



Ethical Issues in Claims Management: An Empirical Verification of Fire Insurance in Nigeria

¹Anthony Obinna UGWUOKE, ²Ogorchukwu Augustine ISIMOYA,

¹Department of Insurance, Joseph Bokai College of Social and Management Sciences, Gregory University Uturu, Abia State, Nigeria.

²Department of Actuarial Science and Insurance, University of Lagos, Nigeria.

Corresponding email address: toniobi4won@gmail.com

Abstract

This study examined the ethical issues in claims management, specifically, focused on fire insurance in Nigeria. It scrutinized the significant impact of some ethical issues like conflict of interest during claims and information asymmetry on fire insurance business in Nigeria. The study involved a survey research design. Its population is Enugu urban, Enugu state, Nigeria. A convenient sampling technique was used to select 62 participants from 3 local government areas that make up Enugu urban. Data for the study were collected with the aid of well-structured questionnaire, and Linear Regression Analysis was employed to validate the research hypothesis at 0.05 significant level. The statistical results found that conflict of interest and information asymmetry have 1.049 and 1.149 significant impact on fire insurance business respectively. Among the recommendations were that parties to insurance contract (insurer and insured) should promote transparency throughout the period of the insurance contract, insurers should embrace the use of technology (Insurtech) in insurance business in order to track disclosures, approvals and policy compliance by the insured. It was also recommended that parties to insurance contract should increase their sources of information to obtain unbiased, timely and accurate insight on the contract nature, terms and conditions. The study, however, contributes to knowledge by unravelling the impact of ethical issues in claims management on fire insurance business in Nigeria.

Keywords: Ethical Issues, Claims Management, Conflict of Interest, Information Asymmetry, Fire Insurance.

1.0 Introduction

On several occasions, when there are fire outbreaks, properties and/or lives are lost, individuals or organisations suffer financial losses due to a break in production, resulting to a fall in supply, and little or no contribution to the government revenue within that period (Ugwuoke and Fadun, 2024). The essence of fire insurance, therefore, is to pay for the loss which results from fire at any given time. This is why the main point in the definition of insurance contract is the part in which the insurer undertakes to pay claims at the happening of the insured peril (Kayode, 2021). The insurance against fire is one of the most important forms of insurance contracts for the business world. Fadun, Isimoya and Ugwuoke, (2024) described a contract for fire insurance as where an insurer undertakes to pay a stated sum of money to an insured for losses resulting from fire as a consideration for the premium paid by the insured to the insurer. An insurer will entertain

fire insurance claims from the insured who has suffered financial loss resulting from the insured peril of fire, and where the fire was accidental but not intentional.

Fire insurance claims involve a formal request to an insurer by the insured/policyholder for payment following the occurrence of a loss resulting from fire, which is the peril covered by the policy. The Compensation Act, (2006); Eze, (2023) described claims management as a range of activities consisting of advice on claims for compensation, payment or other remedies for loss or damages. The management of insurance claims is a very technical aspect of insurance business and determines the loyalty and opinion of an insured about the insurer (Yusuf and Ajemunigbohun, 2016). Therefore, prompt claims settlement boosts the insureds' confidence and stands as the mirror through which the public sees the insurance industry (Capgemini, 2011; Oluwaleye, Shoyemi and Edewusi, 2020). Hence, the way insurers handle claims has a lot of impact on insurance image and business generally. The issues of integrity and fairness of insurers are often weighed and judged by the claimants according to their satisfaction with the claims handling process (Duncan, 2024).

Onosedede, (2013); Unachukwu, Afolabi, and Alabi, (2015) noted that public opinion about insurance business is greatly shaped by insurance company's ability to promptly pay claims to the claimants for losses sustained according to the policy specifications. This is why an effective claims management is essential to the general performance and sustainability of fire insurance companies and Nigeria insurance sector in general (Yusuf and Ajemunigbohun, 2015). Examining the relationship amongst claims management and the success of fire insurance business in Nigeria is of utmost importance, given the fact that claims management is a vital aspect of insurance operations (Banmore, Adefulu and Makinde, 2023). Claims management processes that are transparent, efficiently and effectively managed have positive impacts on customer relationships, legal compliance, fraud deterrence, as well as the general performance of the insurance sector (Kazungu and Barasa, 2017). Therefore, an established claims management practices in the Nigeria insurance sector ought to be reviewed in order to accommodate some critical aspects that will bear the interest of both parties and ensure effective and efficient claims experience in the Nigeria insurance industry.

