

Analyzing The Effect of Claims on Nigerian Insurance Companies Profitability

¹Agboola, Akeem Bamidele* & ²Isimoya, Ogorchukwu Augustine

^{1,2}Department of Actuarial Science and Insurance, Faculty of Management Sciences, University of Lagos, Lagos, Nigeria

Correspondence Email Address: aagboola@unilag.edu.ng

Abstract

This study set out to examine the impact of claims on the profitability of insurance companies in Nigeria. An ex-post facto method was employed by the study by extracting ten (10) years period (2014-2023) secondary data for 11 (eleven) listed insurance companies from their annual report gotten from the Nigeria Stock Exchange website. Descriptive statistics and inferential statistics were applied on the extracted data using Eviews 9 application software. According to the estimation result of the fixed effect model, claim ratio significantly affect the profitability of Nigerian insurance companies, whereas reinsurance claims have no significant impact on the Nigerian insurance companies profitability. The implication of this is that insurance companies should pay serious attention to their claims management process as well as the use of reinsurance facilities. It is recommended that insurance companies should effectively manage their claims process through the adoption of inclusive and efficient evaluation of claims, as well as paying attention to their underwriting expenses that have the potential to lower the business's profit margin.

Keywords: Claims, Claim Ratio, Reinsurance Claims, Profitability

Jel Classification: G22, G32

Introduction

The economy's transactional activities require intermediation to occur as demands for a greater variety and number of products and services as well as the growing number of economic players increases in this more contemporary period, (Reschiwati & Solikhah, 2018). This critical intermediation activities are being discharged by the financial institutions. Melaku (2019) asserts that financial institutions play critical role in sustaining and enhancing national economies by facilitating the mobilization of resources through savings and the allocation of resources towards ventures that provide the best returns. Abate (2012) asserts that certain economic units are genuinely in surplus while others are still in deficit, indicating that riskier companies are unable to fully absorb risk in the unpredictably changing circumstances. Thus, Abate (2012) argues that financial institutions such as insurance are essential to the continuity of the modern corporate environment.

Salaudeen (2021) posited that with the possibility of failure in human endeavors, dread grips both employees and business owners. Through an arrangement known as an insurance policy, people and business organizations have learned to limit these risks by outsourcing these unexplained loss exposures

to a third party. Consequently, a great deal of individuals and business, including real estate, company ventures, and long-term insurance, rely on the insurance companies' performance (Appiah, 2019). Tarsono, Ardheta and Amriyani (2019) describe an insurance business as a type of non-bank financial institution that conducts operations similar to those of banks by offering services to the general public to help with future risk management. According to Melaku (2019), the insurance sector is critical to the economies of most developed and developing nations because it promotes economic growth, efficient use of resources, reduces transaction costs, boosts liquidity, enables investment economies of scale, and spreads out losses. However, like other financial organisation, insurance firms are also focused on maximizing shareholder value and making a profit. Consequently, in order for insurance companies to remain in operation and satisfy the needs of all of their stakeholders—the government, creditors, staff, and most crucially, investors—they must operate profitably and efficiently. Aniefor and Onatuyeh (2019) defined profitability as a subjective indicator of a company's capacity to employ resources measure from its primary mode of business to produce income for stakeholders generate revenues for stakeholders. It is characterized as a measurement of efficiency and, ultimately, a gauge of a business's success or failure. (Kifordu, Arubayi & Mogbolu, 2023). Different benchmarks can be used to assess insurance businesses' profitability. Nonetheless, when it comes to determining a company's success, the majority of insurance academics support the usage of ROA, which is calculated as before-tax earnings divided by total assets (Sisay, 2017).

An insurer's profitability can be influenced by both external and internal variables (Zekarias, 2017). Internal factors draw attention to the unique qualities of an insurer, whilst external factors comprise of industry features and macroeconomic concerns. Internal factors are peculiar to the firm and under management's control include the age, size, and makeup of its physical assets as well as its debt, liquidity, premium and claim. Particularly, the underwriting performance of insurance companies, which is a function of the premiums they received and the claims they settled could have serious impact on their profitability. To manage volatility in underwriting performance, insurance companies often resort to the use of reinsurance (Dansu & Obalola, 2018). Reinsurance enables an insurer in improving its underwriting capacity and assist in claims management by participating in claim payment in the event of loss. Put differently, with the use of reinsurance, insurance companies recover come of the claim paid from reinsurers, which could then impact their profitability (Abass & Ojikutu, 2019).

