

**THE INSURANCE LOSS ADJUSTERS AND ECONOMIC GROWTH IN  
NIGERIAN: AN APPRAISAL**

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**ABSTRACT**

This study evaluated the role of insurance loss adjusters in the development of insurance industry for economic growth in Nigeria. Data used in this study were generated from the Annual Report of Insurance Companies listed in the Nigerian Stock Exchange. The population of the study comprised of twenty-five (25) quoted insurance companies. The study adopted unit root tests, Johansen co-integration test and error correction model in data analysis and to determine the short and long effect of the model. Findings from the study showed that the insurance premium capital had significant impact on economic growth in Nigeria. The importance of insurance education cannot be overemphasized. The masses need to be informed and made to understand the need for insurance, because in as much as there is an increased level of awareness about insurance, the average Nigerian will see the need to insure their property and this ought to be the case. The paper recommended, among other things, an aggressive sensitization of the public to create an increased awareness and participation in insurance business.

**Keywords:** Insurance, Loss adjusters, Insurance claims, Accident, Nigerian Economy.

**INTRODUCTION**

Omobayowa (2013), states that Insurance is like a triangle tripod, it stands on three legs, the underwriter is a leg, the broker is the second leg and the adjuster is the third leg. The three legs must be present for the tripod to stand. If the adjuster is not there, the insurance industry is not complete. The inevitability of risk in human life gave the concept of insurance. Insurance may be described as a contract between two persons/ parties (the insurer and the insured), whereby the insurer undertakes to indemnify the insured or assured against risk of loss, risk of damage and risk of liability which may arise upon the uncertain occurrence of some specified event, or in the case of life insurance, upon the occurrence of a certain event (death) at an uncertain time.

The role of insurance in the growth and development of Nigerian economy cannot be overemphasized. It mitigates the impact of risk and positively correlates to growth as entrepreneurs cover their exposure, otherwise risk taking ability are hampered. A strong and competitive insurance industry is a compelling imperative for Nigerian's economic development

and growth. Morah (2011), states that the Nigerian macro-economy overview is a compelling story of progression and advancement, attributable to a stable political environment and successful implementation of socio-economic and financial reforms. He further stated that even though Nigeria has previously been extremely dependent on oil and gas revenue, recent statistics show a change in this trend.

There has been increasing focus on developing the non- oil sector, combined with development and growth in the key sectors such as Telecoms and building construction have boosted non-oil sector earnings and growth. As at August 2005, prior to the announcement of the recapitalization directives, there were 22 insurance companies with market capitalization of N28.94 billion listed on the Nigerian stock exchange Morah (2011).

Now there are 26 active companies with a market capitalization of N683.1 billion, a 2.260% growth over two and half years, with quite a few still expected to be listed this year. The Nigerian insurance industry has evolved over the years following the announcement of new capitalization requirements for companies operating in the sector. With the conclusion of the consolidation exercise, the number of players dropped from 103 to 49 (Kelly, 2014)

There is a more structured insurance system in Nigeria. What obtains in Nigeria is a system where there are insurance companies that undertake to indemnify those who are insured under their policy in the event of specified losses. There are also other actors in the Nigerian insurance market including insurance brokers, loss adjusters and insurance agents. This present position is a result of years of government intervention and reforms that sought to develop the practice of insurance in Nigeria.

### **STATEMENT OF THE PROBLEM**

Every living person is prone to all types' unanticipated risks in their daily life. These risks may arise to one's life, property or even business enterprise. Often, these risks are so devastating and destroying that influence the lives of many individual in the world, which it may leave these unlucky, people susceptible helpless. The question that rises, in what way can we help those unfortunate people? The answer is through application of insurance. The main intention of insurance is to uphold, among the parties involved, shared responsibilities on the basis of mutual co-operation in protecting an individual against unpredicted risks.

