Master Thesis

Research on Developing Nigeria Cargo Insurance Market for International Trade Facilitation through the comparative analysis with U.K.

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Major in International Trade and Economic

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Samuel Chinonso Arinzechi

Master Thesis
Advisor Professor DongWhan Lee

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-영국과의 비교분석을 통한 무역활성화를 위한
나이지리아 적하보험 시장 발전방안에 관한
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Approved Samuel Chinonso Arinzechi Master Thesis in International Trade and Economics

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Judge Chair 노 재 확(Sign)

J u d g e 조 윤 교(Sign)

J u d g e 이 동 환(Sign)

Abstract

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This thesis aims at providing a comprehensive description and analysis of some of the policies and activities of Nigeria's cargo insurance market with respect to international trade. More so, this study intends to confirm the existence of a positive and significant relationship between cargo insurance activity, international and ultimately economic growth in Nigeria. Clearly, the insurance industry contributes positively and significantly to Nigeria's economic progress. Based on the findings, it is suggested that the government should

implement economic policies capable of stimulating insurance industry activity, such as the enforcement of statutory insurance industry stakeholders should improve the insurance image and market awareness activity by promoting systematic educational campaigns in the media and other publicity channels to reach out to the general public; and insurance industry stakeholders should improve the insurance image and market awareness activity by promoting systematic educational campaigns in the media and other publicity channels to reach out to the general public. This is because the Nigerian insurance industry's performance has been rated below global norms, which has implications for risk management in the marine sector.

Cargo insurance is used to safeguard Cargoes (commodities) from physical damage or theft in Nigeria and other countries in the world. The flow of commodities through Nigeria's international trade entails various hazards and perils (such as fire, war perils, pirates, rovers, thieves, captures, seizures, restraints, detention, and so on), necessitating the need for cargo insurance. Given that there is no guarantee that damage or loss will not occur, these risks are mitigated through cargo insurance coverage.

Cargo transportation has long played a critical role in the growth of economies all over the world. Air and maritime freight now carry about 90% of global trade. Despite developments in safety and technology over the years, cargo transit in Nigeria and other parts of the world is still very risky. More specific legislative interventions should be geared to completely removing operating hurdles to ease and enhance freight (cargo) insurance transactions, according to this research. To expand the insurance network and subscriber base in

Nigeria, grassroots publicity, penetration, and awareness are required. This would help the Nigerian insurance business to become more consolidated and competitive with the rest of the world.

Keywords : Insurance, Cargo Insurance, International trade, Trade, economy, cargo, freight. market, Freight Forwarder, Nigerian Cargo Insurance, UK Cargo insurance, Trade Facilitation

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CHAPTER 1. Introduction

1.1 Background

Cargo insurance is a financial policy and plan designed to lessen and manage the consequences of trade/trading disasters by providing financial compensation from a pool of collected contributions or premiums paid by all members of the scheme. In truth, Osoka (1992) noted that the number of containers lost at sea around the world each year is frightening. Transporting commodities around the world has several dangers. Many things can go wrong while products are in transit in Nigeria, both nationally and internationally. Cargo insurance comes into play in this situation. Outreville, J.F (1990), made it clear that the good news is that cargo insurance can safeguard the value of products against any losses that can occur during transportation, Ozuomba, C.V. (2013) unveiled that insurance plays an important role in the well-being of citizens and the economy in industrialized economies. International shipping is driven by insurance, which, according to verified evidence, accounts for almost 90% of global trade. NAICOM, (2000) emphasized that the expansion of risk coverage given by the cargo marine insurance sector in Nigeria and other areas of the world has been prompted by increased world trade and associated shipping services.