The relationship between insurance claims and insurance companies profitability have been examined by various studies such as Abass, Dansu and Oyetayo(2021), Oluwaleye, Ajemunigbohun and Abiodun (2023), Salaudeen, Salam, and Mudashiru (2021). However, the outcomes of these studies have been inconsistent, while some have found significant relationship, others found no significant relationship. Thus, this study examines the impact of insurance claims on the profitability of insurance companies in

Nigeria. The rest of the paper is arranged as; section 2 is literature review, sections 3 and 4 are methodology and data presentation and discussion of findings, section 5 is conclusion and recommendation

Literature Review

Conceptual Review

Profitability

Aniefor and Onatuyeh (2019) defined profitability as a subjective indicator of a company's capacity to employ resources measure from its primary mode of business to produce income for stakeholders generate revenues for stakeholders. According to Blaao (2016), it is the steady rise in the excess difference between total revenues and total costs over a given time period. Profitability is widely used to evaluate and compare the overall financial health of industries and businesses over a given period of time, usually a year.

To assess how well the company is employing its resources to turn a profit, a mathematical metric is needed (Omollo, Muturi & Wanjare, 2018). Profitability can be measured using a variety of metrics, such as the gross profit ratio, returns on equity capital, operational profits ratio, returns on shareholder capital, net profits ratio, and returns on gross asset. Return on investment, return on capital employed and business size may also be used to gauge profitability. This study measure profitability with return on asset (ROA) where: $\text{Return on asset (ROA)} = \frac{\text{Profit after Tax}}{\text{Total Asset}}$

Insurance Claim

Krishman (2010) described insurance claim as a demand made on an insurance company to carry out its end of the bargain when drafting the contract with the insured. A claim is an act of submitting a request to the insurance company for reimbursement of losses according to the terms of the policy, after the policyholder has fulfilled their obligations, such as paying premiums. According to Francis and Butler (2010), claim signifies a defining moment in the interaction between an insured and the insurance provider. They posited that a relationship of this kind can flourish if the insurers can successfully handle five crucial concerns, including: assuming more authority over the claims procedure; comprehending their clientele; selecting the best claims model for their enterprise; cultivating a win-win partnership with other suppliers; and obtaining a competitive edge in information. A properly handled claim improves customer relations in spite of all obstacles and helps with fraud detection and prevention as well as regulatory compliance.

This study measured insurance claim with claim ratio where: Claim ratio = Net Claim/ Net Premium. Based on existing literatures and the relationship between insurance claim and insurance companies' profitability, the study hypothesized as follows:

H₁: Claim ratio has no significant impact on the profitability of insurance companies in Nigeria.

Reinsurance

According to Botnariuc (2022), reinsurance is the process by which insurers assign a portion of their risk portfolio to a reinsurance business under a contract that specifies the portion of the insurer's claims that the reinsurer would cover in return for a premium. Reinsurance aims to share risk, much like insurance does. Therefore, through reinsurance, insurance companies can diversify their risks and safeguard themselves against exceptional or unanticipated losses. (Obonyo, 2016)

Botnariuc (2022) further stated that reinsurance spreads risks so broadly and effectively that even the highest risk can be insured without unreasonably burdening the insurance company. Therefore, it plays a crucial role in protecting insurers' and the insurance industry's overall financial stability. Reinsurance is, in other words, the insurance for insurance companies and is regarded as the backbone of the insurance sector. By replacing a stochastic component (claims) by a deterministic one (reinsurance premium), reinsurance minimizes earnings variability and thus further boosts credibility in times of financial turbulence and efficiency in the insurance industry (Arian, 2018).