From the point of economic perspective, insurance facilitate industrialists and other entrepreneurs to avoid the necessity of freezing capital to guard against various contingences due to the reason they can reimburse a fixed contribution which is called premium and obtain financial security against the risks insured. Insurance has also permitted commercial, industrial and huge of other organizations to operate on a large scale which otherwise would have been unattainable.

The insurance sector has an important role in the economic development of a country, mainly by its role of intermediary and provider of financial services and identifying the risk transfer of the society (UkEssays, 2015).

Not many people have heard of insurance loss adjusters unless they have encountered an insurance claim (Neo Lian Sun, 2016) The insurance loss adjuster's first duty is to ascertain whether and to what extent, the insurance company is liable under the insurance policy. In other words, the loss adjuster will have to comment on whether the loss has been caused by any of the insured perils under, say, a fire insurance policy or whether any of the exclusion applies under an all risks policy. In Nigeria, insurance business was not developed as it should have been to handle the needs and risk of people.

The current dwindling oil price which has adversely affected the economy of Nigeria is compelling Federal Government to look inwards for alternative means of revenue earnings. From finance sector, Nigerian government has identified insurance as a prospective industry that will, if well developed, act as a pillar on which the economy of Nigeria will stand. Nwoji (2015) observes that the banking sector, a sister sector to insurance has played its own part and now focus on the development of the insurance subsector having seen that great potentials inherent in the sector has become an object of attraction to foreign investors.

The insurance subsector has suffered a lot in the hands of government and its agencies in the past. Nwoji (2015) further observes that in the space of ten years, the insurance industry has lost some insurance products to government agencies and trade group. They are Health insurance business, insured pension scheme, the work men compensation scheme. All these agencies were said to have been set up to achieve effective management of the schemes, but from what one can see, not much have been achieved by the various agencies currently managing them.

The problem which this study addressed therefore was to determine those roles which insurance loss adjusters are supposed to play in the development of Nigerian economy.

### **Objectives of the study**

The broad objective of the study is to appraise the role of insurance loss adjuster in the development of Nigeria economy.

Specifically, the study sought to;

- Ascertain the contributions of insurance loss adjusters in the provision of enabling environment for economic growth in Nigeria.
- Determine the role of insurance loss adjusters in the development of insurance industry for economic growth in Nigerian.
- Determine various ways to compel Nigerians buy insurance products.

### **Research Questions**

- What are the contributions of insurance loss adjusters in the provision of enabling environment for economic growth in Nigeria?
- What are the roles of insurance loss adjusters in the development of insurance industry for economic growth in Nigeria
- What are the various ways to compel Nigerians buy insurance products?

### **Review of Related Literature**

#### **Conceptual Review - Meaning of insurance**

Insurance is a contract whereby, for specified consideration, one party undertakes to compensate the other for a loss related to a particular subject as a result of the occurrence of designated hazards (Bouier, 2016).

The normal activities of daily life carry the risk of enormous financial loss. Many persons are willing to pay a small amount for protection against certain risk because that protection provides valuable peace of mind. The term insurance describes any measure taken for protection against risks when insurance takes the form of a contract in an insurance policy; it is subject to requirements in status, administrative agency regulations and decisions.

Farlex (2012), states that insurance is coverage against financial loss, such as from illness or injury, procured by contract from a company or agency that provides.

The first insurance company to operate in Nigeria was a branch of Loyal Exchange Assurance Company primarily provides against the various risks that often arise within the economy. They do these by spreading the losses of this unfortunate few over many people. In performing their functions, insurance companies collect premiums from several insured. This role is similar to the mobilization of savings by banks in the sense that a large amount of money is pooled together as premium. The amounts so collected by the insurance firms are subsequently invested by them into government securities, public sector enterprises, and shares of private companies. By doing this, they have performed the role of financial inclusion and intermediation (Agu, 2010).

#### **Meaning of Insurance Loss Adjuster**

An insurance loss adjuster is someone who investigates insurance claims for the purposes of determining whether or not they are covered by a policy and recommending payout to settle the claim (McMahon, 2016).

