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Assessing the Impact of Non-Life Insurance Firms on Nigerian Economic Growth: An Analysis of Profitability, Claims Payment, and Sector Contributions

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Abstract

This research adopted an ex post facto research design to examine the correlation between licensed life and non-life insurance companies in Nigeria from 2017 to 2021 and the nation's economic growth, utilizing Minkova's (2002) Insurance Risk Theory model. The study population encompassed 58 licensed insurance firms, comprising 10 composite, 31 specialist non-life, and 17 life insurance companies. Secondary data from various sources, including the Central Bank of Nigeria, National Insurance Commission (NAICOM) Annual Reports, and others, underwent analysis using multiple linear regression models. The findings indicated positive growth in the insurance industry over the five-year period, marked by a consistent increase in gross premium income. Evaluation of net premium income, annual growth rates, and retention ratios for non-life and life insurance entities revealed consistently positive patterns. The non-life insurance sector demonstrated stability, with retention ratios surpassing 50%, indicative of insurer confidence. Analysis of net claims paid in the non-life segment demonstrated a significant rise. The observed positive trends in the insurance sector underscore its resilience and potential contribution to the economic development of the nation. Based on the findings, it is recommended that the Nigerian government should create policies that encourage patronage of non-life insurance policies, and non-life insurance firms should improve their claims payment procedures to encourage policyholders. Additionally, non-life insurance firms should invest in infrastructure and other long-term investments to foster economic growth and enhance monetary inter-mediation

Keywords: Claim Payment, Economic Growth, Non-Life Insurance, Profitability
JEL Classification Codes: G22, O47, G22, G32

1. Introduction

In the ever-evolving landscape of risk management and economic stability, insurance serves as a pivotal mechanism that transforms uncertainty into certainty. This transformation is realized by replacing potential significant financial losses with a comparatively small known cost, commonly known as the premium. From a societal perspective, insurance functions as a collective tool that diminishes risk levels by consolidating similar exposures into a group, thereby making potential losses foreseeable for the entire group. Legally, insurance represents a contractual agreement between the insurance firm and the policyholder. In this agreement, the insurance company commits to compensating the policyholder for losses resulting from specified events within a defined time-frame, contingent upon the payment of the premium by the policyholder (Vaughan & Vaughan, 1996; Owojori & Oluwagbuyi, 2011).

Non-life insurance, distinct from life-related coverage, encompasses the protection of assets and liabilities. It provides protection to individuals and businesses from losses and damages that fall outside the coverage of life insurance companies (Olayungbo, 2015). In essence, any insurance policies beyond the realm of life insurance are termed general or non-life insurance policies. Risks covered by non-life insurance include property losses from incidents like theft, fire, and accidents, as well as liability losses arising from damages caused to third parties, such as accidental injury and death.

As of December 2017, data from the Nigeria Insurance Digest (2017) and the National Insurance Commission (NAICOM) revealed the existence of ten composite insurance companies and thirty one dedicated non-life insurance firms operating in Nigeria. Collectively, these non-life insurance firms have a capital base of N3 billion, and their performance metrics, including profitability, investment yields, claims payment to policyholders, insurance penetration, and density, are anticipated to positively influence Nigerian economic growth. As stated in the Nigeria Insurance Digest (2017), 75% of the industry premiums originate from the non-life insurance sector, emphasizing the significant contribution of non-life insurance firms to the industry's expansion (Minkova, 2002; Umoren & Joseph, 2016).

Non-life insurance, rooted in risk management inherent in human activities (Vaughan & Vaughan, 1996), is intricately linked to various sectors like manufacturing, transport, agriculture, mining, oil and gas, internal and international comerce (Yinusa & Akinlo, 2013). Its significance in mitigating daily risks prompts policyholders to pay premiums, accumulating over time into substantial funds that boost the economy and enhance monetary intermediation (Umoren & Joseph, 2016).

Non-life insurance firms act as intermediaries, mobilizing premiums to provide loans, generate investment yields, and contribute to per capita income through claims payments (Akpan, 2005; Torbira & Ngerebo-A, 2012). Despite these contributions, these firms face challenges such as inadequate patronage, leading to low penetration and density growth rates, causing reduced collection, yields, and investment capital. Ethical concerns, concentration in specific regions, complex claims procedures, and legal restrictions hinder profitability and recognition in Nigeria (Akpan, 2009; Philip, 2011). In Nigeria, the sector's recognition lags behind advanced nations, with contributions to GDP growth less than 1% (Isimoya, 2014). Akinbola (2010) notes a 0.7% influence on GDP compared to South Africa's 12%. This study evaluates Nigerian economic growth using real GDP and per capital income as proxies.

