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### Abstract

*The world has become a much smaller place over the past two decades due to globalization. International trade has grown twice as fast as worldwide income during this period. Spurred by advances in Information Technology, a sizable share of this growth is in the services industry (instead of merchandise) especially in insurance services provision both in developing and developed countries. This continuous trend surely will impact on all aspects of human endeavour. Under globalization, the provision and marketing of services, will no longer be impeded by restrictive national policies. In the like-manner, comparative advantage would no longer be a function of relative resource abundance, but that of efficient service provision brought about by research and application of technological innovations in the service industries, which are characteristic of minimal costs, prudence and high returns. Only competitive firms are bound to survive in this system. These include business firms with clearly defined visions, goals, backed by strong liquidity position and supported by sound customer relationship management culture founded on experience and efficiency. In modern today Nigerian business environment, the determination of a sound customer relationship would bring about the realization of the over-all goal and objectives of the firm. Compulsorily, most Nigerians ought to buy at least Third Party Motor insurance policies as the federal and state laws/legislations compel owners of motor vehicles to purchase insurance policies before putting their vehicles on the road. Lending/Mortgage firms*

Currently the insurance business prospects in Nigeria are not enviable because of the visible customer apathy to insurance products with the attendant low patronage. To ensure the companies' survival, sound customer relationship, good insurance literacy campaign and credible/prompt claims settlement system, must all be in place.

### The nature and goals of insurance business

Insurance can simply be described as a legal contract (between two parties – the insurer and the insured) that provides indemnity to people who suffer financial losses that result from damages to their insured properties. It also provides benefits where the benefit policies are applicable (2).

People buy insurance policies (evidence of having an insurance contract with an insurer) from various insurance companies duly registered to offer such services. Insurance, therefore, is one of the players in the financial services industry in Nigeria. They offer to the insuring public a wide range of insurance policies and services for which adequate premiums are paid to get insured (3).

### Reasons for purchasing insurance policies

Risks are ever present for as long as one lives. Mere breathing involves some risks as you may breathe in a virus that could upset your health system which might lead to your eventual death. Therefore, insurance is aimed at providing indemnity and benefits on the happening of such insured unforeseen events. One may fall sick and lose income and savings to settle his medical bills and meet his other financial obligations. There could be losses resulting from fire or accidental damages to properties such as homes, vehicles and other valuables. One may in the use of his/her property cause harm or injury to another person or his/her property. Risk is therefore an uncertainty as no one knows well ahead of time when a loss or its severity will occur. Insurance ultimately is designed to bring one back to his pre-loss position



which precludes him (the insured) from making a profit out of the claim position in indemnity policies only where the quantum of claim payable can only be ascertained after the happening of the insured event. In benefit policies like life, personal accident policies, the benefits payable are known and stated in the policy documents even before the insured events happen.

### Benefits of modern insurance

Some of the benefits are as follows :

- (a) It provides indemnity where the insured suffers losses by paying the insured or his beneficiaries the sum-assured, thereby enabling them to contribute to the Gross Domestic Product of the nation (GDP).
- (b) It creates many employment opportunities thereby reducing social ills associated with unemployment.
- (c) It creates the desired confidence, which encourages investors to make further investments.
- (d) The application of the insurers' safety recommendations improves industrial safety measures and loss minimization.
- (e) Insurance acts as a financial broker as the premiums collected from the insuring public are ploughed back into the economy by way of loans and investments to ensure economic growth (3).

### Low patronage and customer apathy

There is nevertheless a worrisome growing concern about the seemingly lack of interest as a profession by most people in Nigeria. This statement is common knowledge to anyone who is at home with the operations of modern and registered limited liability insurance companies in Nigeria today. This could be easily seen from their balance sheets. Insurance products/services are about the least sought after in Nigeria. Notwithstanding the fact that there are in Nigeria, legislations compelling people to buy some insurance policies like motor vehicle, group workmen's compensation, fire e.t.c, they hardly buy them and where they do

buy at all, premiums are not paid as at and when due. This ugly trend has actually lead to the failure and subsequent closure of some of the insurance companies that failed to recapitalize to meet the minimum capital base as required by the National Insurance Commission.