This study measured reinsurance claim with the annual reinsurance recoveries by insurance companies. Based on existing literatures and the relationship between reinsurance and insurance companies' profitability, the study hypothesized as follows:

H₂: Reinsurance claim has no significant impact on the profitability of insurance companies in Nigeria

Theoretical review

Ruin Theory

Lundberg provided the theoretical underpinnings of ruin theory in 1907, and Cramer refined them in 1930. The fundamental idea behind ruin theory is that insurance firms consider the likelihood of a ruin when making judgments. Stated differently, insurance operations are thought of as discrete time stochastic processes including a single absorbing barrier and continuous steps. The theory states that insurance firms are confronted with two different financial flows to manage: inbound cash premiums and outgoing claims (Salaudeen, Salam & Mudashiru 2021). Classical ruin theory assumes that an insurance company starts with beginning capital, continually collects a set amount of premiums, and then has to pay claims (Cekici, Ozcan & Durmus, 2018). This theory describes the evolution over time of an insurance company's fiscal surplus (a scenario in which premiums exceed claims) or fiscal deficit

(a situation in which premiums fall short of claims). When the amount paid by the company (the claim amount) exceeds the amount collected (the premium amount), ruin is said to have occurred.

Empirical Review

Oluwaleye, Ajemunigbohun, and Abiodun (2023) investigate the relationship between underwriting operations and the performance of non-life insurance firms in Nigeria. Using data taken from the financial statements of five chosen non-life insurance companies for the 2011–2020 period. The results of their panel regression analysis showed that insurance premium had a positive, significant effect on return on assets, while re-insurance claims and claim ratio had a positive, but insignificant, effect on return on assets.

Ogunlami (2021) investigates how reinsurance affects insurance companies' performance. The ex post facto research design method was chosen for this study, which entails gathering financial records of insurance companies listed on the Nigerian Stock Exchange and recording their historical financial activity, including profitability and the total value of the reinsurance fund. According to this study, reinsurance significantly affects how well insurance businesses function.

Oladunni and Eche (2022) investigated how reinsurance underwriting activities affected Nigerian insurance companies' asset management. Using an ex post facto study design, the study's data came from the National Insurance Commission's and Nigerian Insurance Digest's yearly publications for the 2009–2018 timeframe. Reinsurance underwriting activities (Risk Retention Ratio and Reinsurance Dependent Ratio) have a major impact on the assets management (return on assets) of insurance companies in Nigeria, according to the results of a panel data model.

Tarsono et al. (2019) investigated how Indonesian life insurance businesses' financial performance was affected by net premium growth, claim ratio, and risk-based capital. Utilizing data from the Indonesia Stock Exchange for the 2014–2018 period and a sample of 17 life insurance companies. According to the results of the Eviews 11 study, Net Premium Growth and Claim Ratio have no discernible effects on life insurance's financial performance, while Risk Based Capital has a negative effect. Management (return on assets) of Nigerian insurance firms

Oluwaleye, Shoyemi, and Edewusi (2020) examined how claims management affected Nigerian insurance companies' profitability. Annual time series data were gathered from insurance companies' financial statements. Regression analysis, which used the ordinary least square estimate technique, was used to analyze the data. According to the study, the management (return on assets) of quoted insurance firms in Nigeria is significantly impacted by net loss, while the expense ratio has a positive but negligible impact on return on assets, and the loss ratio has an indirect but negligible impact on return on assets.

Hasibuan, Sadalia, and Muda (2020) investigated how the profitability of insurance businesses listed on the Indonesia Stock Exchange between 2011 and 2018 was impacted by the claim, operational, and retention ratios. The Indonesia Stock Exchange or the company's website provided samples of nine businesses with secondary data. With the aid of SPSS software, the study employs the Panel Data Regression Method analysis tools, which are utilized to test research hypotheses. Profitability is significantly impacted negatively by the claim ratio and operating expenditure ratio, but positively and not significantly by the retention ratio. The profitability of the business is significantly impacted by the claim ratio, retention ratio, and operational expense ratio taken combined.

Fadun (2023) looked at the analysis of how insurance claims settlements affected Nigeria's economic expansion. The study looked into the effects of claims settlements and economic growth on Nigerian insurance companies. The findings showed that insurer claims settlement had an indirect, non-significant impact on economic growth. This has led to a number of variable elements serving as a reliable correlation between economic growth and the settlement of insurers' claims.

Falade and Oyedokun (2022) investigated the financial performance and claims payment of Nigerian listed insurance companies. According to the report, claims payment has a positive impact on the financial performance of listed insurers in Nigeria. Based on the financial performance of Nigerian insurers, the results show a strong and effective relationship between net claims and premium, expenditure ratio, and capital risk.