Previous studies in this area (Yusuf, Ajemunigbohun and Alli, 2017; Sunder, Hai and Lynne, 2024; Fadekemi, 2024) mainly focused on the challenges faced by claims managers and insurers during claims payment. Eze and Victor, (2013) also noted that the Nigerian insurance sector has been experiencing a setback in growth and penetration due to public perception of insurance business as an organized fraud. This setback according to Adebisi, (2014) was because of the insurance companies' poor standards in the assessment, analysis and management of claims, as these have become a great concern to the regulatory authorities, stakeholders and researchers. The inability to promptly pay claims to the extent of policyholder's expectation have often wrongly projected the image of Nigerian insurance industry to the insuring public, even though some ethical considerations and fundamental issues are responsible for delay or nonpayment of claims

by an insurer. However, this act of nonpayment or delay may eventually affect the confidence level of the public on the insurance sector (Adebisi, 2014).

Disagreements leading to delay in claims payment are often experienced during claims, but no study has been able to fully outline the solutions to the cause(s) of the disagreement. Tan, Anumba and Soon, (2018) noted also that the insurance industry and independent bodies are not doing enough to find appropriate solutions for possible conflicts during claims before they arise. This conflicts significantly impact insurance business, specifically, fire insurance business in Nigeria. However, little or no pragmatic actions have been taken by the concerned bodies to finding lasting solutions to conflict in insurance contract. The questions now begging for answers are “what leads to conflict during claims in insurance contract, and how can they be managed to strengthen the business relationship between insurers and the insureds?” To answer this question, this study examines the ethical issues in claims management that have impacts on fire insurance business in Nigeria. The specific objectives were to:

- I. Examine the significant impact of conflict of interest during claims on fire insurance business in Nigeria.
- II. Determine the significant impact of information asymmetry (knowledge gap) in insurance practice on fire insurance business in Nigeria.

2.0. Literature Review

2.1. Fire Insurance in Nigeria

The term ‘fire’ is used to describe a fortuitous or accidental ignition of a thing that was not meant to be on fire (CII,2004; Nyce, 2007; Ukpong, Aduloju and Fadun, 2024). Wahab, (2015) also asserted that fire represents a speedy combustion of a substance in a heated reactive procedure. Hence, fire insurance is the type of insurance coverage where the insurer undertakes to pay claims to the insured when fire damages or destroys a property which is the subject matter of the insurance contract (Ugwuoke and Fadun, 2024). Among the perils cover in fire policy are fire itself, lightning, explosions, fires resulting from riot, malicious damage, strike and so on (Oakes, 2019; Ukpong, Aduloju and Fadun, 2024). The insurers are only on risk after the insured or policyholder has paid the first premium. Umoren and Joseph (2016) noted that the premium paid on insurance contract by the owner of the policy represents the cost of insurance coverage. Hence, the receipt of premium by an insured is an indication of interest to cover the peril insured against. In addition, insurance premium is equally relevant to the Nigerian economy as they contribute to the inflow of capital from the insurance sector (Haiss and Sumegi, 2008; Nwosa and Mustapha, 2018).

Different states and parts of Nigeria have recorded various degrees of fire losses emanating from natural and man-made disasters. In recent times, public buildings have become complex and bigger. These modern buildings have increased significantly in size and can accommodate more people, properties and goods compared to the buildings of old. The great problem associated with fires in public buildings is the possibility of fire gases spread to corridors, stairwells and other open spaces (Adekunle, Umanah, Ibe, and Imonikosaye, 2018). This makes evacuation more difficult and allows the fire to spread to other parts of the building. The material and financial effects of fire disasters, as well as the nature and magnitude of burn injuries have increasingly changed over many centuries, particularly in the 21st century. Of course, this can be traced to the industrial,

technological, and military development, as well as the increasing number of armed conflicts the world over (Cavallini, Papagni, and Baruffaldi, 2018).

Claims Management

Insurance as a concept was established on the premises that it would restore an individual who has suffered a loss back to his/her position just before the loss (Igbinovia and Kekere, 2022). The rudimentary principle and idea underlying the whole essence of insurance contract is the payment of claims made by a policyholder when the loss covered under the policy occurs (Dorfman, 2015). Hence, a policyholder is attracted by the promise made by an insurer to indemnify him/her when a loss insured under the policy occurs provided the former is up to date with premium payments. When a loss occurs, the policyholder approaches the insurer for compensation (claims). The implication of this process is that the policyholder tries to enforce his/her rights under the contract. This also seeks to ensure that the insurer fulfils his obligations under the contract (Olusegun, 2018). The rights and obligations of both parties would essentially hinge on the terms of the contract and the rules under the general law (Ojukwu-Ogba, 2016).

Thus, claims management is a prerequisite for an insurer. It is one of the basic activities of an insurance company. Butler and Francis, (2015) noted that claims management is an avenue for an insurance company to demonstrate that years spent paying premiums were worth the expense. The underlying relationship between a policyholder and an insurer strengthened by prompt claims payment. Hence, proper and efficient claims management would serve as a good marketing strategy for the insurance companies efficient claims management provides a competitive advantage for an insurance firm ahead of its competitors. Proper claims management significantly affect every area of the institution, thus, there is a need for a competent claims administration practices and ethics (Noah, 2018).

