CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. INTRODUCTION

Although the researcher acknowledges that there has not been many write-ups on this topic, nevertheless, serious efforts were made to review the few write-ups at the researcher's disposal. The researcher, by virtue of his many years of practical insurance experience brought to bear into this review his own input from his field practice over years.

2.2. THE **CONCEPT OF INSURANCE**

The practice of insurance in Nigeria is patterned after the British practice by virtue of the fact that Nigeria was a former British colony. Prior to the arrival of the British colonial masters in Nigeria, the early primitive Nigerians practiced an insurance-like self-help scheme fondly called "Isusu".

Isusu is a process whereby groups of people come together and agree to pool funds for the benefit of any member who may have suffered a form of loss. Where no loss occurred, depending on the terms of their agreement, individual members received lump sums of money at regular intervals. ***Nwafor. (2005:81)***

Insurance evolved because of the need for financial reassurance for losses, which usually occurred. Generally, insurance as it is practiced in Nigeria today is traceable to €€€€€the era of maritime trading. With the prevalent marine engineering technology, the then marine enterprising merchants suffered regular losses. These were Babylonians who traded between 4000 B.C. and 3000 B.C. The Hindu followed in 600 B C and thereafter by the Greeks in 400 B.C. ***Trenery (1986: 25)***

Two insurance bonds, namely "Bottomry" Bonds and "Respondentia" Bonds were introduced to cushion the effects of maritime losses.

Bottomry Bond was tailored to provide loans for the merchants at troubled times to ensure that the voyage was completed. The ship/vessel served as collateral for the loan so granted. The Bond provided that where the ship was lost, the loan would not be repaid, but if the ship arrived safely, the loan would be repaid with some interests from where the premium would be paid for the maritime risks.

In the case of the Respondentia Bond, the cargo was pledged as the collateral as against the ship in the Bottomry Bond. ***Okonkwo, (2002:9)***

However, the Italian maritime merchants came up with a new scheme, which favored the spreading of the losses among themselves by contributing to a common fund at the end of the voyage. The unlucky merchants whose goods got lost were settled/compensated from the fund. It is widely believed that those contributions were the earliest form of what we now call ***insurance premium.***

The British maritime merchants, by 1600 AD improved upon the Italian scheme when a group of them agreed to underwrite the risks associated with the marine trade for a payment of a prescribed fee by any merchant or group of merchants who might be willing to pay. The Chamber of Assurance Act legalized the practice.

2.3 DEVELOPMENT OF INSURANCE IN NIGERIA.

The earliest form of insurance in Nigeria is traceable to British colonial traders who sought to protect their businesses throughout the West Coast of Africa in 1879.