

Canonizing Promptness: A Re-Think on Insurance principles In the Nigeria Insurance Sector

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Abstract: This paper examines the effectiveness of promptness as a principle of insurance services. Utilizing the content analysis approach to review literatures from various studies, it is this paper's position that if promptness is canonized, there will be several efforts to reframe the rule and practice of insurance and its effect will enhance and increased productivity in the industry. Also, promptness will teach and encourage parties to do what they are expected to do with little delay. It will task both parties to be alert to their responsibilities so as to attract better result and change the fortune in insurance, thus, promptness need to be canonized as a principle in the insurance sector. To curb the menace of neglect in the insurance sector, this paper recommends that the principle of promptness be introduced and implemented into the practice of insurance. This will drastically change the operation of insurance for the better.

Keywords: Promptness, Insurance, Economy, Nigeria, Industry.

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I. Introduction

Insurance is a risk transfer mechanism. Perils which lead to losses are more natural than artificial. A marriage between hazard and peril leads to risk crystallization. Insurance is therefore an arrangement to keep both peril and hazard under check and to make provision to cushion the effect of its crystallization.

A natural phenomenon like fire was not intended for destruction. It was to warm, heat or cook food for human consumption but like the tree in the center of the Garden of Eden, wrongful use leads to destruction. Thus, if fire is useful but also dangerous then the duty of insurance is both that of risk management and claims payment.

Insurance is actually three things; firstly, insurance is risk transfer technique, where one party-the insured, transfers the chance of loss to another party – the insurance company, or insurer. Secondly, it is a business and as such needs to be conducted in a way that provides a reasonable profit for its owners; and thirdly, it is a contract between the insured and the insurer that states what financial consequences of loss are transferred and expresses the insurer's promise to pay for the consequences [1] [2].

The effectiveness of insurance services according to [3] and [4] is measured by several indices which include the timeliness of documentation, inspection and claim payment. Timeliness in this context refers to the promptness of whatever action or decision the parties of insurance assert to. Even though promptness appears to be the bedrock of Insurance activities, it has not been given its proper place in forms of canonization. This paper is intended to buttress the need to realize how crucial and significant promptness is, and to showcase the realities and crystallize promptness as a needful principle of insurance. The rest of the paper is divided into: the problem context, promptness: the canonized principle of insurance, promptness and the 21st century insurance sector, conceptual model for repositioning the insurance sector in Nigeria and implications and concluding remarks.

II. The Problem Context

Insurance like most creations developed from a local background. Insurance has come to stay but that timely focus seems to elude our practices. Delay or procrastination appears to have taken over deep concern for urgent relief for which insurance was intended. The resultant effect is that insurance is now badly criticized. The image is affected and patronage is falling. Succinctly, insurance concern in Nigeria could be regarded to be fronted delay by whenever the need arises and this situation calls for urgent actions to reposition insurance in the contemporary times.

Introducing a principle that can invigorate the spirit of urgency into insurance practices will drastically change the fortune of insurance. Imagine a situation where the transaction is contracted promptly, documentation done same and claim is without delay. Promptness as a principle will work the magic.

III. Promptness: The Canonized Principle of Insurance

Insurance operates on some canonized rules or principles. They are basically six; namely: (1) the principle of insurable interest, (2) principle of utmost good faith, (3) principle of indemnity, (4) principle of proximate cause, (5) principle of subrogation and (6) principle of contribution [5][6]. These principles are more or less the byelaws for insurance operations. They are dominant concepts for effective insurance practices. The principle of insurable interest focuses on relationship [7][8][9] and [10]. That relationship between the insured and subject matter of insurance, that qualifies him/her to seek for insurance protection. The principle of utmost good faith focuses on information (disclosure) i.e. both parties should disclose every fact material to the proposed risk, especially those that can influence the other party to reason otherwise. The third principle discusses about absolute redress for a victim. Repositioning the person financially into the exact position he was before the loss. The fourth examines the cause of loss and maintains that only cause proximate and efficient in time should be considered as qualified to attract redress given that the proximate cause was an insured event. Both contribution and subrogation are corollary to indemnity. Their implementation helps to enforce indemnity. Their application depends on whether the policy is a policy of indemnity otherwise they are not applicable. Subrogation gives right to the insurer to redeem any financial component that can constitute surplus to indemnity. On the other hand, consideration empowers the insurer to apportion the loss proportionally according to placement of risk, whether the placement was real or nominal. By this principle the insured is not allowed to claim more than the value of risk placed under insurance cover.