Igbinovia and Kekere (2022) investigated the claims handling and insurance risk of Nigerian insurance companies. The study identified a correlation between insurers' risks and the efficacy of claims settlement in Nigerian companies that look into this link. The results indicate a direct, albeit negligible, correlation between insurer risks and claim settlements in Nigeria.

Oladunni and Okonkwo (2022) investigated how risk retention affected Nigerian insurance companies' claims handling. The study looked at how Nigerian insurance companies handled claims and retention risk. The results show a quantitatively significant effective relationship between claims management in Nigeria and the retention risk ratio of insurers.

Najimu, Oladeinde, Taiwo, and Amos (2023) looked at how well Nigerian insurance businesses performed financially and how well their claims management procedures worked. based on pre-made data collected from the financial statement reports of insurers for a decade and employing an ex-post facto research design technique. The nondependent factors (net claims incurred, net claims ratio, and underwriting expense ratio) show a directly significant relationship with the return on assets, according to the findings of the multivariable regression technique.

Wandosen, Demis, and Yoseph (2024) used data from 16 insurance businesses between 2014 and 2019 to investigate the impact of risk management on the financial performance of insurance companies in Ethiopia. used the two-step systems GMM to address the potential for autocorrelation, heteroskedasticity, and endogeneity issues. According to the findings, Ethiopian insurance businesses' short- and long-term financial performance is negatively impacted by liquidity and solvency issues. The study also demonstrates that reinsurance has a favorable impact on Ethiopian insurance companies' financial performance over the long and short terms.

Opoku, Yiadom, Gubareva, and Mendes (2024) use exclusive data from the National Insurance Company (NIC), Ghana, to analyze the financial performance dynamics of insurance companies in Ghana. Using a system GMM technique on a large panel dataset of 40 companies between 2012 and 2017, the study finds that key performance determinants include board composition, firm age and size, audit fees, claims ratio, retention ratio, and cost efficiency.

Salaudeen, Salam, and Mudashiru (2021) investigated the effects of net retention and net claims ratios on the financial performance of insurance companies. They used a regression model to aggregate and assess data from ten different insurance companies that are listed on public exchanges, covering the years 2009–2018. The results indicate that the net retention ratio had no significant effect on the financial performance of Nigerian insurance firms, while the net claim ratio somewhat increased the financial output of insurance companies in the country.

Methodology

This study used an ex-post facto research approach, which uses data that is already accessible to provide an empirical and systematic answer to research questions. All twenty-two (22) insurance businesses that are listed on the Nigeria Stock Exchange make up the research population. Purposive sampling technique was adopted to select eleven (11) insurance businesses from the population based on the availability of data, and secondary data spanning ten (10) years, (2014- 2023) was taken from their audited annual reports that were submitted with the Nigeria Stock Exchange (NSE). Data on the firm's yearly net income, total assets, net claims incurred, net premium generated, and annual reinsurance claim recoveries were all taken from the annual reports. Using Eviews 9 software, statistical analysis was applied on the data extracted which includes descriptive analysis to look at the characteristics of the extracted data, preliminary investigations to find out if the data used were appropriate and to choose the best panel data regression model, and inferential analysis using regression analysis to test the study's hypothesis.

Model Specification

To examine the impact of insurance claims on the profitability of insurance companies in Nigeria, using a panel data model, this research also adapted the regression model used by Reschiwati and Solikhah (2018). The general form of a panel data models as well as the adapted model for this study are specified below.

General formof a panel data models;

Pooled OLS Model

$$Y_{it} = \alpha + \beta X_{it} + u_{it} \quad (1)$$

Fixed Effects (FE) Model

$$Y_{it} = \alpha_i + \beta X_{it} + u_{it} \quad (2)$$

Random Effects (RE) Model

$$Y_{it} = \alpha + \beta X_{it} + u_i + u_{it} \quad (3)$$

The adapted model for this study;

$$Y_{it} = \alpha_i + \beta_1 X_{1it} + \beta_2 X_{2it} + u_{it} \quad (4)$$

Where; Y= Return on Assets;

α_i = Intercept;

$\beta(1 - 2)$ = Regression coefficients;

X2 = Reinsurance Claim;

i = Insurance company i;

X1 = Claim Ratio;

u = Error Term;

t = the time periods.