Claims management involves every form of administrative procedures and controls relating to the indemnification of an insured who has suffered a loss in accordance with the provisions of an insurance contract (Rejda and McNamara, 2014). Prompt claim payment is relevant as a fulfillment of promise made to an insured, and as a promoter of goodwill.

Ethical Issues in Claims Management

The insurance industry is currently reforming how insurance business is conducted in Nigeria in order to repair insurance image and boost public interest in insurance business in Nigeria. Therefore, the seemingly established operation patterns of insurance companies will have to be questioned and some critical thinking brought to bear in order to ensure that insurance practices in Nigeria is at par with what is obtainable in developed country. To achieve this, attention must be drawn to the ethical issues fundamentally affecting insurance practices the world over. Duncan, (2024) identified the issues of fundamental importance which affect insurance business, especially during claims payment to include the following:

Conflict of Interest: conflict of interest may arise when an insurer wants to run a profitable business and he is careful not to spend so much paying claims, but the insured on the other hand, wants to get full and fair settlement of their claims. In between these interests is the policy wording, which its details are better understood by one of the parties in the contract. Conflict can result to an atmosphere of unwanted tension, where the insured is seen as using his knowledge and power to reduce the amount claimed by the claimant in order to increase profits, whereas the claimant on the other side may be viewed as constantly seeking to benefit from his own loss through overstatement or deception. It is almost impossible to completely avoid conflict during claims payment. The ethical issue to address however, is not how to stop conflicts from arising but how to deal with them when they eventually surface. Duncan, (2024) also noted that the ability to recognise and respond to conflicts of interest properly has been a serious issue in the insurance sector. The implications of conflict of interests ranges from fines for systemic failures, to a general erosion of trust with the insuring public. Just to mention, it is important not to view conflicts of interest as accusations –it is just situation that need to be treated appropriately.

Information Asymmetry: information asymmetry or knowledge gap arises when two parties are in a contract, but one party knows more about the contract than the other. Duncan, (2024) also stated that policyholders occasionally accuse insurers of taking advantage of lack of proper awareness about insurance business and in some cases, the policyholders do have a point. However, most time, they just feel exploited, rather actually being exploited. Their feelings of being exploited are therefore, the indications of the imbalance of knowledge existing between the parties in insurance contract. Therefore, the ability to positively and proactively handle the information asymmetry in insurance business will help insurers earn public trust in insurance business. Regarding the claims as often being a complex mix of money, emotions and uncertainties, insurance agents, stakeholders and claims departments of insurance companies should take pragmatic steps to balance the information gap existing in the insurance market.

2.4. Theoretical Review

This study is based on the Utilitarian Theory of Ethics (UTE) which was propounded by Bentham, (1789). This theory attempts to provide an answer to the question “what should one do?” the answer to which is that one must behave in a way that increase happiness in other people and reduce their pains and agony. Utilitarian ethics and modern business practices are frequently conflicting, with businesses prioritizing self-interest against the collective well-being advocated by utilitarian scholars (Mohammad and Mohammad, 2024). For this reason, there is a need to seek thorough examination of this conflict by applying utilitarianism theory to shed more light on the conflict existing between ethical issues and business models, and at the same time, suggest lessening adverse consequences.

The theory is relevant to this study because it focuses on the core tenets of utilitarianism, including the greatest happiness principle, consequentialism, and long-term thinking,

investigating their application within the insurance practice, and based on analysis of how utilitarian principles align with conflict of interest and information asymmetry, and

the point of disagreement. The aim is to explain the severity of the problem arising from this disagreement. A few theories were the backbone of this study, supported by data obtained from other sources, such as academic literatures, books, articles, and online resources, and via the incorporation of utilitarian ethics into business practices, more especially, fire insurance business, it claims that businesses can maintain long-term competitiveness by prioritizing the interest of the majority (policyholders) over temporary gains for a select few (the insurers).

2.4. Empirical Framework

A few researchers have carried out studies on the issues relating to claims management and their impacts on insurance business in Nigeria. Sunder, Hai and Lynne, (2024) examined the challenges facing fire insurance claims management in the construction industry. The study made use of primary data and discovered that there are five major challenge confronting proper claims management, including stakeholders' interests; inadequate resources assigned for claims management; absence of established procedure for claims management; lack of or poor documentation, improper management of information, as well as absence of general and expert contractual knowledge.

Fadun, Isimoya and Ugwuoke, (2024) employed a survey research design to examine the socio-economic determinants of life assurance purchase in Nigeria. The study which involved a convenient sampling technique was centered on all the civil servants in Enugu state. However, the study revealed that apart from education, price (premium), and level of income, the insufficient or misinformation about insurance and its practice are among the banes to insurance purchase in Nigeria.