These principles, suitable and relevant as they are still create a gap for another vital principle which is promptness. Promptness is a cardinal concept in insurance practice but not yet canonized. Promptness involves acting within schedule or particular time. The emphasis is on the need to act within a specific time frame. In various activities of insurance promptness is emphasized but because it is not canonized there seem to be much laxity and thus disregarded and hence affect the final result of insurance productivity.

The following are examples of where the concept can be applied:

1. In proposal form every form must be properly dated. This reveals the consciousness of promptness.
2. In the cover note the date and time of cover is accurately stated to reflect the need to adhere to the principle of promptness.
3. Renewals are based on the principle of promptness as time is the cardinal factor regulating the practice. Renewal notices must be sent promptly, date and effective time of cover must be clearly stated. Losses occurring after expiry date are not covered (except where days of Grace apply).
4. In open cover and short time policies accurate time/period of cover must be stated.
5. The Insurance Act canonizes time as a guide to effective practices. It emphasizes the time for payment of premium and insists that payment of premium must be done not only promptly but that it precedes effective cover.
6. In claims payment the law strongly cautions that claim payment should not be delayed more than necessary. Impliedly, promptness is the idea behind that rule.
7. In claim documentation specific time period is given for notification of claim.

IV. Promptness and the 21ST Century Insurance Sector

Any discipline or area of human inquiry is guided by a philosophy, a set of perspectives and principles that provide the grounding and rationale for its existence. Insurance like any other discipline has its philosophy expressed as principles. Universally six of them are very prominent as earlier mentioned. Promptness appears to be one which should be included. Evidence abounds that promptness is an acceptable concept, and can go as a principle. The idea of promptness is a postulation from TIME (a natural phenomenon) timeliness (an attitude) and an effort to discourage neglect or procrastination.

A review of human progress would seem to suggest that the main catalyst is a change in emphasis in the orientation of critical thought from a descriptive basis to a basis which may be defined primarily as analytical. Some insurance principles like subrogation and contribution are mere descriptive the principle of promptness is more analytical as it x-rays actions and commitments in relation to time. Promptness if canonized will change the direction of insurance practice from mere acquisition of business to the prompt delivery of services. Prompt delivery of services will steer progress in the insurance sector. In Nigeria for example the disregard in insurance services is associated with poor service delivery in terms of claims. Promptness will negate or debunk this.

Promptness as a principle has three elements which are: definition, semantics and assumptions. Promptness when canonized will be defined as the responsibilities of parties to an insurance transaction to act within a reasonable time frame to actualize the objective of insurance. The operational semantics derivable from the definition is as denoted from common meaning of the words. Spectacular words like reasonable time will infer to time as interpreted under the laws and moral conduct. For example reasonable time in filing a claim may be 14 days or 7 days as the case may be but where the victim of an accident is the

claimant/insured and he is in comma for a period over and above the specified days then reasonable time will be defined by his circumstance.

Promptness should be binding on the insurers, insured, brokers, agents, loss adjusters, beneficiaries, etc. It will also regulate documentation, inspection, claim settlement, payment or refund of premium, cancellation, disclaimer or repudiation of liability. It is a principle if effectively implemented, is capable of invigorate insurance practices.

