

INFLUENCE OF CLAIM MANAGEMENT PROCESS ON THE PROFITABILITY OF INSURANCE FIRMS IN NIGERIA

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Abstract

The importance of insurance cover for the survival of a nation is seen in the ability of insurance firms to mitigate risks via claim management process. This paper empirical examined claims management processes with the Nigerian insurance industry. The population for the study is all the insurance companies in Nigeria. The sample size used in the study consisted of five insurance companies which were selected using purposive sampling technique. A correlation research design was employed for the purpose of the study. The reason for employing the design was to establish a relationship between claim payment and profitability of insurance companies. This design was considered suitable and appropriate for the study. The study had four specific objectives and four null hypotheses which were analysed using ordinary least squares method (OLS). The data used in the study was collected from secondary sources such as financial report of CBN, insurers Association (NIA) annual report. The finding from the study showed that the claims department has the sole responsibility of managing claims

process which is fundamental to its profit and long-term sustainability. From these research findings, it can be concluded that claims payment affects the profitability of insurance companies. If claim managers can effectively manage their claim processes, it will reduce the amount of claims expenses and thus the insurance company will have more funds to invest. Based on the findings, it was recommended that claims managers in the Nigerian insurance industry should effectively manage their claims processes through the following steps: Site inspection i.e. to access the damage and document the claim, Inspect the policy wording to see which aspects of loss are covered by policy, Meet the insurance loss adjuster to agree on the scope of repairs, Prepare a damage estimate, Negotiate on settlement, and Settle claim successfully.

Key words: Claim cost, claim settlement, Claims management processes, Industry, Insurance.

Introduction

Insurance firms exist for the purpose of compensating their clients whenever damage occurs. This compensation comes when the beneficiary makes advance for claims. Claim is the financial life blood of any insurance organization (Sampson, 2019). It is the attraction to insurance products or the benefits of purchasing insurance cover. Timely and accurate payment of claims is the product of effective and efficient claim management. Claims management process is the mirror to the customers that enable the insurers' drive at improving customer's acquisition, expectation, retention and business insight for product enhancement and company's profitability

(Capgemini, 2011). Prompt claim settlement helps to restore the public confidence in insurance policies (Ogunnubi, 2017).

Despite the importance of prompt claims payment to the continuity and survival of insurance companies as well as the entire insurance industry, the Nigerian insurance companies are yet to effectively manage their claims as it is obtainable in other developed climes. This assertion is due to the public complains emanating from the Nigerian populace. These complain comes in form of fraud in claim settlement, claim cost, the management process of claims among others (Akinbola & Isaac 2010; Soye & Adeyemi, 2017; Oyedokun & Gabriel, 2018; Gonji, Pam, Msughter & Pam, 2020). Studies recently conducted among insurance experts within the academia had given quite a number of revelations with respect to insurance fraud, claims management process, claim cost and insurers' profitability (Yusuf & Dansu, 2014). Furthermore, Salaudeen, Salam, and Mudashiru, (2021), Sampson (2019) and Singh (2012) points at certain inefficiencies that adversely affect customers'

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claims experience to include: aging technology, rising number of fraudulent claims and increasing complexity in the claims processes.

From the aforementioned therefore, there is need to study the claim management process in Nigeria (in order to correct the abnormalities and hence correct the public perception about claim management. This is because it is one of the major sources of operational risk of insurance companies and constitute a significant portion of their losses (Gonji, Ahan, Zamdayu & Pam, 2020). Hence, this study shall empirically examine claims management processes in the Nigerian insurance industry. The specific objectives of the studies are listed below:

- i. To examine the effect of loss ratio on the ROA of insurance firms in Nigeria.
- ii. To determine the effect of expense ratio on the ROA of insurance firms in Nigeria.
- iii. To determine the effect of net claim on the profitability of insurance firms in Nigeria.
- iv. To investigate the effect of net premium on the ROA of insurance firms in Nigeria.

The research hypotheses are stated below in null form.

- H_{01} : Loss ratio does not affect the ROA of insurance firms in Nigeria.
- H_{02} : Expense ratio does not affect the ROA of insurance firms in Nigeria.
- H_{03} : Net claim does not affect the ROA of insurance firms in Nigeria.
- H_{04} : Net premium does not affect the ROA of insurance firms in Nigeria.