The study encompasses an analysis of non-life insurance firms operating within Nigeria over the period from 2017 to 2021. Various factors will be examined, encompassing the growth rate of Per Capital Income, the growth rate of Real Gross Domestic Product, the growth rate of profitability in life and non-life insurance, the penetration rate of life and non-life insurance, the density rate of non-life insurance, the growth rate of claims payments in non-life insurance, and the investment yield in non-life insurance. The primary issue revolves around the inadequate patronage of non-life insurance policies, leading to modest growth rates in insurance penetration and density. Furthermore, ethical concerns regarding prompt and fair claims payment procedures have discouraged both existing and potential policyholders, contributing to a decline in premium collection, investment yields, and available capital for investment. The profitability of these firms, which should ideally stimulate economic growth, remains at a sub-optimal level. In essence, non-life insurance firms have not received the acknowledgment commensurate with their potential impact on the Nigerian economy.

The primary objective of this research is to critically examine the relationship between the profitability growth rates of both life and non-life insurance firms and the economic growth rate in Nigeria. Furthermore, the research aims to explore the correlation between the growth rate of claims payments by non-life insurance firms and the economic growth rate in Nigeria. Finally, it aims to investigate the joint relationship between the profitability and claims payment of non-life insurance firms and the overall economic growth rate in Nigeria. Through these objectives, the research endeavors to fill existing gaps in the understanding of how non-life insurance firms contribute to the economic landscape of Nigeria.

2. Literature Review

In this research, the study focuses on two indicators that serve as proxies for measuring the economic expansion: real gross domestic product (RGDP) and per capita income growth. RGDP is a metric that indicates the inflation-adjusted market worth of all goods and services generated within an economy during a specific year. It takes into account variations in price levels and provides a more accurate figure of economic growth (Arestis, 2005). Conversely, per capita income assesses the average income earned per individual in a given country during a specific year. This is calculated by dividing a country's total income by its entire population. Shifts in per capita income signify economic development and offer insights into the quality of life for citizens within a country. Per capita income serves as an indicator to assess a nation's standard of living. The data for per capital income is derived by dividing RGDP by the total population (Arestis, Nissanke, & Stein, 2005). The insurance industry comprises two main categories, widely prevalent in countries worldwide: non-life insurance and life insurance. Non-life insurance involves providing coverage for assets such as buildings, vehicles, ships, aircraft, and other insurable perils like theft, fire, accidents, and liabilities. In Nigeria, this classification aligns with the necessities of the Insurance Act of 2003, which serves as the primary regulatory framework for insurance business operations (Adekunle, 2009).

Non-life insurance is characterized by intangible products and services, and insurance firms are considered contractual financial entities (Ubom, 2014). The non life insurance agreement is initiated and legally binding upon the purchase of an appropriate insurance policy and the payment of agreed premiums. Premiums paid by non-life insurance customers form the main source of income for these insurance firms. These funds are used to compensate those few unfortunate individuals who suffer losses from insured perils. The operation of insurance business relies on the law of large numbers, which necessitates a large group of randomly similar but not necessarily equal exposures facing similar perils or collections of perils within a given time-frame. This law helps non-life insurance firms predict potential losses that might occur within the covered group during a specific time period. Fundamental principles such as insurable interest, subjugation, utmost good faith, and indemnification form the pillars of non-life insurance business operations. Upon the sale of non-life insurance policies, premiums are gathered, and after claims and administrative expenses are accounted for, insurance firms mobilize the idle funds to execute different investment projects aimed at fostering economic growth (Ubom, 2014).

Insurance is perceived as a societal arrangement that offers monetary compensation in the face of unforeseen events (Isimoya, 2014). It is characterized as a communal system that diminishes uncertainty and the risk of loss by distributing the risk across numerous similar exposures to gauge the probability of individual losses. In return for regular premium payments, insurance provides compensation for identified instances of loss exposure. Insurance serves as a means of indemnifying policyholders from financial losses by transferring fortuitous risks from individuals to a larger group. A premium is paid by every member of the group, and this amount is then used to compensate those members who suffer financial losses. Non-life insurance, as a legally binding agreement, provides coverage against losses resulting from fortuitous events in exchange for a premium paid by the policyholder (Emmanuel, 2001).

Holyoake and Weipers (2005) point out that insurance stimulates existing business activities by allocating funds for investment purposes, maintained in available reserves to safeguard against prospective losses. In the researcher's perspective, insurance acts as a risk-transfer tool, where persons, businesses, and governments trade uncertainty for assurance. Uncertainty arises from the unpredictability of losses in terms of when, how disastrous, and how frequently they might occur within a given time-frame, making budgeting challenging. Insurance offers the opportunity to exchange uncertain losses for certain losses, represented by the premium. Ojo (2012) adds that the objective of implementing insurance policies may influence economic growth through various savings mechanisms.

The insurance premium is the payment policyholders make to insurance companies (Dorfman, 2005). It represents the monetary amount insurers charge for providing insurance protection and is commonly referred to as the insurance premium (Edward, 2007). An insurance claim is a formal request submitted by claimants or beneficiaries seeking reimbursement for the benefits outlined in the policy to address a covered loss. Claim payment refers to the amount of indemnity paid to a policyholder as agreed upon in the insurance policy, discharging the company from additional obligations for coverage. Investment involves the outflow of funds or assets to generate profit or yield of various types. Insurance investment income represents the yield received by insurance companies from investments, involving gains from securities, dividends, and interest.

