the insurance Company yearly. Insurance business do stimulate entrepreneur to invest, expand, and diversify their various business. By so doing, they are contributing to the overall industrial, commercial and economic development of the nation.

Recently, several interesting lines of research have begun to map the specific contributions of insurance to the economic growth processes as well as to the well-being of the poor. In Particular, several studies have focused on the relationship between insurance and economic growth. However, no consensus has emerged on the impact of insurance development and economic growth. For example, studies such as Arena (2008), Haiss and Sumegi (2008), Mojekwu, Agwuegbo & Olowokudejo (2011), and Pen-Fen, Chin-Chiang, Chin-Feg (2011) found that insurance had positive impact on economic growth. However, Study by Webb, Grace, & Skipper, (2005) showed that insurance had no significant positive effect on economic growth. While some studies such as Boon (2005), Arena (2008) and Webb, Grace, & Skipper (2002) found a unidirectional causality running from Insurance development to economic growth, Ching, Kogid and Furuoka (2010) reported the obverse. A study by Kugler and Ofoghi (2005) found evidence of bidirectional relationship between insurance and economic growth while a handful provided evidence of neutrality of insurance and economic growth. In view of the literatures reviewed above, in our opinion, the role of insurance in the growth and development of our economy is crucial. This is because this sector serves as an important component in the financial intermediation chain, and offers a ready source of long term capital for the infrastructure projects. The role of Insurance to the Nigerian economy is very important, since it facilitates firms' capacity to operate under a greater degree of security without the need to set aside capital in highly liquid contingency funds.

It is important to note that the availability of insurance means that funds can be invested in the various sectors of the economy to stimulate a higher level of economic activity and aid to economic development. The role of insurance sector in mitigating sudden and devastating occurrences thereby stimulating economic growth cannot be over emphasized. Both in developed and developing countries, insurance sector contributes to economic growth of a nation. Since the insurance sector has links to sectors such as industrial, transportation, agriculture, mining, petroleum and trade both locally and internationally, its relevance to general human activities has continued to grow for all ages as all categories of risks increase

2.5 Review of Literatures on Insurance Company's Financial Performance

Performance is the ability of an organization to gain and manage its resources in several different ways to develop competitive advantage (Ishwatia and Anshoria, 2007). High performance reflects management effective and efficiency in the making the use of a company's resources and this continues to the economy at large (Batra, 1999). Generally, the performance of insurance companies can be estimated by measuring their profitability, which is a relative measure for the success of a business and its acts as a proxy of financial performance. One of the objectives when managing insurance companies is to attain profit (Cheng and Wong, 2004).

Financial performance is a measure of a firm's overall financial health over a given period of time. It can be measured from various perspectives including: solvency, profitability, and liquidity. Solvency measures the amount of borrowed capital used by the business relative to the amount of owner equity capital invested in the business. For insurers, profitability is the excess of revenues from underwriting activities over the costs incurred in generating them. (Liquidity measures the ability of the business to meet its financial obligations as and when they fall due without disrupting normal operations (Ross et.al. 2009: Zender, 2004: Almajali, et.al, 2017). The financial performance of an insurance company depends on many other factors, some of which are difficult to quantify, including the quality of its management, organizational structure and systems and controls in place. An assessment of financial soundness thus needs to take into account both quantitative and qualitative indicators to achieve an acceptable degree of reliability (Udaibir, et.al, 2017).

Most of the studies conducted on organizational performance define it as a dependent variable and seek to identify variables that produce variations in performance. In this study, we will utilize GDP as surrogate of performance. This reflects the economic activities and level of development of a particular country over a specified time period, usually a year. It is one of the most primary macroeconomic indicators which is used to measure the economic health of a country. Poor economic conditions can worsen the quality of the finance portfolio, thereby reducing profitability. If GDP grows, the likelihood of selling insurance policies also grows and insurers are likely to benefit from that in form of higher profits. Maja (2012) also studied that GDP growth positively affects insurers profitability i.e. growth of overall economic activity encourage demand for insurers services and indirectly result in harvesting higher profit. Therefore, it is expected that growth rate of GDP will have a positive impact on insurers' profitability.

