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REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

REFERENCES

APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

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WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

A CRITICAL ASSESSMENT OF THE CONTRIBUTION OF MARINE INSURANCE TO THE DEVELOPMENT OF NIGERIAN ECONOMY

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ABSTRACT

This paper examines the contribution of marine insurance to the development of Nigerian economy in the period 1984 to 2006. It is not intended to extend the study to other countries of the world, but mainly to Nigeria where the public opinion has been that insurance is of no benefit to the economic well being of the people. Research was conducted in the Nigerian Insurance Market, Central Bank of Nigeria, National Bureau for Statistics, Insurance Department of Finance and Economic Development and Research and Development Department of Nigeria Reinsurance Corporation, Lagos. Premiums accruing to Marine Departments of insurance companies were collected analyzed and it was confirmed that marine insurance has significant impact on the level of economic development of Nigeria, but had no significant contribution.

KEYWORDS

Assessment, Development, Nigerian Economy, Peril, Utmost Good Faith.

INTRODUCTION

Marine insurance is the earliest of commercial insurance from which all other insurances started. Dover (1983).and Lambeth (1980), stated that the expression marine insurance refers to "that branch of insurance concerned with the insurance of ships as well as their freight and cargo against marine risks"

Marine insurance is a contract whereby the insurer undertakes to indemnify the insured, in manner and to the extent thereby agreed against marine losses, that is to say, the losses incident to marine adventure (Marine Insurance Act (M.I.A.) 1906, s.1). Indemnity is provided against the majority of losses which can occur during transit, (M.I.A.1906, section 55). The marine insurance market comprises insurance companies, Lloyds' Underwriters and Private Underwriters and in practice, each insurer pools the premiums received from the insured in order to pay claims and expenses, to build reserve fund against future losses and to secure a small margin of profit, hence insurance is said to be based on the principles of contribution, Dover (1983).Insurance may be defined with emphasis on its financial nature or with emphasis on its legal nature, Dorfman (1983).To carry out this research on insurance, key terms must be defined carefully. These terms include loss, chance of loss, peril, hazard and risk. The mathematical background of insurance must be understood if this paper is to be fully appreciated. The law of large numbers is the key to understanding the mathematics of insurance operation, lrukwu (1996).The first definition of insurance to be examined is the financial one. In this instance, insurance is a financial arrangement which redistributes the cost of unexpected losses, Dorfman (1983). Dorfman went further to explain that throughout human history unexpected economic losses have occurred. Such losses he opined, would continue to occur regardless of whether or not a system of insurance were ever devised by man, but through the operation of an insurance system losses can be predicted before they occur. The predictability of losses is a basic necessity of an insurance system's operation. Because an insurance system allows losses to be predicted in advance of their occurring, it allows the cost of losses to be financed and redistributed in advance of their occurring, Isimaya (2001). An issuance system accomplishes the redistribution of the cost of losses by collecting a premium payment from every participant in the system, Irukwu (2003). In exchange for the payment of the premium the insured receives a promise from the insurance system to be indemnified in the event of a loss.

In most insurance systems only a small percentage of those insured suffers losses. Thus an insurance system redistributes the cost of the losses from the unfortunate few members who experience them to all the members of the insurance pool (including those who suffer losses) who have all paid premiums. The Figure below illustrates the way an insurance system redistributes the costs of losses. Assume that all the members are exposed to loss of their ships by peril of the sea.

Each member therefore will contribute his premium (say,$20,000) to the insurance pool. Assume that ship-owner number four loses his insured ship to peril insured against. He will collect $300,000 the insured value of his ship, from the insurance pool. If there were no insurance pool, the unfortunate victim would lose $300,000. but, instead with the insurance system operation all the member of the pool have paid $20,00. thus each insured has paid a part of the $300,000 loss experienced by on member the $20,000 premium which each insured paid advance was calculated on the losses predicted by the insurance system when the year began it was not predicted that ship number four would sink, but that 33 ships from among the 5, 000 insured would sink. From this prediction came the decision to charge each ship-owner $20,000 for his insurance.