As stated by Yusuf and Abass (2013), the administration of insurance claims involves the provisions in the claims department, organizational rules, and industry practices that insurance companies adopt to authenticate claims and make just and timely claims payments. The primary goals of claims administration include confirming the incidence of insured losses for equitable and swift claims disbursements, as well as offering individual support to policyholders following insured losses. This is accomplished through the efforts of claims staff, which includes claims representatives, managers, customer service representatives, supervisors, third-party administrators, special investigation unit employees, and in-house counsel (Brooks, Popow, & Hoopes, 2005).

Life insurance falls under a category of insurance that provides coverage for both life-related risks and non-life-related risks, such as death, injuries, theft, property damage, and liability rising from business operations. Any insurance policy that excludes coverage for life-related risks is referred to as non-life insurance. Within the realm of non-life insurance, there are various specific categories, including marine coverage, fire protection, vehicle insurance, and accident insurance, each designed to cover specific scenarios. For example, marine insurance offers financial compensation for injuries, losses, or damages to assets arising from trading in maritime environments. Covered perils in marine insurance include theft, collision, fire, sinking, stranding, and damages to cargo, vessels, ships, crew, and passengers (Ubom, 2014). Fire insurance, on the other hand, provides reimbursement for damages to insured properties resulting from fire incidents. Unlike life insurance, the key risk in non-life insurance does not involve death. Non-life insurance includes various lines of coverage, such as property insurance, comprehensive and mandatory auto insurance, agricultural insurance, marine/aviation insurance, oil/gas insurance, engineering insurance, employer's liability insurance, and other liability insurances, among others (Momoh & Ukpong, 2013).

One of the main objectives of non-life insurance companies is profitability. Profitability is described as the surplus of revenue (comprising premiums and other income) over expenses (including claims and other expenditures). Non-life insurance companies need profitability to ensure their long-term survival, making it crucial to measure current and past profitability to project future success. The income of non-life insurance firms is generated from various business activities, such as premium income, investment yield, interest on loan receivables, and commissions received. Conversely, expenses consist of the costs of resources used up or consumed by non-life insurance activities, such as claims expenditure, interest on loans payable, commissions paid, and other bills (Webb, Grace, & Skipper, 2002).

Assessing profitability is crucial for the success and sustainability of non-life insurance operations. Highly profitable non-life insurance companies have the capability to reward their shareholders with substantial returns on their investments. Profitability is also positively related to investment and growth, as profitable non-life firms often have improved investment opportunities and access to financial markets (Nissim, 2010). Additionally, non-life insurance firms contribute to economic growth through their investment function, utilizing their long-term liabilities, substantial reserves, and predictable premiums to generate funds for infrastructure and other long-term investments (Victor, 2013). The two frequently employed indicators for gauging the impact of non-life insurance on the growth of any nation are density and penetration rates. Non-life insurance penetration rate is computed by dividing total non-life insurance premium incomes by the nation's real gross domestic product. Non-life insurance density rate, on the other hand, is calculated as the ratio of total non-life insurance premiums to the total population of a country. These indicators offer an assessment of the extent of non-life insurance coverage based on policy types and the growth prospects of the non-life insurance market within a nation (Kwon & Wolfrom, 2016).

Non-life insurance firms play a crucial role in the Nigerian economy, providing risk-bearing capabilities, facilitating lending to businesses, and acting as established stakeholders by creating resources for infrastructure and other long-term investments. They also offer specialized expertise in risk management, allowing businesses and individuals to assume more risks and higher return undertakings, stimulating higher growth and productivity. Non-life insurance policies also provide a solution to social problems by offering financial compensation to victims of various risks (Irukwu, 2003). These metrics offer an assessment of the extent of non-life insurance coverage based on policy types and the growth prospects of the non-life insurance market within a nation (Kwon & Wolfrom, 2016).

2.1 Theoretical Review

2.1.1 Theory of Financial Liberalization

The Theory of Financial Liberalization originated from the works of McKinnon and Shaw (1973) although its foundation can be traced back to Patrick (1966) who laid the groundwork for this theory in his seminar presentation on the correlation between financial development and economic growth. This theory proposes two potential relationships: the demand-following relationship and the supply-leading relationship. According to the demand-following relationship, financial development occurs as a result of economic development. Conversely, the supply-leading relationship suggests that the overall growth of financial institutions positively and significantly impacts the economic expansion (Arestis, *et al.*, 2005).

2.1.2 Insurance Risk Theory

The Insurance Risk Theory model, as crafted by Minkova (2002), is intricately linked to the mathematical underpinnings of non-life insurance. In this theoretical framework, the risk process within a non-life insurance firm is shaped by three pivotal factors: the total premiums amassed by the firm up to a specific time (t), the overall investment yield accrued up to the same time (t), and the total amount of claims until that juncture (t). According to this model, if the total premiums collected surpass the accumulated sum of claims, surplus funds become available for investment. This surplus, in turn, fosters the expansion of the non-life insurance firm, contributing consequently to the broader growth of the economy. The adoption of this theory in the study is predicated on the understanding that risk is the fundamental essence of non-life insurance operations.

