CHAPTER FOUR

COMPARISON BETWEEN THE POLICY OF CLAIM SETTLEMENT IN THE NIGERIAN INSURANCE INDUSTRY AND THAT OF A FEW FOREIGN JURISDICTIONS

4.1 Introduction

This chapter compares the policy of claim settlement in the Nigerian insurance industry with that of a few foreign jurisdictions. The foreign jurisdictions selected for this study include the United Kingdom, United States, and South Africa. This comparison is crucial to highlight the strengths and weaknesses of the Nigerian insurance industry and to identify areas where it can improve its claim settlement policy.

4.2 Policy of Claim Settlement in the Nigerian Insurance Industry

The Nigerian insurance industry is regulated by the National Insurance Commission (NAICOM) under the Insurance Act 2003[1]. The Act provides guidelines for the settlement of claims by insurance companies. According to section 45 of the Act, an insurance company is obligated to settle a claim within a reasonable time. Failure to do so attracts a penalty of 2% above the prevailing Central Bank of Nigeria (CBN) interest rate[2].

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[1]National Insurance Commission (NAICOM) (2021). Guidelines on Claims Settlement in Nigeria. Retrieved from <https://www.naicom.gov.ng/index.php?option=com_phocadownload&view=category&download=1466:guidelines-on-claims-settlement&id=53:regulations-and-guidelines&Itemid=160>

[2] Insurance Act 2003, Cap I17, LFN 2004.

The policy of claim settlement in the Nigerian insurance industry is based on the principle of utmost good faith. This means that the insured and insurer must act honestly and disclose all material facts related to the insurance contract. The insurer is also required to investigate claims promptly and pay the sum insured or the loss suffered by the insured. The policyholder, on the other hand, is expected to provide all the necessary documentation to support their claim.

4.3 Policy of Claim Settlement in Foreign Jurisdictions

4.3.1 United Kingdom

The policy of claim settlement in the United Kingdom is based on the principle of utmost good faith. The Financial Conduct Authority (FCA) regulates the insurance industry in the UK[3]. The FCA provides guidelines for the settlement of claims by insurance companies. According to the guidelines, insurers must settle claims promptly and fairly. Failure to do so attracts a penalty and may result in the withdrawal of the insurer's license[4].

In the UK, insurers are required to investigate claims promptly and provide regular updates to the policyholder[5]. The insurer must also provide a clear explanation of the settlement offer and the reasons for any deductions made. The policyholder, on the other hand, is expected to provide all the necessary documentation to support their claim.

4.3.2 United States

[3] Financial Conduct Authority (2021). Claims Handling. Retrieved from https://www.fca.org.uk/firms/claims-handling

[4] Financial Conduct Authority, 'Claims Management: Time to Take Control' (Policy Statement, CP18/15, 2018).

[5] *ibid*

The policy of claim settlement in the United States is regulated by state insurance departments. Each state has its own regulations, but most are based on the principle of fair claims handling. According to the regulations, insurers must investigate claims promptly and settle them fairly. Failure to do so attracts a penalty and may result in the withdrawal of the insurer's license.

In the US, insurers are required to provide a clear explanation of the settlement offer and the reasons for any deductions made. The policyholder, on the other hand, is expected to provide all the necessary documentation to support their claim. Insurers are also required to provide regular updates to the policyholder and respond promptly to any inquiries.

4.3.3 South Africa

The policy of claim settlement in South Africa is regulated by the Financial Sector Conduct Authority (FSCA). The FSCA provides guidelines for the settlement of claims by insurance companies. According to the guidelines, insurers must settle claims promptly and fairly. Failure to do so attracts a penalty and may result in the withdrawal of the insurer's license[6].

In South Africa, insurers are required to investigate claims promptly and provide regular updates to the policyholder[7]. The insurer must also provide a clear explanation of the settlement offer and the reasons for any deductions made. The policyholder, on the other hand, is expected to provide all the necessary documentation to support their claim.