In its second sense, insurance is a legal contract whereby one party agrees to indemnify another party for losses. The party agreeing to pay for the losses is called the "insurer". The party who will receive the payment for his losses is called the "insured". The payment the insurer receives from the insured is called the "premium." The insurance contract is called a "policy." The losses that will cause the insurer to make payment to the insured are the result of the insured's "exposure to loss" We say the insured transfers his "exposure to loss" to the insurer by purchasing an insurance policy. The insurance policy like all contracts is viewed as an arrangement that creates rights and corresponding duties for those who are a part to it, Dorfman (1983). Dorfman went further to say: "for instance, the insurance contract creates the right of the insured to collect from the insurer when a covered loss takes place. There is a corresponding duty on the part of the insurer to pay for such losses". The insurance contract creates other rights and duties as well. There is the right of the insurer to specify the rules and conditions for participating in the insurance pool, and the corresponding duty of the insured to obey them if he expects to collect for a loss. In analyzing an insurance contract one must remember that the right created for one party represents a duty for the other party, Irukwu (1996). Perhaps the word "duty" is too strong a word to describe the obligations of an insured to insurer. Generally, an insurer cannot legally force an insured to pay premiums, but he may cancel the insurance if premiums are not paid. Likewise, an insurer cannot force an insured to meet the conditions set forth in the contract, but if the insured does not meet the conditions losses will not be paid, lrukwu (1996). Thus, it seems fair to note that an insurance contract creates rights and corresponding obligations for the insurer and insured.

MEANING, PURPOSE AND FUNCTIONS OF INSURANCE

Risk and uncertainty are two most fundamental facts of life Banjo (1995). We all know that the one event which is certain about our lives on this planet is that one day we will die, but the actual date, time and circumstances of our deaths remain in the realms of uncertainty. Despite the certainty of ultimate death which most of us prefer not to contemplate, everything else about our lives and future remain uncertain Irukwu (1996).

Irukwu further opined that having recognized this element of risk and uncertainty as inevitable features of our lives coupled with the fact that we do not know what the future will bring, then as intelligent, rational and creative beings, we have had to devise methods of combating and responding to the possible adverse effects of this permanent feature of risk and uncertainty. The most important responses to risk and uncertainty are insurance. He added that as a risk management tool, the basic role of insurance in the economic and social structure of society is the provision of relief from the financial consequences of element

of uncertainty. Its principles have over the years been perfected and utilized for the purpose of protecting individuals and corporate bodies against financial losses arising from death or injury in the case of life or accident insurance.

Insurance protection may be obtained directly from a registered insurance agent or broker. As consideration for the insurance protection given by insurer the insured is required to pay an agreed premium which depends on the extent of the risk introduced into the insurance programme by the insured or policy holder, Jammy (2002). From the forgoing, Irukwu, (1996) postulates it is evident that the insurance industry exists primarily for the purpose of providing protection against financial losses arising from unexpected events. In addition to this primary function of financial protection, the insurance industry today, provides several other secondary services to their policy holders and the wider society in such areas as risk management and loss prevention advice, inspection of plant and buildings and the promotion of savings and investments. In spite of the importance of these secondary functions, the primary function of insurance is the provision of the insurance cover against the financial consequences of uncertainty or the provision of financial security to the insured or policy holder. The traditional and 1egal definition of insurance describes it as a contract whereby one party, the insurer undertakes in return for a consideration for the premium to pay to the other party, the insured, a sum of money in the event of the happening of one or various certain events.

DIFFERENT CLASSES OF INSURANCE

Apart from marine insurance which covers marine risks there are other classes of insurance. The other classes of insurance include life and personal accident insurance in which the sum becomes payable on death of the life assured, or on injury or illness, accident, casualty or property insurance, in which the agreed suffix becomes payable on the happening of an accident, such as fire, theft, flood or any other perils insured against and liability insurance which provides that the sum insured shall become payable when legal liability is incurred by the policy holder or any other person covered by the policy, as for example, when the insured had incurred legal liability under a professional indemnity policy as a result of his professional negligence or some other tortuous act.