Mishra (2007) aligns with and reinforces this theory, emphasizing that the distribution of losses or profits from premiums post-claims payment is fundamentally rooted in risk theory and probability. Borch (1960) further elucidated this theory through a straightforward model, envisioning a non-life insurance firm with contracts that all expire before a specified period. In his model, he posited that the premiums for each contract had already been prepaid to the firm. The hazard disorder of the firm hinged on three key elements: (a) $S(t)$ denoting the probability that the total claims amount in the contracts will not exceed (x), (b) $\Pi(t)$ representing the funds (premiums) available to the firm to settle reported claims, and (c) $I(t)$ indicating the investment yields derived from diverse investment portfolios of the non-life insurance company. Drawing on these components embedded in the risk condition of non-life insurance firms, the disbursement of insurance claims stands as spending for the firm, while premiums, profit, and investment yield stand as the primary sources of income.

2.2 Empirical Review

Numerous empirical studies have explored the relationship between the insurance industry and economic growth across different countries and time periods. Zouhaier (2014) investigated twenty-three countries belonging to the Organization for Economic Cooperation and Development (OECD) between 1990 and 2011. The study revealed a positive correlation between non-life insurance and economic growth, as measured by the insurance penetration rate. However, it noted a negative impact when considering insurance density.

Ward and Zurbruegg (2000) conducted a dynamic analysis focusing on nine nations over the period from 1961 to 1996. The study aimed to explore the effects of insurance on economic growth, revealing diverse impacts, particularly notable in countries such as Canada and Japan. The dynamic analysis conducted by Ward and Zurbruegg suggests that the effects of insurance on economic growth were not uniform across the nine nations studied. Instead, diverse implications were observed, emphasizing the need for a nuanced understanding of the relationship between the insurance sector and economic development. Specifically, the study highlighted the unique dynamics in countries like Canada and Japan, indicating that the impact of insurance on economic growth might be shaped by country-specific factors. The findings suggest that the effectiveness and nature of the impact of insurance on economic growth are intricately linked to the institutional, cultural, and regulatory contexts within each country. Policymakers and researchers can use these insights to tailor regulatory frameworks and policies that consider the specific determinants influencing the impact of insurance on economic development in different national contexts.

Haiss and Sumegi (2008) conducted research on the impact of insurance on economic growth, utilizing a sample of twenty-nine European economies spanning the period from 1992 to 2005. The sample was categorized into two groups: one comprising fifteen European Union nations, and the other consisting of new member countries like Croatia and Turkey. The findings indicated a positive influence of life insurance on the Gross Domestic Product (GDP) growth for the first group of nations. In contrast, for the second group, a more significant influence of non-life insurance, particularly liability insurance, on the GDP was observed. The insurance variable was represented by income from premiums and the net investment total of insurance firms, with premium income further categorized into life and non-life. The Ordinary Least Squares (OLS) estimation method was employed. The results demonstrated a positive impact of life insurance on GDP growth in EU-15 nations like Switzerland, Norway, and Iceland, while non-life insurance exerted a more pronounced influence in Eastern and Central Europe.

Han, Li, Moshirian, and Tian (2010) undertook a comprehensive global analysis. Their investigation involved the examination of data from seventy-seven nations, spanning the period between 1994 and 2005. Through this extensive examination, the researchers were able to establish a positive correlation between the development of the insurance sector and economic growth. This correlation suggests that as the insurance industry in various countries experienced growth and development during the specified time-frame, there was a concurrent positive impact on the overall economic growth of those nations. The study contributes valuable insights into the interplay between the insurance sector's evolution and the broader economic landscape on a global scale during the specified years.

Kugler and Ofoghi (2005) directed their research specifically toward the United Kingdom which aimed to investigate and understand the dynamics of the long-term insurance market within the country. Through their analysis, the researchers successfully identified a causal relationship between the growth of the long-term insurance market and economic expansion in the United Kingdom (UK). The findings of their study suggest that as the long-term insurance sector in the UK experienced growth, it played a significant role in contributing to the broader economic expansion of the nation. This implies that developments within the long-term insurance market, such as increased activity or expansion, were associated with positive impacts on the overall economic growth of the United Kingdom during the period under consideration. The study further provides valuable insights into the interconnected nature of the insurance sector and economic dynamics within a specific national context. Understanding the causal relationship identified in their research contributes to a deeper comprehension of the role that the long-term insurance market plays in fostering economic expansion in the United Kingdom.