Fadekemi, (2024) also examined the relationship between claims management and the performance insurance in Nigerian manufacturing sector using a multiple linear regression, correlation analysis, and descriptive statistics. The study involved a sample of eighteen manufacturing companies in Nigeria and revealed that conflict of interest among parties to insurance contract- a situation where both parties (insurer and manufacturer) put their interest ahead of the stated rules and patterns of the insurance contract is among the factors causing disagreement during claims payment.

In the same way, Adhikari, (2021) studied the impact of claim settlement on customer satisfaction, concentrating on clearness of claims payment advice, claims procedures, and actual payment. Likewise, Ntwali et al., (2020); Olarinre et al., (2020); Ajemunigbohun, Isimoya and Ipigansi, 2019; Ajemunigbohun, Sogunro and Oluwaleye, 2022; Agarwal, 2023; Settipalli, and Gangadharan, 2023; Kajwang, 2022) have all examined the impact of conflict or fraud on claims management in Nigeria. The studies have found that conflicting interest among the parties to insurance contract, knowledge gap and improper orientation are among the factor issues causing dispute during claims payment.

Pattnaik, Misra, and Ghadai, (2019) employed a primary data to study the impact of prompt benefit payment in health insurance. The study discovered that a client-centric benefit settlement system relieves the client of anxiety and guarantees that the aim of life insurance companies to pay medical expenses in case of hospitalization or pay benefits

in the event of death is not defeated. However, the inability to promptly honor the promise to pay can lead to high out of pocket expenses and financial hardship: this may eventually result in low customer satisfaction, decline in insurance demand and slow economic growth.

There has not been any published study examining the impacts of conflict of interest and information asymmetry (knowledge gap) as ethical issues affecting fire insurance claims management in Nigeria. This is the gap covered by this study. Therefore, this study is a pragmatic shift from the previous studies, as it suggests policy changes, programs and strategies to enhance transparency and trust in fire insurance business.

3.0 Research Methodology

The study made use of survey research design. This was deemed suitable for the study for the fact that it aids a better understanding of a concept, people, and helps to expand thought or view about a specific idea or an issue being studied (Ugwuoke and Fadun, 2024). The survey research design makes use of quantitative data to convey appropriate and reliable information. It is often applied in a quantitative study that involves several survey questions with the aim to gather accurate data from several respondents. Population of the study comprises of the residents of Enugu state, located in the southeastern Nigeria with a population of 4,690,100 (Ugwuoke, Fadun and Aduloju, 2024). The targeted population was individuals aged 20 to 50, with a education level ranging from SSCE to Ph.D. The reason was to ensure that the participants are of age and educated enough to furnish the researchers with unbiased information. The selection of this population aligns with the study's goal to examine the impacts of conflict of interest and information asymmetry on fire insurance business in Nigeria

The sample size for this study was determined to be sixty-two (62) participants, drawn from employees of top seven insurance companies in Enugu state including Anchor, Leadway, Linkage, Staco, Unic, Unity Kapital, and Niger Insurance Plc . This sample size was deemed sufficient to ensure statistical reliability, given the study's objectives. Twenty-five questionnaires were distributed across the seven insurance companies by the researcher and two trained assistants. The direct delivery and retrieval of research instrument method was employed to ensure speedy and high return rate of the instrument. The questionnaires were structured in a three Likert Scaling format of 'Agree', 'Disagree, and "Undecided". A pilot study was conducted on twenty civil servants in Enugu State to ensure that the instrument was reliable. Hence, the Cronbach Alpha Reliability Test was used test the reliability of the instrument. 75% reliability index obtained from the pilot study indicated that the research instrument was suitable for the study. Descriptive statistics were used to describe data characteristics in tables, while Simple Linear Regression was used to test the hypotheses at a 0.05 significance level.

Formulation of Hypothesis

HO₁: Conflict of interest during claims has no significant impact on fire insurance business in Nigeria.

HO₂: Information asymmetry (knowledge gap) in insurance practice has no significant impact on fire insurance business in Nigeria.

3.1 Model Formulation and Specification

The Model is on ethical issues and fire insurance claims payment in Nigeria. Specifically, the emphasis is on the effect of conflict of interest, knowledge gap (information asymmetry), as they affect fire insurance claims payment. The data which were collected for the study were coded and analysed with the help of the Statistical Package for the Social Sciences (SPSS). To ascertain the effects of the explanatory variables on the dependent variables, the model was specified and the functions capturing them were stated follows:

$$y = \beta_0 + \beta_1x + \varepsilon$$

Where;

y= the dependent variable

beta_ 0 = y-intercept

beta_ 1 = slope of the regression line

x = independent variable

ε = error margin

Model 1

$$FIB = \beta_0 + \beta_1CI + \varepsilon_i$$

Where;

FIB= Fire Insurance Business

WC= Conflict of Interest

Model 2

$$FIB = f\beta_0 + \beta_1IA + \varepsilon_i$$

Where;

FIB= Fire Insurance Business

IA= Information Asymmetry

4.0. Data Analysis and Interpretation

The data was analysed and presented in agreement with the specific objectives of the study. A total of sixty-two persons took part in the study. The results were therefore, presented as shown below:

Table 4.1: Descriptive Statistics indicating the frequencies and percentages of the respondents' demographic characteristics.