THE RIGHT TO INSURE AND LIMITS TO THE SCOPE OF INSURANCE

Banjo (1995) states that as a general rule any person (Including corporate or juristic persons) may insure property, a right in property, a pecuniary interest in property, any potential or possible legal liability, if as a result of the destruction or loss of, or damage to such property right or interest, or the incurring or accruing of such legal liability, he will suffer financial loss, Irukwu (1996) added that in exercising their right to insure, all the parties to the insurance contract must comply with the general law of contract as well as those peculiar and fundamental rules of law which apply specially to insurance contracts such as the "uberrimae fidei" rule or the doctrine of "utmost good faith", the principles of indemnity and insurable interest This fundamental rules of law are further amplified by the Marine Insurance Act 1906, Section4 as stated thus:

1. Every contract of marine insurance by way of gaming or wagering is void.
2. A contract of marine insurance is deemed to be a gaming or wagering contract: (a). where the assured has not an insurable interest as defined by this Act and the contract is entered into with no expectation of acquiring such an interest; or (b) where the policy is made "interest or no interest" or "without further proof of interest than the policy itself' or "without benefit of salvage to the insurer" or subject to any other like term. Provided that, where there is no possibility of salvage a policy may be effected without benefit of salvage to the insurer.

CAPACITY TO ENTER INTO INSURANCE TRANSACTIONS

Irukwu (1996) opined that in accordance with the general law of contract the rule is that everyone is capable of making a valid contract. The only exceptions to these general rules are persons of unsound mind and persons under the influence of drink. He went on to reiterate that since the general rule is that contracts made by a minor are voidable at his option, the courts would refuse to enforce such contracts of the minor so requested, but contracts for the minor's benefit will be enforced. As an instance, contracts generally for the benefit of the minor who enters into them, will be enforced whenever necessary, Irukwu averred. However, Irukwu (2003) added that if a minor is tricked or induced to enter into an expensive insurance contract which deprives him of all his financial resources or is made to pay an unreasonable high premium it is submitted that the insurance contract would be voidable at his option.

It is also a settled law that persons of unsound mind and persons who enter into contracts under the influence of drink or drugs may avoid such contracts provided that they do so without delay after their return to a normal state. In an English case of Imperial Life Assurance of Canada v. Audett (1912), an insurance agent obtained a proposal for life assurance from a man who he knew to be drunk at the time the proposal form was completed. The Court held that the contract was not binding on the proposer.

LIMIT TO THE SCOPE OF INSURANCE

Insurance is concerned with risks, but not all risks or perils are insurable, Gi1es (1992). There are definitely limits to scope of insurance.

Irukwu (1995) in a paper he presented at Maritime Seminar of Judges explained that the first limitation is that the thing or object to be insured must have monetary value so that its loss or damage must result in a monetary loss to the insured. If not it is not insurable. Thus an object of high sentimental value only to *its* owner cannot be insured. The scope of insurance is quite often limited by law as Marine Insurance (Gambling Policies) Act 1909 sections 1, (1) and (2) say that an illegal transaction or any event, contract, project or property that is tainted with illegality cannot be insured, and similarly transactions that are considered to be against public policy cannot be insured.

For example, Birds (2000) stated that no person can insure against the consequences to him of his own fraudulent or deliberate acts. He went on to add that a professional man such as a lawyer or a medical practitioner or an insurance broker cannot insure against the effects of being disqualified from practicing his profession as a result of his own professional misconduct. This is not the same as taking out a professional indemnity policy. A professional indemnity policy insures the professional man against the possible liability of paying damages to an aggrieved third party client of his through some unintentional error or oversight in carrying out his professional duties, Botos (2002). Botos threw more light on the matter by explaining that this is quite different from deliberate fraudulent or intentional misconduct which would be uninsurable. He affirmed his argument by stating that smuggling ventures cannot be insured and any event or venture which contravenes the law of the land or is against public policy cannot be insured. It is definitely illegal or against public policy to take out an insurance against fines imposed by the courts for motoring offences or court fines and penalties generally.

In addition to the limits to the scope imposed by law there are other risks generally regarded as uninsurable by the insurers. Irukwu (2003) listed such risks as follows: War risks or warlike operations such as civil strike and civil commotion, loss or damage resulting from radioactive contamination and explosive nuclear devices or components, losses arising from confiscation or detention of goods and other property, a government authority such as the Customs or other official bodies, wear and tear or depreciation as opposed to actual accidental loss or damage. Botos (2002) says that however, these could be insured on special terms at very expensive premiums but both on normal terms of usual policies.