GDP is used to proxy economic growth which is defined as an increase in per capita national output or net national product over a long period of time. It is considered as growth if the rate of increase in total output (goods and services) is greater than the rate of growth of the population. It is the quantitative increase in the monetary value of goods and services produced in the economy within a given year, and can be measured as a percentage change in the gross domestic product or gross national product. Aghion and Howith (2009) identified two main measures which examine the level of economic growth. The first is the Gross national product (GNP) which measures the total value of goods and Services produced by all nationals within and outside the country over a given period of time; the second is called the Gross Domestic Product which is the veritable indicator of economic output and growth of a country. The Gross Domestic Product (GDP) is expected to measure the value of production of these activities that existed within the boundary of the national accounting system. GDP also measures economic growth in monetary terms and incorporates another aspect of development (Patimi, 2016). It can be expressed in a nominal term which relates to inflation or real terms adjusted inflation. Short term GDP is the annual percentage change in real national output. Long term GDP is increasing in trend or potential GDP. In order to compare countries of different production size, GDP per capita is generally employ (Dimitris & Efthymious, 2003).

2.6 Review of Literatures on Insurance Company's Performance

Based on research finding, we will be underlining some points to elaborate on the performance of insurance industry in Nigeria.

2.6.1 Premium Growth Rate and Performance

Premium growth is another important financial variable that influences the financial performance of insurance companies. Therefore, the growth in premium of the firm has been argued to have influenced the financial performance of insurance companies and this has been studied frequently. Premium growth as measured by percentage change in total assets or sometimes as percentage change in premium of insurance companies (Abate, 2012). Premium growth rate measures the rate of market penetration (Ahmed et al, 2011).

Sastrodiharjo and Sutama (2015) have found that the growth of premium, capital growth, return, ratio of claims, and the type of capital affect the growth of life insurance companies' assets. While the ratio of acquisition costs, administrative cost ratio and capital did not significantly affect the growth of life insurance company assets in Indonesia. Akotey et al.' (2013) research indicated that gross premiums have a positive relationship with the profitability of insurance, while the relationship with investment income is negative. Mehari and Aemiro's (2013) research, showed the results of regression analysis where the size of the insurance company, tangibility and leverage are statistically significant and positively related to ROA. However, the loss (risk) ratio is statistically significant and negatively related to ROA. Premium growth, company age and liquidity have a non-significant relationship with ROA.

The insurance sector has in the past ten years achieved an average growth rate of 35.7 per cent in both life and non-life classes of business. A breakdown of this showed that life business recorded a higher growth rate of 27.64 per cent, while non-life grew by 7.43 per cent in the last 10 years. Available statistics from the latest edition of the Nigeria Insurers Association's annual digest showed that life business witnessed highest increase in premium of 85.8 per cent in 2008m, but recorded poor performance in 2016 when it recorded -0.50 per cent increase in premium generation. However, in 2011, \life business premium grew by 37.21 per cent followed by 2014, when premium from life business grew by 35.02 per cent. In 2012, premium from life business grew by 28.25 per cent while in 2017, it grew by 27.59 per cent. For the non-life segment, the insurance sector witnessed highest increase in premium in 2008, when the sector's premium grew by 22.1 per cent. This was followed by 2009, when the industry's premium in non-life business grew by 19.6 per cent and was closely followed by 2011 and 2012 when it increased by 11.80 per cent and 11.65 per cent respectively. Nevertheless, the sector recorded the worst performance in premium generation in 2015 and 2014 when growth stood at -3.50 per cent and -1.31 per cent respectively. In motor insurance business segment, another class of non-life insurance business, the sector recorded a net written premium of N33.859 billion in 2017 (Ebere Nwoji).

It measures the rate of market penetration by insurance companies as it relates to gross written premiums. Empirical findings as it relates to premium growth and insurance company performance has been mixed. Kaguri (2012); Burca and Batrinca (2014); Derbali (2014); Kaya (2015); Berteji and Hammami (2016) found significant relationship between premium growth and performance in their respective studies. Charumathi (2012) found a significant but negative relationship between premium growth and profitability. Mehari and Aemiro (2013); Kazeem (2015) found insignificant relationship between premium growth and performance.