The description of the research variables and their measurement are as shown below

Table 1: Variable Measurements

Variables	Measurements	Sources
Return on Asset	Profit after tax / Total Assets	Hasibuan et al (2020)
Claim Ratio	Net Claim/ Net Premium	Hasibuan et al (2020)
Reinsurance Claim	Annual Reinsurance Recoveries	Ogunlami (2021)

Source: Developed by Authors

Data Presentation and Discussion of Findings

Table 2: Summary of Descriptive Statistics

	Return on Asset	Claims Ratio	Reinsurance Claim (in million)
Mean	0.0289	0.4722	1,620.027
Maximum	0.1915	1.5808	9,921.96
Minimum	-0.2205	0.0548	5.44
Std. Dev.	0.0501	0.2411	1856.985
Observations	110	110	110

Source: Eviews Output (2024)

The average value of the profitability of insurance companies measured by ROA was 2.89 percent with a standard deviation of 0.0501. The positive average ROA value indicate that the insurance companies were in average profitable while the standard deviation of the ROA shows the presence of less disparity in the ROA across the insurance companies.

The mean value of claim ratio was 47.22 percent with a standard deviation of 0.2411. The average claim ratio indicates that insurance companies spent less than half of the premium received in paying claim on the average, while the standard deviation of the claim ratio implies the existence of a less disparity in the claim ratio of the insurance firms.

The mean value of reinsurance claim was 1.620 billion with a standard deviation of 1853.46. The standard deviation of reinsurance claim implies the existence of a significant disparity in reinsurance claim of the insurance firms.

Preliminary Investigation

To determine the appropriateness of the data used for the study and to select the most appropriate panel data regression model, this study conducted various preliminary investigations on the extracted data. The test includes correlation analysis, cross-dependence test, chow test and hausman test. The results of the tests are as follows:

Table 3: Correlation Analysis

Correlation	Return on Asset	Claim Ratio	Reinsurance Claim
Return on Asset	1.000000		
Claim Ratio	-0.12276	1.000000	
Reinsurance Claim	0.03978	0.40265	1.000000

Source: Eviews Output (2024)

The correlation between the independent's variables; claim ratio and reinsurance claim included in this study was analyzed. According to table 3, the correlation coefficient between claim ratio and

reinsurance claim is 0.40265. Since their coefficients is less than 0.80 we can concluded there is no series multicollinearity problem as supported with empirical evidence.

Table 4: Cross-Section Dependence Test

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	68.08433	55	0.1107
Pesaran scaled LM	0.198733		0.8425
Pesaran CD	2.165127		0.0804

Source: Eviews Output (2024)

Table 4 shows that the three test of cross-section dependence have p-value greater than 5%. Thus, the null hypothesis of no cross-sectional dependency is accepted.

Table 5: Chow Test

Effects Test	Statistic	d.f. (10.97)	Prob.
Cross-section F	3.827316)	0.0002
Cross-section Chi-square	36.584366	10	0.0001

Source: Eviews Output (2024)

In order to choose the appropriate model, the Chow test and the Hausman test was used.

According to the above Chow test results, with a probability value of 0.0001, the fixed effect model is better than the common effect model

Table 6: Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	30.64423	2	0.0000

Source: Eviews Output (2024)

According to the Hausman test result, with a probability value of 0.0000, the fixed effect model is better than the random effect model.

Table 7: FEM Estimation Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	0.0835890	0.013067	6.397048	0.0000
Claim Ratio	-0.101737	0.023263	-4.373383	0.0000
Reinsurance Claim	-0.000411	0.000322	-1.274288	0.2053
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.300551	Mean dependent var		0.028897
Adjusted R-squared	0.214021	S.D. dependent var		0.050133
S.E. of regression	0.044446	Akaike info criterion		-3.278492
Sum squared resid	0.191618	Schwarz criterion		-2.959344
Log likelihood	193.3170	Hannan-Quinn criter.		-3.149044
F-statistic	3.473382	Durbin-Watson stat		1.530128
Prob(F-statistic)	0.000281			

Source: Eviews Output (2024)

The data in the above table indicates that the constant coefficient value is 0.0835890, which indicates that if the independent variable is adjusted to zero, the dependent variable (Return on Asset) value will be 8.36%. Additionally, the R-squared value is 0.300551, meaning that the independent variables (claim ratio and reinsurance claim) can account for 30% of the variation in the insurance firms' return on assets, with the remaining percentage coming from other factors that the model did not account for. Lastly, with a prob(F-statistic) value of 0.000281 which is less than the sig value of 5%, this indicates that the independent variables simultaneously influence the dependent variable, i.e the model is a good fit and was statistically significant in predicting how claim ratio and reinsurance claim affect the return on asset of insurance companies.