THE DEVELOPMENT OF MODERN INSURANCE IN NIGERIA

Although the institution of insurance has existed in Europe and some other parts of the world for a long time, the practice of modern commercial insurance is relatively new to Nigeria, Irukwu (1996). The concept of insurance in its modern form was introduced into Nigeria by the British during the closing years of the 19th century, Banjo (1995). Banjo went on to explain that with the establishment of trading posts on the West Coast of Africa now known as Nigeria towards the end of the last two centuries by European trading companies mostly British, these companies started effecting their insurance contracts with established insurers in the London Insurance Market. As time went on some British insurers appointed Nigerians to represent their interests in the country as agencies. These agencies later gave way to full branch offices of their parent companies in Great Britain. lrukwu confirmed that the first insurance company to establish a full branch office in Nigeria was the Royal Exchange Assurance in 1921, which was later followed by other British companies. He is of the opinion that indigenous

Nigerian insurers later followed including some State-owned insurance and reinsurance organizations such as the National Insurance Corporation of Nigeria (NICON) which was established in 1969 and the Nigerian Reinsurance Corporation established in 1977.

Irukwu (2003) averred that the position today is that we have well over 150 direct insurance companies and five professional reinsurance companies operating in the country. Banjo (1995) asserted that the law and regulations governing insurance operations in Nigeria are contained in the Insurance Act 1961, Insurance Decree 1976, Insurance Decree 1991 and lately the Insurance Act 2003.

Having set the tone for this paper by examining in detail the origin, purpose, function, scope and development of insurance in Nigeria, we now precede to the next stage of assessing the impact of marine insurance on Nigerian economy.

METHODOLOGY

This assessment is carried out by formulating a hypothesis thus: Marine insurance does not significantly impact on the level of economic development in Nigeria. The period of study is 1984-2006; no attempt is made to extend the area of study to other countries of the world.

SOURCES OF DATA

The study employed secondary sources of data as collected from the following sources:

i. Central Bank of Nigeria (C.B.N.) publications, statistical bulletin and economic research seminar papers,

ii. National Bureau for Statistics-Annual Abstract of Statistics.

iii. Insurance Department of Finance and Economic Development.

iv. Research and Development, Nigerian Reinsurance Corporation, Lagos.

PROCEDURE FOR DATA ANALYSIS

The data generated for this research was analyzed employing both descriptive statistics. The hypothesis formulated was analyzed using Multiple Regression Model. This was in view of the five explanatory variables (independent variables) involved in the hypothesis of the study. Therefore, the analysis of variance (ANOVA) and coefficient of determination R^2 were employed in the test.

OPERATIONAL DEFINITION OF VARIABLES/ HYPOTHESIS TESTING

The study is concerned with the analysis of the impact of marine insurance business on the level of economic development in Nigeria. Hence the study requires the specification of the dependent and independent variables in order to encourage effective analysis.

In the hypothesis, we have the following dependent variables. $OVERALLGDP_t$ = level of OVERALL Gross Domestic Product in the year, t. For the hypothesis however, the independent variables are given as: $FIRE_t$: level of Fire insurance (total premium income) in year, $MOTOR_t$ = level of Motor Insurance (total premium income) year, t.

$GEACCIDENT_t$ = level of General Accident Insurance (total premium income) in year, t.

$MARINE_t$ = level of Marine Insurance (total premium income) in year, t.

Lef_t = level of Life Insurance (total premium income) in year,

HYPOTHESIS TESTING

Ho = Marine Insurance does not significantly impact on the level of economic development in Nigeria.

(a) Here, the independent variables are the levels of fire, motor, general accident, marine and life insurances.

(b) The dependent variable is Overall Economic Development with the level of Overall Gross Domestic Product for the same period as its proxy denoted as GDP_t.

Mathematically, therefore, we have:

$GDP_t = f(FIRE_t, MOTOR_t, GEACCIDENT_t, MARINE_t, LIFE_t) +e$ - ……….(1)

GDP_t = 13ot J31FIRE$_t$+J32 Motor+ 133 GEACCIDENT$_t$ + B4

MARINE$_t$+ 13s LIFE$_t$ +e ---(1)

Where:

GDP_t = level of Overall Gross Domestic Product in year, t FIRE$_t$ = level of Fire Insurance in year, **t,**

Motor level of Motor Insurance in year, **t.**

GE Accident = level of General Accident Insurance in the year, **t.**

Marinette = level of Marine Insurance in year, t.