The term “loss adjuster” was first used in 1941 with the Association of Fire Loss profession. This was a grouping of prominent claims experts who found themselves actively involved in dealing with damages as a result of the bombing in World War 11. The achievement of that in monitoring standards and the conduct of members was recognized in 1961 by the granting of a Royal Charter and a name change to The Chartered Institute of Loss Adjusters. In 1979 the institute

received a Grant of Arms with its motto “Truth and Equity” which remain the key principles and ethos of the profession (CILA, 2010).

Loss adjusters are insurance professionals who may be obliged to travel for work on a regular basis as they often need to the site of a claim to collect information. Pay rate can vary depending on loss adjuster’s record with the company and level of experience.

Usually, a loss adjuster works on behalf of an insurance company, either as an employee or a third party contacted by the company. Loss adjuster will also assist customers with the preparation of claims, but their loyalty lies with the insurance company and they work to minimize the payout required.

In some cases, the loss adjuster’s work results in a settlement which is satisfactory to all parties and the claim can simply be settled. In other cases, the customer may dispute and the claim can become more complicated.

Customers can hire a public loss adjuster. Public loss adjusters work on behalf of policyholder, not insurance companies. They can sometimes negotiate higher settlement and like their counterparts who work for insurance companies, they help customers file claims paperwork properly. In the cause of investigating a claim, loss adjuster may visit a site, inspect related materials, and conduct interviews. Professionals can be consulted to gather more information, as for example when a loss adjuster wants to know more about the cause of a house fire.

### **Types of insurance loss adjusters**

Harris claims services (2013), states that, in the insurance industry there are three types of insurance adjusters who handle insurance claims after a fire, flood, wind or disaster related loss. Some may think of them as, “the good, the bad and the ugly”. When you purchase your insurance, it is similar to buying a car. You meet with the salesman and negotiate a deal. In the insurance industry you meet your agent and discuss how premiums, coverage and believe all is good. Or so you think. You do not discuss how the coverage applies. What hold back is depreciation. In other words there is really no discussion on how the claims process will work in the event of a loss.

When you need service on your car, you do not go back and visit the salesman for the repairs. You go to the repair and services department where you met what is usually bad news in the cost of the repairs. Similarly in the insurance adjusting industry, when you have a claim, your agent is relatively not involved and in fact has little or no control over the eventual settlement of the claim. He or she merely calls in the claim. The adjuster from the insurance company like the repair man oversees and evaluates claim payments.

#### **❖ Company loss adjuster:**

The first type of adjuster is those which the public is familiar with and are portrayed in all the commercials and advertised as being “a good neighbour”. These are the “**company adjusters**”.

Company adjusters are adjusters representing the interest of the insurer, including independent contractors and salaried employees of the insurer.

❖ **Independent loss adjuster:**

The second type of adjuster is the **independent adjuster**. They make their living based on how well they perform for the insurance company- the party who hired them. Their obligations and loyalty is strictly to the insurance company, not the victim- the insured that has suffered the loss, and has been damaged and displaced from his or her home or business. The independent adjuster is brought in by the insurance company not the insured- the property owner.

❖ **Public loss adjuster:**

The third type of adjuster which is the one that represents interest of the victim; the insured only and not insurance company is the **public adjuster**.

The public adjuster represents the property owner in the claim against the insurance company. They are the watchdog of the industry. The job of public adjuster is to maximize claim benefits for the property owners- the clients (Retrieved from [www.HarrisClaimServices.Com](http://www.HarrisClaimServices.Com).2013)

**Public Loss Adjuster's main Responsibilities are to:**

- Evaluates existing insurance policies in order to determine what coverage may be applicable to a claim
- Research, detail, and substantiate damage to building and contents and any additional expenses
- Evaluate business interruption losses and extra expense claims for businesses
- Determine values for settling covered damages
- Prepare, document and support the claim on behalf of the insured
- Negotiate a settlement with the insurance company on behalf of an insured
- Re-open claims (Scott@insuranceclaimreco,2016)

**The Role of Insurance Loss Adjuster in Economic Development:**

According to Neo Lian Sun, (2016), the loss adjuster plays a crucial role, particularly at the outset of the loss. Many loss adjusters either directly or indirectly provide damage reclamation services. These range from independent technical advice, through expert guidance on loss limitation opportunities, to specific option to recover and restore damaged property, thereby preventing wastage.