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	39	62.9	62.9	62.9
Female	23	37.1	37.1	100.0
Total	62	100.0	100.0	
Age Bracket	Frequency	Percentage	Valid Percentage	Cumulative Percent

20 to 29	22	35.5	35.5	35.5
30 to 39	19	30.6	30.6	66.1
40 to 49	10	16.1	16.1	82.3
50 and above	11	17.7	17.7	100
Total	62	100	100	
Level of Education	Frequency	Percentage	Valid Percentage	Cumulative Percent
SSCE	14	22.6	22.6	22.6
HND/bachelor's degree	23	37.1	37.1	59.7
M.Sc. or Ph.D.	14	22.6	22.6	82.3
Others	11	17.7	17.7	100
Total	62	100	100	

Source: researcher's computation using SPSS Statistics, 2024

Table 4.1 shows the frequencies and percentages of the respondents' demographic characteristics. A total of 62 persons took part in the study. Out of this number, table 4.1 indicates that 39 (62.9%) of them are male while 23 (37.1%) are female. This implies that there were more male residents of Enugu state who took part in the study than females. The table also shows that the respondents who were between the ages of 20 to 29 are 22 (35.5%), those between the ages of 30 to 39 are 19 (30.6%), the respondents between the ages of 40 to 49 are 10 (16.1%), while those at 50 years and above are 11 (17.7%). This reveals that majority of the respondents were between the ages of 20 to 39, suggesting that there were more youths who took part in the study. Lastly, the table shows that the respondents with SSCE are 14 (22.6%), those with HND or B.Sc. are 23 (37.1%), those having M.Sc. or Ph.D. are 14 (22.6%), while the respondents with other certificates which were not mentioned are 11 (17.7%). This implies that there were more graduates who took part in the study and were better positioned to furnish the researchers with adequate and unbiased information regarding the subject matter.

4.2 Test of Hypotheses

The Hypotheses were tested as follows with the aid of simple linear regression:

H₀₁: Conflict of interest during claims has no significant impact on fire insurance business in Nigeria.

Table 4.2: Result of regression analysis showing the significant impact of conflict of interest during claims on fire insurance business in Nigeria.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.989 ^a	.977	.977	.15803	
Explanatory Variable	Unstandardized Coefficients		Standardized Coefficients	t-value	p-value.
	B	Std. Error	Beta		
Constant	.150	.052		-2.895	.005
conflict of interest	1.049	.021	.989	50.998	.000

Source: Researchers' Computation using SPSS Statistics 2024

Table 4.2 shows that conflict of interest ($\beta = 1.049$, $t = 50.998$, $p < 0.01$) has a significant impact on fire insurance business in Nigeria. Therefore, the null hypothesis which stated that conflict of interest during claims has no significant impact on fire insurance business in Nigeria was rejected. This significant impact indicates that any form of conflict between the parties to insurance contract regarding indemnification or the amount claimed by the claimant may negatively impact on fire insurance business. This is further revealed by the analysis that conflict of interest has a 98% decisive influence on fire insurance business in Nigeria.

H₀₂: Information asymmetry (Knowledge gap) in insurance practice has no significant impact on fire insurance business in Nigeria.

Table 4.3: Result of regression analysis showing the significant impact of breach of fundamental terms/fraud on fire disaster claims payment.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.959 ^a	.920	.918	.29855	
Explanatory Variable	Unstandardized Coefficients		Standardized Coefficients	t-value	p-value.
	B	Std. Error	Beta		
Constant	.010	.096		.104	.917
Information asymmetry	1.149	.044	.959	26.183	.000

Source: Researchers' Computation using SPSS Statistics 2024

Table 4.3 shows that information asymmetry (knowledge gap) ($\beta = 1.149$, $t = 26.183$, $p < 0.01$) significantly impact fire insurance business in Nigeria. Consequently, the null hypothesis stating that information asymmetry (Knowledge gap) in insurance practice has no significant impact on fire insurance business in Nigeria was rejected. This shows that the fundamental terms of a fire insurance contract and other essential terms must be

disclosed to an insurance buyer. The need to uphold honesty and integrity throughout the period of the contract are essential to ensure that the parties (insurer and insured) have good business relationship. In this regard, the data analysis indicated that information asymmetry has a 92% effect on fire insurance business in Nigeria.

