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Effect of Fire Insurance Policy on Claims settlement in the Nigerian Insurance Industry

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Abstract

This descriptive study is about the effect of fire insurance policy on claims settlement in the Nigerian Insurance Industry with the major objective of assessing the effects of fire insurance policy on claims settlement in the insurance sector in the Federal Capital Territory (FCT) of Nigeria had a population of 11,426 comprising of the clients and employees of three insurance firms including AIICO, Zenith Insurance and Axamansard. That population was reduced to a sample size of 387 using Yammane's statistical technique. The study employed the secondary and primary sources of data. Most particularly, copies of questionnaire were administered on the sample size of 387, and 284 respondents (copies) representing 73.39% were completed and returned. Subsequently, the simple percentage (%) statistical tool was used to analyze the data while the multiple regression technique via the e-view was used to test the hypotheses. The findings showed that fire insurance policies do positively and significantly affect claims settlement in the Federal Capital Territory of Nigeria and that some policies have more effect on some claims settlement than others. Consequently, the study recommended that the selected insurance firms and othersshould strive to develop the most effective and efficient insurance policies that would encourage settlement of claims promptly in order to attract and retain more clients. Furthermore, it recommended that insurance firms should strive to modify existing general policies to suit peculiarities and needs in other to increase patronage.

Keys: *Claims, Fire, Insurance, Policy, Settlements*

Introduction

1.1 Background to the study

Insurance practice has come a long way since Lloyds sent runners to the water front to pick up news of ship movements after which he would send policy around London for subscription by anyone with sufficient means (Agbakoba, 2010) and it has continued to grow and expand over the years especially as risk burdens continue to increase through the simple society to modern times. What began small is today seen as the backbone of any country's risk management system because it ensures financial security; serves as an important component in the financial intermediation chain, and offers a ready source of long term capital for infrastructural projects too.

Consequently, virtually all countries of the world including Nigeria have an insurance sector. The development of the insurance sector in Nigeria began in 1921, but only became significant in the early 1980s, a time

referred to as Mushroomery era of the market (Tajudeen, & Adebowale, 2013).

The sector is today a huge one globally and that has given rise to the different categories of insurance coverage and businesses by experts, practitioners and government to help mitigate risks and losses in the different spheres of existence to the individual, the organizations and other entities through the different policies and claims settlements. The Insurance Act (2003) categorized it into Life and Non-Life (General) Insurance Businesses. Furthermore, the Life Insurance Business is expanded into three categories including: Individual Life Insurance; Group Life Insurance and Pension; and Health Insurance; while the Non-Life Insurance Business include: Fire Insurance; General Accident Insurance; Motor Vehicle Insurance; Marine and Aviation Insurance; Oil and Gas Insurance; Engineering Insurance; Bonds, Credit Guarantee and Surety-ship Insurance, and; Miscellaneous Insurance Business (Oluoma, 2014).

Fire insurance is one major area of interest and concern to the different stakeholders in most countries of the world because all entities can experience fire havoc. The Great Fire of London in 1956 that destroyed about 13,000 houses in four days gave birth to this aspect of insurance (Omar, 2005). It is a contract to indemnify the loss suffered by the insured as a result of fire outbreak.

Several fire insurance policies including the comprehensive, blanket and consequential loss policies based on risk covered have been developed to handle fire related havocs in different areas such as vehicles and houses with the promise to compensate for related losses especially via claims settlement, but the management of these settlements is an issue of serious concern especially in developing economies like Nigeria. Related laws of 1962 and 1965 did not sufficiently cover claims settlement in Nigeria and that gave rise to lots of malpractices (Tajudeen & Adebowale, 2013). Even with subsequent reforms and efforts, the issue of fraud, poor service delivery, inconsistent, delayed and/or high incidence of non claims settlement have led to serious distrust culminating in poor patronage by the Nigerian citizenry especially residents and indigenes of the Federal Capital Territory (FCT). The sector is still not performing even in the 21st century.