- At the initial stage, procedure are agreed by the loss adjuster with the policyholder for the repair or replacement of property, and the continuation of the business to limit any claim for loss or profit, thereby enabling the policyholder's business to return to normal in the shortest possible time.
- For goods that will have to be written off, a loss adjuster will have the skill to dispose of them at the best salvage value, thereby mitigating the damage.

- The adjuster reports to insurers immediately after the initial visit, particularly on the loss reserves to be created so as to enable insurers to fulfill their statutory obligations
- Thereafter, he will ensure that insurers are kept fully advised. His reports will incorporate facts, opinions and recommendations when appropriate.
- The loss adjuster will advise the insured that the latter's duty and not the adjuster's to submit a claim and to provide full and prompt information and supporting papers, e.g. repairs estimates, invoices, receipts, proof of ownership and value, etc.
- When the claim has been presented, the loss adjuster will check for quantity, description and pricing and, after agreeing on any necessary adjustment with the claimant, the loss adjuster will present the final report to the insurer recommending settlement.
- An acceptance form confirming the amount of the adjusted loss will usually be issued by the loss adjuster for the policyholder to sign. The form will make it clear that the proposed figure is subject to insurer's approval under the terms and conditions of the policy.
- Another main task of the loss adjuster is to consider whether someone else may have been responsible for the loss and, if so, he will obtain statements and physical and photographic evidence to use later in negotiations when recovery of the insurers' outlay from a third party is sought.
- As part of his initial enquiries, the loss adjuster must satisfy himself that the policyholder has an insurable interest, and that the risk is anticipated by insurers.

McMahon (2016) states that loss adjuster is someone who investigates insurance claim for the purpose of determining whether or not they are covered by a policy and recommending a payout to settle the claim. Loss adjusters are insurance professionals who may be obliged to travel for work on a regular basis as they often need to travel to the site of a claim to collect information. Pay rates can vary depending on a loss adjuster's record with the company and level of experience.

Usually, a loss adjuster works on behalf of an insurance company, either as an employee or a third party contracted by the company. Loss adjusters will also assist customers with the preparation of claims, but their loyalty lies with the insurance company and they will work to minimize the payout required. In some cases, the loss adjuster's work results in a settlement which is satisfactory to all parties and the claim can simply be settled. In other cases, the customer may dispute, and the claim can become more complicated.

Customers can hire a public loss adjuster. Public loss adjusters work on the behalf of policyholders, not insurance companies. They can sometimes negotiate higher settlements and like their counterparts who for insurance companies, they help customers file claims paperwork properly. Filling out the paperwork appropriately will cut down on lost time and disputes.

### **How to become a Loss Adjuster**

- Most studies or work may qualify one such as, criminal law, security, business or health science may be an advantage.
- Start by writing a licensing exam; a job with an insurance company may get on-the-job training
- Achieve an industry recognized designation, such as CIP or CRM.

### **The role of the Chartered Institute of Loss Adjusters**

- ❖ The Institute plays a pivotal role in leading the profession in UK and overseas. With the backing of its members it ensures that the profession receives the high profile recognition it deserves
- ❖ The Institute is self-regulating and totally committed to its core values of standard setting, examination and professional conduct.
- ❖ The Institute helps to shape the future of the profession.
- ❖ It's Committees and Specialist Interest Groups address key issues facing members and act as hubs disseminating information. It also has regular contact with National and European Government bodies and other insurance and business associations.