Olayungbo (2015) conducted a study examining the contributions of both life and non-life insurance to the economic growth of Nigeria. The research focused on the period spanning from 1976 to 2013. The findings of the study revealed a positive and significant relationship between the presence of both life and non-life insurance and the overall economic growth of Nigeria during the specified time frame. The study implies that the development and activities within both life and non-life insurance sectors played a noteworthy role in influencing the positive trajectory of Nigeria's economy over the examined period. The positive and significant relationship identified suggests that as the life and non-life insurance sectors grew and evolved, they had a meaningful impact on contributing to the broader economic growth of the country.

Mojekwu, Agwuegbu, and Olowokudejo (2011) conducted a study utilizing dynamic factor modeling to examine the relationship between insurance contribution and economic growth. The investigation spanned the years 1981 to 2008. The results of their research revealed a positive relationship between the contributions of the insurance sector and economic growth during this period. The positive relationship indicates that as the insurance sector made contributions, it played a beneficial role in influencing and contributing to the overall economic growth of the studied region or country. Mojekwu, Agwuegbu, and Olowokudejo's research provides valuable insights into the dynamics between the insurance industry and economic growth.

Oyedotun and Adesina (2015) conducted additional research that built upon existing knowledge, establishing a positive and significant relationship between the business of insurance and the growth of the Nigerian economy. The study covered a substantial period, spanning from 1980 to 2011. The research findings contribute to the understanding of the intricate relationship between the insurance industry and the economic development of Nigeria. The positive and significant relationship implies that the activities and contributions of the insurance sector played a noteworthy role in fostering economic growth within the country over the specified three-decade period. Oyedotun and Adesina's research not only affirms the importance of the insurance industry in the context of the Nigerian economy but also provides a temporal perspective, allowing for insights into the evolving dynamics of this relationship over the years. Policymakers, economists, and industry stakeholders can use these findings to inform decisions and strategies aimed at harnessing the potential of the insurance sector for sustained economic growth in Nigeria.

3. Methodology

The study employed an ex post facto research design, utilizing existing sources such as journals, internet resources, reports, and statistical bulletins to gather information. This design was chosen to avoid manipulation of the independent variables, as they had already transpired. The population of the study comprised fifty-eight licensed life and non-life insurance firms operating in Nigeria from 2017 to 2021. Among these, there were ten composite insurance companies and thirty-one specialist non-life insurance companies, totaling forty-one non-life insurance companies and seventeen life insurance companies operational in Nigeria as of December 2017, according to Nigeria Insurance Digest (2017) and NAICOM insurance report (2017). Secondary data, including panel and cross-sectional data, were gathered from published sources such as the Central Bank of Nigeria (CBN) Statistical Bulletin, NAICOM Annual Reports, Nigerian Insurers Digest Reports, International Monetary Fund, and World Economic Outlook Database. The data encompassed the operations of all licensed non-life and life insurance firms in Nigeria from 2017 to 2021.

$$x(t) = \Pi(t) + 1(t) - S(t) \tag{1}$$

where $\Pi(t)$ represents the total premiums of the non-life insurance firm at time t, $S(t)$ is the accumulated claims sum at time t, $I(t)$ denotes the total investment yield at time t, and $X(t)$ signifies the non-life insurance firm's risk process.

The study used multiple linear regression to explore the correlation between the variables. Functional models were formulated based on the theoretical model, and linearized as follows:

$$\mathrm{PCINR} = \mathrm{F(NLPRFR, NLIPEN, NLIDEN)} \quad 2$$

$$\mathrm{RGDPR} = \mathrm{F(NLCLMR, INVYD)} \quad 3$$

$$\mathrm{RGDPR} = \mathrm{F(NLPRFR, NLCLMR, NLIPEN, NLIDEN, INVYD)} \quad 4$$

$$\mathrm{RGDP} = \beta 0 + \beta 1\mathrm{NLPRFR} + \beta 2\mathrm{NLCLMR} + \beta 3\mathrm{NLIPEN} + \beta 4\mathrm{NLIDEN} + \beta 5\mathrm{INVYD} + \epsilon \quad 5$$

The Durbin Watson (DW) statistic was employed to investigate the presence or absence of autocorrelation of variables in the regression model. Decisions regarding the acceptance or rejection of null hypotheses were made based on statistical tests such as t-statistic and P-value at the 5 percent (0.05) level of significance. The degree of freedom was calculated using the formula 1*n*−*k*−1, where *n* represents the number of observations, *k* denotes the number of parameters, and 1 represents the constant.

4. Results and Discussion

Table 1: Gross Premium Income (GPI) 2017–2021

Year	Fire	Gen Acc	Motor	Marine & Avtn	Oil & Gas	Misc	Life Business	Industry Total
2017	41,432.58	27,678.31	45,083.60	16,916.21	67,520.53	21,167.38	152,559.81	372,358.42
2018	45,036.60	28,782.71	40,149.33	26,472.04	82,236.87	22,733.62	180,799.76	426,210.93
2019	52,968.16	34,878.19	43,878.79	27,927.89	94,705.48	26,988.11	226,883.43	508,230.05
2020	47,888.27	36,587.63	47,515.23	33,107.78	91,877.70	25,735.09	231,876.15	514,587.85
2021	68,116.52	41,088.72	57,297.24	47,326.82	114,416.82	37,550.96	265,618.64	631,415.72

Sources: Central Bank of Nigeria (CBN) Statistical Bulletin (2017), NAICOM Annual Reports, Nigerian Insurers Digest (2017), International Monetary Fund (2017), and World Economic Outlook Database (2017).