Despite cargo insurance's importance to the shipping industry and the economy in general, the industry's performance in Nigeria is far from standard. Osoka, O. (1992), observed that various studies detail the issues that plague the worldwide cargo insurance business in Nigeria and other nations: lack of access to foreign cargo insurance packages, a lack of public awareness of available products, a lack of trust in insurance firms to deliver, insufficient skilled manpower, ineffective government control, and poor stakeholder organization in the sector are just a few of the notable factors preventing the uptake of insurance. According to other research, the industry's financial performance is influenced by variables such as Gross Domestic Product(GDP) and economic development of a nation. NAICOM, (2000).

According to the National Insurance Commission (NAICOM), and World Bank (2018), insurance penetration increased from 4.3 percent in 2006 to roughly 4.5 percent in 2008 before falling to 0.3 percent in 2014, well below the African average of 2.8 percent. Furthermore, the industry's total capitalization increased from N200 billion (US$1.36 billion) in 2006 to N550 billion (US$3.74 billion) in 2008, while gross premium increased from N94 billion (US$639.4 million) to around N180 billion (US$1.23 billion). However, this increase is small when compared to the NAICOM's aim of N60 trillion (US$400.81 billion). Osoka, O. (1992), noted that low capital formation, a failure to implement appropriate legislation, and economic restraints are all thought to have a detrimental impact on Nigeria's insurance industry's growth potential. NAICOM has implemented several policy initiatives such as the Market Development and Restructuring Initiative [MDRI] aimed at strengthening the Nigerian insurance market by raising awareness of the need for increased insurance penetration and, as a result, increasing insurance premium volume, density, and contribution to GDP. NAICOM, (2000) and Philip, C.O. (2011) noted that due to the federal government's import restriction policies and the poor visibility of economic operations, gross premiums for marine insurance fell between 2012 and 2013. Despite this, the National Insurance Commission (NAICOM) is working to bring Nigeria's cargo insurance market up to international standards.

On a general note, according to the World Shipping Council (2020), after evaluating the findings for the twelve-year period (2008-2019), the World Shipping Council (WSC) believes that 1,382 containers are lost at sea on average each year. This is one of the reasons cargo insurance is indispensable in the International Trading System. World Shipping Council (2020)

1.2 Aim and Purpose of Study

To establish a clear relationship between the Nigerian Cargo Insurance Market and international trade. Besides, to unveil the impacts of insurance market activity on trade, economic growth, progress, and development in Nigeria. Also, this study aims to emphasize the need for cargo insurance because Nigeria is a large market for international trade. Therefore, cargo insurance is required to protect and facilitate numerous goods exported and imported annually. Furthermore, this study's objective is to identify and reveal the current state of the Nigerian cargo insurance market, assess the impact and contributions of cargo insurance to the Nigerian economy (GDP). Finally, this study also wants to contribute to knowledge by proffering ways to improve the Nigeria Cargo Insurance System.

1.3 Significance of Study

This research is important because it reveals the role of cargo insurance in international trade in Nigeria, as well as how insurance firms have contributed to the economy. Students and scholars are anticipated to benefit from the findings.

One of the purposes of this study is to determine the relationship between cargo insurance and foreign trade in Nigeria, as well as its impact, importance, and contributions. As a result, the study's conclusions will help many businesses.

Organizational managers are also among the primary beneficiaries of this study's findings. This is because managers are frequently interested in learning about the role of insurance in international trade in Nigeria. Managers also want to know about their companies' stability and how safe their organization will be. On the other hand, the findings will enable organizations to assess their level of safety while fulfilling their commitments to achieve profitability, as well as to plan for unanticipated situations by providing financial security.

This research may be useful to creditors because they are interested in the creditworthiness of companies in terms of paying their obligations, which may only be accomplished with the help of an insurance company. The study may be of interest to the business community, the Korean government, Korean students/researchers, and the Nigerian government, which is concerned with promoting the country's economic growth and safety by creating a business-friendly atmosphere.