### **Benefit of Insurance to society**

Kebal (2015) observes that people live in society. Society is full of risks and uncertainty. Insurance is a social tool providing financial compensation to those, who suffer from bad luck. Such payment is being made from the accumulated contribution of all parties participating in the scheme. Insurance provides durability in the society by necessary arrangement of security against loss from unexpected risks. Societies become more peaceful and safe by insurance, which provides different profits and financial security against losses from risk.

Kebal (2015) states that the major benefits of insurance to society are:

1. **Indemnification for losses:** All members of society are facing different risks. If risks are insured, all losses arising from unexpected risks are compensated. Indemnification permits individuals and families to be returned to their former financial position after a loss occurred. As an outcome, they can maintain their financial security.
2. **Fewer burdens to society:** Because insured are restored either in part or whole as loss occurs, they are less likely to apply for civil assistance or welfare profit, or look financial assistance from relatives and friends. So other members of the society need not help the unlucky member even after suffering from loss. If the individual has not insured the risk, the relatives and friends should help him financially, when he becomes unlucky sufferer from the risks.
3. **Source of investment funds:** Insurance is a business of collection of fund and payment to insured suffered from sudden incidents. Hence, insurance industry accumulates funds as premium from society and become an important source for capital investment.



Insurance companies collect premium in advance of the loss and funds not needed to pay immediate losses can be loaned to business forms. Generally, insurance companies invest such funds typically in shipping centers, hospitals, factories; housing development etc. in this way, insurance business creates capital funds and promotes economic development of a country.

4. **Less worry and fear:** Another benefit of insurance to society is that it decreases the worry and fear of members of society regarding the risk of accident and immature death. The family heads have adequate peace of mind because they know that they are covered if a loss occurs.
5. **Prevention of Loss:** When a loss occurs from risks, the insurer has to indemnify them financially. Since of insured is transferred to insurer in the insurance policy, the insurance company should bear the risk. It means occurrence of loss from now become the interest of the owner of the property as well as the insurance company. That is why; insurance parties are actively involved in numerous programs about loss prevention. They employ a wide variety of loss avoidance personnel, including safety engineers and professional in fire prevention, professional safety and health, and products culpability.
6. **Enhancement of credit:** Specially, life insurance is taken as a kind of investment. The insured are assumed as a good financial position. The insurance policy can be as collateral against loan from bank. Hence, the certificate of insurance policy is precious assets of the insured like fixed deposit certificate and gold. Insurance provide a borrower a better credit facility, because it guarantees the values of the borrower's collateral. It also gives greater assurance that the borrower has a good financial position and the loan will be repaid.

Bank and other formal financial institutions accept properties as collateral, only if they are insured. The property insurance protects the lender's financial interest, if the resource is damaged or ruined. Similarly, if a new car is purchased and financed by a bank, physical damage insurance on the car may be required before the loan is made. In this way, insurance enhances the credit of the insured in society.

#### **Other roles of loss adjusters**

- ✚ They help those suffering a loss receive entitled compensation and assistance to return to where they were before their loss.
- ✚ Investigate insurance claims due to losses such as fire, car accident and burglaries
- ✚ Arrange interim solution (ie rental, car, and medical treatment) as necessary
- ✚ Make recommendations regarding payment of benefits and negotiate payment and settlement.

### **Challenges of Insurance Loss Adjusters**

Omobayowa (2013) observes that despite the local content concept and law, it is on record that some of the underwriters still allow foreign loss adjusters to come into Nigeria, do insurance adjuster's business without the knowledge of the local loss adjusters and without taking the local adjusters along. This is against the law of local contempt. It is advisable that underwriters in the country should heed the law by ensuring that whenever there is a big claim that will warrant the presence of an international or oversea loss adjuster as may be demanded by the re-insurers, they should let the re-insurers know that there is law in Nigeria that says if any foreign loss adjuster is to be invited, they must work with a resident loss adjuster. He stressed that the law must be allowed to apply as it is done in other countries. Insurance underwriters in the country should note that some claims managers in insurance companies do not care whether the local adjusters are involved or not. By this action, they are not growing the economy neither is they growing technology. They are not encouraging professionalism and are not allowing the local adjusters to acquire international exposure and experiences that local content is seeking to establish.