Theoretical Framework: Ruin Theory

The theory used to under pin this research work is 'ruin theory', the theory was developed by Lundberg in 1907 and redefined by Cramer in 1930. It is concern with the level of insurers surplus for a portfolio of insurance policies. The theory assumption is based on pure probabilities which consider insurance operation as a stochastic process (Cummins & Nye 1981). Ruin theory is used to under pinned this study because of its ability to describe the operations or activities of insurance firms in terms of cash flows, on-going claims, net ratio and premium and its usage in the insurance industry. The theory assumed that negative capital suggests inefficient and ineffective management system.

Empirical Framework

A review of past studies shows that the claims management process in insurance industry varies from country to country. For instance, Butler and Francis (2010) discovered that prompt claims settlements have positive and significant relationship with insurance performance in terms of customer satisfaction and loyalty. Harrington and Niehaus (2006) reckon that insurers need to take their claim handling function more seriously because if a claim is handled well, it results to higher customer retention but if handled poorly, policy holders will lose confidence in the insurer and this may damage its most cherished reputation.

In Unachukwu (2015) determined the effect of prompt claims settlement on the performance of Nigeria insurance industry", it was concluded that "prompt claims settlement has more influence on customer satisfaction than loyalty. Alice and Muturi (2016) "Factors affecting profitability of insurance firms in Kenya" it was concluded that firm size has a significant effect on the profitability of insurance firms. Wasike (2016) examined the determinants of profitability in the Insurance Sector in Kenya from the findings it was concluded that claims costs, reinsurance cost, and market penetration were negatively related to profitability while commission expenses were positively related to profitability. Wali (2016), "Factors Determining Profitability of the Insurance Industry of Bangladesh" the conclusion of the findings was that there is a significant positive relationship between Expense Ratio, Solvency Margin, and Growth with Profitability (ROA).

Salaudeen, Salam, and Mudashiru, (2021) examined the impact of net claim ratio and net retention ratio on the financial performance of insurance companies in Nigeria. Financial performance is proxied by return on asset (ROA). The secondary data for the study was obtained via the annual report of ten insurance firms listed on Nigeria stock exchange. Using multiply regression to analyzed the data, the study revealed that net claim and net ratio has insignificant impact on the financial performance of insurance firms listed on insurance companies in Nigeria. Abdeljawad and Dwaikat (2021) investigated how the diversity of products and claims affect the capital structure-performance nexus of insurance companies in Palestine from 2010-2018. The dependent variables are leverage and product

diversification and claim diversification while performance (ROA) is the dependent variable. The study showed that diversification (product and claim) of insurance portfolio has impact on the performance of insurance firms in Palestine unlike leverage that has negative impact.

Methodology

The research design adopted for this study was the correlation design; this is because of its suitability in establishing the relationship between claim payment and profitability of insurance companies. The data used in this research was obtained from secondary sources such as annual financial report of the selected insurance companies, Central Bank of Nigeria (CBN) Statistical Bulletin, Insurers Association (NIA) Annual Report and Journals. This study selected five (5) insurance companies out of the fifty-eight insurance firms as contained in the 2020 report of NAICOM. The five-insurance company are: AIICO insurance company, FBN insurance company, FIN insurance company, NEM insurance company and Leadway insurance company. The five insurance companies were selected using purposive sampling technique. The study used SPSS to analyse the data.

Model Specification

The model used for this study was adopted from the studies of Salaudeen, Salam and Mudashiru (2021), Abdeljawad and Dwaikat (2021) as well as Oyekunle and Gabriel (2018). The model was slightly modified in term of expressing it in equation.

Using the functional relationship of $y = f(x_1, x_2, \dots, x_n)$, we define our model as:

α_0 ROA = $f(LR, ER, NC)$. Using the multiple linear regression model of the form

$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \dots + \alpha_n X_n + \varepsilon$, we develop our model as: ROA = $\alpha_0 + \alpha_1 (LR) + \alpha_2 (ER) + \alpha_3 (NC) + \varepsilon$ (i.) --

-----Model 1

LR = $f(NP, NC)$. Using multiple regression models we have: LR = $\alpha_0 + \alpha_1 (NP) + \alpha_2 (NC) + \varepsilon$ (ii.) -----

---- ...Model 2

Model I

ROA = $\alpha_0 + \alpha_1 (LR) + \alpha_2 (ER) + \alpha_3 (NC) + \varepsilon$ (i.)