The main objective of this study was to evaluate the effects of fire insurance policy on claims settlement in the insurance sector of the Federal Capital Territory especially as it concerns burnt vehicles and houses.Consequently; the following research questions were drawn:

i. To what degree does the fire insurance policy affect burnt vehicle claims settlement in the insurance sector in the Federal Capital Territory?

ii. To what extent does the fire insurance policy affect burnt house claims settlement in the insurance sector in the Federal Capital Territory?

The relevance and importance of this study at this time and age cannot be overemphasized given the huge apathy and concerns around insurance activities and huge non-claims settlement in Nigeria generally and in the Federal Capital Territory particularly. Consequently, the benefits of the study to some persons and groups cannot be underestimated. These groups of persons include students, lecturers, scholars, other contributors and researchers in the academia, financial and insurance experts as well as the government. Existing and potential insured will be educated through this study.

Furthermore, two assumptions were formulated to guide this study and they include

H_{O1}: *Fire insurance policies do not positively and significantly affect burnt vehicle claims settlement in the Federal Capital Territory of Nigeria.*

H_{O2}: *Fire insurance policies do not positively and significantly affect burnt house claims settlement in the Federal Capital Territory of Nigeria.*

Literature Review and Theoretical Framework

2.1 Conceptual Framework

The Concept of Fire Insurance Policy

Insurance is a form of risk management primarily used to hedge against the risk of a contingent and uncertain loss. Omoke (2012) defined insurance as the act of pooling funds from many insured entities in order to pay for relatively uncommon but severely devastating losses, which can occur to these entities. Gollier (2003) presented the concept as involving the transfer of risk from an individual to a group, sharing losses on an equitable basis by all members of the group. Agbaje (2005) defined it as the business of pooling resources together to pay compensation to the insured or assured on the happening of a specified event in return for a periodic consideration known as premium. It refers to something people buy by paying periodic premium to protect them from losing money while promising to be careful ('duty of care'). It can also be simply seen as a means of protection from financial loss.

This concept requires a contract usually evidenced by a document called insurance policy which is usually signed at the foot by the insurer, assurer or his/her agent. That is, an insurance policy is a standardized contract or agreement between the insurer and the insured, known as the policyholder that determines the claims, which the insurer is legally required to pay.

Majorly, insurance can be classified into two different policy areas as pointed out in chapter one of this study to include the Life and Non-life insurance. The fire insurance is part of the latter classification and it is an agreement between two parties, the insurer and insured, whereby the former undertakes to indemnify the loss suffered by the latter in consideration for his/her (insured) paying certain sum called 'Premium'. Fire insurance contract may also be defined as an agreement where one party (insurer) in return for a consideration (premium) undertakes to indemnify another (insurer) against financial loss that the latter may sustain by reason of certain subject-matter (e.g. vehicles, houses, office building, life, etc.) being damaged or destroyed by fire or other defined perils up to an agreed amount (insurancelegaldictionary.com, 2014).

A fire insurance policy is a contract in which the element of indemnification is applied. The fire insurance policy is usually issued for a period of one year and on the request of the policyholder it can be renewed every year. If, within the insured period, the subject matter is damaged, destroyed or lost due to fire outbreak, only then it is indemnified up to the loss not exceeding the insured amount. Furthermore, the risk coverage in fire insurance is wider to further cover any loss caused by unintentional or accidental fire.

In order to receive indemnity in fire insurance two conditions must be satisfied; firstly, there must be ignition of actual fire and secondly, it must be established that the fire was accidental, not intentional (yourarticlelibrary.com, 2015). Additionally, the subject matter must be damaged or burnt by the fire. If these subject matters are not damaged or destroyed by fire but by heat or smoke they will not be covered under the word 'fire'. Fire insurance contract is based on mutual faith. On receipt of the proposal the underwriter assesses the possible loss involved in the proposal. The proposal may

be accepted on its receipt or a surveyor may be sent to assess the proposal. When the underwriter accepts the proposal, the contract comes into existence. Sometimes a cover note is issued immediately and the policy is sent later on. A cover note binds the insurer to indemnify the risk. The risk coverage starts on the payment of premium.

There are different principles of fire insurance policies based on the risk coverage and these include comprehensive, blanket and consequential loss policies as adopted by this study.