2.6.2 Growth Rate and Performance

According to Abdallah, (2014) literature has provided several explanations for the positive association between growth and firm performance. Growth facilitates all the way to the implied opportunities for investments in new equipment and technologies that upgrade the production process as a whole. He also uses geometric mean of annual percentage increase in assets as a surrogate for growth rate. In addition, Waqas, Imran, Hafiz, Jawad & Zahid, (2013) opined that an asset's growth rate between two price points can be calculated using the following formula: Grt = atp2 - atpl / atpl. In this formula, "grt" represents the growth rate, p1" represents the early price point, and "p2" represents the later price point. Similarly, when managing finances from year to year, a company can calculate the growth of its assets both as a raw number and as a percentage. Calculating the growth of assets as a percentage allows you to put your gains in the context of how much money you had to invest to achieve that growth. You can either calculate your total asset growth, or calculate the growth of particular assets to determine which of your assets are performing best. Study by Wagas, Imran, Hafiz, Jawad & Zahid, (2013) indicates that short term and long term leverage including tax and tangibility have negative correlation with firm's performance while growth, size, risk, liquidity and non-debt tax shield have positive correlation with firm's performance in textile sector of Pakistan. It is critical to understand how that asset can be expected to behave in the future. A high, stable growth rate is the obvious desired outcome. One way to estimate the expected growth of an asset is to calculate its historical growth rate; over a long period of time. An asset can, be expected to behave in a consistent way, so the past growth rate is a good indicator of the future growth rate (Waqas, Imran, Hafiz, Jawad & Zahid, 2013).

2.6.3 Company Size and Performance

The issues of whether larger firms are superior in performance to Smaller firms, or vice-versa, and whether older firms are superior in Performance to younger firms, or vice-versa, have generated large amounts of theoretical and empirical research in the economics, management and Sociology disciplines. Yet. the theoretical postulates and empirical evidence are equivocal, at best, on the impacts that size and age have on firm-level performance, and it is likely that the true nature of the relationship is very environment-specific, and highly dependent on a number of institutional factors which affect the performance of firms. In many literatures, it has been suggested that company size is positively related to financial performance. The main reasons behind this can be summarized as follows. First, large insurance companies normally have greater capacity for dealing with adverse market fluctuations than small insurance companies. Second, large insurance companies usually, can relatively easily recruit able employees with professional knowledge compared with small insurance companies. Third, large insurance companies have economies of scale in terms of the labor cost, which is the most significant production factor for delivering insurance services. For instance, Browne, Carson, & Hoyt, (2001) has shown empirically that company size is positively related to the financial performance of us life insurance companies. However, company size is not found to be an important determinant of operational performance in the Bermuda insurance market during the period 1993-1997 (Adams and buckle, 2000).

Accordingly, Banz (1981), reports that as firms grow up, it becomes more difficult for them to sustain impressive performance. Therefore, smaller firms are more creative, innovative and change more readily to enhance their values. In consistent with these arguments, Haniffa and Hudaib (2006) empirically document a significant negative association between firm size and firm performance. On the other hand, it is indicated that large firms have a direct effect on firm performance. Kumar (2004), reports that large firms are more efficient than small firms because of economies of scale, skilled employees and market power. In the same line, Ghosh (1998) indicates that larger firms are better performers than smaller firms due to their ability to diversify their risk. Haniffa and Hudaib (2006), report that large firms have more analysts who are concerned about firms' performance and as such they will be under more pressure to perform well, In consistent with this debate, Aljifri and Moustafa (2007) empirically report a positive association between firm size and the firm performance. Thus, the expected sign for the effect of firm size on firm performance in the context of Saudi Arabia is positive. Majumdar (1997) investigated the impact that firm size has on profitability and productivity of a firm. While controlling other variables that can influence firm performance, he found evidence that larger firms are less productive but more profitable Lee (2009) examined the role that firm size plays in profitability. He used fixed effect dynamic panel data model and performed analysis on a sample of more than 7000 us publicly-held firms. Results showed that absolute firm size plays an important role in explaining profitability. However, this relationship was nonlinear meaning that gains in profitability reduced for larger firms. Amato and Burson (2007) tested size and profit relationship for firms operating in the financial services sector. The authors examined both linear and cubic form of the relationship. With the linear specification in firm size, the authors revealed negative influence of firm size on its profitability. However, this influence wasn't statistically significant. On the other hand, the authors found evidence of a cubic relationship between ROA and firm size. Using financial and economic data, Ammar (2003) examined the nature of the size-profitability relationship on a sample of electrical contractors for 1985-1996 period. Amato and Wilder (1985) tested size-profitability relationship in linear as well as quadratic form. However, the results of their analysis showed that there is no relationship between firm size and profit rate.