### Causes of low patronage and apathy

This could be classified into general and the industry specific causes.

#### The general causes

- **Extreme poverty and harsh economic environment**  
Most people in Nigeria are chiefly concerned with finding food to eat and roofs over their heads, but certainly not insurance policies. The persistent and ever worsening economic climate had combined to bring about very low patronage of insurance products/services. The under-capacity operations of most factories consequent upon inadequate power supply in Nigeria brought about loss of jobs and employment, which prevented many policy holders from paying their insurance premiums and in some cases led to the lapsing of the policies. The ever-increasing inflationary trend surely is a militating factor which even prevents people from buying insurance covers.
- **Level of insurance literacy**  
The absence of insurance literacy in Nigeria is yet another strong reason for the non-patronage of insurance products by the people. In advanced and educated countries, the need for insurance policies is a norm while the reverse is the case in Nigeria.
- **Religious belief**  
In the northern parts of Nigeria, where the dominant religion is Islam, life policies are not welcome as they are at variance with

the concept of their faith which abhors speculative dealings of any sort.

### Industry specific causes

#### (i) Poor management

The quality of the management team surely determines the difference between profitable and unprofitable insurance operations. The management teams of some insurance companies comprise managers who are either not qualified or experienced but are planted there by virtue of their connections with the owners of the insurance companies. In the absence of such vital qualities, the managers cannot adequately train their field operators who are not well equipped to handle sale of such sophisticated intangible product like insurance

#### (ii) Poor claim settlement record

In Nigeria, most insureds do as a matter of choice refuse to put up claims even when they are very genuine claims. Nigerian insurance companies will delay settlement, toughen the claim procedures, or even decline liability and payment at simplest excuses. Most people have come to accept this as a norm in the Nigerian insurance industry. However, this ugly trend is now on the reverse given the current attention and supervision of the insurance industry by the National Insurance Commission, which is aimed at protecting the insuring public (4).

#### (iii) Non - awareness

Given the low insurance literacy in Nigeria, it naturally follows that most people do not appreciate the benefits of insurance. In view of this situation, it may become advantageous to translate the policies (in bold prints) into the local languages to create the desired awareness and understanding by the divergent insuring groups.

#### (iv) Un-appealing corporate image

The seemingly inadequate capital base of insurance companies (as against that of banks) has given a poor corporate image of insurance companies as could be seen from the personality and appearance of their field agents, aesthetic appearance of their corporate offices, vehicles, staff emoluments, office equipments e.t.c. These are obviously pointers to the reason for low patronage of insurance products and services. With an increased capital outlay, this situation backed by sound management will be reversed in no too long a time.

#### (v) Ownership structure and board interference

The ownership structure of most Nigerian insurance companies usually frequently changed management particularly where the said management tried to adhere to the insurance guidelines as stipulated by the supervising National Insurance Commission to the disadvantage of the companies' directors. Where the insurance companies are owned by the government, premiums are hardly paid as at and when due. This, no doubt hampers efficiency of the company with the resultant loss of public/customer confidence.

### Effects of low patronage and customer apathy on insurance business

#### • Outright failure/collapse of the company

Huge sums of money in the form of share capital were made by investors who naturally expect good returns on their investments. With low patronage and customer apathy, these good returns might not be realizable. Funds for claim settlement will also not be there and this may ultimately lead to outright failure and liquidation of the company.

#### (ii) Killing of customer and investor confidence

Any firm more so an insurance firm that has an unimpressive customer relations department is bound to fail as customers



would always prefer going to patronize those with excellent customer relationship management.