4.5. Discussion of Findings

The results showed that conflict of interest between the parties to insurance contract has a 1.049 significantly influences on fire insurance business in Nigeria (Table 4.2). This is in agreement with the studies of Ntwali et al. (2020); Olarinre et al, (2020); Ajemunigbohun, Isimoya and Ipigansi, 2019; Ajemunigbohun, Sogunro and Oluwaleye, 2022; Agarwal, 2023; Settipalli, and Gangadharan, 2023; Kajwang, 2022) as well as Sunder, Hai and Lynne, (2024) who noted that stakeholders' interest is among the five major challenges often encountered in fire insurance claims within the construction sector. This interest may be associated with the investors or insurers' desire to gain or remain profitable to satisfy their own interest or be competitive in fire insurance business at all cost Fadekemi, (2024). Why stakeholders and insurers are in fire insurance to make gain, the people buy fire insurance covers to recover financially from any loss resulting from fire.

Conflict of interest may lead to erosion of trust on the insurer and the entire insurance system. If not properly handled, conflict of interest between parties to insurance contract can also cause financial stress for the insured, or legal and regulatory challenges, ultimately, having negative impact on insurance patronage. Therefore, this study supports previous literatures that insurers or individual investors' financial or other business interests significantly impact insurance business Nigeria.

The results also indicated that information asymmetry has a 1.149 significant influence on fire insurance business in Nigeria. Again, this is in consonant with Agarwal, 2023; Settipalli, and Gangadharan, 2023; Kajwang, 2022) who noted that the insureds' lack of proper knowledge about how insurance works is among the leading causes of dispute during claims. According to section 70 of the Insurance Act (2003), insurers are mandated to settle claims within 90 days from the time a loss was first reported. However, section 55(2) of the same act gives an insurer the liberty to repudiate claims if they were made from false or fraud. Hence, the inadequate awareness of insurance practice and processes according to Fadun, Isimoya and Ugwuoke, (2024) are among the factors affecting insurance business in Nigeria. For instance, a claimant whose claims were denied due to his own inability to abide by the details of his/her insurance contract will brand insurance as a 'fraud'.

Lack of adequate information about the insurance system may create various implications which may affect insurance patronage in Nigeria. while information asymmetry is often inherent in the insurance dynamics, transparency, fairness, and open communication can mitigate their impacts. Accordingly, this study affirms that information asymmetry significantly impacts on fire insurance business in Nigeria.

5.0 Conclusion

The purpose of this study was to investigate the ethical issues in claims management of fire insurance in Nigeria. Hence, the objectives were to examine the impacts of conflict of interest during claims, and information asymmetry (knowledge gap) on fire insurance business in Nigeria. The study involved a survey research design, while structured questionnaires were used to collect data from 62 selected individuals in the three local government that makes up Enugu capital city, namely Enugu East, Enugu North and Enugu South. The Statistical Package for the Social Science (SPSS) was used to test the study hypothesis at 0.05 significant level, in linear regression. The statistical analysis showed that conflict of interest between the parties to insurance during claims is a factor which significantly affect fire insurance business in Nigeria. Given the significant impact of 1.049 as determined by the statistical analysis, this study concludes that conflict of interest during claims is a serious ethical issue with the capability of negatively influencing insurance business in Nigeria.

In the same manner, the statistical analysis also indicated that information asymmetry (knowledge gap) has 1.149 significant impact on the fire insurance business in Nigeria. Therefore, this study concludes that conflict of interest and information asymmetry are ethical issues which significantly impact on fire insurance business in Nigeria.

5.1 Recommendations

Resolving conflict of interest and closing the information gap between insurer and the insured is crucial for maintain good business relationship in the insurance market. On this note, this study recommends that insurer and insured must promote transparency throughout the period of the insurance contract. Insurers should establish straightforward claims processes that are well-documented and accessible. Implement consumer feedback mechanisms that allow insureds to voice concerns about the contracts. To properly manage information asymmetry, this study also recommends that the insurance industry should embrace technology (Insurtech) in insurance business for access to information, tracking of disclosures, other changes during the contract, and compliance by the insured. Insurers should also customise communications based on individual policyholder's needs and concerns, ensuring that the information provided is relevant and useful. Parties should increase their sources of information to obtain unbiased, timely and accurate insight on the contract nature, terms and conditions.

5.2 Contribution to Knowledge

This study has successfully unraveled the ethical issues in insurance contract and how they affect claims payment in fire insurance business. As such, the study has contributed to knowledge in this area. Therefore, the study will be a reference material to other researcher in studies relating to ethical issues in fire insurance business as it relates to claims management in Nigeria.

References

Adebisi, W. (2014). *Principles and practice of Insurance* (1st ed.). Akure, Ondo: Adefemi Publishers.