V. Conceptual Model For Repositioning The Insurance Sector In Nigeria – The Swing Model

The swing model is considered needful in canonizing promptness in the insurance sector especially in developing nations. Swing symbolically depict comfort zone, a relax state. And that is exactly what insurance depicts. An insured is expected to be worry-free from the anxiety associated with the insured risk. Financial attachment to any insured risk is as relax as a person seating on a swing. The swing is made up of 5 strong pillars two subsidiary links and a bucket. A large crowd (Insured), on one hand and an administrator (Insurer) on the other hand. The five strong pillars are:

1. Insurable interest
2. Utmost good faith
3. Indemnity
4. Proximate cause and
5. Promptness

The two links between indemnity and the insurance fund are: (1) Contribution and (2) Subrogation. They are corollary to indemnity and only help to moderate indemnity. In compensation policy both subrogation and contribution are replaced by an extension of compensation as shown in figure 1 (swing model).

THE SWING MODEL

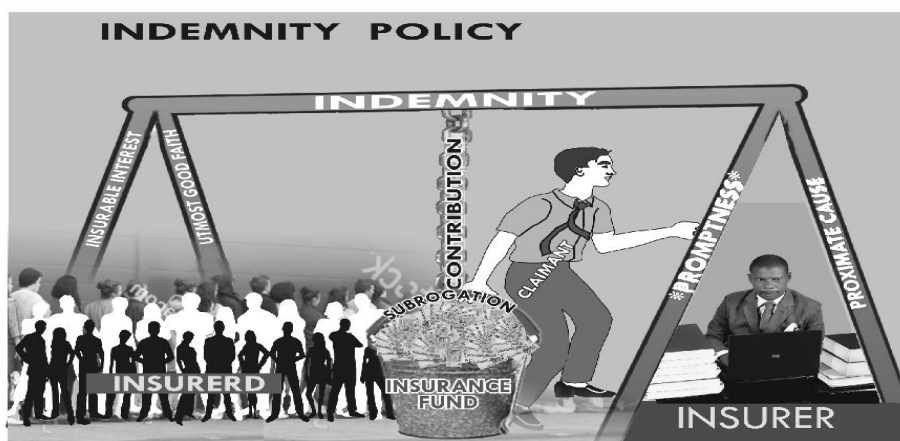


FIG. 1 SWING MODEL FOR INDEMNITY POLICY
SOURCE: AUTHOR'S COMPILATION, 2018



FIG. 2 SWING MODEL FOR COMPENSATION POLICY
SOURCE: AUTHOR'S COMPILATION, 2018

The insurance fund dangles or wiggles stochastically against the vagaries of fortuitous event or occurrence. Any associated risk that crystallizes attracts the insured to come to the fund and gets redressed (indemnified or compensated). A closer look at the model will reveal that by their operation, insurable interest and utmost good faith binds more on the insured. Indemnity, contribution and subrogation relate more to the fund while promptness and proximate cause will guide the insurer more. Canonizing the principle of promptness therefore completes the label of the swing model.

VI. Implications And Concluding Remarks

Among the six branches of commerce (Transport, banking & finance, warehousing, advertising, distribution and insurance) none seem to have been challenged with criticism as insurance. The criticisms has always hinged on the complain of the insured, thereby, leading to degeneration of the level of patronage and the image of the sector [11][12][13]. The various factors that challenge the insurance sector can be summarized to be associated with neglect. This complains is associated with the fact that, at every point of the complaint, one person may have neglected to do what is supposed to have been done. In sectors and contexts where insurance is striving, the culture does not give room for neglect. To curb this menace of neglect, it is the position of this paper that the principle of promptness be introduced and implemented into the practice of insurance. This will drastically change the operation of insurance for the better.

Promptness will teach and encourage parties to do what they are expected to do with little delay. It will task both parties to be alert to their responsibilities. This will attract better result and change the fortune in insurance, thus, promptness need to be canonized as a principle in the insurance sector.

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