### (iii) **Growth stagnation**

No insurance firm and indeed the entire insurance industry will experience any meaningful growth where there are poor customer relations with the resultant low patronage, non-payment of premiums, policy lapsing, high inflationary trend, capacity under-utilization and un-employment. This at the long run may affect the economic growth of the country as insurance is the bed-rock of the economic growth of any nation.

## **Results and Discussion**

From the researcher's practical field and managerial experience (as a marketer and departmental manager) in the insurance profession spanning over 15 years, it was not difficult to find that the following brought about the low patronage of insurance products and services in Nigeria.

### • **Very low level of insurance literacy**

The absence of insurance as a compulsory course/subject in Nigeria's primary, secondary and tertiary educational curricular, is a major cause. In some Nigerian Universities, insurance is not even taught to the management students. In developed economies like Britain and U.S.A., purchase of insurance products is but a norm. People insure their lives and properties as of necessity and not by mere compulsion of the law as is the case in Nigeria.

### • **Under - capitalization**

The capital base of insurance companies when compared with that for the banks is grossly inadequate whereas the reverse should have been the case. No bank gets licensed if it is not adequately insured. This situation brought about the poor corporate image of insurance companies.

## **Poor state of Nigeria's economy**

The general state of the Nigerian economy is not much to be talked about. Most manufacturing companies in Nigeria have relocated to neighboring countries as a result of under-capacity utilization which was aided by Nigeria's epileptic power supply. Nigeria has thus become more of a consumer than producer nation with its attendant damage to her foreign exchange reserves. The corollary to this situation is high inflation and job insecurity and this, to a large extent, is the reason insurance is the least sought after product in Nigeria today as most of her citizens live below poverty level.

## **Unsatisfactory claim settlement records**

Some insurance companies were unable to settle genuine claims timely because of insufficient reserves for claims as a result of the low patronage and customer apathy while some for flimsy reasons decline liability out rightly, void claims or where they settle claims at all, the payments are delayed.

## **Conclusion**

Insurance, given its importance in the economic development of any nation is an honorable and gainful profession. Time was when the insurance profession was seen as an all-comers profession where illiterates found jobs with ease; but given the government intervention and supervision, the situation has radically improved for the better.

## **Recommendations**

### • **Recruitment of qualified personnel**

Insurance companies should recruit qualified and experienced staff to ensure quality services to their clients thereby assuring themselves of good revenue stream to meet their statutory obligations. Good customer relationship department should also be put in place with sound training program.

### • Corporate image

Customers are usually impressed by the corporate image of any insurance company. This they see as the managing evidence of the company without necessarily going into the books of the company. The insurance companies will tend to have made tangible their intangible services/products from very improved corporate image. Offices should be very well furnished and modern IT equipments procured in line with globalization trends. No customer would even give audience or patronize any insurance agent/marketer who canvasses for business in a shabbily dressed outfit or a rickety vehicle.

### • Insurance educational seminars/workshops/advertisements

Efforts should be put in place to organize regular public insurance seminars and workshops all with a view to creating insurance awareness and its benefits. Quality and periodic corporate advertisements will also be beneficial to the insurance industry. The National Insurance Commission (NAICOM) and the Chartered Insurance Institute of Nigeria (CIIN) should continue their good work of sanitizing the insurance industry by ensuring strict adherence to all the operational guidelines.

### • Insurance claims

Timely settlement of claims is very much recommended. Policies should now be in bold fonts/characters/letters as against the old-fashioned tiny prints, which made reading more difficult. Policy holders should also endeavour to read and understand the policy document well ahead of any probable claim. Records of claims settled should be made available to prospective insureds at their requests, which gives them the required confidence in the insurance companies.

### • Marketing concept

The underwriting departments of the insurance companies should tailor their policies to meet the needs of their prospective insureds.

These policies will then be marketed by well trained, fluent-speaking, educated and pleasantly looking marketers. Efforts should be made to insure only pure risks and ensure that all outstanding premiums are collected before the policies lapse.

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