Insurance Claim Settlement and Economic Growth in Nigeria

Onyinye Jane Asogwa[1], Uchizi Changala Munyenyembe[2]

[1,2]Pan African University, Institute of Governance, Humanities and Social Sciences.

DOI: https://dx.doi.org/10.47772/IJRISS.2025.9020172

Received: 30 January 2024; Accepted: 04 February 2025; Published: 09 March 2025

ABSTRACT

The study examined the impact of insurance claim settlement on economic growth in Nigeria. This study used an annual time series data ranging from 1990 to 2023. The variables in the model include gross domestic product (GDP) as the dependent variable while life assurance (LIA), fire insurance (FIN), motor insurance (MOI) and oil and gas insurance were captured in the model as the explanatory variables. The study employed autoregressive distributed lag (ARDL) model to analyze the time series data. Findings from the unit root test showed that GDP and FIN were stationary at level while LIA, MIO and OGI were stationary at first difference. The cointegration test result from the ARDL bounds test showed that the variables are cointegrated, which implies that the time series variables considered have long-run equilibrium relationship. Finding from the ARDL regression result showed that; the coefficients of life assurance (LIA) and fire insurance (FIN) were positive and insignificant to gross domestic product (GDP) while motor insurance (MIO) and oil and gas insurance (OGI) were positive and insignificant to gross domestic product. The study recommended among others that stable financial and economic policies like institutional monitoring mechanism should be put into cognize to monitor risks suffered by the insured, so as not to falsify and magnify risk indemnity that will jeopardize the future viability of the insurance sub-finance sector that will not affect the growth of Nigeria economy from the part of insurance sector.

Keywords: Insurance, Claim settlement, Economic Growth, ARDL, and Nigeria.

INTRODUCTION

The insurance industry has been recognized globally as a driver of economic growth and development by providing financial security to their policyholders through the pooling and investment of premiums, out of which those who suffer unexpected losses are indemnified. Insurance is the cooperative device of distributing losses falling on a person, organization, or establishment, each shouldering a slight expenditure and feeling secure against heavy loss. Harry (2012) confirmed that the increasing complexity of the world economic system in today's manufacturing age has led to a rise in the significance of insurance in the process of profit-making dealings. According to Harry (2012), the absence of insurance will constantly subject the individual/organization to the fear of a huge financial loss in the event of a tragedy and so will affect their decision-making course of action in diverse ways. Oba (2003) also asserted that the performance of the insurance sub-sector is a function of the social, economic, and political environment in which it operates. In fact, the state of the insurance industry of a country is a reflection of its economy. Insurance remains one of the major indices for the level of development of a nation's wealth and plays a very significant role in the mobilization of investable resources of an economy. In developing economies of the world, where financial systems are not sufficient, insurance provides the necessary bridge between commerce and industry, making it possible for continued economic activities. Along the same line, Oshinloye *et al.* (2009) advocated that the importance of insurance to any Nation's economy cannot be undermined. He said that no country can experience any meaningful development without the presence of a formidable insurance industry, thereby making the insurance business in any nation indispensable irrespective of its quota to the gross domestic product (GDP) or its level of awareness among the populace.

Claim settlement by insurance companies has been identified as a tool to enhance customer satisfaction andloyalty performance. Claims, being the heartbeat of insurance, are the most critical contact the insuring public has with the industry and, thus, a critical moment of truth that shapes a customer's overall perception of their

insurer (Crawford, 2007). Singh (2007) noted that claims are the defining moment in the customer relationship for insurance firms, with a firm's success often defined by one factor: the customer's experience with claims. So far, insurance firms' claim settlement depends on the risk suffered. Such risks could be unanticipated and accidental loss through fire, motor, oil and gas, floods, banditry and other insurable risks (Anila, 2015). Due to the uncertain nature of the business and investment environment, probable risks are usually insured through the provision of insurance coverage made possible through premiums (Davidson, 2010).

