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(Accepted 30 March 2015)

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 Insuranc 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 unwant 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 whic 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