Finally, for academic purpose and significance, this thesis work would serve a valuable academic purpose because it would be useful to students and lecturers in the fields of insurance, banking, finance, and economics, as well as other scholars interested in continuing their research on insurance, cargo insurance, or other relevant topics. This scholarly paper would be a ready-to-use source of information for everyone. In fact, this research will serve as a source of information for students both inside and outside of Korea. In other words, good piece of information for researchers. The research will also add to knowledge in the fields of insurance, banking, finance, and national economic development. It will be particularly valuable to foreigners who need to study the development of the insurance industry in Nigeria, which is a unique growing African country.

1.4 Definitions of Terms

The "Definitions of Terms" section of this research paper is required to provide readers with a grasp of the concepts or aspects that will be explored throughout your study, as well as associated information about how you will use those concepts in your research. This "Definition of Terms" will assist readers in comprehending the components of this research in the way you will offer them. This is because readers may have a different interpretation of the terminology or may not be familiar with them at all.

Insurance:

Anyanwuocha (2006) defines insurance as a contract between an insurer and the insured in which the insurer promises to indemnify (compensate) the insured against future losses in exchange for a premium. In other terms, cargo insurance is a promise given by an individual or a company to protect the insured against a future loss while conducting business or trading activities. Cargo insurance covers all risks of physical loss or damage to freight during transportation, whether by land, sea, or air. Anyanwuocha (2006)

Premium:

According to Anyanwuocha (2006), a premium is a monetary value paid by the insured for the insurer's financial assurance. The gross or net premium income is the term used to define the insurance premium.

In other words, an Insurance Premium is the amount of money paid to the insurer (insurance company) by the insured (policyholder)
The Insured: The individual or enterprise that gets compensated if the loss occurs is known as the insured.

The Insurer: The organization that agrees to pay the compensation is referred to as the Insurer.

The NAICOM- National Insurance Commission): This is a government agency tasked with ensuring the efficient administration, supervision, regulation, and control of the insurance industry in Nigeria, as well as the protection of insurance policyholders, beneficiaries, and third-party beneficiaries of insurance contracts. NOTE: The National Insurance Commission (NAICOM) is a federal government agency in Nigeria that oversees all supervisory and administrative activities connected to company protection. NAICOM, (2000).

INCOTERMS (International Commercial Terms)
INCOTERMS are the buyer and seller's duties under the terms of international sales, according to UNCTAD (1990). FOB (free on board, named point of shipment), CIF (cost, insurance, and freight, named point of destination), and DDP (Delivered Duty Paid) are some of the most used words in international trade, and they all play an important role in determining parties' insurance obligation. (UNCTAD,1990)

Trade/International Trade
Anyanwuocha (2006) is of the opinion that the concept of trade is the exchange of commodities and services between two persons or entities. The concept of international trade then refers to the exchange of goods

and services between persons or entities from two separate countries. People and entities trade because they believe the exchanges will benefit them.

Cargo Insurance Policy
P.C. Unamka (1995) refers to cargo insurance policy as a legally enforceable contract between the policyholder and the insurer. In other terms, an insurance policy is a contract between the insurer and the insured, known as the policy holder, that specifies the claims that the insurer is legally obligated to pay. The insurer offers to pay for loss caused by risks covered by the policy language in exchange for an initial payment, known as the premium.

Cargo Insurance Company: Anyanwuocha (2006) refers to them as insurance-related financial institutions. When a sum of money is paid to them in the form of premium, they insure people and corporate organization's trading against risks.

1.5 List of Abbreviations

NAICOM	National Insurance Commission
GON	Government of Nigeria
GDP	Gross Domestic Product
UK	United Kingdom
USD	United States Dollar
UNCTAD	United Nations Conference on Trade and Development
INCOTERMS	International Commercial Terms
NIA	Nigeria Insurers Association

GPW	Gross Premium Written
CBN	Central Bank of Nigeria
PLC	Limited Liability Company
OECD	Organization for Economic Co-operation and Development
WITS	World Integrated Trade Solution
NSE	Nigeria Stock Exchange
NGN	Nigeria Naira(currency)
PWC	Price Waterhouse and Coopers

1.6 Basic Concepts of Cargo Insurance

According to Iedunote, (2021) owners of cargo being transported by sea typically insure their financial exposure against cargo loss or damage for a declared value. Cargo insurance is mostly provided by insurance firms around the world, which keep track of their losses and use this information to assist them determine premiums for cargo insurance in various modes of marine transportation. The cargo owner will be compensated by the cargo insurer if the cargo is lost or damaged.