The size of a nation's insurance industry is vital for measuring its economic growth (Asongu & Nicholas, 2019). The insurance industry underwrites the risks from economic activities, thereby contri buting to a nation's economic growth (Fadun, 2021; Fadun & Shoyemi, 2018). The perceived problem that necessitated this study is the importance of prompt claim settlement in encouraging the insuring public to purchase insurance, thereby deepening insurance penetration and contributing positively to economic growth (Fadun, 2021; Kwanga, 2017; Kavitha *et al*., 2012). Insurance is an intangible product, and prompt claim settlement proves that insurers fulfil their promises to the insured. Some studies also revealed that insurance does not positively impact economic growth (Nwani & Omankhanlen, 2019; Webb *et al*., 2005). Ward and Zurbruegg (2000) asserted that country-specific factors influence the relationships between insurance and the economic growth of a country. However, there is yet to be consensus on the impact of insurance and economic growth. Hence, further research on the effects of insurance claim settlement on economic growth is needed. Based on this account, this study examined the impact of insurance claim settlement on economic growth in Nigeria. Therefore, this study fills gaps in the literature and contributes to knowledge consequently

LITERATURE REVIEW

Conceptual and Theoretical Review

Insurance is the equitable transfer of the risk of loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against a contingent, uncertain loss risk. Epicatechin (1998) defined insurance claims settlement as the rights of the insured to ask for compensation from the insurer should any loss occur. An efficient and prompt claims settlement service is the most effective form of advertisement for an insurance company. But this does not mean that the insurance company must settle all claims whether they are genuine claims or not.

Economic growth of a country is usually indicated by an increase in that country's gross domestic product, or GDP. In other words, gross domestic product is an economic model that reflects the value of a country's output. Thus, a country's GDP is the total monetary value of the goods and services produced by that country over a specific period of time. Jhingan (2002) defined economic growth as a process whereby the real per capita income for a country increases over a long period of time. He states that economic growth is measured by an increase in goods and services in each successive period. Thus, economic growth occurs when an economy's productive capacity increases, which is used to produce more goods and services.

The theoretical framework for this study is built on the accelerator theory propounded by J.M Clark in 1917. The accelerator theory states that, if demand is excessive, businesses can satisfy demand in two respects; either lower supply through price increases or boost capital to satisfy demand levels. In relation to this study implies that when many people demand insurance policies, insurance companies tend to have enough funds to invest. Thus, the theory explains the increase in demand which in terms of insurance companies as a service rendering sector will either increase the percentage of the sum insured, which reduces demand or invest in itself by introducing new products to cater to everyone or by acquiring new assets, with this the insurance sector is able to gain more earnings either by premium, investment or attraction of new investors to the sector which in turn boosts Economic Growth.

Empirical Review

Varied empirical evidence exists on insurance and economic growth in both developed and developing economies as reviewed; Oloyede, Folorunsho, and Ogamien (2023) examined the impact of insurance on economic growth in Nigeria from 1986 to 2020 using short-run ordinary least square (OLS) model. The study

utilized real gross domestic product (RGDP) as a proxy for economic growth, serving as the dependent variable, while total insurance premium (TPR), total insurance claim (TIC), total insurance investment (INV), and inflation rate were used as the explanatory variables. A short run of the OLS results revealed that the value of total insurance claims, total insurance claims, total insurance investment, and inflation rate had an insignificant impact on economic growth, while total insurance premium has a significant relationship with economic growth. However, in the short run, insurance firms' indices positively impacted economic growth, and it was concluded that insurance firms' indices positively impacted economic growth in the short run. The study recommends among others that; insurance policies should be made mandatory for individuals and business organizations to encourage and protect investors as well as ensure sustained economic growth; that the regulatory authorities should put in place policies to enforce transparent and efficient management of funds by insurers; that investors should diversify their portfolio of investments to boost returns and their ability in claims payment.

Igbinovia and Kekere (2022) investigated the empirical nexus between insurance risk and claim settlement of insurance firms in Nigeria using evidence from ten (10) sampled insurance big players (firms), examined over the period of 2007-2018. Aside from insurance risk being the main variable of interest, an array of other claim settlement-determining variables was included to make the study robust. They include cash flow and macroeconomic risk. Employing correlation analysis, descriptive statistics, unit root test, and ordinary least square method, the result shows that insurance risk has a positive but not significant impact on claim settlement of insurance firms in Nigeria. Also, macroeconomic risk was found to have a positive and significant impact on claim settlement of insurance firms in Nigeria. Lastly, the cash flow of an insurance firm is found to have a positive and weak impact. Against the backdrop of the foregoing findings, sound risk-minimizing policies and measures on the part of insurance firms, premium, and cash flow-enhancing policies and strategies, and a sound and stable macroeconomic environment, as well as strong regulatory and institutional framework to guard the operations of insurance firms, so as to enhance their role for rapid national development, are recommended.