The comprehensive fire insurance policy is an agreement that covers other risks of loss caused by burglary, riots, arson, civil commotion, explosions, civil war, accidents, etc. in addition to the risk of loss caused by fire in one single policy. It covers virtually all areas of insurable risk. It is not limited to havocs or damages caused by fire outbreak only.

A blanket fire insurance policy is one policy used to insure properties located at one or different locations against the risk of fire. The insured may have different properties at different locations. If one policy is taken for all the properties located at different places, it is called blanket fire insurance policy.

The consequential loss fire insurance policy indemnifies the loss caused not directly by fire but incidental to the event of fire. Under this type of fire insurance policy, the insurer not only compensates the loss caused by fire, but also other indirect losses such as loss of net profit due to expenses like salaries, interest, increased cost of advertising and hiring of temporary premises.

2.2.2 The Concept of Claims Settlement

Barry (2011) defined insurance claims as all activities geared towards monitoring the insured's compensation, restitution, repayment or any other remedy for loss or damage in respect of doing their obligations.An insurance claim is a formal request to an insurer or insurance company requesting for a payment based on the terms of the insurance policy, contract or agreement. The insurer reviews the claim for its validity and then pays out to the insured or requesting party (on behalf of the insured) once approved. These claims could be from death benefits on life insurance policies; routine health examinations; damages from fire outbreak; losses from robbery or burglary; etc. In many cases, third parties can file claim on behalf of the insured, but usually only the person(s) listed on the policy are entitled to claims payment (Redja, 2008).

Claims settlement is the payment of proceeds by the insurer to the insured to settle an insurance claim within the guidelines stipulated in the insurance policy or contract or agreement (investopedia.com, 2015). A claim payment is the defining moment in the relationship between the insurer and the insured. Butler and Francis (2010) submitted that claims payment or settlement is the chance to show that the years spent paying premiums were worth the expense.

Prompt, fair and just settlement of claims by the insurer to the insured to compensate for the loss of insured subject matter is essential to the survival, growth and development of the insurer and the industry because satisfied insured will speak well about the company and the industry, and that will attract potential clients.

2.3 The Theoretical Base (The Theory of Utmost Good Faith)

The theory of utmost good faith is the underpinning theory for this study. The principle that the relationship between parties in an insurance agreement requires the exercise of utmost good faith has early roots in Hastie v. DePeyster, 3 Cal. R. 190 (NU 1805). This duty of utmost good faith,

uberrima fides, is given weight in various contexts, essentially to create a standard of conduct that a *cedent* must be satisfied in order to reap the benefits of its reinsurance agreement.

The doctrine of utmost good faith is generally premised on an existing relationship between parties, thus suggesting that a contractual relationship already has come into existence, it is frequently the fact that in analyzing whether a cedent has adequately disclosed to the insurer facts material to the risk.

The principle that an insurer seeking reinsurance coverage has an unqualified duty to make full and accurate disclosures of all facts material to the risk, i.e., those facts that an insurance underwriter would normally want to consider when evaluating whether to assume coverage, can be found in numerous decisions, both ancient and recent. Generally, an insurer can rescind an insurance contract based on a *cedent's* misrepresentation if the misrepresentation or non-disclosure was made with an actual intent to deceive or the matter represented was material. Based on this general rule of law, a reinsurer could rescind a reinsurance policy even if the cedent innocently misrepresented a material fact.

2.4 Empirical Review

A related study conducted by Tajudeen and Adebowale, (2013) investigated the roles of claims manager in claims handling process in the Nigerian insurance industry with the objective of exploring the claim managers' roles in claims handling process in insurance business in Nigeria and they discovered that there is a significant relationship between claims operation and effective claims management. The study also revealed that there is a significant relationship between fraud detection and effective claims management.