Iedunote, (2021) stated that cargo insurance is a useful tool in commercial discussions. It enables traders to proceed with confidence, knowing that all parties involved in the transaction are adequately protected. In fact, in international operations, an insurance (cargo insurance) coverage meets the demands of importers and exporters.

1.6.1 Types of Cargo Insurance

Cargo insurance is available for both international and domestic travel. According to Iedunote, (2021), the types of Cargo Insurance are as below:

Land Cargo Insurance: This type of insurance covers all types of land transportation, including trucks and other light utility vehicles. Theft, collusion damages, and other related hazards are all covered. This type of insurance is domestic in origin, and it usually works within the country's borders. Iedunote, (2021).

Marine Cargo Insurance (MCI): Iedunote, (2021), noted this is the type of insurance that covers transportation of cargoes by sea. The sea transports are 90% of all foreign cargo. Again, most of the marine transportation is carried out in containers aboard state-of-the-art container ships.

Air Cargo Insurance: Air cargo insurance is a form of insurance plan that safeguards the buyer or seller of commodities being carried by air. It compensates the insured for things that are damaged, or lost, as well as, in some situations, compensation for shipment delays. Iedunote, (2021).

Iedunote, (2021), thinks that if you run an import-export firm, you would understand the importance of cargo insurance in ensuring that your products arrive in good condition. Export-import business owners pay a significant amount of money in shipping their products; yet some business owners who overlook the need of cargo insurance suffer losses as a result. Damages due to improper packing, infestation, cargo abandonment, Customs rejection, employee dishonesty, collision, damages due to heavy weather, sinking, derailment, non-delivery, theft, and fire are some of the fields covered by cargo insurance.

1.7 Constitutional Supervisory Body of Cargo Insurance in Nigeria-NAICOM

The Constitutional Regulatory body is the National Insurance

Commission (NAICOM). The National Insurance Commission (NAICOM) was founded in 1997 with the aim to ensure effective administration, supervision, regulation, and control of the insurance business in Nigeria, as well as the protection of insurance policy holders, beneficiaries, and third-party insurance policies or contracts.

1.7.1 National Insurance Commission (NAICOM)

The National Insurance Commission Act No. 1 of 1997 established the Commission to provide the efficient administration, supervision, regulation, and control of the insurance industry in Nigeria. The National Insurance Commission Act, as well as the Insurance Act of 2003, provide the Commission with authority. The National Insurance Commission (NAICOM) plays important roles in Nigeria insurance system. NAICOM, (2020) stated the Commission's constitutional mandate as follows:

This supreme insurance overseer in Nigeria, establishes rules for the conduct of insurance business in Nigeria; and approving premium rates for all types of insurance business.

The National Insurance Commission (NAICOM) acts as an adviser to the Federal Government on all insurance-related topics, regulating transactions between insurers and reinsurers both in and outside Nigeria.

As a government representative, the National Insurance Commission (NAICOM) approves all types of insurance business norms, conditions, and warranties.

NAICOM ensures the safety of insurance policyholders, beneficiaries, and third-party beneficiaries.