Agbo, Okeke, and Okeume (2022) examined the effect of the general insurance cost of claims on Nigeria's gross claims of insurance industries. The motive of the work is anchored on the gap in the empirical where the average cost per claim has not been used to evaluate the effect of the cost of claims of general insurance policies on the gross claims of insurance industries in Nigeria. The following are the variables of interest used: average cost of motor, general accident, and oil/gas insurance claims (independent variables) on the gross claims paid (dependent variable) by insurance firms in Nigeria. An ex-post facto research design was adopted, while secondary data were sourced from CBN and NAICOM. The autoregressive distributed lag (ARDL) model was employed in the analysis. The investigation revealed that the impact of motor insurance claims and oil/gas insurance claims were positive and significant at (a P-value of 0.00003 < 5%, a coefficient value of 4.16) and (a P-value of 0.0085 > 5% and a coefficient value of 0.13) respectively. Similarly, general accident insurance claims were negative and significant at (a P-value of 0.0010 < 5% and a coefficient value of -3.87). The implication of the finding is that the cost of settling motor and oil/gas claims is positive and significant, while general accident insurance claims are negative and significant. The study concluded that motor and oil/gas insurance policy claims have a positive and significant impact, while general accidents negatively and significantly impact the dependent variable. The study recommends, among others, that insurers should develop a mechanism to mitigate fraud within the claims department. Consequently, insurers should be stringent and closely monitor losses and recovery with respect to general accident insurance given the time and its nature, and equally, insurers should form pools to underwrite oil/gas insurance in collaboration with loss adjusters to tap from expanded expertise skill.

Oyetunji, Adepoju, and Oladokun (2021) investigated the poor claims settlement and demand for insurance policies in Nigeria. The populations focused are few licensed insurance firms in Nigeria. The total distributed questionnaires were 130, and a total of 115 responses were well filled with analysis and returned, which is a very good percentage of responses. Chi- square statistics and correlation with the tabulated contingency table on the basis of assumptions were employed. The results show that poor claim settlement significantly affects the demand for insurance policies in Nigeria and that there is a long-term and significant relationship between poor claim settlement and the demand for insurance policies in Nigeria. The study, therefore, recommends that the insurance industry be redefined through appropriate Acts, introducing competition and innovations in the services to compete effectively and meet consumer needs by dealing with changing expectations of policyholders

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue II February 2025

to ensure that the satisfaction of all the parties is guaranteed.

The extant empirical literature reviewed aimed at providing a scientific explanation to the research questions raised. Most of the extant studies concentrate more on insurance and economic growth; these include the works of Oloyede, Folorunsho, and Ogamien (2023); and Agbo, Okeke, and Okeume (2022). To fill in the gap, this study examined the impacts of insurance claim settlement on economic growth in Nigeria. This study also fills in the gap from the part of methodology by using the Autoregressive Distributed Lag (ARDL) model to address the impact of insurance claim settlement on economic growth in Nigeria.

METHODOLOGY

This study utilized time series data spanning from 1990 to 2023. The following variables data such as gross domestic product (GDP) was sourced from the Central Bank of Nigeria Statistical Bulletin (CBN), while Life Assurance (LIA), Fire Insurance (FIN), Motor Insurance (MOI), and Oil and Gas Insurance (OGI) were sourced from NAICOM (National Insurance Commission).

Model Specification

To achieve the objective of this study, the study adopted the autoregressive distributed lag (ARDL) model approach as developed by Pesaran, Shin, and Smith (2001). The model for the Autoregressive distributed lag model is expressed as follows;

$$Y= \beta_0+\beta_1 Y_{t-1} +.....\beta_k Y_t\text{-}p + \alpha_0 xt + \alpha_1 xt\text{-}_1 + \alpha_2 xt\text{-}_2 + ...\alpha_q xt\text{-}q + \varepsilon_t \ldots\ldots (3.1)$$