Model II

LR = $\alpha_0 + \alpha_1 (NP) + \alpha_2 (NC) + \varepsilon$ (ii.)

Where;

α_0 = intercept

$\alpha_1 - \alpha_3$ = Regression coefficient

ε = Stochastic error term

Data Analysis

The data for the five companies were analysed for the 5 years period; the findings were also recorded in the tables below:

Table 1.0 shows the result of the descriptive analysis of the research variables of AIICO Insurance Company for 5 years. It shows the mean of LR, ER, NC, NP, and ROA to be .8708120, 1.1969380, 11712379.40, 16391619.80 and .0586600 respectively. While the standard deviations of the variables are LR (.56514239), ER (.64462771), NC(4758883.114), NP(7074773.467), and ROA(.05339133).

Table 1.0; Descriptive Statistics of AIICO Insurance

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Loss Ratio	5	1.31705	.38191	1.69896	4.35406	.8708120	.56514239	.319
Expense Ratio	5	1.61461	.60889	2.22350	5.98469	1.1969380	.64462771	.416
Net Claims	5	12500902	6784084	19284986	58561897	11712379.40	4758883.114	22646968491336.800
Net Payments	5	19886461	6278944	26165405	81958099	16391619.80	7074773.467	50052419602533.700
Return on Assets	5	.13323	.01824	.15147	.29330	.0586600	.05339133	.003
Valid N (listwise)	5							

Source: Computed by researchers via SPSS 23

Table 1.1: Descriptive Statistics of FBN Insurance

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Loss Ratio	5	1.32804	.12857	1.45661	3.90949	.7818980	.5	.359
Expense Ratio	5	.13754	.76340	.90094	4.02506	.8050120	.9911118	.003
Net Claims	5	3594019	618456	4212475	11155785	2231157	.05470089	2348553024348
Net Payments	5	4732567	2103398	6835965	18423557	3684711	1532499	3409830982505
Return on Assets	5	.06103	.04596	.10699	.40468	.0809360	1846573	.001
Valid N (listwise)	5							

Source; Computed by researchers via SPSS 23

Table 1.2: Descriptive Statistics of FIN Insurance

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Loss Ratio	5	.85282	.29041	1.14323	2.65349	.5306980	.36578099	.134
Expense Ratio	5	.28077	.17268	.45345	1.36736	.2734720	.11886052	.014
Net Claims	5	632187	116971	749158	1619069	323813	253307	64164312035
Net Payments	5	356389	402773	759162	2937095	587419	132433	17538459555
Return on Assets	5	.12674	.02975	.15649	.57865	.1157300	.05182155	.003
Valid N (listwise)	5							

Source; Computed by researchers via SPSS 23

Table 1.3: Descriptive Statistics of Leadway Insurance

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Loss Ratio	5	.19917	.35959	.55876	2.21980	.4439600	.07865342	.006
Expense Ratio	5	.64404	.70391	1.34795	4.97043	.9940860	.26994351	.073
Net Claims	5	20586880	6844690	27431570	84435612	16887122	8273535	68451387005809
Net Payments	5	55646580	14177214	69823794	195124949	39024990	20341617	413781384114452
Return on Assets	5	.02207	.02812	.05019	.20360	.0407200	.00938315	.000
Valid N (list wise)	5							

Source: Computed by researchers via SPSS 23

Table 1.1 shows the result of the descriptive analysis of the research variables of FBN Insurance Company used for 5 years. It shows the mean of LR, ER, NC, NP, and ROA to be .7818980, .8050120, 2231157, 3684711 and .0809360 respectively. While the standard deviations of the variables are LR (.5991118), ER (.05470089), NC (1532499), NP (1846573), and ROA (.02300387).