On whether NAICOM have authority over insurance companies, Omobayowa observes further that NAICOM has authority over insurance companies but it is only when NAICOM is aware that they can take collective action aimed at correcting the situation. When a claim occurs and oversea adjusters came in, NAICOM will not know and the invited adjusters would have finished his assignment and ran back to his country only to be paid through capital flight because they will be paid in foreign currency.

Managing Directors of insurance companies have no control over their claims managers, the right thing should be done to make sure that there is the need at all for a loss adjuster to come from abroad in compliance with the directive of their re-insurers, the underwriting companies, through the claims managers should let them know that in as much as they are not objecting to the coming of foreign loss adjusters, there is an existing law in Nigeria, which says if a foreign loss adjuster comes into Nigeria, he must work with a local adjuster so that the local adjuster can get his share of the professional fees and also gain international exposure and experience so that eventually Nigeria will grow like other countries.

Other challenges facing loss adjusting are;

**Poor remuneration:** There are about 45 functional registered local loss adjusting companies in Nigeria, but most of them have closed because of poor remuneration. It is the only profession where the service provider has no authority to fix its own price but only rely on the consumer to do this.

**Insufficient fund to run the company:** Some companies are dead because they did not have sufficient funds to run and employ fresh graduates, train and to retain qualified loss adjusters. Over the years, ILAN, through her past successive governing Councils, has been asking Nigerian

Insurance Association (NIA) for an upward review of the old adjuster’s scale of fees which has been in use since 1992 without any review despite inflations and other economic vagaries that have rendered the scale palpably unrealistic, inefficient and potentially averse to the sustenance of professional adjusting practice in the country and the technical growth and development of the Nigerian insurance industry, and by extension, the national economy.

**Methodology**

Data used in this study were generated from the Annual Report of Insurance Companies listed in the Nigerian Stock Exchange between 2006 and 2015. The population of the study is made up of twenty-five (25) quoted insurance companies listed in the Nigeria Stock Exchange. The study employed Systematic Sampling Technique to select quoted insurance companies into the sample. Systematic Sampling Technique is a statistical method involving the selection of every element from an ordered sample frame, after picking a random starting point which may be by balloting technique (Iyigwe & Awoke, 2003)

The study adopted ordinary least square regression model to examine the implication of insurance loss adjusters to the development of insurance industry for economic growth in Nigeria.

**Model specification**

The specification of the model is based on the empirical work of Marijuana et al (2009) as used in Eze and Okoye (2013) and modified to suit this study.

To capture the role of insurance loss adjusters in the development of insurance industry for economic growth in Nigeria, insurance practice is proxy as insurance premium (IP), and insurance investment (II), insurance sector growth (ISG) which serves as independent variables. The GDP at 2013 constant price was used as a proxy for economic growth and through econometric model in E-Views 7.0.

Given the above considerations, we specify a three predictor model as follows;

1.  $GDP = f(IP) \dots \dots \dots (eq\ i)$

Where

GDP= Gross Domestic Product

IP = Insurance Premium

The linear function of the above notation is;

$GDP = b_0 + b_1 IP + U_t \dots \dots \dots (eq\ ii)$

The log function is;

$\text{Log}(GDP) = b_0 + b_1 \text{Log}(IP) + U_t \dots \dots \dots (eq\ iii)$

2.  $GDP = f(II) \dots \dots \dots (eq\ iv)$

Where

GDP = Gross Domestic Product

II = Insurance Investment

The linear function of the above notation is;

$$GDP = b_0 + b_1 II + U_t \dots \dots \dots (eq v)$$

Log function is;

$$\text{Log (GDP)} = b_0 + b_1 \text{Log (II)} + U_t \dots \dots \dots (eq vi)$$

$$3. \text{ GDP} = f(\text{ISG}) \dots \dots \dots (eq vii)$$

The linear function is;

$$GDP = b_0 + b_1 \text{ISG} + U_t \dots \dots \dots (eq viii)$$

**PRESENTATION OF DATA AND DISCUSSION OF RESULT**  
**PRESENTATION OF DATA**

**Table 1: Regression of log (GDP) on log (IP)**

| Variable | Coefficient | Std. Error | t-Statistic | Prob   |
|----------|-------------|------------|-------------|--------|
| C        | 9.343219    | 0.311286   | 28.42246    | 0.0000 |
| LOG (IP) | 0.311286    | 0.038177   | 7.804367    | 0.0000 |