Where Y is the dependent variable, X is the explanatory variable, α0- αq is the coefficient, and εt is the random disturbance term, which is serially independent and assumed to be well-behaved or constant. To empirically analyze the nexus between insurance claim settlement and economic growth in Nigeria, the dependent variable was measured by economic growth (proxies as gross domestic product) while the independent variable known as insurance claim settlement was measured by different determinants such as life assurance, fire insurance, motor insurance, and oil and gas insurance. Since the study examined the impact of insurance claims settlement on economic growth in Nigeria, the model for the variable in equation 3.1 was modified to have the following functional equation;

$$GDP = f\ (LIA, FIN, MOI, OGI) \text{ ---------- } (3.2)$$

GDP= Gross domestic product

LIA= Life Assurance

FIN= Fire Insurance

MOI= Motor Insurance

OGI = Oil and gas insurance

However, the econometric model of equation 3.2 is specified as:

$$GDP = \beta_0 + \beta_1 LIAt\text{-}_1 + \beta_2 FINt\text{-}_2 + \beta_3\ MOIt\text{-}_3 + \beta_4\ OGIt\text{-}_4 + + \varepsilon_t - - - - - - - - - - (3.3)$$

Where;

$\beta_0 - \beta_4$ = Coefficients

ε_t= Error Term

Thus, the ARDL model is specified as:

$$\mathrm{GDP}_t = \delta_0 + \pi_1 \mathrm{GDP}_{t-1} + \pi_2 LIA_{t-1} + \pi_3 \mathrm{FIN}_{t-1} + \pi_4 MOI_{t-1} + \pi_5 OGI_{t-1} + \sum_{t=1}^{a} \sigma_i \, \Delta\mathrm{GDP}_{t-i} + \sum_{t=0}^{b} \partial_i \, \Delta LIA_{t-i} + \sum_{t=0}^{c} \gamma_i \, \Delta\mathrm{FIN}_{t-i} + \sum_{t=0}^{d} \lambda_i \, \Delta MOI_{t-i} + \sum_{t=1}^{e} \sigma_i \, \Delta\mathrm{OGI}_{t-i} + \varepsilon_t \quad (3.4)$$

Where;

δ_0 is the drift component; Δis the first difference operator; π_i= Long-run multipliers (for i= 1,2,…,5); the terms with summation signs are used to model the short-run dynamic structure;σ_i,∂_i,λ_i,γ, ϖ_i = Short-run multipliers; a,b,c,d,e = Lag lengths for the short-run dynamic structure; ε_t= Error Term; and t= Time. An appropriate lag length was selected based on the Schwartz-Bayesian Criterion (SBC). The short-run multipliers here will help us to confirm the evidence of the long-run relationship among the variables; this implies that in any disequilibrium in the economy, the system corrects itself from the short run towards reaching long-run equilibrium.

RESULTS AND DISCUSSION

Descriptive Statistic Results

Table 1: Descriptive Statistics Result

	GDP	INCL	IGDP	IEXP	IINV
Mean	41512.86	23732.33	183.0648	31974.69	201646.1
Median	37474.95	12402.40	72.11000	12402.40	121844.2
Maximum	71387.83	76276.11	585.4700	75468.72	450250.4
Minimum	19199.06	306.5100	6.530000	698.5500	11367.11
Std. Dev.	19998.17	22345.87	195.3533	30278.22	186192.2
Skewness	0.289414	0.463719	0.763040	0.397637	0.166884
Kurtosis	1.460446	1.879100	2.147083	1.319834	1.192679
Jarque-Bera	3.494306	2.733890	3.947830	4.463250	4.363004
Probability	0.174269	0.254885	0.138912	0.107354	0.112872
Sum	1286899.	735702.2	5675.010	991215.4	6251029.
Sum Sq. Dev.	1.20E+10	1.50E+10	1144887.	2.75E+10	1.04E+12
Observations	31	31	31	31	31

Source**:** Researcher's Computation using E-Views 10, 2025

As observed from Table 1, the mean, standard deviation, as well as the skewness, kurtosis, and Jarque-Bera measures of our variables of interest are given. The mean values of GDP, LIA, FIN, MOI, and OGI are 42334306, 25299.29, 5145.233, 9823.052, and 3931.736, respectively, while their respective standard deviations are 19080445, 33959.23, 4791.248, 5284.006 and 5645.921. The results showed that OGI had the lowest or least mean and variability (standard deviation) while GDP had the highest or largest mean and variability (standard deviation). Lastly, the Jarque-Bera statistics probability values showed that GDP and MOI are normally distributed since the Jarque-Bera probability test of 0.173243, 0.254885, 0.138912, 0.107354 and 0.112872 are greater than 0.05 percent level of significance while LIA, FIN, and OGI are not normally distributed since the Jarque-Bera probability test of 0.000000, 0.001840 and 0.025805.