The National Insurance Commission (NAICOM) is very much interested in educational programs; therefore, it assists the Chartered

Insurance Institute of Nigeria (CIIN) and the West African Insurance Institute (WAII) with their educational programs. (Source: NAICOM, 2020)

Insurance businesses, insurance agents, insurance brokers, and loss adjusters are all registered with the Commission (NAICOM), which provides them licenses. The Commission's inspectorate section conducts routine and special investigations of operators to verify that they follow the provisions of the Insurance Act of 2003, as well as the related Regulations and Policy Guidelines. The Commission has the authority to prohibit an operator from conducting business, revoke his or her license, take over management, or liquidate a company or firm in significant situations of violation of the law and insolvency. (Source: NAICOM, 2020)

1.7.2 The Nigeria Insurers Association (NIA)

The Nigeria Insurers Association (NIA) is another regulatory entity that has an impact on the activities of insurance businesses in Nigeria This organization represents all registered insurance companies doing business in Nigeria. The NIA is largely a self-regulatory agency, with the following functions:

1. Self-regulation and code of ethics prescription and enforcement.
2. The protection and advancement of the common interests of insurers in Nigeria who conduct any type of insurance activity.
3. A better understanding of insurance among all segments of society.
4. Providing input into government insurance policies and acting as the industry's spokesperson.
5. Training and development of all insurance experts and personnel, as well as sharing of expertise at Technical Committee meetings.

6. Encourages research, study and disseminate statistics. (Nigeria Insurers Association (NIA), 2020).

CHAPTER 2. Overview of Nigeria Insurance Industry

2.1 Introduction

The role of the insurance industry as a component of the financial system has been overlooked in Nigeria in past years. Banks and the stock market dominated Nigeria's financial industry and economic growth. However, according to (Levine, R. 2004), in recent years, a greater focus has been placed on deals between non-bank financial intermediaries such as insurance companies. It is now obvious that non-bank financial intermediaries (insurance companies) have played an essential role in strengthening the efficient operation of the financial system over time by acting as mediators.

The Mission of Nigerian Insurance Industry

As stated by NAICOM, (2020), the mission of Nigeria Insurance Industry is "To create an insurance industry that drives and protects the economy through a market framework that is both effective and efficient. (Source: NAICOM, 2020)

The Vision of Nigerian Insurance Industry

According to NAICOM, (2020), the vision of Nigeria Insurance Industry is "To become Africa's first choice insurance market, known for its high capacity, transparency, efficiency, and safety, and to rank 15th in world insurance premium creation in the next years." (Source: NAICOM, 2020)

As clearly stated by Chui, A.C & Kwot, C.C (2008), the primary notion in the Nigerian insurance sector is risk distribution. Insurance supports investment by lowering the amount of cash that businesses and people must maintain on hand to protect themselves from unforeseeable disasters. According to some academics, insurance is a barometer of a country's economic activity, and so safeguards rising economies' success.

Furthermore, Osoka, O. (1992) and Osunkunle, B. (2002), are of the opinion that insurance in Nigeria dates to the early twentieth century, when the country's economy was largely based on agriculture. Merchants needed a way to carry their cash crops to Europe while minimizing the risk of doing so. This had a significant role in the domination of maritime insurance in Nigeria at the time. Despite its relevance for economic development, the gross premium collected by insurance companies in Nigeria is approximately 1.9 billion US dollars, compared to 3.8 billion US dollars in South Africa. NAICOM, 2020

According to Outreville, J. F. (1996), the insurance industry in the United Kingdom accounts for over 20% of the country's total GDP. In South Africa, the insurance business accounts for 17% of total GDP, while in Kenya, the insurance industry accounts for 3.4 percent of GDP. Despite this, Ozuomba, C.V. (2013), opined that the Nigerian insurance industry contributes only 0.7 percent of Nigeria's overall GDP, having grown from a single agency in 1918 - the Royal Exchange Assurance Agency - to the current number of 56 insurance companies listed on the National Insurance Commission (NAICOM). The performance of the Nigerian insurance industry is sub-optimal, to say the least.