LIFE$_t$ = level of Life Insurance in year, t.

f3 = Estimated Parameter of Coefficient of Regression

e = The Error Term

TEST OF SIGNIFICANCE

TEST OF MODEL SIGNIFICANCE

For the hypothesis to be tested, it is imperative for a test of model as a whole to be conducted. Carrying out such a test has the advantage of confirming the appropriateness of the model specification. Two ways of performing the test are:

1. The analysis of variance approach (ANOVA) and

2. The Coefficient of Determination approach, both calculated from the regression model.

The Analysis of Variance approach seeks to split the variations in the dependent variable (Overall Gross Domestic Product).

Variations in the Dependent Variable that are accounted for by the explanatory variables are called the EXPLAINED VARIATIONS. Other sources not thus explained are due to random or chance factors. These are estimates of the population disturbance variable 'u' and are represented by 'e' otherwise called the residual or error term.

TABLE 1: HYPOTHETICAL NOVA TABLE

Source of variation	Sum of squares (SS)	Degree of freedom (d. f.)	Mean square(ms)	f-ratio
Regression	SSR = $\Sigma y^2 R^2$	k	MSR= SSR k	f = MSR
Residual	SSE = SST - SSR= $\Sigma y^2 (1-R^2)$	n-k-1	MSE=SSE n-k-1	MSE
Total	SST= Σy^2	n-1		

Where:

SSR = Sum of squares of the regression.

SSE = Sum of squares of the error term.

SST = Sum of squares of total variation.

k = Number of independent variables.

N = Number of observations.

Note: R^2= $\frac{b1\Sigma x1Y+ \Sigma b2\ \Sigma x\ 2Y}{\Sigma Y2}$

TEST OF THE MODEL: COEFFICIENT OF DETERMINATION AND THE F-TEST APPROACH

Another method to test the statistical significance of the estimated regression model is through the coefficient of determination (R^2), calcu1ated from the regression R^2 gives the proportion of the total variation in the depend variable. R^2 From the sample is a statistical estimate of the population, P^2, {row-squared). Values of R^2 range from 0 to 1. In setting up the test, the following hypothesis is tested: H

$0_1 : P^2 = 0$ (i. e., the regression in a given year has no significant relationship with the actual dependent variable the, the year). HAI$P^2 = 0$ (one- tailed 0 test of significance) (i.e, at least there is a significant relationship between one of the independent variables and the actual dependent variable).

DECISION RULE

If f- ratio calculated is greater than the f- ratio tabulated at alpha (a)- level of significance, and (k-1) (n-k) degree of freedom then we reject Ho and accept Hi and state that there is some truth in the estimated model (i.e, the regression model is significant since the repressors significantly account for the variation in the dependent variable).

Here, f-ratio calculated = $\frac{(R^2)/(k\text{-}l)}{(1\text{-}R^2)/(N\text{-}k)}$

Where,

R^2 = R squared of the model

k = number of variables (independent and dependent)

N = number of observations.

TEST OF THE SIGNIFICANCE OF THE EXPLANATORY VARIABLES

Having established the significance of the estimated model as a whole, we go further now to test the specific strength of the various regressors in bringing about the result. We can check this through conducting t-test on the estimated parameters of the regressors. The test statistics ratio is calculated thus:

t-ratio = $\frac{Bk}{Se\ (Bk)}$ for k = 1 ……………………………6

Where Bk = estimation of the population parameters for the regressors and BSe (Bk) = standard error of the estimate.

DECISION RULES

If absolute value $\left| \dfrac{Bk}{Se\ (Bk)} \right|$ > t_n - k a /2

Level of significance, we reject H_o and accept H_1 and then conclude that the variable belongs significantly to the model.

ASSUMPTION OF THE LINEAR REGRESSION MODEL

In choosing the above model, we made the following principal assumptions about our population disturbance term, "ut".