Nebo and Okolo (2015) in their paper on an assessment of the effects of the strategies for customer satisfaction on the performance of selected insurance firms in Enugu metropolis with objectives to determine the strategies mostly adopted by insurance firms in Nigeria for customer satisfaction, to assess how each of the strategies adopted contributes to the performance of the insurance industry in Nigeria and to ascertain the overall effects of these strategies on the performance of the insurance industry in Nigeria found that out of the ten factors adopted seven had significant influence on the insurance industry's performance. These seven include prompt settlement of claims, quality insurance products, fair premium, prompt attendance to customer complaints, timely communication of policy renewal notices, thorough explanation of policies, explanation of product benefits and understandable policy documents. The study recommended that managers should capitalize on those seven strategies that have strong positive influence on customer satisfaction to improve the seemingly battered image and performance of the insurance industry in Nigeria while deemphasizing expenditures in money, time and human resources on the less important variables.

Omar (2005) assessed consumers' attitudes towards life insurance patronage in Nigeria and found that there is lack of trust and confidence in the insurance companies. Other major reason discovered is the lack of knowledge about life insurance products. He recommended that renewed marketing communication strategy that should be based on creating awareness and informing the consumers of the benefits inherent in life insurance so as to reinforce the purchasing decision. The weakness of Omar's study is the study's inability to relate demographic variables such as income and religion on consumers' attitude towards insurance services because standard of living and

religion could be some of the demographic factors that influenced the poor attitude of Nigerians towards insurance services. For example, where income per capita is low, insurance penetration is bound to be low.

While reviewing the performance of the insurance industry, Dorfman (1980) observed that even though the life insurance industry engages in product innovation, the market for life insurance appears to have a serious weakness in that not many new improvements have been forthcoming in recent years. Kuhlemeyer and Allen (1999) conducted a similar study on consumer satisfaction with life insurance: a benchmarking survey and revealed that consumer satisfaction with life insurance products is largely accounted for by the trust they repose in the sales agents in contrast to those who purchase direct from the insurance companies. Customers who purchased from sales agents were more satisfied with the insurance companies. This apparently justifies the importance of agents and brokers in the marketing of insurance products. Similarly, Johri (2009) carried out a survey titled customer satisfaction in general insurance industry and the result showed that claim settlement‖ was the major determinant of customer satisfaction.

Wasaw and Hill (1986) tested the effect of Islam on life insurance consumption and the results of their study indicated that consumers in Islamic nations purchase less life insurance than those in non-Islamic nations. Religion historically has provided a strong source of cultural opposition to life insurance, as many religious people believe that a reliance on life insurance results from a distrust of God‗s protecting power. Some scholars are of the opinion that religious antagonism to life insurance still remains in several Islamic countries.

2.5 The Study Gap

Consequent upon the review of related empirical studies including those by Omar (2005), Johri (2009), Tajudeen *et al*, (2013), and Nebo *et al* (2015), this study is motivated by the realization that there is rarely any study that has focused on assessing the effects of such fire insurance policy as the comprehensive policy, blanket policy and consequential loss policy on fire affected or damaged cars, offices and houses in Nigeria.

Methodology

This descriptive study was conducted in the Federal Capital Territory (FCT) of Nigeria, commonly known as FCT-Abuja located at Middle Belt region of Nigeria, where three leading insurance companies including AIICO Insurance, Zenith Insurance and Axamansard (formerly, Mansard) with a study population of 11, 426 (see table 3.1) were selected.

Table 3.1 Population of the study

Insurance companies	Employees	Fire Insurance Clients	Total
AIICO	82	3,794	3,876
Zenith Insurance	123	4,099	4,222
Axamansard	97	3,231	3,328
Total	**302**	**11,124**	**11,426**

Source: *Field Survey, (2021)*

The study employed the Taro Yammane statistical technique to arrive at a sample size of 387 that was shared amongst the different fire insurance companies' clients and employees using the simple proportion method (see table 3.2)

Table 3.2 Distribution of the sample size

Insurance companies	Employees	Fire Insurance Clients	Total
AIICO	23	104	127
Zenith Insurance	34	112	146
Axamansard	26	88	114
Total	**83**	**304**	**387**