2.6.4 Solvency Ratio and Performance

The solvency of an insurance company corresponds to its ability to pay claims. The Solvency ratio is also a way investors can measure the company's ability to meet its long term obligations. An insurer is insolvent if its assets are not adequate (over indebtedness) or cannot be disposed of in time to pay the claims arising. Solvency margin is one of the indicators of financial soundness. Insurance companies with higher solvency margin are considered to be sound financially. Financially sound insurance companies are better able to attract prospective policyholders and are better able to adhere to the specified underwriting guidelines. By adhering to these guidelines, the insurance companies can expect a better underwriting result.

Therefore, it is expected that the relationship between performance and solvency margin would be positive (Burca & Batrinca, 2014). Solvency ratios measure the company's ability to survive over a long period of time. Current and potential investors will be interested in a company's financing arrangements And also its risk. A company that has borrowed money, obviously has a commitment to pay Future interest charges and make capital repayments. This can be a financial burden and Possibly increase the risk of insolvency. The solvency margin is calculated as ratio of net Assets to net written premiums, and represents a key indicator of the insurer's financial Stability. A positive linkage between this variable and the insurer s financial performance Is expected, since the insurer's financial stability is an important benchmark to potential Customers (Burca & Batrinca, 2014). The solvency margin is designed to take care of problems that are usually not anticipated. It also provides elbow room to the managers of insurers to rectify problems and take Precautionary measures. Ordinarily, an insurance company with the requisite solvency Margin is not likely to fail. However,

insurance Business is risky in nature and there can be No absolute guarantee.

Events such as the terrorist attack can create unexpected liabilities of intense difficulty to anticipate and cover. Solvency is demonstrated by showing that the Assets exceed the liabilities. To a large degree the bases are chosen by the company. For Supervisory purposes it is not just a question of the assets exceeding the liabilities, the Assets must normally exceed the liabilities by a specified margin.

2.7 Empirical Review

Empirical studies on premium growth and performance as it relates to insurance companies in the extant literatures conclude with mixed findings on the nature of relationships that exist between premium growth and the performance of insurance industry in Nigeria.

The primary ratios used for analyzing the performance of a company can be categorized into five groups: liquidity ratios, asset management ratios, debt management ratios, profitability ratios and market value ratios. These ratios can be combined to determine the rate of return for a company and its owners and the rate at which the company can grow the sustainable of growth. By adding data about the company's stock market performance, the analyst can gain insight into how financial markets view the company's performance or the growth of a company (Harrington, & Wilson, 1989). A study was conducted by Ahmed et al. (2011) on determinants of performance of insurance sector in Pakistan using ordinary least squares (OLS) regression and a sample that consisted of life insurance companies from 2001 to 2007 with ROA as the proxy for performance.

A study by Eze and Victor (2013) examined the impact of insurance practice on the growth of Nigerian economy. They used insurance premium income, total insurance investment and income of insurance development as determinants of insurance practice. The study Observed that the insurance premium has significantly impacted on economic growth in Nigeria and that there is causal relationship between insurance sector development and Economic growth in Nigeria.