These assumptions about the distribution of the values of "ut" are very crucial for the estimate of the regression. These include the following.

a. Assumption of Randomness: The value "ut" being a random real variable may be positive, zero or negative each with a certain probability of occurrence for a particular period.

b. ASSUMPTION OF ZERO MEAN: The mean value of "ut" **in** any particular period is zero. This being the case the expected value, (E(ut)), of "ut", for all observations, t = 1,2,3……….. n is equal to zero.

c. CONSTANT VARIANCE ASSUMPTION: The variance, [32ut, is constant in each period, that is, the variance of "ut" for each explanatory variable is constant. This being the case "ut" will show the same dispersion for all values of the explanatory variables. $(E(u^2t)) = 8^2$. This is called the assumption of HOMOSCEDASTICITY. If this assumption does not apply then the condition of HETROSCEDASTICITY obtains under which condition, therefore, it will be difficult for us to construct confidence intervals on the regression estimates. These tests then become inapplicable.

d. NORMALITY ASSUMPTION: The variable "ut" has a normal distribution that is the values of **"ut"**(for each explanatory variable) have a bell- shaped symmetrical distribution. The above four principal assumptions are symbolically represented as ut-N(0,8^2ut), that is, ut is a random variable with a normal distribution, zero mean and a constant variance.

e. OTHER ASSUMPTIONS OF THE MODEL:

i. Cov (uiuj) = 0 (there is no covariance between the disturbance terms in different observations)

ii. Cov (xisui) = 0 (no covariance between the disturbance terms and the explanatory variables)

iii. Cov (xis) =0 (i. e. No multi-co linearity exists).

iv. The relationship is IDENTIFIED- that is the model has a unique mathematical form. Its explanatory variables are not found in any other mathematical equation related to the phenomenon being studied

v. It is also assumed that the model is correctly **SPECIFIED MATHEMATICALLY.**

RESULTS AND DISCUSSION

INTRODUCTION

This Section presents the necessary data *set* for the study, the result and discussion of the test carried out to buttress the augment transformed into hypothesis. As stated earlier, secondary data were mainly employed as sourced from the Central Bank of Nigeria, National Bureau for Statistics (NBS) Publications and the Research and Development Department of Nigerian Re- Insurance Corporation and Insurance Department of the Ministry of Finance and Economic Development. For orderly presentation, this section shall fall into subsections of data presentation, analysis, result and discussion.

DATA PRESENTATION

Here, we present the data used in the analysis. As stated, only secondary data were used as sourced from the four main organisations explained above.

TABLE II: DATA SET OF GROSS DOMESTIC PRODUCT (GDP) AND PREMIUM INCOME OF FIVE CLASSES OF INSURANCE IN NIGERIA (1984-2006)

S/N	YEAR	FIRE	MOTOR	GEACCIDENT	MARINE
1	1984	107204656.00	134793142.00	136498650.00	72499784.00
2	1985	117835887.00	135169979.00	12016582.00	74273649.00
3	1986	9825851.00	140045797.00	139357452.00	74078774.00
4	1987	202782785.00	157717219.00	253638817.00	251933911.00
5	1988	219520000.00	203000000.00	222048000.00	104400000.00
6	1989	280000000.00	273644000.00	385500000.00	464000000.00
7	1990	300000000.00	354000000.00	475500000.00	2100000000.00
8	1991	180060000.00	583650140.00	650705080.00	2850640000.00
9	1992	860900.00	1350868.00	25875830.00	5775850145.00
10	1993	752700.00	1484940.00	1013190.00	2434870.00
11	1994	125770.00	2110360.00	977080.00	1142270.00
12	1995	1557780.00	2994590.00	1292000.00	2944460.00
13	1996	2850071.00	4061407.00	17672122.00	2992406.00
14	1997	22914160182.00	5269160721.00	6137423121.00	2445379358.00
15	1998	2784213352.00	5572915068.00	4377652453.00	3541757118.00
16	1999	2760614222.00	5268561896.00	3776047282.00	4636622617.00
17	2000	3445549871.00	7046210483.00	7953682914.00	4071701211.00
18	2001	3697248037.00	8797454838.00	5648363502.00	855931963.00
19	2002	4751655905.00	10816015116.00	7310288803.00	13353666773.00
20	2003	6016097000.00	138091441000.00	10232577000.00	15696362000.00
21	2004	7335994000.00	15071809000.00	13819477000.00	20989737000.00
22	2005	9518785000.00	16484517000.00	16307327000.00	21013148000.00
23	2006	12931350750.00	18957194550.00	20384158750.00	22063805400.00

DATA ANALYSIS AND TESTING OF HYPOTHESIS

The contribution of marine insurance to development of Nigerian economy.