Source:*Researcher's computation, (2021)*

Furthermore, copies of well-structured 5-point Likert scale questionnaire were administered on the sample size using three sampling techniques including the stratified, the purposive and the random sampling techniques because of its nature and objectives. Respondents were grouped into employees and clients (stratified) while focus was more on the employees in the claim settlement units or department. Subsequently, the simple random sampling technique (first come walk-in clients) became handy in the selection of the sample size from within these groups. Then the collated data were analyzed using the simple percentage (%) while the hypotheses were tested using multiple regression (the e-view statistical software package tools) statistical techniques for the analysis of data. The regression technique was adopted because it has the capacity to reveal the cause and effect relationship between two major variables and among their proxies. Furthermore, the e-view version of the multiple regression contains other information such as the t-statistics, F-statistics, p-statistics, the co-efficient of determinant (R^2) and the Durbin-Watson (DW) statistics. This method was adopted because it is the best instrument to identify, compare, describe and to reach a conclusion.

The model is stated as follows:

$B_{VEH}=\infty + \beta_1 (C_{OMP}) + \beta_2 (B_L) + \beta_3 (C_{ONS}) + \varepsilon_i 1$

$B_{HO}=\infty + \beta_1 (C_{OMP}) + \beta_2 (B_L) + \beta_3 (C_{ONS}) + \varepsilon_i 1$

***(Source:** The researcher, 2021)*

Where:

B_{VEH} = Burnt Vehicle

B_{HO} = Burnt House

∞ is the intercept/slope

β_1, β_2, and β_3 are the regression coefficient or slopes, which determine the contribution of the independent variable. The independent variable is measured by the adopted sub scales, which include Comprehensive Insurance Policy (C_{OMP}); Blanket Insurance Policy (B_L) and Consequential Loss Insurance Policy (C_{ONS})$\varepsilon_i 1$ is the stochastic error term

Data Presentation and Analysis

4.1 Response Rate

Table 4.1: Return Rate of the Respondents

Respondents' Insurance Companies	**Copies of Questionnaire Administered**	**Copies of Questionnaire Not Returned**	**Copies of Questionnaire Returned**	**Percentage of Copies of Questionnaire Returned**
AIICO	127	36	91	**71.65%**
Zenith Insurance	146	38	108	**73.97%**
Axamansard	114	29	85	**74.56%**
Total	**387**	**103**	**284**	**73.39%**

Source: *Field Survey, (2021)*

Table 4.1 showed the response rates of the copies of questionnaire administered on the study respondents including the employees and clients (customers) of the three insurance companies including AIICO, Zenith Insurance and Axamansard. The table revealed that a total of 387 copies of the questionnaire were administered on all the clients and employees of the three insurance companies and 284 copies representing 73.39% were completed and returned or retrieved.

4.2 Respondents' Characteristics

Table 4.2.: Demographic Characteristics of Respondents

Characteristics	**Respondents' Categories**	**Frequency**	**Percentages**
Qualifications	WAEC & Equivalents	33	11.61
	OND & Equivalents	48	16.90
	HND/BSc & Equivalents	131	46.15
	MSc/MBA & Equivalents	54	19.01
	PhD & Above	18	06.33
Total		**284**	**100.00**
Respondents:	Client	215	75.70
	Employee	69	24.30
Total		**284**	**100**
Employees experiences:	Below 5 years	11	15.95
	6-10 years	17	24.63
	11-15 years	21	30.43
	16-20 years	09	13.04
	Above 20 years	11	15.95
Total		**69**	**100.00**
Years as a client:	Below 5 years	28	13.02
	6-10 years	53	24.65
	11-15 years	88	40.93
	16-20 years	27	12.55
	Above 20 years	19	08.85
Total		**215**	**100.00**

Source:*Field Survey, (2021)*

Table 4.2 displayed the demographic characteristics of the respondents of this study including the academic qualifications, status and years of relevant experiences. 69 respondents were employees of the three insurance companies while 215 were clients (customers) and more than 60% of each of these categories of respondents have over 10 years related experiences either as an employee or a client. Furthermore, over 88% are holders of post secondary school academic qualifications ranging from OND

and equivalents to over PhD. These are significant data that can affect the quality of responses and findings.