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[6] South African Insurance Association (2021). Code of Conduct for Short-term Insurers. < https://www.saia.co.za/wp-content/uploads/2020/10/Code-of-Conduct-for-Short-Term-Insurers-2020.pdf>

[7] Association for Savings and Investment South Africa, 'Treating Customers Fairly'

4.4 Comparison between the Policy of Claim Settlement in Nigeria and Foreign Jurisdictions

The policy of claim settlement in Nigeria is similar to that of the foreign jurisdictions studied. All the jurisdictions studied are based on the principle of utmost good faith and require insurers to settle claims promptly and fairly. However, there are some differences in the specific guidelines and regulations in each jurisdiction.

One major difference is the penalties for failure to settle claims promptly. In Nigeria, the penalty is 2% above the CBN interest rate, while in the UK and South Africa, the penalty may result in the withdrawal of the insurer's license. In the US, the penalty varies by state but can also result in the withdrawal of the insurer's license. Another basic difference is the time it takes for claims to be settled. In the UK, insurers are required to settle claims within eight weeks, while in the US, most states require insurers to settle claims within 30 days. In Nigeria, there is no specific timeframe for settling claims, and some claims can take months or even years to be settled[8].

Another difference is the level of transparency required in the claims settlement process. In the UK, insurers are required to provide a clear explanation of the settlement offer and the reasons for any deductions made. In the US and South Africa, insurers are required to provide regular updates to the policyholder and respond promptly to any inquiries. In the UK and South Africa, insurers are required to provide a clear explanation of the settlement offer and the reasons for any deductions made. In the US, insurers are required to provide a written explanation of the claim settlement offer. In Nigeria, insurers are not required to provide a detailed explanation of the

[8] National Association of Insurance Commissioners, 'Unfair Claims Settlement Practices Act'.

claim settlement offer, which can lead to disputes and delayed settlement[9]. Moreso, there is a difference in the level of enforcement of the policy of claim settlement. In the UK, failure to settle claims promptly and fairly can result in the withdrawal of the insurer's license. In the US, failure to settle claims can result in penalties and legal action. In Nigeria, the penalties for failure to settle claims are relatively low and do not seem to be a strong deterrent.

4.5 Deficiencies of Claim Settlement in Nigeria

Despite the similarities between the policy of claim settlement in Nigeria and the foreign jurisdictions studied, there are some deficiencies in the implementation of the policy in Nigeria. These deficiencies include:

4.5.1 Lack of Timely Settlement

As noted earlier, claims in Nigeria can take months or even years to be settled. This delay can be attributed to various factors, including bureaucracy, lack of resources, and corruption. The delay in settling claims can be particularly problematic for policyholders who depend on insurance to recover from losses suffered.

4.5.2 Lack of Transparency

Insurers in Nigeria are not required to provide a detailed explanation of the claim settlement offer. This lack of transparency can lead to disputes and delayed settlement. Policyholders may not understand why their claim was denied or why deductions were made, which can cause frustration and distrust in the insurance industry.

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[9] *ibid*

4.5.3 Weak Enforcement

The penalties for failure to settle claims promptly in Nigeria are relatively low and do not seem to be a strong deterrent. This weak enforcement can lead to a culture of non-compliance among insurers, which can further undermine the policy of claim settlement.

4.5.4 Lack Of Awareness Among Policyholders

There is a lack of awareness among policyholders about their rights and the claims settlement process. Many policyholders in Nigeria are not familiar with the guidelines for claims settlement or their rights as policyholders. This lack of awareness can lead to confusion and frustration when dealing with insurers.

4.6 Conclusion

In conclusion, this chapter has compared the policy of claim settlement in the Nigerian insurance industry with that of a few foreign jurisdictions. While there are similarities in the policy of claim settlement, there are also differences in the implementation and enforcement of the policy. The deficiencies identified in the implementation of the policy in Nigeria, including lack of timely settlement, lack of transparency, and weak enforcement, must be addressed to improve the claim settlement process in the country.