- Adekunle, A. Umanah, I.I, Ibe, K.E, & Imonikosaye, M.R. (2018) Statistical analysis of fire outbreaks in homes and public buildings in Nigeria: A case study of Lagos State. *International Journal of Engineering Research and Advanced Technology (IJERAT)*, 4(8), 21-30.
- Adhikari, S. (2021). *Customers' Satisfaction Towards Claim Settlement of Life Insurance Policies in Nepal (With Reference to*
- Afolabi, T. S., (2018). Effect of claims payments on profitability in the Nigerian insurance industry Nigeria. *Advances in Social Sciences Research Journal*, 5(4), 31 – 36.
- Agarwal, S. (2023). An Intelligent Machine Learning Approach for Fraud Detection in Medical Claim Insurance: A Comprehensive Study. *Scholars Journal of Engineering and Technology*, 11(9), 191-200.
- Ajemunigbohun, S. S., Isimoya, O. A., & Ipigansi, P. M., (2019). Insurance claims fraud in homeowner's insurance: Empirical evidence from the Nigerian insurance industry. *Facta Universitatis, Series: Economics and Organization*, 103-116.
- Ajemunigbohun, S. S., Sogunro, A. B., & Oluwaleye, T. O., (2022). Claims handling process attributes: Perceptions of motor insurance policyholders in Lagos, Nigeria. *The Journal of Corporate Governance, Insurance, and Risk Management (JCGIRM)*, 1(1), 136 – 154.
- Al-Tawil, T. (2012). The efficient breach theory: The false assumptions and reasons. *Journal of Contract Law*. 27(4), 2-28.
- Arazi, I. Mahmoud, S. & Jamaluddin, Y. (2011). Legal effect of breach of warranty in construction insurance in Malaysia. *Research Journal of Applied Sciences, Engineering and Technology* 3(12), 1366-1373.
- Butler C. & Francis, M. (2015). Claims management in insurance. *Journal of Insurance and Risk Management*, 12(40), 12 – 18.
- Capgemini E. (2011). *Claims transformation: Enhancing brand value by delivery on customer commitments, capturing efficiency gains, and optimizing indemnity expenditure.*
- Cavallini, M., Papagni M.F., & Baruffaldi P. F.W. (2018). Fire Disaster in Twentieth Century. *Annals of Burns and Fire Disasters*. 20, 201-103.
- Crawford, (2007). *Trends in claims handling: Insurance industry update*. Canada: Crawford & Company Inc. Dedi Harianto
- Dorfman, M.S., (2015). *Introduction to risk management and insurance* (8th Edition), New Delhi: Prentice-Hall of India Private Limited.
- Elzagh D. M., Shazly M. M., Abd Elrahman S. M., & Thabet M. (2021). Developing a disaster management plan and implementing educational program in emergency unit. *Minia Scientific Nursing Journal*. 10(1), 87-97.
- Eze O.R., & Victor, O. (2013). Analysis of insurance practices and economic growth in Nigeria: Using cointegration test and error correction model. *Global Advanced Research Journal of Management and Business Studies*, 2(1), 063 - 070.

- Fadekemi C. A. (2024). Claims Management and Performance of Insurance in Nigerian Manufacturing Companies. *International Journal of Social Sciences Arts and Humanities* 11 (1), 13-24
- Fadun, O. S., Isimoya O. A. & Ugwuoke A. O. (2024). Socio-Economic Determinants of Life Assurance Purchase in Nigeria. *EKSU Journal of Management Scientists*, 3(1): 288-306
- Fan C., Zhang C., Yahja A. & Mostafavi A. (2021). Disaster city digital twin: A vision for integrating artificial and human intelligence for disaster management. *International Journal of Information Management*. 56(36):102-149.
- Igbinovia L. E., & Kekere P. A. (2022). Insurance risk and claim settlement of insurance firms in Nigeria. *Amity Journal of Management Research*. 5(1), 278-293.
- Isimoya A. O. (2014). Business Ethics in Insurance Industry in Nigeria. *International Journal of Management & Sustainability*. 3(6), pp 341-359
- Jide B. (2020). Remedy of Insurance in Nigeria for Breach of Disclosure or Warranty and Condition. Partners at Lawfield Solicitors Advocates www.linkedin.com
- Kajwang B. (2022). Implications for big data analytics on claims fraud management in the insurance sector. *International Journal of Technology and Systems*, 7(1), 60-71
- Kayode O. (2021). The effect of claim settlement on profit maximization in the insurance industry. *International Journal of Social Relevance & Concern (IJSRC)*. 9(9), 2347-9698.
- Kehinde A. (2022). Legal controls of terms of insurance contracts in Nigeria: A comparative analysis. <https://journals.sagepub.com>. 51(1-2) 109–141
- Mohammad A. P., & Mohammad M. M. (2024). Understanding the Applicability of Utilitarianism Ethics to Business Practices with Special Emphasis on the Problem of Consumer Deception and Product Safety. *Prajna Vihara*, 25(2); pp 102-105.
- Mulhadi & Dedi H. (2022). Breach of Contract by Insurer as Insurance Fraud. NAICOM., (2015). Prudential Guidelines for Insurers and Reinsurers in Nigeria
- Naif R A., Yousef N. A., Hamdan M. A., & Musaad S. A. (2022). A structural review on disaster management models and their contributions. *International Journal of Disaster Management*. 5(20), 93-108.
- Noah E., (2018). *Life and health insurance, upper saddle river* (2nd ed.). NJ; Prentice-Hall Blackwell publishing Ltd Oxford.
- Ntwali A., Kituyi, A., & Kengere, A. O. (2020). Claims Management and Financial Performance of Insurance Companies in
- Obiozor G. A. (2015). Arise Television Live Interview of the 2015 General Election.
- Ojukwu-Ogba, E. (2016). Insurance business in Nigeria. Policies and strategies, NAICOM.
- Okonkwo, I. V., and Eche, A., U. (2017). Insurance penetration rate and economic growth in Nigeria: 1981-2017. *International Journal of Social Sciences and Management Review*. 2, 1.