Research Hypothesis Testing

Decision rule:

If ($p > 0.05$): Accept H_0 (null hypothesis)

If ($p < 0.05$): Reject H_0 (null hypothesis) and adopt H_1 (alternative hypothesis).

H_1 : Claim ratio has significant impact on the profitability of insurance companies in Nigeria.

Table 7 shows that claim ratio coefficient value is -0.101737 and p-value of 0.0000. This indicate a negative relationship between claim ratio and return on asset, and with a p-value of 0.000 which is less than the sig value of 5%, this means that the study null hypothesis is rejected and the alternative hypothesis adopted . Thus, according to fixed effect model estimation result, claim ratio has significant impact on the profitability of insurance companies in Nigeria.

H_2 : Reinsurance claim has significant impact on the profitability of insurance companies in Nigeria.

Table 7 shows that reinsurance claim coefficient value is -0.000411 and p-value of 0.2053. While this indicates a negative relationship between reinsurance claim and return on asset, with a p-value of 0.2053 which is more than the sig value of 5%, this means that the study fails to reject the null hypothesis. Thus,

according to Fixed Effect Model estimation result, reinsurance claim has no significant impact on the profitability of insurance companies in Nigeria.

Discussion of Findings

This study found that claim ratio has significant effect on the profitability of insurance companies in Nigeria. Specifically, this study found a negative relationship between the two variables i.e. a high claim ratio means low profitability while a low claim ratio will result in a high profitability. This study thus suggests that the profitability of insurance companies is significantly impacted by changes in their claim ratio. The result of this study is in tandem with prior studies by Abass, Dansu and Oyetayo(2021), Mazviona, Dube and Sakahuhwa(2017). This study finding is however contrary to research findings by Oluwaleye, Ajemunigbohun and Abiodun (2023), Salaudeen, Salam, and Mudashiru (2021) which found that claim ratio have no significant influence on insurance companies profitability.

The study also found that reinsurance claim has no significant effect on the profitability of insurance companies in Nigeria. Though there exist a negative relationship between them, it is not significant. Thus, the result of this study implies that an increase or decrease in the reinsurance claim of an insurance firm will not significantly affect their profitability. The finding of this study is in line with studies by Oluwaleye, Ajemunigbohun and Abiodun (2023) and Salaudeen, Salam, and Mudashiru (2021) which also found no significant relationship between reinsurance claim and profitability. This study finding is however in contrary to research finding by Abass and Olubusade (2023), Appiah (2019) which found a significant relationship between reinsurance and profitability.

Conclusion and Recommendations

This study investigates the impact of insurance claims on the profitability of insurance companies in Nigeria. The result of regression analysis shows that claim ratio significantly impacted profitability while reinsurance claim does not. Importantly, the output of the fixed effect model estimation revealed that the study have a R Square of 0.300551 which indicates that 30% of the changes in insurance companies return on asset can be explained by their claim ratio and reinsurance claim. Additionally, the study correlation coefficients results indicate the direction of this relationship, with a correlation coefficient of -0.10174 and -0.0004 the study indicated that return on asset have negative relationship with claim ratio and reinsurance claims.

Based on the findings of this study, this study recommends that insurance companies should effectively manage their claims process through the adoption of inclusive and efficient evaluation of claims. Additionally, it also recommends that insurance firms work toward boosting their profits by lowering their underwriting risk through the transfer of excess risk to reinsurers, as well as by implementing risk

management and a stronger risk differentiation strategy that helps them minimize risk and maximize performance.

Policy Implementation/Gap Filled

Several studies, both locally and internationally have carried out research on factors affecting the profitability of insurance companies. And these studies have focused on factors such as underwriting operations, firm size, reinsurance dependency, claims etc. this study focused on claims. Specifically, this study examined the interaction of the outflow of claims, which is the claim amount paid out by insurance companies to its clients and the inflow of claims, which is the claim amount received from its reinsurer. The findings of the study revealed that it is important that insurance companies pay attention to their claims management process as well as the use of reinsurance facilities.

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