As noted by NAICOM, (2020), there are 57 businesses registered in Nigeria's insurance market. Life insurers account for 14 of these companies, while non-life insurers account for 43. There are also two reinsurance businesses that serve as technical security and capacity for the insurance companies.

2.1.1 Nigeria Insurance Market

The Insurance Commission Act of 1997 and the Insurance Act of 2003 govern the Nigerian insurance industry, which is overseen by the National Insurance Commission. Nigeria's insurance market is still in its infancy. However, as noted by Osoka, O. (1992), and Oyeka, C.C. (1988) it only accounts for 0.7 percent of GDP (GDP). When compared to other markets, such as South Africa, where penetration is around 12%, this is an extremely low figure. Insurers and reinsurers, insurance brokers, agents, and loss adjusters are the four major stakeholders in the Nigerian insurance market.

NAICOM, (2020), revealed that insurance and reinsurance businesses underwrite risks, whereas insurance brokers and agents function as middlemen in the selling of insurance products and the collection of premiums between the underwriters and policyholders. Loss adjusters, on the other hand, establish the appropriate valuation of a claim's loss. In Nigeria, brokers are considered to control around 70% of all insurance premiums. To put things in perspective, the overall African insurance market only contributed for 1.52 percent of worldwide premiums in 2013, totaling $69.938 billion, compared to $4.6 trillion in global premiums. NAICOM, 2020

Outreville, J. F. (1996). Noted that given its position as Africa's largest economy, its huge oil and gas reserves, and its young and expanding population, Nigeria's insurance industry has enormous potential. Nigeria's insurance market, however, has fallen short of that position, owing in part to the country's real gross domestic product's volatility, as well as unequal implementation of mandated retail insurance lines.

According to the NAICOM, (2020) research, based on the country's most recent regulatory data, there are 57 insurance companies operating in the Nigerian market. The Gross Written Premium (GWP) generated in 2018 was NGN 426 billion (USD 1.2 billion), representing a 14.5 percent increase over the previous year. The compound annual growth rate of total GWP increased by 8.6 percent each year on average between 2014 and 2018.

However, NAICOM, (2020) further noted that expansion does not appear to be what it seems. Despite the apparent strength of growth, the market has been lowered by almost four percentage points in real terms due to inflation, which has averaged 12 percent over the same time. According to estimates from the Nigerian Insurers Association (NIA)2020, the market wide Gross Written Premium (GWP) (excluding health insurance premiums) increased largely in line with inflation to reach around NGN 490 billion (USD 1.3 billion) at the end of 2019. Ozuomba, C.V. (2013),

Also, according to Osoka, O. (1992), the low insurance penetration in retail lines has been a fundamental factor behind the relatively moderate real Gross Written Premium (GWP) rise. Low retail penetration can be explained in part by a lack of insurance awareness and trust, as well as a general lack of financial literacy among vast segments of the population.

Furthermore, Omoke, P.C (2012) made it clear that the recent period of extremely low economic growth has had an impact on both insurance demand and the value of insurable assets across a variety of business lines. "Insurers require the government's support to enforce and advertise the benefits of insurance," the report states, urging for more efforts to ensure mandatory coverage acceptance.

2.1.2 The Components of Nigeria Insurance Market

According to Nigeria Insurers Association, (2020) and NAICOM(2020), the insurance market is made of three components. These three components are the Buyers, Sellers, and Intermediaries.

2.1.2.1 The Buyers

A buyer refers to anyone with a legitimate insurable interest in property or economic interest can insure their interest. According to the Nigeria Insurers Association (NIA) (2020), the buyers can individuals and families, governments (federal, state, and local) and their agencies, multinational corporations, conglomerates, industrial concerns, and medium-sized industries, industries, institutions, and the hospitality industry, hotels, industries, institutions, and the energy industry are all segments of the Nigerian insurance market,

For marketing purposes, the buyers can further be segmented to suit the strategy of the insurer, or the insurance agent. Nigeria Insurers Association (NIA), (2020).