Empirical analysis by Daniel and Tilahun (2013) investigated the determinants of performance in Ethiopian insurance companies using a panel data set consisting of financial data of nine insurers over the period of 2005 to 2010. Return on Total Assets (ROA) was used as dependent variable while age of company, size of the company, growth in writing premium, liquidity, leverage and loss ratio are independent variables. The results of regression analysis reveal that insurers size, tangibility and leverage are statistically significant and positively related with return on total asset; however, loss ratio (risk) is statistically significant and negatively related with ROA. Thus, insurers size, loss ratio (risk), tangibility and leverage are important determinants of performance of insurance companies in Ethiopia.

But, growth in writing premium, insurers age and liquidity have statistically insignificant relationship with ROA.

Ahmed (2015) examined the effect of capital size on profitability of listed insurance firms in Nigeria using panel regression model. The findings revealed that capital size and gross premium both had positive but insignificant effect on profitability. Similarly, Kazeem (2015) investigated the impact of firm specific characteristics on the performance of listed insurance firms in Nigeria using panel data of 12 listed insurance firms from 2006 to 2013. The study found that size, loss ratio, liquidity, and leverage had significant impact on performance. Firm size, loss ratio and leverage were negatively related to performance while age and premium growth had insignificant impact on performance

Muhaizam (2013) investigated the determinants of financial performance: the case of general takaful and insurance companies in Malaysia using panel data over the period of 2004 to 2007, using investment yield as the performance measure. This measure is related to a number of economic and firm specific variables, which are the profit/interest rate levels, equity returns, size of company, reinsurance dependence, solvency margin, liquidity, and contribution/premium growth, chosen based on relevant theory and literature. Based on the empirical results, this study found that size of the company, reinsurance dependence and solvency margin are statistically significant determinants of the investment performance of the general Islamic insurance companies in Malaysia. For conventional insurance, all factors are statistically significant determinants of investment performance, except for equity returns.

Hammami (2016) examined the determinants of life insurance companies' performance in Tunisia using panel data consisting of 8 life insurance companies, their findings also show that size, age and premium growth had significant relationship with insurance companies performance while tangibility, liquidity, leverage, and risk had insignificant relationship with performance.

From the diverse set of empirical studies reviewed above across different geographical boundaries, the importance of the relationship between premium growth and performance of insurance industry become evident for Nigerian insurance industry in the present research.

CHAPTER THREE

METHODOLOGY

3.1 Research Designs

To generate this study, the researcher made use of secondary data from Central Bank of Nigeria Statistical Bulletin of 2018.

3.2 Population of Study

This study is concerned with the growth of premium and the performance of insurance industry in Nigeria using pooled data present in the appendix 3.

3.3 Sampling Procedure

The sampling procedure used was the purposive sampling procedure of selecting those insurance firms with their data included in the reported tables. Hence the sampling size is the census of insurance firms reported.

3.4 Data Analysis Methodology

The data collected were analysed using E-views 7. The software was employed to run regression on the model below:

Total assets [IASSETS] Domestic

-f(Total Premium [TPREMIUM) + Normal Gross Domestic Product [NGDP]+ Expenditures [CLAIMS]

Both descriptive statistics and inferential statistics and inferential statistics and inferential statistics are used including Pairaise Granger Causality Test.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

Data stream for 2000 to 2011 are presented in the appendices 1 and 2 covering the main variables and control variable. The data are collected from CBN Statistical Bulletin 2018 that reports that data after 2011 are not yet available from the Insurance Commission. The performance of the industry is represented by pooled total assets (TASSETS) while the independent variables are Total Premium (TPREMIUM), nominal Gross Domestic Product (NGDP), and total expenditures in the sector (CLAIMS).

4.2 Data Analysis

E-views 7.0 software was employed to fit Ordinary Least Squares to 2000 - 2011 Nigerian data.