4.3 Tests of Hypotheses using Multiple Regression Techniques via E-View Statistical Software Package

4.3.1: Test of hypothesis one:

H_{O1}: *Fire insurance policies do not positively and significantly affect burnt vehicle claims settlement in the Federal Capital Territory of Nigeria.*

Table 4.3.1: E-view table for test of Hypothesis One (H_{01})

Dependent Variable: Burnt vehicle claims settlement (B_{VEH})
Method: Least Squares
Date: 03/07/21 Time: 17:23
Sample: 1 284
Included observations: 284

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.018679	0.105496	-0.177058	0.8596
C_{OMP}	0.224051	0.032164	6.965866	0.0000
B_L	-0.030089	0.037153	-0.809887	0.4187
C_{ONS}	0.111438	0.078744	1.415184	0.1581

R-squared	0.899988	Mean dependent var	2.302817
Adjusted R-squared	0.898554	S.D. dependent var	1.434011
S.E. of regression	0.456740	Akaike info criterion	1.288043
Sum squared resid	58.20256	Schwarz criterion	1.352286
Log likelihood	-177.9022	Hannan-Quinn criter.	1.313800
F-statistic	627.6687	Durbin-Watson stat	0.107327
Prob(F-statistic)	0.000000		

Source*:* *Data output using E-view, 2021*

1% level of significance, 5% level of significance and 10% level of significance

From the model, equation 1

$B_{VEH} = \infty + \beta_1 (C_{OMP}) + \beta_2 (B_L) + \beta_3 (C_{ONS}) + \varepsilon_1$ ……(1)

$B_{VEH} = 0.01 + 0.22C_{OMP} - 0.03B_L + 0.11C_{ONS}$

SE=	0.01	0.03	0.03	0.07
t =	0.17	6.96	0.80	1.41
P=	0.85	0.00	0.41	0.15
R^2=	0.45			
F-stat	=	627.6687 (prob. 0.00)		
DW	=	0.10		

Interpretation

From the computation on table 4.3.1, the mathematical equation for the effect of each policy on burnt vehicle claims settlement is $B_{VEH} = 0.01+0.22C_{OMP}-0.03B_L+0.11C_{ONS}$, which indicated that burnt vehicle claims settlement (B_{VEH}) improves by 22% and 11% for every 1% increase in the comprehensive and consequential loss policies respectively, but decreases by 3% by every 1% increase in the blanket policy.

Furthermore, it displayed p-statistics values of 0.0000 (0.00%); 0.4187 (41.87%); and 0.1581 (15.81%) for the comprehensive (C_{OMP}); blanket (B_L) and consequential loss (C_{ONS}) insurance policies respectively. That meant that with a p-statistic value of less than 0.1000 (10%) the comprehensive policy has positive and significant effect on the claims settlement of burnt vehicle owners (B_{VEH}), while the blanket (B_L) and consequential loss (C_{ONS}) insurance policies with p-statistics values of 0.4187 (41.87%); and 0.1581 (15.81%) respectively that are greater 0.1000 (10.00%) have non positive and insignificant effect on burnt vehicles claims settlements. Additionally, the R^2 value of 0.45 showed that 45% of the variations in burnt vehicles claims' settlements are caused by these three policies, while the outstanding 55% are caused by variables not captured in this study.

Overall and based on the study's decision rule, the overall p-stats value of 0.0000 (0.00%) is less than 0.1000 (10%) and within the acceptable range, implying a positive and significant relationship between the major variables. Consequently, the study rejects the null hypothesis (H_{O1}) that fire insurance policies do not significantly affect burnt vehicle claims settlement in the Federal Capital Territory of Nigeria.