R<sup>2</sup> = 0.6552370

Source: E-view 7.0

**Table 2: Regression of log (GDP) on log (II)**

| Variable | Coefficient | Std. Error | t-Statistics | Prob   |
|----------|-------------|------------|--------------|--------|
| C        | 9.556258    | 0.434438   | 24.13385     | 0.0000 |
| LOG (II) | 0.311419    | 0.043345   | 6.554121     | 0.0000 |

R<sup>2</sup> = 0.6552370

Source: E-view 7.0

**Table 3: Regression of log (GDP) on log (ISG)**

| Variable  | Coefficient | Std. Error | t. Statistics | Prob   |
|-----------|-------------|------------|---------------|--------|
| C         | 9.41501     | 0.314645   | 32.711391     | 0.0000 |
| LOG (ISG) | 0.2414450   | 0.0306120  | 7.233400      | 0.0000 |

$R^2 = 0.609205$

Source: E-view 7.0

**Table 4. Augmented Dickey Fuller Unit Root Test (Trend and Intercept)**

| Series | ADF Test Statistic | 5% critical values | 10% critical values | Order Remarks   |
|--------|--------------------|--------------------|---------------------|-----------------|
| GDP    | -4.956765          | -3.5662            | -3.2106             | 1(1) Stationary |
| IP     | -6.938990          | -3.5662            | -3.2106             | 1(1) Stationary |
| II     | -7.934412          | -3.5662            | -3.2106             | 1(1) Stationary |
| ISG    | -5.31430           | -3.5662            | -3.2106             | 1(1) Stationary |

**Table 5. Philips- Perron Unit Test (Test and Intercept)**

| Series | PP Test Statistic | 5% critical values | 10% critical value | Order Remarks   |
|--------|-------------------|--------------------|--------------------|-----------------|
| GDP    | -4.947656         | -3.5662            | -3.2106            | 1(1) Stationary |
| IP     | -7.310640         | -3.5662            | -3.2106            | 1(1) Stationary |
| II     | -8.923453         | -3.5662            | -3.2106            | 1(1) Stationary |
| ISG    | -5.316052         | -3.5662            | -3.2106            | 1(1) Stationary |

GDP= f(IP, II, ISG)

Johansen co-integration test for series, RGDP, IP, II, and ISG

| Eigen value | Likelihood ratio | 5% critical value | 1% critical value | Hypothesized No. of CE(s)  |
|-------------|------------------|-------------------|-------------------|----------------------------|
| 0.900964    | 217.4928         | 94.15             | 103.18            | At most 2 <sup>**</sup>    |
| 0.824041    | 148.1247         | 68.52             | 76.07             | At most 3 <sup>**</sup>    |
| 0.983563    | 340.7385         | 124.24            | 133.57            | At most 1 <sup>**</sup>    |
| 0.998219    | 530.6525         | 156.00            | 168.36            | At most None <sup>**</sup> |

\* (\*\*) denotes rejection of the hypothesis at 5% significant Level

LR test indicates 8 co- integrating equation(s) at 5% significance level.