Table 1 shows the preceding five-years of the insurance industry which has sustained an entirely positive growth trajectory and of course in a double digit, except for 2020 when it was recorded in a single figure. The gross premium income grew in the first two periods at about the rate of 14 per cent, it jumped to about 19 per cent in 2019, declined steeply in 2020 (1.3%) to close with a v-shaped recovery at about 23 per cent over the period of the five years. It is noteworthy that at no time did the market record a negative growth in both Life and Non-Life business, even during economic recession periods as depicted by table 1. While the insurance industry as a whole grew by 69.6 per cent from N372.4 billion in 2017 to N631.4billion in the current period, the Life section including Individual, Group and Annuity businesses grew at about 74.1 per cent and, the non-life business grew by 66.4 per cent over the same period.

Table 2: Sequence of Net Premium Income 2017–2021

Year	Fire	Gen Acc	Motor	Marine & Avtn	Oil & Gas	Misc	Life Business	Industry Total
2017	19,638.84	19,979.03	40,190.71	10,568.12	25,584.08	10,652.53	138,885.31	265,498.62
2018	23,233.37	19,498.10	36,875.09	14,740.78	40,200.31	14,421.85	166,526.37	315,495.87
2019	27,106.97	21,652.66	41,452.98	16,608.87	37,587.14	13,992.11	207,976.08	366,376.81
2020	21,411.99	24,992.04	45,069.04	16,028.05	32,637.94	15,986.03	212,436.19	368,561.28
2021	35,563.96	26,847.45	53,277.32	27,027.58	40,695.59	20,268.40	238,622.90	442,303.20

Source: Researcher's Computation

Table 2, shows the Net Premium Income (NPI) which demonstrated consistent growth, especially in the Life business, even during challenging periods like the COVID-19 pandemic in 2020. Life insurance exhibited resilience, growing at 12.3% in 2021. Non-Life classes experienced fluctuations, recovering notably in 2021. This stability reflects a favorable business retention position.

Table 3: Annual Growth Rates of Net Premium Income (%)

Year	Fire	Gen Acc	Motor	Marine & Avtn	Oil & Gas	Misc	Life Business
2017	(3.7)	(7.1)	3.8	(2.6)	34.2	1.6	18.5
2018	18.3	(2.4)	(8.3)	39.5	57.1	35.4	19.9
2019	16.7	11.1	12.4	12.7	(6.5)	(2.9)	24.9
2020	(21.0)	15.4	8.7	(3.5)	(13.2)	14.3	2.2
2021	66.1	7.4	18.2	68.6	24.7	26.8	12.3

Source: Researcher's representation

Table 3 provides the Annual growth rates of Net Insurance premium for the period of 2017 – 2021 in line with the respective classes of the business. The statistics presented in table 3 demonstrate a favorable stability position within the industry, with business retention showing consistent growth year on year, except for a few instances in specific insurance classes. Notably, even during the challenging COVID-19 pandemic in 2020, the life insurance portfolio exhibited positive growth in net premium income, albeit at a lower rate of 2.2%.

In contrast, the non-life section experienced some fluctuations across different classes due to economic uncertainties, recessions, operational challenges, and the global pandemic. However, in 2021, there was a remarkable rebound, particularly in the gross premium income for various classes. Notably, Marine & Aviation recorded the highest growth rate of 68.6%, indicating a surge in business post-pandemic. Additionally, Fire Insurance, Miscellaneous, Oil & Gas, Motor, and General Accident Insurance also demonstrated appreciable levels of growth during the current period. Despite the challenges, the Life segment sustained a positive growth rate of 12.3%, significantly higher than the 2.2% reported in the preceding period, although still the second least rate in the five-year period. This industry retention behavior is reassuring as it reflects the insurers' confidence in conducting business during a time marked by domestic and global economic uncertainties.

Table 4: Retention Ratios for Non-Life and Life Insurance Business

Year	Non-Life Insurance (%)	Life Insurance (%)
2017	57.6	91.0
2018	60.7	92.1
2019	56.3	91.7
2020	55.2	91.6
2021	55.7	89.8

Source: Researcher's Computation Interpretation

In table 4, industry retention ratios for both Life and Non-Life segments remained consistently above average, reflecting robust business confidence through the years as the least recorded average non-life retention stood at 55,2 per cent for 2020 while it was about 90 per cent in 2022 for the life business portfolios. This is not to say that the development in the non-life is poor relative to life but is reflective of the domestication policy in the life aspect of the business as well as the nature of special risks businesses associated with the non-life especially for Oil & Gas, Aviation and Marine Insurances. During the current period nonetheless, while the non-life retention sustained stability relative to its previous position, the retention ratio recorded for life business listed a decline (89.9%) compared to the proportion recorded in the prior period when it was reported at about 91.6 per cent of all life insurance premiums generated during the period. It is noteworthy from table 4 that both life and non-life businesses maintained far above the fifty per cent (50%) mark throughout the decade, especially for the life segment which was consistently at a near perfect position. This could be reflective of the growing underwriting efficiency, government policies in terms of life portfolio domestication, operator confidence and growing risk-bearing capacities in the industry.