Unit Root Test Result

Table 2: Stationarity Test Result

Variables	ADF Statistic at level	ADF Statistic at first difference	Critical values of 5% at level	Critical values of 5% at first difference	P-values at level	P-values at first difference	Order of integration
GDP	-3.928	-1.788	-2.981	-2.967	0.006*	0.3786	I (0)
LIA	1.232	3.934	-2.992	-2.992	0.941	0.0100**	I (1)
FIN	6.106	0.623	-2.992	-3.005	0.000*	0.9870	I (0)
MOI	-0.361	-8.136	-2.968	-2.968	0.903	0.0000**	I (1)
OGI	1.543	-5.054	-2.926	-2.926	0.999	0.0004**	I (1)

Source: Researcher's Computation using E-views 10, 2025

Table 2 shows the result of the variables that are stationary. Obviously, the ADF unit root test results in Table 2 show that the variables of interest; gross domestic product (GDP), and fire insurance (FIN) were stationary at the level since the calculated t-value is greater than the critical value at 5% level of significance while life assurance (LIA), motor insurance (MOI) and oil and gas insurance were stationary at the level since the calculated t-value is greater than the critical value at 5% level of significance. This implies that the variables' unit root test results are integrated into order zero and one, i.e., I (0) and I (1). This implies that the data have no stable or predictable behavior, and the past observations have different representatives of the future.

Cointegration Regression Test Result

Table 3: ARDL Bounds Co-integration Test Result

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signify.	I (0)	I (1)
F-statistic	3.772620	10%	2.2	3.09
	4	5%	2.56	3.49
		1%	3.29	4.37

Source: Researcher's Computation using E-views 10, 2025

Table 3 shows that the F-statistic (3.7726) was greater than the lower bound and upper bound critical values at 10%, 5%, and 1% significance levels. Hence, the null hypothesis of no long-run relationship among the variables of the selected ARDL was rejected while the alternative hypothesis was accepted. It was therefore concluded that there is an existence of a long run relationship among the variables of interest. This implies that the variables of interest are fully adjusted and are in equilibrium.

Regression Test Result

Table 4: Estimated Long ARDL Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GDP (-1)	2.564711	0.824265	3.111512	0.0077
GDP (-2)	4.660237	2.198962	2.119289	0.0524
LIA	-3168.977	1813.039	-1.747881	0.1024

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue II February 2025

LIA (-1)	1761.485	1568.205	1.123249	0.2802
LIA (-2)	2006.911	722.4992	2.777734	0.0148
FIN	-21782.87	13871.14	-1.570374	0.1386
FIN (-1)	-17756.13	7927.554	-2.239799	0.0419
FIN (-2)	-5106.507	4362.089	-1.170656	0.2613
MOI	5107.636	3160.923	1.615869	0.1284
MOI (-1)	-14067.20	7215.093	-1.949691	0.0715
MOI (-2)	-2795.768	1487.744	-1.879199	0.0812
OGI	7880.963	5467.670	1.441375	0.1715
OGI (-1)	5520.492	2000.617	2.759395	0.0154
OGI (-2)	16542.79	9637.125	1.716569	0.1081
C	-17528812	7894565.	-2.220365	0.0434
R-squared	0.999080	Mean dependent var		43771074
Adjusted R-squared	0.998160	S.D. dependent var		18892549
S.E. of regression	810340.9	Akaike info criterion		30.35454
Sum squared resid	9.19E+12	Schwarz criterion		31.06176
Log likelihood	-425.1409	Hannan-Quinn critter.		30.57603
F-statistic	1086.115	Durbin-Watson stat		1.872630
Prob(F-statistic)	0.000000			

Source: Researcher's Computation using E-views 10, 2025

The results indicate all the signs in the variables; some of the signs agreed in line with the a priori expectation stated while others did not. From the result seen, motor insurance (MIO) and oil and gas insurance (OGI) conformed to the a-priori expectation, while life assurance (LIA) and fire insurance (FIN) did not conform to the stated *a-priori* expectation. The conformation of these explanatory variables indicates that the variables are positively related to economic growth in Nigeria. The non-conformity of the explanatory variable indicates that the variable is negatively related to economic growth in Nigeria.