TASSETS = Total Assets

TPREMIUM = Total Premium

NGDP = Nominal Gross Domestic Product

CLAIMS = Total Expenditure in the Sector

TASSETS = TPREMIUM - NDGP + CLAIMS

Table 1: Descriptive Statistics

Date: 11/18/19 Time: 12:26 Sample: 2000 2011				
	TASSETS	TPREMIUM	NGDP	CLAIMS
Mean	316190.3	24746.68	28495.87	85305.54
Median	255327.8	14123.06	25466.22	74524.65
Maximum	621095.1	76276.11	62980.40	175756.8
Minimum	61600.00	5629.520	6897.480	22531.46
Std. Dev.	228007.5	21967.81	18646.72	55125.10
Skewness	0.237657	1.162948	0.517602	0.428662
Kurtosis	1.336882	3.392328	2.052083	1.709234
Jarque-Bera	1.495943	2.781854	0.985098	1.200541
Probability.	0.473326	0.248844	0.611067	0.548663
Observations	12	12	12	12

Source: E-views

Table 1 presents descriptive statistics. Given the mean and standard deviation for all the variables, outliers did not occur. The JB statistics for all the variables were not significant and therefore indicate that they are normally distributed.

Table 2: Correlation Matrix

	TASSETS	TPREMIUM	NGDP	CLAIMS
TASSETS	1.000000	0.607072	0.960675	0.977876
TPREMIUM	0.607072	1.000000	0.613055	0.625765
NGDP	0.960675	0.613055	1.00000	0.986781
CLAIMS	0.977876	0.625765	0.986781	1.000000

Source: E-views

In table 2 that has the correlation matrix, serious correlation was exhibited with some variables.

Table 3: Regression Result

Dependent Variable: TASSETS
Method: Least Squares
Date: 11/18/19 Time: 12:27
Sample: 2000 2011
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-28468.81	30611.91	-0.929991	0.3796
TPREMIUM	-0.095162	0.976277	-0.097475	0.9247
NGDP	-2.008989	5.535770	-0.362911	0.7261
CLAIMS	4.738988	1.896615	2.498656	0.0370

R-squared	0.956989	Mean dependent var	316190.3
Adjusted R-squared	0.940860	S.D. dependent var	228007.5
S.E. of regression	55448.48	Akaike info criterion	24.94550
Sum squared resid	2.46E+10	Schwarz criterion	25.10713
Log likelihood	-145.6730	F-statistic	59.33315
Durbin-Watson stat	0.976721	Prob(F-statistic)	0.000008

In table 3 that had the regression result the individual variables performed poorly, except CLAIMS. AR process was employed to improve the result but failed because of inadequate data points. The result is therefore reported and the equation is below with t-statistics in parentheses:

TASSET TS=-284668.81C-0.095 162PREMIUM- 2.008989NDGP +

4,7390CLAIMS

(-0.93000) (-0.0975) (-0.3629)

(2.49866)

Only CLAIMS was significant at 59% level. The others were not significant. The adjusted R-squared shows an explanation of 94% with only 6% left to the error term. The residual was more during 2005 to 2009 (see Fig. 1).

Fig 1: Residual Plot

obs	Actual	Fitted	Residual	Residual Plot	
2000	61600.0	62575.9	-975.927	1	1
2001	78060.5	88756.7	-10696.2	1	1
2002	85255.7	83754.0	1501.69	1	1
2003	124267.	147270.	-23002.3	1	1
2004	141222.	174120.	-32897.9	1	1
2005	203113.	244686.	41573.4	1	1
2006	307543.	296797.	10745.2	1	1
2007	427497.	332372.	95124.9	1	1
2008	573154.	483445.	89709,4	1	1
2009	586460.	589858.	-3398.63	1	1
2010	585016.	607957.	-22941.2	1	1
2011	621095.	682691.	-61595.7	1	1

The DW statistic of 0.98 indicates some absence of serial correlation, confirming the descriptive statistics. The F-statistic of 59.333 is highly Significant at 1% level, indicating a good fit.