Normalized Co-integrating Coefficients: 1 co-integrating Equation(s)

**Error correction model**

| Variable | Coefficient | Std. Error | t.Statistic | Prob.  |
|----------|-------------|------------|-------------|--------|
| C        | 13798.89    | 7247.333   | 1.903995    | 0.0690 |
| D(IP)    | 0.165843    | 0.230603   | 0.719173    | 0.4790 |
| D(II)    | 0.781708    | 0.500087   | 1.563143    | 0.1311 |
| D(ISG)   | 0.748776    | 0.852365   | 0.878468    | 0.3884 |
| ECM(-1)  | -0.365701   | 0.131028   | 2.791024    | 0.0101 |

R<sup>2</sup> = 0.355686

Source: E-view 7.0

**Discussion of Results**

This section discusses the model regression of LOG (GDP) on LOG (IP) LOG (GDP) on LOG (II), LOG (GDP) on LOG (ISG). The coefficients of the constant term are 9.343, 9.556 and 9.415. The sign borne by the regression coefficient of constant is positive implying at zero performance of the independent variable, the GDP increases. The regression coefficient of LOG (IP), LOG (II), and LOG ISG) carries positive sign and its t-value (7.804), (6.554) and (7.233) are statistically significant at 5% level of significance. This implies that Insurance Premium affects the GDP significantly. The t- value for the regression coefficient of LOG (IP), (II) and

(ISG) are significant as confirmed by the t-probability of (0.0000) each. The computed value of  $R^2 = 0.6552370$ ,  $0.661370$  and  $0.618302$  shows that 65.52%, 66.14% and 61.83% of the total variation in the Gross Domestic Products (GDP) are accounted for by the explanatory variables (IP), (II) (ISG), while 31.13%, 0.30% of the total variation in GDP is attributable to influence of other variables which are not included in the regression model. 40.56% of the total variations in GDP are attributable to influence of other variables which are not included in the regression model.

The result revealed that based on the objectives of this study and the analysis above, three empirical results emerged. The result from hypotheses testing confirms that the insurance premium capital has significantly impacted on economic growth in Nigeria; that the level of total insurance investment has significantly affected economic growth in Nigeria. The implication of these findings is that insurance loss adjusters would contribute meaningful to the growth of Nigerian economy.

### **Conclusion**

This paper had investigated the role of insurance loss adjusters in the development of insurance industry for economic development in Nigeria between 2006 and 2015. From the research work, it was revealed that the low level of insurance education militated against the appreciation of insurance business in Nigeria. Again, because of the high level of corruption people are always looking for ways to line their pockets with the nation's money.

It was also noted that in developed nations that understand the benefits of insurance, insurers are the owners of banks because the little insurance premiums become huge to do business with if there is proper management of it, if there is no undercutting of premium rates by unscrupulous underwriters and such other factors.

Insurance loss adjusters provide damage reclamation services ranging from independent technical advice, through expert guidance on loss limitation opportunities, to specific option to recover and restore damaged property which has been observable increase in insurance premium. They help those suffering a loss receive entitled compensation and assistance to return to where they were before loss.

### **Recommendations**

Based on the research findings and their implications, the following are recommended:

- The insurance underwriters and the re-insurers should endeavour to inform the loss adjusters that an international loss adjuster is to be appointed to avoid capital flight.
- NAICOM should always publish a reminder that no underwriter company should appoint or allow a foreign adjuster to handle a claim in Nigeria 100 percent without the involvement of at least one local adjuster.

- Necessary insurance awareness among Nigerians should be created. It was observed that insurance awareness is still very low and too poor in Nigeria. In a situation where the Federal Government budgeted N17 billion and other states and bodies paid various amount of money as compensation to the flood victims should be discouraged. Government should use such opportunity to tell the flood prone/river line areas to take to insurance against future occurrence and get them to embrace insurance policy (Omobayowa, 2013)
- Insurance companies should set up machinery to find out buildings under construction without the appropriate insurance cover and make a report to the National Insurance Commission (NAICOM) for appropriate actions.
- Federal Government is commended for enforcing a number of insurance products in the country, including the latest one on building under construction and the public buildings. They should make sure that insurance companies should go all out and ensure that it sensitizes the insuring public to comply. They should also be in a position to monitor and ensure that all buildings under construction and all other public buildings are insured.

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