The hypothesis to test this theory states that:

Ho: Marine insurance did not significantly contribute to the economic development of Nigeria in the period under review.

TABLE III: HYPOTHESIS RESULT /OUTPUT

0.940	R
0.883	R^2
0.848	adjusted R^2
38943.22834	Std. Error of the Estimate
23	Observations
5	Predictor variables
Y	Dependent Variable

Variables	Coefficients		Std error	T (df=17)	Significance
INTERCEPT	β_0	302765.30	10544-169		
FIRE	β_1	-3.71E-007	0.000	-0.139	0.891
MOTOR	β_2	1.40E-055	0.000	0.892	0.385
GEACCIDENT	β_3	3.36E-006	0.000	.0450	0.659
MARINE	β_4	3.58E-006	0.000	0.775	0.449
LIFE	β_5	-7.94E-006	0.000	-0.364	0.721
ANOATABLE					
SOURCE	SS	D f	MS	F=25.580	0.000****
REGRESSION	1.9E+011	5	38794634820		***
RESIDUAL	2.6E+010	17	1516575033		**
TOTAL	2.2E+011	22			

NB: **** significant at 0%; *** 2significant at 1%; ** significant at 5% f- ratio tabulated; df (5,17), 1%= 4.34; 5% = ratio tabulated, df (17), 1%= 2.898, 5%= 2.110.

TEST OF MODEL SIGNIFICANCE - ANOVA METHOD

Also to confirm the specification status of the model, we conducted the Analysis of Variance (ANOVA) Test. From Table II we compared the calculated f- ratio with the f- tabulated or theoretical.

DECISION RULE

Since the f- ratio calculated (25.580)> f-ratio tabulated (4.34, 2.0) we reject Ho and accept Ha, to conclude that Marine Insurance impacted significantly on the economic development of Nigeria in the period under review.

TEST OF MODEL SIGNIFICANCE R^2 METHOD

Similarly, in testing with the coefficient of multiple determination, we adopt the formula:

f- ratio calculated$= \dfrac{(R^2)/(k-1)}{(1-R^2)/(N-k)}$

Where:

R^2 = 0.883

k = 6

N=23

$= \dfrac{(0.883)/(6-1)}{(1-0.883)/(23-6)}$

=25.580

Since f-ration calculated (25.580) > f- ratio tabulated (4.34, 2.81) at both 1% and 5% levels of significance respectively, Ho is therefore rejected and Ha accepted to conclude that the model is significant and that marine insurance impacted

significantly on the gross domestic product (GDP) of Nigeria. The resulting model from this test is given as:

OVERALLGDPt= 302765.38- 3.58E- 007firet +1.40E- 3.36E- 006 GEACCIDENTt-3.58E- 006MARINEt - 7.94E 006 LIFEt   ……………2

TEST OF THE SIGNIFICANCE OF EXPLANATORY VARIABLES

Having confirmed the model significance, t- test is conducted to determine whether the individual explanatory variable contributed significantly to the economic development of Nigeria in the period under review. Here, Table II is also employed:

Ho (a) Fire insurance did not make significant contribution to the gross domestic product of Nigeria in the period under review.

Ho (b) Motor insurance did not make significant contribution to the gross domestic product of Nigeria in the period under review.

Ho(c) General Accident Insurance did not make a significant contribution to the gross domestic product of Nigeria in the period.

Ho (d) Life Insurance did not contribute significantly to the gross domestic product in Nigeria in the period reviewed.

Also, t- ratio calculated respectively for Fire, Motor, General Accident, Marine and Life Insurances (0.139, 0.892, 0.775, and 0364) < t- ratio tabulated (2.898, 2.110) respectively at 1% and 5% levels of significance, Ha is rejected while Ho is accepted in each case, to conclude that none of the explanatory variables, (Fire, Motor, General Accident, Marine and Life Insurances) offered a significant contribution to the level of economic development of Nigeria in the period of investigation.

DISCUSSION OF RESULT

The result follows basically the pattern of the insurance market development. First, there is a high correlation among all the variables taken together, 94% slight improvement from the experience of the insurance market. In like manner, the other test statistics posted similar results as the R^2 herein is 88.3%, adjusted R^2 84.8% and f- ratio 25.580. It is interesting to note that the variations in the different classes of insurance have been able to explain at least 88% of the total variation in the gross domestic product of Nigeria, thus, leaving only about 12% to chance occurrence.