Table 5: Retention (%) of Non-Life Insurance by Class of Business

Year	Fire	Gen Acc	Motor	Marine & Avtn	Oil & Gas	Misc
2017	47.4	72.2	89.1	62.5	37.9	50.3
2018	51.6	67.7	91.8	55.7	48.9	63.4
2019	51.2	62.1	94.5	59.5	39.7	51.8
2020	45.1	68.3	94.9	48.4	35.5	62.1
2021	52.2	65.3	93.0	57.1	35.6	54.0

Source: Researcher's Computation using E-views 10.0 (2019).

Also in table 5 the retention ratios of the various Non-Life classes shows that the industry is well positioned in terms of premium retention, except in the case of Oil & Gas business where consistently for all periods under review, it remained below average. The matter of retention capacity and capital plight in special risks, especially Oil & Gas would require deliberate action in terms of capital adequacy and specific professionalism of which, the ongoing Insurers' recapitalization drive comes handy. The Fire business similarly reported two periods of below average retention ratios in 2017 (47.4%) and, in 2020 (45.1%) as well as in the Marine & Aviation (48.4%) business. Motor account sustained its lead in documented retention, sustaining its above ninety percentile position since 2018 while it stood above 89 per cent at the initial point and, at its peak (94.9%). This is reflective of the structure of Motor Insurance premiums in which most of this account is of third-party motor liability which is typically retained by Insurance Institutions. Other classes also recorded some level of growth in the current period compared to the previous year. Fire insurance account stood at 52.2% and Marine & Aviation 57.1% as against 45.1% and 48.4% respectively recorded in 2020 while a decline was noted for General Accident account (-4.4%) and in Miscellaneous (-13.0%)

Table 6: Gross Claims Paid 2017–2021

Year	Fire General	Accident Motor	Marine &Aviation	Oil & Gas	Miscel	Life Business	Industry	Total
2017	23,636.03	9,994.79	20,849.42	5,570.08	44,174.34	9,717.26	72,506.11	186,448.03
2018	20,348.49	11,175.70	17,455.64	13,303.84	51,141.10	7,052.83	131,712.61	252,190.21
2019	30,967.18	13,246.25	19,764.95	11,349.68	20,148.05	5,919.15	123,776.03	225,171.29
2020	33,626.45	14,945.24	19,068.71	12,922.09	35,182.12	8,182.53	123,307.79	247,234.93
2021	54,742.44	17,829.65	26,752.70	10,743.18	40,048.72	14,424.71	159,263.25	323,804.65

Source: Researcher's Computation

Table 6 illustrates the fluctuations in the rate of change in Gross claims within the insurance industry. In 2019, there was a significant dip of -10.7%, but from thereon, the rate steadily increased, culminating in a year-on-year growth of 31.0% at the end of the review period. The highest growth in gross claims was recorded in 2018 at 35.3%. Except for the Marine & Aviation account, which experienced a decline of -16.9% in the Non-Life section, all other classes, including life insurances, showed an increase in the current year. Specifically, Miscellaneous Insurances saw significant growth at 76.8%, followed by Fire insurance at 62.8%, and Motor insurance at 40.3%. The Oil & Gas business, which previously led in terms of gross claims increase at 74.6%, experienced a relative decline to about 13.8%.

On the other hand, the General Accident business grew by 19.3% year on year. Looking at the five-year scale, Fire insurance experienced the highest growth rate of 131.6% compared to 2017, while the Oil & Gas business contracted by -9.3% over the same period. The Marine & Aviation account ranked second in the non-life insurance classes with a growth rate of 92.9%, followed by General Accident business at 78.4%, and Motor insurance at approximately 28.3%. The Motor account, despite significant retention ratios over the years, had the lowest growth rate in terms of gross claims reported, indicating challenges with many Motor third-party liability policies due to low incidence reportage by policyholders. The Life portfolio showed a relatively higher growth rate compared to other classes, recording about 119.7% growth during the five-year period. In total, the aggregate gross claims reported reached a peak of N323.8 billion, representing a remarkable 73.7% growth rate over the five-year period.

