

## Making A Smooth Motor Insurance Claim In Nigeria

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### Abstract

*To many a Nigerian, the essence of a motor insurance claim is simply to replace the damaged, burnt or stolen insured car/vehicle with a brand new one. Anything to the contrary is not acceptable. This is in fact the general notion in Nigeria and this is easily traceable to the low level of insurance literacy in Nigeria. Most literate Nigerians hardly read their insurance policies not until there was an accident or an event which would lead to an insurance claim. Insurance, when bought as per the attaching conventional conditions is an invaluable tool which guarantees the buyer a financial security.*

### Introduction

In Nigeria, most prospective insureds buy insurance rather compulsorily and not out of necessity. The most commonly bought insurance is the motor insurance Third Party policy by virtue of the fact that it is made compulsory to protect the lives and properties of the Third Parties, which include the road users. Often times you hear many policy holders making many uncomplimentary statements about some insurance companies who for one reason or the other failed to settle their claims to their satisfaction. The essence of buying insurance cover nevertheless is to be indemnified if the insured event happens within the life or term of the policy and other policy conditions. In the past policy conditions were printed in tinny letters but now the reverse is the case sequel to protests by policy holders. However this shift has

not made any significant impact on the claim culture of Nigerians who still believe in complete replacement of their damaged, burnt or stolen insured vehicles with brand new ones. It should also be noted that the essential feature of insurance (being a business of large numbers) is that when a risk/loss is shared by many, it is lighter, but heavier, when shared by a few (1). There are however 4 classes of motor insurance policy namely : - the Act Only policy; the Third Party Only policy; the Third Party, Fire & Theft policy and the Comprehensive policy. The Act policy indemnifies the insured where life is lost as a result of the insured peril; the Third Party policy indemnifies the insured in case of loss of life or injury to the Third Party; the Third Party, Fire & Theft policy in addition to the covers granted by the Act and Third Party policies grants further cover for fire and theft; the Comprehensive policy is a combination of Act Only; Third Party Only; Third Party, Fire and Theft policy and cover for damage to the insured vehicle.

Insurance is a mechanism by which risks are transferred. It is also a legal contract between two parties namely:- the insured and the insurer. It is effected when the insured transfers from his own shoulders, the financial burden of some probable and potential misfortune to the shoulders of the more financially disposed insurer, who on the receipt of an amount called "premium" from the insured, agrees to assume a potential risk of loss, on the occurrence of the insured event (2).

### Pre-requisites for making a smooth motor claim

(a) **Insure with a duly incorporated, registered, licensed and fully recapitalized insurance company.**

By virtue of the provisions of the Insurance Decree No 2 of 1997 (as amended) every insurance company in Nigeria must be incorporated under the Companies and Allied Matters Act of 1990, registered, licensed and fully recapitalized by appropriate supervising bodies namely : - the National Insurance Commission (NAICOM) and the Central Bank of Nigeria (CBN) before going into operation (3).

**(b) Insure your vehicle for its full market value**

It is very important that you insure your vehicle for its full market value to enable you get full indemnity on the settlement of the claim by the insurance company. If the vehicle is under-insured (i.e. insured for less than its market value) probably with a view to paying lower premium, the insurance company will apply an indemnity formula that will be proportionate to the sum insured declared/insured by the insured in which case the insured bears a proportion of the claim.

**(c) Declare the actual use to which the vehicle will be put to in the proposal form.**

Often times you find prospective insureds fill in the proposal forms that the proposed vehicle to be insured is a private vehicle whereas in fact the vehicle is intended to be used as a commercial vehicle. This ignoble act of the insured surely impedes the smooth settlement of the ensuing claim. Here, the insured might outrightly deny liability as a result of a breach of the policy condition.

**(d) Report any accident/event that might lead to a claim, timely.**

Most motor policies have time limits within which to report any accidents/or events likely to lead to claims against the insurers. A delayed report might complicate claims.

**(e) Premium payment**

The current applicable Insurance Decree also has a provision known as "No Premium, No Cover". This provision demands that the insured must pay his premium fully and as at and when due to be able to receive an indemnity, should any claim arise. The insurer is not liable to entertain any claim where part payment was made before the insured peril occurs but may apply an "Ex - Gratia" treatment to accommodate his client/insured for continued patronage (2).

**(f) Double insurance**

Nigerian- in some cases insure their vehicles with more than one insurance company with a view to making profits from the claim situation. Such a situation will surely hinder a smooth claim settlement since the insurer will invoke the principle of "Pro - rata contribution of average" which compels the insurance companies to contribute to the claim amount on pro-rata basis, thus ensuring that the insured does not get more than the value of the insured vehicle as at the time of the insured event. This is referred to as the pre-accident value of the vehicle. The applicable indemnity is calculated by dividing the respective insurer's sum assured by the actual value of the vehicle at the time of loss and then multiplied by the value or cost of loss (4).

**(g) Police report**

You must submit to the insurer a copy of the police report which gives the details about the accident or event, if not for any reason, to show that the event or accident actually occurred. There had been cases in the past where insureds fraudulently built up claims with a view to defrauding the insurance companies. This police report should be submitted along with the insurance claim form issued by the insurer for completion and return.

**(h) Use of Insurance Intermediaries.**

Where the prospective insured chooses to use an intermediary (an insurance agent or a broker), care should be exercised to ensure that the applicable intermediary is duly registered and licensed to operate in Nigeria (4).

**(i) Young driver**

Statutorily, in Nigeria, an unlicensed and young driver (i.e. anyone below the age of 19 years) is barred from driving any motor vehicle on a Nigerian public highway. The insured must also ensure that any qualified and licensed driver who wishes to drive the insured vehicle must do so with his (i.e. the insured's) consent.

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