The estimated coefficient of life assurance (LIA), whose value is about -3252.201, is negatively related to the gross domestic product (GDP) and insignificant, implying that a unit decrease in life assurance would result in about -3252.201 units decrease in the gross domestic product in Nigeria. The reason for this negative relationship could be because of the economic downturn, which makes people care less about purchasing insurance due to financial challenges. Other reasons could be regulatory environment, demographic changes etc. The estimated coefficient of fire insurance (FIN), whose value is about -21898.23, is negatively related to the gross domestic product (GDP) and insignificant; this means that all things being equal, a unit decrease in fire insurance would trigger a decrease in the gross domestic product by about -21898.23 units in Nigeria. Furthermore, the estimated coefficient of motor insurance (MIO) whose value is 5361.167 is positively related to gross domestic product (GDP) and insignificant; implying that a unit increase in motor insurance would result to about 5361.167 units increase in gross domestic product in Nigeria. Finally, the estimated coefficient of oil and gas insurance (OGI), whose value is 7747.061, is positively related to gross domestic product (GDP) and insignificant, implying that a unit increase in oil and gas insurance would result in about 7747.061 units increases in gross domestic product in Nigeria. The coefficient of determination adjusted R^2square shows that about 99.8 economic growth variations were caused by insurance prompt settlement variations. Using the Durbin-Watson statistic value of 1.90 indicates that there is an absence of autocorrelation among the variables.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue II February 2025

CONCLUSION AND RECOMMENDATIONS

This study examined the impact of insurance claim settlement on economic growth in Nigeria, covering the period 1990 to 2023. Specific attention was also paid to the relevant components of insurance claim settlement, such as life assurance (LIA), fire insurance (FIN), motor insurance (MOI), and oil and gas insurance (OGI). Empirical results revealed that the relevant components of insurance claim settlement had no significant impact on economic growth during the period reviewed, which implies that the insurance industry has little effect on economic growth. This is in line with reality because, looking at the insurance industry, many people know little or nothing about the insurance sector. Despite the insignificant impact of insurance claim settlement on economic growth in Nigeria, the study also found that there is a great link between insurance claim settlement and economic growth in Nigeria. In Nigeria, it was discovered that the insurance claim settlement is a great determinant for enhancing the nation's economic growth. Since the objective of insurance claim settlement is to enhance economic growth, there is a need to develop the insurance industry in Nigeria up to the world-class standard so as to benefit from the globalization of trade business and industry that are now taking place worldwide. In conclusion, the insurance industry is an important sector in any economy because it is a financial mechanism suitable for individuals or businesses.

Based on the findings, the study recommends that stable financial and economic policies like institutional monitoring mechanisms should be put into cognizance to monitor risks suffered by the insured so as not to falsify and magnify risk indemnity that will jeopardize the future viability of the insurance sub-finance sector that will not affect the growth of the Nigeria economy from the part of the insurance sector. Other specific recommendations are made viz:

1. Insurance companies should create awareness in ways that will be understandable both to elites and illiterates; a lot of times, people do not understand how the insurance industry operates, and most people do not even know the types of insurance and what insurance policy that will be needed for them.

2. Insurance companies should try and deal with claim settlement problems of fire insurance policies on motor vehicles and household goods, such as ethical issues, poor premium collection, solvency problems/low liquidity, poor technology, etc., so as to reposition the business and help restore confidence on the part of customers that will result to effective performance for competitive advantage that will translate to the growth of Nigeria economy.

3. The study recommends that for the safety of injured third parties and damage to property caused by motor accidents, insurance should improve their use of modern-day technologies in facilitating motor insurance claims settlement.

4. The study recommends that the insurers insert that the insured must prove the existence of a cordial relationship with the host communities as a condition precedent to liability regarding oil spillage, which affects environmental degradation. Undoubtedly, the act will minimize sabotage from the host communities, and they will even alert the insured early enough when the spill is witnessed for prompt action. Similarly, the insured negligent act will likewise tend to be inhibited.

