

An Assessment of the Extent and Impact of Motor Insurance Fraud Claims in Nigeria

Authors : Olatokunbo Shoyemi, Mario Brito, Ian Dawson

Abstract : In recent times, the Nigerian motor insurers have experienced high volume of motor insurance claim pay-outs and insignificant contribution to the net premium income of the Nigerian insurance market, which has been a major concern for the shareholders/stakeholders. It has been argued that there are many factors that have brought about these concerns. However, anecdotal evidence (ongoing debates among industry practitioners) suggests prevalence of fraud due to poor practices in motor insurance business in Nigeria. This study is therefore aimed to carry out an assessment of fraud in motor insurance claims as perceived by experts in the Nigerian insurance market. This study adopted a descriptive research design, and the analysis was built on a survey among insurance experts in Nigeria using a designed questionnaire. A purposive and snowball sampling were used to select our sample (N = 120) - representing a selection of all professionally qualified insurance experts in Nigeria insurance industry. The study found that Nigerian insurance experts (i) largely agree that there is a problematic level of fraud in the Nigerian motor insurance industry; (ii) perceive soft fraud to be about 3 times more common than hard fraud in the Nigerian motor insurance industry, and (iii) strongly agree there are problematic impacts from fraud on the solvency of the Nigerian motor insurers. This paper has provided an empirical understanding of the existence, extent, and impact of fraud risks within the Nigerian insurance market based on expert knowledge and insights rather than, as has often been the case, a reliance on individual anecdotes.

Keywords : claims, net premium income, motor insurance, soft fraud, hard fraud

Conference Title : ICIMRM 2022 : International Conference on Insurance Mathematics and Risk Management

Conference Location : London, United Kingdom

Conference Dates : April 21-22, 2022