Table 4: Granger Causality Tests

Pairwise Granger Causality Tests
Date: 11/18/19 Time: 12:37
Sample: 2000 2011
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Probability
TPREMIUM does not Granger Cause TASSE	10	5.32376	0.05772
TASSETS does not Granger Cause TPREMIUM		1.28369	0.35486
NGDP does not Granger Cause TASSETS	10	5.16836	0.06069
TASSETS does not Granger Cause NGDP		2.50348	0.17647
CLAIMS does not Granger Cause TASSETS	10	7.25997	0.03321
TASSETS does not Granger Cause CLAIMS		3.92538	0.09443
NGDP does not Granger Cause TPREMIUM	10	1.53165	0.30279
TPREMIUM does not Granger Cause NGDP		0.05076	0.95099
CLAIMS does not Granger Cause TPREMIU	10	1.81932	0.25487
TPREMIUM does not Granger Cause CLAIMS		3.18602	0.12818
CLAIMS does not Granger Cause NGDP	10	0.97366	0.43942
NGDP does not Granger Cause CLAIMS		6.82120	0.03725

Source: E-views

Table 4 has the detail Granger Causality tests for all the variables. Only CLAIMS Granger causes TASSETS, while NGDP causes CLAIMS

The conclusion is that the null hypothesis of no relationship between the performance of the insurance industry and total premium is rejected. Thus policies should focus On creating environment that enables huge performance of claims.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

Insurance companies in Nigeria remain one of the important components of financial Services in Nigeria. Their role in enhancing economic development and stimulating Economic growth cannot be over emphasized. Since insurance sector has links to sectors Such as industrial, transportation, agriculture, mining, petroleum and trade both locally and Internationally, its relevance to general human activities has continued to grow for all ages as all categories of risks increase. Based on that, in the past years Nigerian Government in collaboration with NAICOM introduced several reforms in order to enhance the operating performance of the companies. Besides, official reports reveal that the Nigerian insurance companies contribute only 0.3% of overall GDP in 2014 in terms of the value of gross premiums written. This arose the need to evaluate the total premium. and the performance of insurance industry and it is the objective of the study.

The study involved reviews on literatures and the study investigated some significant contribution of some determinants of insurance companies in Nigeria. The study made a review on the insurance company's financial performance in Nigeria. The study involves reviews on the insurance industry performance which included: premium growth rate and performance, growth rate and performance, company size and performance, solvency ratio and performance.

In this study, secondary data was used in attempt to evaluate the total premium and the performance of insurance industry in Nigeria. The data stream as outlined in appendices 1 and 2 are from 2000 to 2011 covering the main variables and control variable. The data are collected from CBN statistical bulletin 2018. The study employed Eviews 7.0 software to fit Ordinary least squares to 2000 - 2011 Nigerian data. The study show that given the mean and standard deviation for all the variables, outliers did not occur. It also discovered that it has a correlation matrix. The study has regression results of individual results that performed poorly except claims, employıng AR process to improve the results but failed due to inadequate insignificant. After the test, it showed that only claims was significant at 5% level while all others were insignificant. In the study, after the adjusted R-squared was conducted, only 6% were left to error term, the residual was more at 2005- 2009. The DW statistics of 0.98 indicated some absence of serial correlation and the F- statistics of 59.333 is highly significant at 1% indicating a good fit.

5.2 Conclusion

The overall result of this study improves the understanding of total premium and the performance of insurance companies in Nigeria by providing useful information to insurance companies, investors, regulators and supervisory authorities. The findings of this study revealed that the variables used in this study to investigate the determinants of insurance Companies performance in Nigeria are similar to those used in other developing and developed countries as predicted by existing theories of performance. Therefore we concluded that the null hypothesis of no relationship between the performance of the insurance industry and the total premium is rejected, indicating that there is a relationship between the total premium and the performance of the insurance industry in Nigeria.

5.3 Recommendations

One of the primary expectations of most people that buy insurance premium is to have for themselves a secure future. As a result, a nation that seeks the welfare of its citizens must as a matter of priority emphasıze the need to build and develop a stable and vibrant insurance industry to foster all-round economic growth and development

In order to ensure that the insurance companies in Nigeria will continue to perform significantly, the recommendations that is proffered for this study is that the Government should enact policies that would make avenue for huge performance of claims. National Insurance Commission' insurance brokers and underwriters should try as much as possible to develop retail insurance, micro insurance and ethical insurance. By doing this, it will provide room for raising funds that will be used for operation and settlement of claims. Provided that the claims have been established. The procedure of settlement should be simple, prompt and readily accessible.