4.3.2: Test of hypothesis two

H_{O2}: *Fire insurance policies do not positively and significantly affect burnt houses claims settlement in the Federal Capital Territory of Nigeria.*

Table 4.3.2: E-view table for test of Hypothesis Two (H_{02})

Dependent Variable: Burnt Houses Claims Settlement (B_{HO})

Method: Least Squares

Date: 03/07/21 Time: 17:25

Sample: 1 284

Included observations: 284

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.024450	0.052178	0.468602	0.6397
C_{OMP}	-0.007640	0.015908	-0.480245	0.6314
B_L	-0.001224	0.018375	-0.066627	0.9469
C_{ONS}	0.788252	0.038946	20.23947	0.0000

R-squared	0.967468	Mean dependent var	1.964789
Adjusted R-squared	0.967002	S.D. dependent var	1.243567
S.E. of regression	0.225899	Akaike info criterion	-0.120006
Sum squared resid	14.23751	Schwarz criterion	-0.055764
Log likelihood	22.04086	Hannan-Quinn criter.	-0.094250
F-statistic	2074.301	Durbin-Watson stat	0.467502
Prob(F-statistic)	0.000000		

Source*: Data output using E-view, 2021*

1% level of significance, 5% level of significance and 10% level of significance

From the model, equation 2

$B_{HO} = \infty + \beta_1 (C_{OMP}) + \beta_2 (B_L) + \beta_3 (C_{ONS}) + \varepsilon_1$

$B_{HO} = 0.02\text{-}0.00(C_{OMP}) \text{ -}0.00(B_L) +0.78(C_{ONS})$

SE=	0.05	0.01	0.01	0.03
t =	0.46	0.48	0.06	20.23
P=	0.63	0.48	0.96	0.00

R^2= 0.96

F-stat = 2074.301(prob. 0.00)

DW = 0.46

Interpretation

From the computation on table 4.3.2, the mathematical equation for the effect of each policy on burnt house claims settlement is $B_{HO} = 0.02\text{-}0.00C_{OMP}\text{-}0.00B_L+0.78C_{ONS}$, which indicated that burnt houses claims settlement (B_{HO}) remain constant (0.00%) for every 1% increase in the comprehensive (C_{OMP}) and blanket (B_L) insurance policies, but improves by 78% for every 1% increase in the consequential loss (C_{ONS}) policy.

Furthermore, it displayed p-statistics values of 0.6314 (63.14%); 0.9469 (94.69%); and 0.0000 (0.00%) for the comprehensive (C_{OMP}); blanket (B_L) and consequential loss (C_{ONS}) insurance policies respectively. That meant that with a p-statistic value of less than 0.1000 (10.00%) the consequential loss (C_{ONS}) policy has positive and significant effect on the claims settlement of burnt houses (B_{HO}), while the comprehensive (C_{OMP}) and blanket (B_L) insurance policies with p-statistics values of 0.6314 (63.14%); and 0.9469 (94.69%) respectively that are greater 0.1000 (10.00%) have non positive and insignificant effect on burnt houses claims settlements. Additionally, the R^2 value of 0.96 showed that 96% of the variations in burnt houses claims' settlements are caused by these three policies, while the outstanding 4% are caused by variables not captured in this study.

Overall and based on the study's decision rule, the overall p-stats value of 0.0000 (0.00%) is less than 0.1000 (10%) and within the acceptable range, implying a positive and significant relationship between the major variables. Consequently, the study rejects the null hypothesis (H_{O2}) that fire insurance policies do not significantly affect burnt houses claims settlement in the Federal Capital Territory of Nigeria.

Summary, Conclusions and Recommendations

5.1 Summary of major Findings

The study evaluated the effects of fire insurance policy on claims settlements in the Nigerian insurance industry and found out that overall, fire insurance policy positively and significantly affects claims settlement especially as it concerns subject matters as burnt vehicles and houses. But all the policies do not have the same level of effect. The study discovered that the comprehensive insurance policy has the most positive and significant effect on the burnt vehicle claims settlement while the blanket policy has the least. Furthermore, it was also discovered that the consequential loss insurance policy has the most positive and significant effect on the burnt houses' claims settlement while the comprehensive and blanket policies have little or no effect.

Consequently, the study recommended that the selected insurance firms and others should strive to develop the most effective and efficient insurance policies that would encourage settlement of claims promptly in order to attract and retain more clients. Furthermore, it recommended that insurance firms should strive to modify existing general policies to suit peculiarities and needs in other to increase patronage.

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