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ABSTRACT

This work was aimed at the general practice of motor insurance but from the Nigerian perspective. Given the low level of insurance literacy in Nigeria, the general perception of the insurance business in Nigeria, by most prospective insureds, is that seen as a legitimized gambling, which is full of fraud and deceit by the insurance companies. The resultant effect is general apathy towards the purchase of motor insurance policies by the insuring public. In other developed nations of the world like Britain, United States of America, France, Germany etc, the purchase of motor insurance policies (and indeed other insurance policies to meet their respective needs) is but a norm. The reverse is the case in Nigeria and hence the introduction of compulsory third party motor insurance policy by the Nigerian Government with a view to protecting the interests of the third parties who might suffer various degrees of injuries/losses as a result of the use of such motor vehicles on Nigerian roads.

INTRODUCTION

The essential features of insurance is when a loss is shared by many, it is lighter but heavier if shared by a few (1). This accounts for the reason insurance is often referred to as a business of large numbers. In Nigeria, purchase of motor insurance policies (and indeed all other insurance policies) is not seen as a necessity but rather a mere compulsion by the Nigerian Government. Of all insurance policies, motor insurance policy is the one most commonly bought. The reason motor third party insurance policy was made compulsory by the Nigerian Government was to protect the lives and properties of the third parties. Insurance policies are primarily bought with a view to providing indemnity to the insureds or the third parties, whenever the risks, which were insured happen (2). Non-prompt payment, late payment of claims and un-ending litigations are usually the reasons for the public apathy to the purchase of insurance policies in Nigeria.

Insurance : Insurance is a legal contract between two parties namely the insurer and the insured. It is effected when the insured transfers from his shoulders the financial burden of a potential misfortune, to the broader shoulders of the insurer, who in return for agreeing to assume the potential risk of loss, receives a payment known as premium. The insurer, by collecting sufficient amount of premiums, rely on the probability that only some of the potential risks/losses they insured will actually occur within the term of the contract and whatever is left of the total premiums so collected, becomes profit for the insurer.

Third party : Third party refers to that other party (inclusive of his life and properties) other than the insurer and the insured. A further explanation of the term "Third Party" comprises that other property, which could mean buildings, shops, motor cycles etc that might suffer damages as a result of the actions of the insured.

Policy : This is a document usually prepared by the insurer/or insurance company, which is an evidence that the insured has entered into contract with the insurer. It is in the policy document that all the conditions and related terms about the insurance contract are all listed and explained. (3).

Insurer : Within the insurance context, insurer could be use inter-changeably with insurance company since both mean th same thing.

Comprehensive cover : Comprehensive cover is an insuranc policy that proves an all-risk cover (for the insured's benefit) fc losses and liabilities incurred by the insured for the use of th comprehensively insured car on the public highway. It grant covers for damages to the insured motor vehicle, its occupants an insured's liabilities to the third party and hence the comprehensiv cover premium is agreeably on the high side, unlike the third part cover.

NAICOM : This is the acronym for the National Insuranc Commission, which is the supervising umbrella body for th insurance companies. It is to the insurance industry what CB (Central Bank of Nigeria) is to the banking industry.

"No-premium-no-cover" : This is a provision in the Insuran Decree No. 2 of 1997, which provides that a full premium must b made to guarantee the insured of full indemnity at any claim-time
Risk : Risk is simply defined as the occurrence of an unwante future event or chance of loss amongst other definitions. In i application within insurance context, it means - sum assure insured peril or the subject matter of insurance (4).

Indemnity : This is a very important insurance principle whi stops the insured from making a profit from any claim situation. only ensures that the insured gets not more than the pre-loss val of any insured property by way of claim settlement, otherwi called indemnity (5).

Motor insurance

Motor insurance in Nigeria is compulsory. The government h made it so in keeping with its function to protect its citizens a properties. This was brought about by the enormous loss of lives on the highways as a result of road-accidents. With the introduction of this compulsory motor insurance, the dependants of these victims can now fall back on the insurance companies for compensations.

Various motor insurance covers

Comprehensive cover: This covers indemnifies the policy holder against loss of the car, injuries to the third party car, inmates of the comprehensively insured car and those of the third party car, etc.

Third party, fire and theft: This cover takes care of the insured's liabilities to the third party as well as where the insured vehicle is stolen or burnt.