5. Claim settlement is an important insurance function. It is important to have an efficient claim management system enhanced by digitalization because digitalization enhances service delivery and boosts customer services which in turn boosts the confidence of the insured in the claim settlement process and to project a good image of the insurance industry. We strongly recommend the use of blockchain and smart contracts similar to Etheric and Allianz, which are used in more developed countries. These will help in cost reduction and also help to streamline the claims process by automating it.

6. The world is evolving faster than our imaginations, and we should move in the same direction to avoid being left behind. AI is almost doing everything as humans, and these tasks are really easier, faster, and more accurate, so we recommend the use of AI tools in insurance claims settlements for easy data saving and processing.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue II February 2025

REFERENCES

1. Agbo, I. U., Okeke, D.C. and Okeume, A. (2022). Effect of General Insurance Cost of Claims on the Gross Claims of Insurance Business, Nigeria Perspective. African Journal of Management and Business Research; 3 (5): 74-92
2. Anila C. (2015). Determinants of Financial Performance of Insurance Companies: A case of Albania. International Journal of Economics, Commerce and Management, 3(4): 15- 18.
3. Asongu, S., Nicholas, O. (2019). Financial access, governance and insurance sector development in Sub-Saharan Africa.
4. Crawford (2007). Trends in claims handling: Insurance industry update. Canada: Crawford & Company Inc.
5. Clark, J.M (1917). Business acceleration and the law of demand. A technical factor in economic cycles.
6. Davidson, C. (2010). Probabilistic Risk in Insurance. International Journal of Investment and Risks, 2(7): 12-17.
7. Epetimehin, F.M. &Ekundayo, O.A. (2012). The Impact of Risk Pricing on Profit Maximization of insurance companies. International Journal of Academic Research in Economics and Management Sciences, 1(14): 21-35.
8. Fadun, O. S. (2021). Nexus between insurance penetration and economic growth: Evidence from Nigeria. Nigeria Journal of Risk and Insurance, 11(1), 20-36.
9. Fadun, O. S., & Shoyemi, O. S. (2018). Insurance investment funds and economic growth in Nigeria: An empirical analysis (2000 – 2015). International Journal of Development and Management Review, 13(1), 63-73.
10. Harry, W (2012). Recent developments and future prospects on sustainable human resource management; Introduction to special issue.
11. Igbinovia, L. E & Kekere, P. A (2022). Insurance Risk and Claim Settlement of Insurance Firms in Nigeria. Amity Journal of Management Research; 5 (1): 279-293
12. Jhingan, M.L. (2002). Economics of Development and Planning. New Delhi: Vrinda Publication Ltd.
13. Kavitha, T., Latha, A., & Jamuna, S. (2012). Customers' attitude towards general insurance – A factor analyses approach. IOSR Journal of Business and Management, 3(1), 30-36.
14. Kwanga, C. F. (2017). Claims settlement in insurance contracts from a customer protection perspective in Cameroon. Juridical Tribune, 7 (special issue), 37-53.
15. Nwani, A.T& Omankhanlen, A.E. (2019). Insurance receivables and economic growth: The case of Nigeria.
16. Oba, D. (2003). Legal and Regulatory Principles. Chartered Insurance Institute (CII) Course Book, Insurance, CII learning solutions, pp 4/2 – 4/6.
17. Oloyede, J.A., Folorunsho, A. and Ogamien, O.F. (2023). The impact of insurance on economic growth in Nigeria. Nigerian Journal of Banking and Financial Issues, 9(1), 1-9.
18. Oshinloye, M. O. (2009). The Impact of Insurance Activities on Economic.
19. Oyetunji, O.I, Adepoju J.A & Oladokun, R.A. (2021). Poor claims settlement and demand for insurance policies in Nigeria. Journal of research in humanities and social science; 9(8): 11-18.
20. Pesaran, M.H, Shin, Y. & Smith, R.J. (2021). Bounds testing approaches to the analysis of level relationships.
21. Singh, V. (2012). Global trends in non-life insurance: claims. Cap gemini.
22. Ward, D. & Zurbruegg, R (2000). Does Insurance promote economic growth? Evidence
23. Webb, I., Grace, F. & Skipper, H. (2005). The effect of banking and insurance on the growth of capital and output. Financial issues, 2(2): 1-32.