Table 1.2 shows the result of the descriptive analysis of the variables under consideration of FIN Insurance company used in this study for 5 years. It shows the mean of LR, ER, NC, NP, and ROA to be .5306980, .2734720, 323813, 587419 and .1157300

respectively. While the standard deviations of the variables are LR (.36578099), ER (.11886052), NC (253307), NP (132433), and ROA (.05182155).

Table 1.3 shows the result of the descriptive analysis of the Return on Assets (ROA), Loss Ratio(LR), Net Claims, Expense Ratio (ER), and the Net Premium (NP) of Leadway Insurance company used in this study for 5 years. It shows the mean of LR, ER, NC, NP, and ROA to be .4439600, .9940860, 16887122, 39024990 and .0407200 respectively. While the standard deviations of the variables are LR (.07865342), ER (.26994351), NC (8273535), NP (20341617), and ROA (.00938315).

Table 1.4; Descriptive Statistics of NEM Insurance

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Loss Ratio	5	.23621	.31324	.54945	2.27898	.4557960	.09135770	.008
Expense Ratio	5	.11668	.30815	.42483	1.76668	.3533360	.04438903	.002
Net Claims	5	2443323	2568166	5011489	19080113	3816023	1025289	1051218061263
Net Payments	5	2875657	6926294	9801951	41585000	8317000	1027221	1055182617560
Return on Assets	5	.12881	.04628	.17509	.58297	.1165940	.06196237	.004
Valid N (list wise)	5							

Table 1.4 shows the result of the descriptive analysis of the Return on Assets (ROA), Loss Ratio(LR), Net Claims, Expense Ratio (ER), and the Net Premium (NP) of NEM Insurance company used in this study for 5 years. It shows the mean of LR, ER, NC, NP, and ROA to be .4557960, .3533360, 3816023, 8317000 and .1165940 respectively. While the standard deviations of the variables are LR (.09135770), ER (.04438903), NC (1025289), NP (1027221), and ROA (.06196237).

Aggregate Analysis on all Selected Companies

Table 2.5; Descriptive Statistics of all Selected Insurance Companies

Mean

	Loss Ratio	Expense Ratio	Net Claims	Net Payments	Return on Assets
AIICO	.8708120	1.1969380	11712379.40	16391619.80	.0586600
FBN	.7818980	.8050120	2231157	3684711	.0809360
FIN	.5306980	.2734720	323813	587419	.1157300
LEADWAY	.4439600	.9940860	16887122	39024990	.0407200
NEM	.4557960	.3533360	3816023	8317000	.1165940

Table 2.6; Descriptive Statistics of all Selected Insurance Companies

Standard Deviation

	Loss Ratio	Expense Ratio	Net Claims	Net Payments	Return on Assets
AIICO	.56514239	.64462771	4758883.114	7074773.467	.05339133
FBN	.59911118	.05470089	1532499	1846573	.02300387
FIN	.36578099	.11886052	253307	132433	.05182155
LEADWAY	.07865342	.26994351	8273535	20341617	.00938315
NEM	.09135770	.04438903	1025289	1027221	.06196237

Source: Computed by researchers via SPSS 23

Table 2.5 and 2.6 presents the result of the aggregate descriptive analysis of all Selected Insurance Companies showing the mean and standard deviation of the variables; Return on Assets (ROA), Loss Ratio (LR), Net Claims, Expense Ratio (ER), and the Net Premium (NP) of all insurance companies used for this study over a five year period. A comparative

analysis from the table reveals that NEM did better than the other companies in terms of ROA (11.66%) to AIICO (5.87%), FBN (8.09%), FIN (11.57%) and Leadway (4.07%) as the lowest, AIICO performed poorly in term of Loss Ratio (LR) on claim payments from its total premium (87.08%) to FBN (78.19%), FIN (53.07%), Leadway (44.40%) and NEM (45.58%)

respectively. The mean Net Claim (NC) for Leadway for this period is considerably higher than that of other companies, although the mean premium income (NP) is more than double the NC. AIICO could only generate 71%, FBN generated 61%, FIN generated 55%, and NEM generated 46% of their NC as

premium income. The standard deviation of the Expense Ratio (ER) for NEM appears to be better than the other selected companies, suggesting more stable underwriting expenses as compared with the earned premium.