- Olarinre O. T., Sunday, S. O., & Gabriel, E. D. (2020). Effects of claims management on profitability of insurance companies in Nigeria. *British Journal of Management and Marketing Studies*, 3(4), 106-114.
- Olusegun E. (2018). Impacts of claims management on the profitability of non-life insurance companies in Nigeria insurance industry. *Journal of Finance*, 2(4), 11 - 27.
- Oluwaleye T. O., Shoyemi O. S., & Edewusi D. G. (2020). Effects of claims management on profitability of insurance companies in Nigeria. *British Journal of Management and Marketing Studies*. 3, 4.
- Onesede N.A. (2013). Chartered Insurance Institute (CII) Coursebook, *Insurance Claims Handling Process, CII Learning Solutions*, 1/2 -1/4.
- Othman S. H., & Beydoun, G. (2012, September). Evaluating disaster management knowledge model by using a frequency-based selection technique. In *Pacific Rim Knowledge Acquisition Workshop*, 12-27.
- Pattnaik A. K., Misra, S. N., & Ghadai, S. K. (2019) Claim Settlement: The Moment of Truth in Health Insurance. *International Journal of Recent Technology and Engineering*, 8(2), 581-585.
- Rejda S., & McNamara, P. (2014). Insurance and economies of scale. *Journal of Risk analysis*, 4(2), 17 - 28.
- Robert B. (1970). Breach of Contract, Damage Measures, and Economic Efficiency. 1st Edition of Richard Posner's Economic Analysis of Law.
- Settipalli L., & Gangadharan, G. R. (2023). WMTDBC: An unsupervised multivariate analysis model for fraud detection in health insurance claims. *Expert Systems with Applications*, 215, 119259.
- Smith A. & Atiyah. (2006). Introduction to the Law of Contract, 6th ed, Clarendon Press, 372.
- Unachukwu, J. C Afolabi, M.A, Alabi, E. (2015). Effect of prompt claims settlement on the performance of Nigeria insurance industry. *International Journal in Management and Social Science*. 3, 4.
- Sunder N., Hai C. T & Lynne B. J. (2024) Claims management: a review of challenges faced, *International Journal of Construction Management*, 24(16), 1789-1795.
- Tan H. C, Anumba C, & Soon L. T. (2018). Cloud-based knowledge brokering platform for managing construction claims-A conceptual framework. *IJIMT*. 9(1):15–20.
- Ugwuoke A. O., Fadun O. S. & Aduloju S. A. (2024). Impact of Risk Attitude on the Choice of Risk Control Technique amongst Selected Motorists in Enugu State, Nigeria. *Journal of Management Sciences*. 13(1), 122-131.
- Ugwuoke A. O., & Fadun O. S. (2024). Life Insurance Patronage in a Disaster-Prone Society: A Study of Selected Manufacturing Companies in Enugu State, Nigeria. *Journal of Business Strategies and Policies*. 1(1), 102-120.
- Yusuf T. O., Ajemunigbohun S. S & Alli G.N. (2017). A critical review of insurance claims management: A study of selected insurance companies in Nigeria. *SPOUDAI Journal of Economics and Business*, 67(2), 69-84
- Yusuf T. O., & Ajemunigbohun, S. S. (2016). Effectiveness, efficiency and promptness of claims handling process in the Nigerian insurance industry.

Zhen J. (2017). Remedies for breach of pre-contract duty of disclosure in Chinese Insurance Law. *Connecticut Insurance Law Journal*. 23, 328-348.