Third party only: as the term implies, the policy holder is indemnified against death and injuries to the third party properties only.

Act only: Contrary to the impression of many that Act Cover does not cover any risk, this cover indemnifies the policy holder against the death of and injuries to the third party only.

Motor claims - Procedures and constraints:

Following the intervention of the Federal Government of Nigeria through the Insurance Division of the Federal Ministry of Trade and Industry by the enactment of an operating Insurance Decree, it became mandatory for an insurance company to settle any genuine claim within 90 days of the report of such a claim. Most companies are now living up to their obligations – claim-wise (6).

Procedures: The moment an accident is reported the insurer gives the insured the Motor Accident Report Form to complete and return. The Insurer/Insurance Company calls for the photo-copies of the driver's (who drove at the time of the accident) original and current driving license and a police extract in cases of serious or fatal accidents. If the insurer is satisfied that the policy is still current, the relevant premium is paid in full, as at, and when due, he calls for estimates of repair from one or two competent auto-garages for probable adjustment by a Loss Adjuster.

The insurer furnishes the adjuster with such details as: effective date of insurance, type of cover, sum insured, and the date of the accident. These details enable the adjuster to determine the pre-accident value of the vehicle, the salvage value in case of a "total-loss".

If it is not a "total-loss," approval will now be given to commence repairs. On satisfactory completion of repairs, the insured will pay his "excess" (or the first portion of loss/claim) to the repairer while the insurance company pays the balance. The insured will however, before taking delivery of his vehicle, sign a document referred to as "satisfaction/discharge voucher note". This satisfaction/discharge voucher note is evidence that the insured is satisfied with the quality of the repairs thereby discharging the insurer from any further liability that might emanate from the insured event for which he (the insured) had been fully indemnified.

Constraints: There are a few factors working against a speedy settlement of motor claim.

Communication: The postal services are yet to meet the required standards. The movement of letters from Enugu to Lagos takes a very long periodand at times it gets lost in transit. However, this situation is greatly improved by virtue of the advent of the modern Information and Communication Technology (ICT).

Autonomy: Most branches of some insurance companies are headed by staff that enjoy and exercise little degree of autonomy. In this situation, all actions should be channeled to the Headquarters before repairs are commenced. This definitely brings about delays in claim settlement.

Fraud: At times you come across fraudulent claims in which case the insureds run into trouble assembling the required documents such as police report etc. (7). In some cases, fraudulent claim files are built up with a view to defrauding the insurance companies.

Non-payment of full premium: The non-payment of full premuim (in contravention of the "No-Premium-No-Cover" provision) may delay, nullify or void the claim settlement.

Under-insurance: There are some bottle necks in the motor claims settlement procedures in situations where the insured deliberately under-insured their vehicles in the hope that they would receive full indemnity. In such cases the insurance companies apply the principle of "contribution" which compels the insured to contribute proportionately to the cost of repairs.

Cases abound where some insureds would never complete their premium not until there were accidents.

Insurance market - yesterday, today and tomorrow

Many years, prior to the Nigerian civil war, insurance businesses were concentrated in the hands of a few expatriate insurance companies. There were also a few insurance brokers. Clients usually walked into these offices to take up one cover or another as they were few in number. With the indigenization policy of the Federal Government, many more companies sprang up while the Federal Government of Nigeria took up shares in the expatriate companies.

After the war many more people gradually become insurance-conscious, but a lot more has to be done by way of publicity, via the newsprint or electronic media.

It is however hoped that the economy will improve and tomorrow will surely be brighter.

CONCLUSION

It is crystal clear, from the foregoing that a lot more has to be done to get Nigerians to imbibe insurance culture as applicable in developed nations of the world. A situation where Nigerians insure compulsorily is unhealthy instead of being a norm. To get Nigerians to appreciate the needs and values of insurance, the Nigerian government, through its Ministry of Education must endeavour to include into its educational curricula, "insurance", as a course, from primary to tertiary levels. The importance of insurance to any growing/developing economy like Nigeria, cannot be over-emphasized, for a sound motor insurance practice in Nigeria, will not only provide the much needed indemnity to victims of motor accidents but will also check loss of human resources and investible incomes that hitherto would have been channeled to productive sectors, thereby enhancing the nation's Gross Domestic Products (GDP).

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