INFLUENCE OF NON-LIFE INSURANCE SECTOR CLAIMS SETTLEMENT ON THE INCREASE OF TOTAL ASSETS IN NIGERIA'S INSURANCE MARKET (2000 TO 2022)

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ABSTRACT
The study looked at the influence of non-life insurance sector claims settlement on the increase of total assets in Nigeria's insurance market from 2000 to 2022. The data set utilized for this research is secondary data, consisting of 22 years' yearly series of chosen variables from 2000 to 2022, obtained from the Central Bank of Nigeria (CBN) and the NAICOM statistics bulletin. The study used the Philip-Perron (PP) unit root test and the Ordinary least squares (multiple regressions) method with the E-view package to calculate the coefficient of the independent variable, non-life insurance claims settlement, on the total assets of the insurance industry as dependent variables. The hypothesis demonstrates that if each index for non-life insurance claims settlement is held constant, total insurance assets growth in Nigeria will increase by an intercept value of 0.0000246 basis points. Additionally, it is seen that non-life insurance claims settlement has a regression coefficient of 0.010995, which is a positive coefficient. The Adjusted Co-efficient of Determination, which was 0.050918, shows that in the model used, the independent variable. The p-value of non-life insurance claims settlement impacting total insurance asset growth in Nigeria is 0.8621, which above the level of significance of 0.05. It indicated that there was statistical insignificance. According to the study's results, non-life insurance sector claims settlement has no substantial influence on the insurance industry's overall asset growth rate.

Introduction

General insurance, often known as non-life insurance, covers the mitigation of all loss effects caused by incidents involving numerous entities such as ideas, contracts, events, facilities, and property. Non-life insurance is divided into eight categories: fire insurance, general accident insurance, automobile insurance, marine and aviation insurance, oil and gas insurance, engineering insurance, bonds credit guarantee and ship insurance, and miscellaneous insurance. The non-life insurance business contributes to economic growth on a local and global scale in many nations. Given its links to many economic sectors such as industrial, transportation, agricultural, and trade, its importance to general human activities is growing across all age groups as dangers in all categories rise (Zyka and Tomori, 2014). The potential of the non-life insurance industry to contribute to growth is dependent on its capacity. The National Insurance Commission (NAICOM) predicted that the industry's total assets will be N2.13 trillion by the end of 2021 (Otaru, 2022). Furthermore, it revealed that the sector's gross premium income exceeded N630.36 billion last year, with net claims totaling N238.05 billion. Rasaq Salami, Head of Corporate Communication at NAICOM, recently disclosed these numbers, which show a 16 percent rise in industry assets between June 2020 and September 2021, from N1.8 trillion to N2.09 billion.

In general, "growth" refers to a gain in size, quantity, or degree, indicating a considerable improvement in certain areas of measurement. Thus, the expansion of the insurance sector represents a significant shift in the magnitude of industry-wide characteristics like as premiums, contingency reserves, claims, investment, and assets. A typical indicator is growth rate, which is the percentage change of a certain variable over a specific time and context (Chen, 2019). It measures the yearly change in a variable as a percentage, with individual businesses having different growth rates, such as the insurance industry, which may be evaluated using indicators such as contingency reserves, claims, and assets.

Internal and external variables might impact the possibility of the insurance industry's continued expansion. While empirical studies mostly focus on external variables influencing insurance industry growth, less attention has been paid to internal elements such as the influence of non-life insurance claims settlement. The insurance sector creates premiums and investments from premium revenue, acquiring other economic resources that may be used to generate cash flow, cut expenditures, or increase sales in the future. Simultaneously, it pays claims, demonstrating the importance of entire assets in insurance operations. The non-life insurance industry follows this pattern.

Claims settlement occupies a unique place among other factors in the insurance industry. It is thought that claims settlement can affect public view of the insurance business (Otaru, 2022). In Nigeria, insurance operations include premium generating, investments, reserves, and claims payment. Successfully carrying out these operations can result in significant improvements in the industry's well-being, as evidenced by profits for insurance companies, dividends for shareholders, claims for insured parties, employee compensation, increased economic confidence, financial deepening, and industry innovations. These manifestations act as indications of the insurance industry's expansion.

While studies on the determinants of insurance industry development have primarily focused on external factors such as exchange rates, savings rates, foreign direct investment, and interest rates (Epetimehin and Fatoki (2015), Nyairo (2015), Oba and Onuoha (2018), and Nyamu (2016). There is little empirical data to show how internal variables, such as sector-specific activities, affect overall industry growth. As a result, the purpose of this study is to investigate the substantial influence of non-life insurance sector claims settlement on the

increase of total assets in the Nigerian insurance business.

Research Question

How does non-life insurance sector claims settlement affect the growth of the insurance industry's total assets?

Statement of Hypothesis

The settlement of non-life insurance claims has no substantial influence on the growth rate of the insurance industry's overall assets.