Model 1

Table 3.0; Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.632a	.399	.330	.04251271

a. Predictors: (Constant), Net Claims , Loss Ratio, Expense Ratio

Source; Computed by researchers via SPSS 23

Table 3.1; Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	T	
(Constant)	.138	.015		8.943	.000
Loss Ratio	-.015	.024	-.116	-.625	.537
Expense Ratio	-.055	.027	-.492	-2.070	.049
Net Claims	-7.908E-10	.000	-.111	-.542	.593

a. Dependent Variable: Return on Asset

Source; Computed by researchers via SPSS 23

From the findings in the Model Summary, the adjusted R^2 is the coefficient of multiple determinations which is the variance percentage in the dependent variable as explained by the independent variable. From the results of the study, the value of adjusted R^2 was 0.330. This implies that 33% of the factors determining the Return on Asset are explained by the three independent variables under this study namely: Net Claims, Loss Ratio and Expense Ratio.

The findings from the table above shows that the Loss Ratio had a negative relationship with Return on Asset and the effect was insignificant ($B = -0.015$, $P = 0.537$). The findings also proved that Expense Ratio had a negative effect with the financial performance ($B = -0.055$, $P = 0.049$) and the effect was significant. The study was also able to establish that Net Claims had a negative effect on the financial performance ($B = -7.908E-10$, $P = 0.593$). What does it mean?

The model obtained from the result of the regression analysis on the variables is:

$$ROA = 0.138 - 0.015(LR) - 0.055(ER) - 1.391E-10(NC)$$

Model 2

Table 4.0; Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680a	.463	.423	.30400901

a. Predictors: (Constant), Net Premium, Net Claims

Source; Computed by researchers via SPSS 23

Table 4.1; Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	T	
1 (Constant)	.554	.072		7.717	.000
Net Claims	8.768E-8	.000	1.602	4.685	.000
Net Premium	-4.085E-8	.000	-1.622	-4.745	.000

a. Dependent Variable: Loss Ratio

Source: Computed by researchers via SPSS 23

From the results of the study, the value of adjusted R^2 was 0.423. This implies that 42.3% of the factors determining the Loss Ratio are explained by the two independent variables under this study namely Net Claims, and Net Premium.

The findings from the table above shows that the Loss Ratio had a positive relationship with Net Claims and the effect was significant ($B = 8.768E-8$, $P=0.000$). The findings also proved that Net Premium had a negative effect with the Loss Ratio ($B=-4.085E-8$, $P=0.000$) and the effect was significant. This mean that a unit percentage raise in net premium with bring about a -4.085 decrease in insurance companies' profitability.

The model obtained from the result of the regression analysis on the variables is:

$$LR = 0.554 + 8.768E-8 (NC) - 4.085E-8 (NP)$$

Test of Hypotheses

Hypotheses One

H_{01} : ROA is not significantly influenced by LR, ER and NC

Table 5.0; ANOVA^a (MODEL 1)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.031	3	.010	5.760	.004 ^b
	Residual	.047	26	.002		
	Total	.078	29			

b. Predictors: (Constant), Net Premium, Net Claims

Source; Computed by researchers via SPSS 23

@ 5% level of significance, degree of freedom = 27, t -theoretical = 2.052, $F_{227} = 2.51$

The decision rule is that the null hypothesis (H_0) will be accepted if the F-statistic is less than the F-theoretical. The F-statistic (5.760) is greater than the F-theoretical (2.98) at 5% level of significance; we thereby fail to accept the null hypothesis that ROA is not significantly influenced by LR, ER and NC.

The decision rule is that the null hypothesis (H_0) will be accepted if the F-statistic is less than the F-theoretical.

Hypotheses Two

H_{02} : LR is not significantly influenced by NP and NC.

The F-statistic (11.643) is greater than the F-

theoretical (2.51) at 5% level of significance; we thereby fail to accept the null hypothesis that LR is not significantly influenced by NP and NC.