Table 7: Net Claims Paid: Non-Life Business 2017–2021

Year	Fire General	Accident Motor	Marine &Aviation	Oil & Gas	Miscel	Industry	Total
2017	9,811.94	6,835.37	17,903.95	3,053.27	13,408.07	5,389.04	56,401.64
2018	9,266.50	8,428.10	17,344.02	7,128.17	17,122.68	4,773.46	64,062.93
2019	17,196.69	9,547.69	17,724.60	7,492.04	11,923.77	3,455.51	67,340.31
2020	18,909.14	11,129.00	17,647.62	5,784.63	16,469.29	4,473.24	74,412.92
2021	30,973.24	11,674.51	21,641.03	5,606.40	13,080.82	8,841.34	91,817.35

Source: National Insurance Commission (NAICOM) 2017 Annual Report.

Table 7 shows the net claims paid within the non-life segment which has exhibited substantial growth, rising from N56.4 billion in 2017 to its peak at N91.8 billion by the end of the review period. This remarkable increase represents a growth rate of 62.8%. Furthermore, it accounted for approximately 44.6% of all net premiums reported over the five-year period.

Table 8: Net Claims Paid: Life Business 2017–2021

Year	2017	2018	2019	2020	2021
Amount	68,261.7	117,322.1	88,594.8	116,943.2	150,361.7

Net Claims Paid: Non-Life Business

Year	2017	2018	2019	2020	2021
Amount	186,448.0	252,190.2	225,171.3	247,234.9	323,804.7
	372,358.4	426,210.9	508,230.1	514,587.9	631,415.7
Gross Premium	50.1	59.2	44.3	48.0	51.3

Source: Nigeria Insurance Digest (2017) and NAICOM Annual Report (2017)

Table 8 provides detailed insights into the sequence proportions of the insurance industry net claims paid for the period 2017 to 2021. Gross Claims/Gross Premium Income - Life and Non-Life

4.1 Discussion of Findings

The Nigerian insurance industry exhibited positive growth in gross premium income, net premium income, and annual growth rates over the five-year period. Both Life and Non-Life segments contributed to industry growth, with the Life segment showing higher growth rates. Motor insurance, a significant part of the Non-Life segment, sustained high retention and contributed consistently to industry stability. Retention ratios for both Life and Non-Life segments remained consistently above average, indicating stability and confidence in the market. The industry's ability to retain premiums reflects a robust business environment.

Specific challenges were noted in certain Non-Life segments, such as Oil & Gas, which consistently reported below-average retention ratios. Fluctuations in gross claims and growth rates in Non-Life classes suggest challenges related to economic uncertainties and operational issues. The insurance industry, particularly the Life segment, demonstrated resilience during the challenging period of the COVID-19 pandemic in 2020. Despite the economic downturn, the Life segment exhibited positive growth in net premium income.

5. Conclusion and Recommendations

The analysis of the Nigerian insurance industry from 2017 to 2021 reveals a sector characterized by overall positive growth, with both Life and Non-Life segments contributing to its resilience. Despite challenges in specific Non-Life sectors, the industry demonstrated stability and confidence, reflected in consistently above-average retention ratios. The ongoing insurers' recapitalization drive aims to address challenges and enhance capital adequacy. The impact of the COVID-19 pandemic showcased the industry's adaptability, particularly in the Life segment, which exhibited positive growth. Positive claims management and industry consolidation efforts further contribute to the sector's robustness. The findings suggest future opportunities for expansion, product innovation, and enhanced risk management as the industry adapts to evolving economic conditions.

Insurance agreements not falling within the scope of life insurance are referred to as general or non-life insurance. Non-life insurance covers risks such as property losses resulting from theft, fire, accidents, and liability losses arising from an individual causing harm to a third party, including accidental death or injury. This study focuses on general or non-life insurance, which is categorized into eight segments,: fire insurance business, general accident insurance business, motor vehicle insurance business, marine and aviation insurance business, oil and gas insurance business, engineering insurance business, bonds credit guarantee and surety-ship insurance business, and miscellaneous insurance business. The non-life insurance sub-sector is interconnected with industries such as industrial, transportation, agriculture, mining, engineering, petroleum, and trade, both domestically and internationally. Its significance in various human activities has continued to expand across all age groups as different risk categories increase.

Based on the findings of the analysis of the Nigerian insurance industry from 2017 to 2021, it is hereby recommended that:

i. Given challenges in specific Non-Life segments, especially Oil & Gas, industry stakeholders should focus on implementing measures to enhance capital adequacy and risk management in these high-risk businesses.

ii. Support and actively participate in the ongoing insurers' recapitalization drive. Adequate capitalization is essential for underwriting risks effectively, ensuring financial stability, and boosting overall industry confidence.

iii. Collaborate with regulatory bodies to continually review and update the regulatory framework to ensure it aligns with the evolving dynamics of the insurance industry and also Foster an environment that encourages innovation and efficiency while maintaining robust risk management practices.

iv. Emphasize underwriting efficiency in both Life and Non-Life segments to improve profitability and sustainability and encourage the adoption of advanced underwriting technologies and data analytic to enhance risk assessment and pricing accuracy.

v. Invest in advanced technological infrastructure to streamline operations, improve customer experiences, and enhance overall efficiency and also Leverage digital platforms for marketing, customer acquisition, and claims processing to stay competitive in the evolving landscape.

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