Again, in terms of contribution to Economic Development, none of the explanatory variables is a significant contributor to the level of Economic Development in the period of investigation, 1984- 2006. The resulting estimated model is: OVERALLGDPt = 302765. 38- 3. 71E-007FIREt + 1.40E -005 MOTORt + I 3.36E – 006GEACCIDENTt -3.58E - 006MARINEt -7.94E- 006LIFEt ……….(3)

This gives a repeat of the insurance market development in many respects. For instance, whereas Motor, General Accident and Marine Insurances all were positive contributors to the economic development both Fire and Life insurances had negative coefficients and so offered negative contributions to the gross domestic product (GDP) in Nigeria. In terms of correlation the highest is between Economic Development and Motor Insurance (93%), Life Insurance (93.2%) General Accident (92.3%), Marine (91.5%) and the least came from Economic Development and Fire Insurance (59.4%).

SUMMARY OF FINDINGS

This study investigated the contribution of Marine Insurance to the economic development of Nigeria from the year 1984 to 2006. The study generated a major hypothesis in order to achieve some objectives. The major findings of the study therefore are as follows:

1. Positive significant relationship exists between Marine Insurance and the level of Economic Development in Nigeria.

2. On the basis of the hypothesis tested, the study proved to be significant as Marine Insurance exerted significant influence on the Overall Gross Domestic Product of Nigeria.

3. In the hypothesis tested, none of the explanatory variables namely Fire Insurance, Motor insurance, General Accident Insurance, Marine and Life Insurances seemed to offer significant contribution to the economic development of Nigeria in the period studies.

CONCLUSION

On the basis of the findings above some conclusions are reached as follows:

1.   Marine insurance is a desirable phenomenon in Nigeria and should be encouraged.

2.   There is a positive, but insignificant relationship between marine insurance and the level of economic development in Nigeria; hence the need for Government support and control to develop the business to the level of invisible source of income to the nation.

3.   Both fire and life insurance businesses exerted negative effects on the economic development therefore, there is need for total enlightenment of the public on this obvious source of foreign currency earner to the nation.

RECOMMENDATIONS

With the above findings and conclusions in mind, the study offers the following recommendations:

1. Underwriters should obviously make frantic effort to avoid underwriting sub- standard risks. In the same vein, policy wordings should be designed basically not to recompense the insured for loss, damage or expense which is inevitable or not properly incurred.

2. There is real need for insurance clauses to be constructed free from ambiguity to reduce litigation of claims. Therefore, this study specifically advises underwriters, naturally to adopt a realistic approach to the enormous build up of exposures in the maritime industry. This is realistic indeed because the cost of operation has escalated generally at a frightening rate.

3. In like manner, underwriters should be able to command fair premiums in relation to potential losses otherwise, many may opt out of this class of insurance and affordable and insurable covers may shrink accordingly in the market.

4. Furthermore, the prospective assured shell try not to admit any terms in the contract which he knows or ought to know could not be easily fulfilled.

5. Therefore, the Ministry of Finance, as a regulatory body should have eagle eyes on the insurance sub- sector to keep fraud and other sharp practices out from the market.

6. In appreciation of the influence of marine insurance the government should regularly formulate enabling regulations to sanitize the insurance market in order to reduce fraud to barest minimum.

7. In furtherance of the regulatory ability of the Government, for example, the recapita1ization process, it is strongly recommended that the Marine Insurance Act 1990 which is a complete copy of the British Marine Insurance Act 1906 be reformed because of the fact that the world has drastically changed since 1905 when the Marine Act 1906 first passed through the Parliament at Westminster.

8. Howbeit reforming the Act is desirous, there should be no much softening of the more stringent Provisions of the Act so that the reform will not be so pro-consumer that insurers are discouraged from entering or remaining in the market, also the reform shall not be sidestepped by a contractual choice of non-Nigerian law.

9. The research identified the need for ship- owners to establish a protecting and indemnity (P&1) club in the African region to alleviate them of the effect of those risks not coverable by the ordinary Policy of Marine Insurance.

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