Theoretical Framework

The endogenous growth theory

The endogenous growth hypothesis, an economic concept, holds that economic expansion is caused by internal mechanisms inside a system rather than external forces (Kenton, 2018). The idea proposes that increasing a country's human capital will fuel economic growth by enabling the development of new technologies and more efficient means of production. In the mid-1980s, a group of growth theorists were unsatisfied with the conventional explanations for long-term growth caused by external variables. Inspired by Paul Romer's work in 1986, they proposed a model that substituted the external growth component, unexplained technological advancement, with explicit growth factors within the model.

Endogenous growth economists believe that increasing productivity is directly related to quicker innovation and greater human capital investment. As a result, they call for government and private sector organizations to support innovation projects while also offering incentives for individuals and enterprises to embrace creativity (Kenton, 2018). According to this idea, knowledge-based businesses, notably telecommunications, software, and high-tech sectors, play critical roles due to their expanding impact in established and emerging economies. Endogenous growth theory posits that government measures may boost a country's growth rate by encouraging strong market rivalry and boosting product and process innovation. Capital investment generates rising returns to scale, particularly in infrastructure, education, health, and telecommunications (Kenton, 2018).

Private sector investment in research and development is a key driver of technological innovation. Protecting property rights and patents is critical for encouraging firms and entrepreneurs to engage in R&D activities. Investment in human capital is an important component of growth, and government policies should foster entrepreneurship as a method of starting new enterprises and, eventually, producing new employment, investment, and innovation. According to the hypothesis, the insurance industry's subunits or subsectors can stimulate development inside the industry by driving it (Kenton, 2018). As internal units of the industry, their effective operations can have an impact on the growth of the entire industry.

Methodology

Research Design

This study uses the ex-post facto research design. This is regarded as suitable since it deals with data that has previously occurred (Onwumere, 2009), as historical data from 1996 to 2019 was utilized.

Area of Study

The research focuses on Nigeria. It is a nation in Western Africa. The country was founded in 1960 after obtaining independence from its colonial overlords (the British). The country has a presidential system of governance. It contains 36 states and a federal capital territory. The

nation is split into six geopolitical areas.

Sources of Data

Secondary data were employed in the study. Data were gathered from the Central Bank of Nigeria Statistical Bulletin and the National Insurance Commission's yearly releases ofvarious years.

Population and Sample of the Study

The population of the study was defined as a big collection of persons or items that are the primary subject of a scientific question (Explorable, 2022). The survey included all operators in Nigeria's insurance business. There was no sample size employed in this investigation. Given that data on the variables utilized in the study had already been created and prepared for use, there was no need to create a sample from which to collect new data.

Model Specification

The models for the study are as follows:

GRTASS = f (NLICS) (1)

The model is specified as follows:

$GRTASS = \beta_0 + \beta_1 NLICS + \mu$ (2)

Where GRTASS: = growth rate of total assets of the insurance industry

NLICS = Non-life insurance sector claims settlement

β_0 = constant parameter, β_1 = coefficient of NLICS, μ = the error term

Description of Variables

Dependent variable*:*

Total assets: This refers to the total monetary value of all assets owned by the entire insurance industry in Nigeria

Independent variable:

Non-life insurance sector claims settlement: This refers to the total monetary value of all claims settled by the non-life assurance sector in the Nigerian insurance industry.

Method of Data Analysis

The data was examined using Ordinary Least Squares Regression. Ordinary least squares (OLS), also known as linear least squares, is a method for estimating unknown parameters in a linear regression model. The goal is to minimize the sum of the squares of the differences between the observed responses (values of the variable being predicted) in the given data set and those predicted by a linear function of a set of explanatory variables. However, to avoid incorrect and misleading regression results, the study performed a stationarity test.

Results

Presentation of Data

Data on growth rate ratio of non-life insurance claims settlementand assets.

Table1: Independent and Dependent Variables

Year	NLIFE	ASS
2000	1,804.20	52.63
2001	2,315.90	72.11
2002	2,818.70	142.19
2003	3,040.20	172.29
2006	3,476.20	198.13
2005	3,733.40	226.24
2006	20,735.00	260.07
2007	6,196.10	283.96
2008	9,935.50	271.88
2009	13,040.30	314.95
2010	13,219.00	364.74
2011	13,205.60	418.45
2012	12,350.10	493.45
2013	12,953.80	505.69
2014	12,932.10	547.75
2015	12,860.40	565.54
2016	12,774.10	647.65
2017	12,880.10	683.44
2018	12,827.10	710.63
2019	12,845.10	750.42
2020	14,563.82	789.43
2021	16,563.73	821.16
2022	17,432.56	838.41

Source: *CBN Statistical Bulletin, 2022, NDIC Reports; NAICOM Annual Report 2022.*

Where:

NLIFE = Life Insurance Benefits

CLA = insurance industry total claims settlement growth rate

Table 2: Descriptive statistics

	NLIFE	ASS
Mean	5.99E-05	2.52E-05
Median	1.06E-05	-5.00E-05
Maximum	0.003627	0.000610
Minimum	-0.002923	-0.000570
Std. Dev.	0.001234	0.000325
Skewness	0.425759	0.232718
Kurtosis	5.832409	2.523835