Discussion of Findings

Model 1

The result revealed that at zero log of Loss Ratio (LR), Expense Ratio (ER) and Net Claims (NC), the value of the companies' ROA is .138. The independent variables are all negatively related to the dependent variable, an increase in Loss Ratio (LR) decreases ROA by -0.015, and if Expense Ratio (ER) and Net Claims (NC) increases by a percentage whose log

value is one, the ROA will decline by -0.055 and $-7.908E-10$ respectively (*ceteris paribus*). The results also revealed that the t-statistic of the constant of the model, the coefficient of LR, ER and NC are 8.943 , $-.625$, -2.070 , and -0.542 respectively. Comparing individual t-Statistic with t-theoretical (2.056), it was observed that constant of the model is statistically significant. While coefficient of LR, ER and NC to ROA is not statistically significant at 5% level of significance. The implication of this result is that, the constant obtained in this model have a strong forecasting ability in estimating future value of ROA, while that of Loss Ratio, Expense ratio and Net claims do not have a strong forecasting ability.

Model 2

The results revealed that at zero log of Net Claims (NC) and Net Premium (NP), the value of the companies' Loss Ratio (LR) is 0.554 . An increase in Net Claims (NC) increases Loss Ratio (LR) by $8.768E-8$, while on a negative side, if Net Premium (NP) increases by a percentage whose log value is one, the LR will decline by $-4.085E-8$ (*ceteris paribus*). The results also revealed that the t-statistic of the constant of the model, the coefficient of NC and NP are 7.717 , 4.685 and -4.745 respectively. Comparing individual t-Statistic with t-theoretical (2.052), it was observed that constant of the model and coefficient of NC are statistically significant. While coefficient of NP is not statistically significant at 5% level of significance. This implies that the constant and NC obtained in this model have a strong forecasting ability in estimating future value of Loss Ratio, while that Net premium does not have a strong forecasting ability.

The investigation carried out shows the functional relationship between Loss Ratio (LR), Expense Ratio (ER), and Net Claims (NC) on Return on Asset (ROA) and also relationship between Net Premium, Net Claim on Loss Ratio of some selected insurance companies. In the test of the first hypothesis the findings revealed that the F-statistic is greater than the F-theoretical at 5% level of significance, we thereby reject the null hypothesis that ROA is not significantly influenced by LR, ER and NC. Also, in the test of the second hypothesis the findings revealed that the F-statistic is greater than the F-theoretical at 5% level of significance; we thereby reject the null hypothesis that LR is not significantly influenced by NP and NC. From the above discussion it means that ROA is

significantly influenced by LR, ER, and NC. Furthermore, LR is significantly influenced by NP and NC.

Conclusion and Recommendations

The main objective of every business is to make profit. Profitability is very important to financial management because one key objective of financial management is to maximize the owner's wealth and profitability which is a very important determinant of a company's performance (Malik, 2011). There are many proxies to measure profitability, some of which are return on invested capital (ROIC), return on equity (ROE) and return on assets (ROA) (Nguyen, 2006). However, profitability in the insurance industry is also affected by management expenses, commission expenses, reinsurance costs, and claim costs, Federal and State taxes.

Both the quality of the service and cost of claims is the responsibility of the claims department. So, the claims department should work with due diligence to balance the two parameters. The estimation of future liabilities is just as important as control over the claim payments. As the claims department is in direct touch with the customer, it has to ensure the quality of service.

It has so far affirmed that good claim processing is key to insurers' profitability and long-term sustainability. Insurance companies are urged to set moral and legal defensive values to guide their claims procedures and also, to sharpen their dealings with both existing and prospective customers.

The findings of this work affirm that the claims department has the sole responsibility of managing claims process which is fundamental to its profit and long-term sustainability. The study recommends that claims managers in the Nigerian insurance industry must effectively manage their claims processes through the following steps: Site inspection i.e. to access the damage and document the claim, Inspect the policy wording to see which aspects of loss are covered by policy, Meet the insurance loss adjuster to agree on the scope of repairs, Prepare a damage estimate, Negotiate on settlement, and Settle claim successfully.

In addition, a careful attention must also be given to other administrative cost, such as the underwriting cost, which is capable of reducing the company's profit margin. However, there is the need to improve the

image of Insurance Company, which will lead to the growth of the company and the insurance industry as a whole. From this research findings and conclusions, it has been established that claims payment affects the profitability of insurance companies. If claim managers can effectively manage their claim processes, it will reduce the amount of claims expenses and thus the insurance company will have more funds to invest.

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