This will attract more people to insure their properties and lives, which would increase the premium income and general earnings of the insurance companies. Insurance and reinsurance companies should obtain more favorable terms and conditions in their relationship with investors, creditors, insured‘s, reinsurers and other counter parties which should lead to a wider market for the industry. In collecting relative small premiums from many individuals, insurers would be able to pull together and have a large pool of funds that could be invested for long term periods so as to generate more premium income for the companies. Insurance companies in collaboration with the regulators in Nigeria should look in to economical, environmental and technological factors. By improving in recent technological shift (i.e. interacting with customers electronically) it will enhance the general performance of insurance companies in Nigeria. Higher capital requirement to raise underwriting capacity and regulation to enforce compulsory insurance would also be recommended to enhance the performance of the insurance industry.

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Appendix I

Data Analysis for Insurance Industry in Nigeria

YEAR	TOTAL ASSETS	TOTAL PREMIUM	NOMINAL GROSS DOMESTIC PRODUCT	EXPENDITURES (CLAIMS)
2000	61600.0	5629.52	6897.48	22531.46
2001	78060.5	6110.52	8134.14	28981.29
2002	85255.7	6856.145	11332.25	27765.89
2003	124267.4	9415.2	13301.36	43441.81
2004	141222.0	12084.04	17321.3	50100,83
2005	203113.1	12402.4	22269.98	67465.56
2006	307542.6	76276.11	28662.47	81583.75
2007	427497.2	15843.73	32995.38	89104.89
2008	573154.5	25864.87	39157.88	126470.3
2009	586459.5	49498.93	44285.56	153127.12
2010	585015.8	37589.56	54612.26	157336.81
2011	621095.1	39389,16	62980.40	175756.75

Source: CBN Statistical Bulletin (2018)

Note that data on insurance activities available up to 2011

Appendix II

Data Analysis for Insurance Industry in Nigeria

Obs	TASSETS	TPREMIUM	NGDP	CLAIMS
2000	61600.00	5629.520	6897.480	22531.46
2001	78060.50	6110.520	8134.140	28981.29
2002	85255.70	6856.145	11332.25	27765.89
2003	124267.4	9415.200	13301.36	43441.81
2004	141222.0	12084.04	17321.30	50100.83
2005	203113.1	12402.40	22269.98	67465.56
2006	307542.6	76276.11	28662.47	81583.75
2007	427497.2	15843.73	32995.38	89104.89
2008	573154.5	25864.87	39157.88	126470.3
2009	586459.5	49498.93	44285.56	153127.1
2010	585015.8	37589.56	54612.26	157336.8
2011	621095.1	39389.16	62980.40	175756.8

Source: CBN Statistical Bulletin (2018)

APPENDIX III

1. ADIC Insurance Company Limited

2. African Alliance Insurance Company Limited

3. AIICO Insurance Plc

4. Alliance & General Insurance Company Ltd

5. Anchor Insurance Company Limited

6. Capital Express Insurance Company Limited

7. Consolidated Hallmark Insurance Plc

8. Continental Reinsurance Plc

9. Cornerstone Insurance Plc

10. Crusader Insurance Plc

11. Custodian & Allied Insurance Ltd

12. Equity Indemnity Insurance Plc

13. Equity Life Insurance Co. Ltd

14.Fortune Assurance Company Limited

15.Goldlink Insurance Co Ltd

16.Great Nigeria Insurance Plc

17.Guaranty Trust Assurance Plc

18.Guardian Express Assurance Limited

19.Guardian Trust Insurance Co. Ltd

20.Guinea Insurance Plc

21.Industrial And General Insurance Plc (IGI)

22.Intercontinental WAPIC Insurance Plc

23.International Energy Insurance Company Limited

24.Investment & Allied Assurance Co. Ltd

25.Kapital Insurance Company Limited

26.Lasaco Assurance Plc

27.Law Union and Rock Insurance Plc

28.Leadway Assurance Company Limited

29.Linkage Assurance Plc

30.Mutual Benefit Assurance Plc