Jarque-Bera	7.654170	0.387944
Probability	0.021773	0.823681
Sum	0.001259	0.000530
Sum Sq. Dev.	3.05E-05	2.11E-06
Observations	22	22

***Source**: Computation from Author's Eview 10 output, 2022*

The mean of the distribution measures the data's aggregating tendency. The means for NLIFE and ASS are 5.99E-05 and 2.52E-05, respectively. The median represents the dispersion of variables in a distribution. The median for NLIFE and ASS is 1.06E-05 and -5.00E-05, respectively. The standard deviations of the variables are compared to their respective means. The standard deviations for NLIFE and ASS are all greater than their respective means. This demonstrates that the volatility of each variable is substantial. Skewness determines the data set's leanness to one side of the distribution, which might be favorably or negatively skewed. The skewness estimates for all variables are positive. This demonstrates that the variables' probability distributions have wider tails to the right of the distribution.

Stationarity Test

A stationarity test was performed to protect against false regression results.

Table 3: Result of Stationarity test at level

Variable	Phillips-Perron test statistic	Critical value @ 5%	Order of Integration	P-value
ASS	-12.99159	-1.958088	1(1)	0.0000
INV	-3.597350	-1.958088	1(1)	0.0010
NLIFE	-8.925868	-3.658446	1(1)	0.0000
PRE	-3.529028	-1.958088	1(1)	0.0012

***Source:** Computation from Author's Eviews 10 output, 2024*

Table 3 shows that the time series that were stationary at the initial difference were LIFE and ASS. This is seen by each Phillips-Perron test statistic at first difference being smaller than its corresponding Critical value at 5%. This is supported by their individual p-values of less than 0.05 (the level of significance), indicating statistical significance.

Test of Hypotheses

Table 4: Regression Result for Test of Hypothesis one

Dependent Variable: ASS

Method: Least Squares

Date: 03/05/24 Time: 04:47

Sample (adjusted): 3 23

Included observations: 22 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.46E-05	7.28E-05	0.337501	0.7394
NLIFE	0.010995	0.062464	0.176028	0.8621

R-squared	0.001628	Mean dependent var	2.52E-05
Adjusted R-squared	-0.050918	S.D. dependent var	0.000325
S.E. of regression	0.000333	Akaike info criterion	-13.08562
Sum squared resid	2.11E-06	Schwarz criterion	-12.98614
Log likelihood	139.3990	Hannan-Quinn criter.	-13.06403
F-statistic	0.030986	Durbin-Watson stat	2.319204
Prob(F-statistic)	0.862135		

Source: *Author's Eviews 10 Output, 2024*

Table 4 reveals that the p-value of 0.8621 exceeds the level of significance of 0.05. Thus, we accept the null hypothesis and conclude that non-life insurance claims settlement has no major influence on the growth rate of the insurance industry's total assets.

Discussion

The hypothesis one test results suggest that if each non-life insurance claims settlement index is maintained constant, overall insurance asset growth in Nigeria will increase by an intercept value of 0.0000246 basis points. Non-life insurance claims settlement has a regression coefficient of 0.010995. This represents a positive coefficient. It demonstrates that there is a growing relationship between non-life insurance claim settlement and overall insurance asset growth in Nigeria.That is, for every unit increase in non-life insurance claims settlement, overall insurance asset growth in Nigeria will rise by 0.010995 basis points. The Adjusted Co-efficient of Determination of 0.050918 indicates that in the model employed, the independent variable (non-life insurance claims settlement) can only explain 5.0918 percent of the variance seen in total insurance asset growth in Nigeria. The remaining 94.9082 percent can be attributable to factors not included in the model. The p-value of non-life insurance claims settlement impacting total insurance asset growth in Nigeria is 0.8621, which above the level of significance of 0.05. It indicates that there was statistical insignificance. In other words, there was insufficient evidence to reject the null hypothesis. This statistical insignificance in the hypothesis three test indicates that non-life insurance claims settlement had a minor impact on overall insurance asset growth in Nigeria. This conclusion contradicted Djamaluddin, Budiman, and Herawaty (2019), who found that firm size had a substantial beneficial influence on profitability.

Conclusion

Nigeria's insurance business includes life, non-life, reinsurance, and takaful sectors. The non-life sector covers a wide range of economic activities. In such a scenario, the non-life sector may have a big impact on the overall industry because of its broad coverage and ability to produce significantly more assets than other sectors. In keeping with this assumption, the study's findings led to the conclusion that non-life insurance sector claims settlement had no substantial influence on the increase of overall insurance industry assets. This is based on a p-value of 0.8621, which above the criterion of significance of 0.05.

Recommendations

When faced with an unexpected situation, people in our society seek to others with whom they have relationships for support. The non-life insurance business should modify its plans to include incentive elements to persuade more people to get life insurance. This can help the insurance sector expand.

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