2.1.2.2 The Sellers

The sellers mean the suppliers of insurance. The insurance companies and reinsurance businesses, according to the Nigeria Insurers Association, (2020) are the sellers or suppliers of insurance. There are currently 57 insurance companies and 2 reinsurance businesses registered in the country. The Firms and Allied Matters Act of 1990 is used to incorporate most insurance companies. Life assurance is underwritten by around 14 of the 57 insurance companies. Reinsurers give technological security and capacity to insurance companies, but they do not sell insurance to consumers directly. NIA (2020).

2.1.2.3 The Intermediaries (Agents)

Insurance brokers and agents are the key intermediaries, according to the Nigeria Insurers Association. As noted by NAICOM (2020) and NIA (2020). There are approximately 15,000 insurance agents and 460 registered insurance brokers. Because brokers currently control over 90% of premium income in Nigeria, leaving less than 10% for insurance agents and even direct marketing channels by insurers, the sector has been dubbed a brokers′ market. The individual life insurance market, on the other hand, is dominated by insurance agents.

In addition, the banking industry has emerged as a noteworthy avenue for distributing insurance services, not necessarily as intermediaries, but by allowing insurers to engage in direct marketing. As a result of banks′ participation, mass marketing of certain insurance products is now conceivable. Banks provide insurance cover as an added advantage to various financial products to enhance their value. Nigeria Insurers Association (NIA), (2020).

2.1.3 The Top 10 Insurance Companies in Nigeria

There are numerous insurance firms in Nigeria. However, this research work opted for the top ten insurance companies. These insurances companies offers cargo insurance services to their numerous clients I Nigeria:

1. AIICO Insurance Plc
2. Lead Way Assurance company
3. Custodian and Allied Insurance
4. Cornerstone Insurance Plc
5. AXA Mansard Insurance
6. African Alliance Insurance Plc
7. Goldlink Insurance Plc

8. Continental Insurance
9. Industrial and General Insurance Plc
10. Lasaco Assurance Plc

The Company and Allied Matters Act, 1990, is the law that governs most insurance companies in Nigeria. Agents (individuals and corporations), brokers, surveyors, and third-party administrators who service health insurance are among the other stakeholders in the Nigerian insurance market. (NAICOM, 2020)

2.2 Registration of Cargo Insurance in Nigeria

The Nigerian Insurance Act shows strong regulation on cargo insurance and other insurance activities/transactions and as per the Section 3 of the Nigeria 2003 Insurance Act. The act states that anyone who intends to carry on insurance business should follow the due processes as stated below:

"No persons shall commence or carry on any class of insurance business in Nigeria, except -

"(a) a company duly incorporated as a limited liability company under the Companies and Allied Matters Act, 1990; or

(b) a body duly established by or pursuant to any other enactment to transact the business of insurance or reinsurance. Insurance Act (2003)

2.2.1 Insurance to be registered.

In the insurance act, the procedure for the registration of Insurance companies is stated as below:

4. -"(1) Subject to the provisions of this Act, no insurer shall commence insurance business in Nigeria unless the insurer is registered by the Commission under this Act.

(2) The Commission shall not grant approval if it is satisfied that it is not in the public interest or the interest of policy holders or persons who may become policyholders for it to be granted.
(3) Where an insurer is not satisfied with the decision of the Commission under the provisions of this section, he may appeal to the Minister for Finance within 30 days of the refusal.
(4) The Minister shall within 60 days after the receipt of an appeal give his decision." Insurance Act (2003)

2.2.2 Application for registration

In the Nigerian insurance act, the procedure for the application for registration of Insurance companies is stated in the article No. 5 of the act as below:

5.- "(1) An application for registration as an insurer shall made to the Commission in the prescribed form and be accompanied by a business plan and such other documents or information as the Commission may from time to time direct or require.
(2) For the purpose of this Act, life insurance and general insurance business shall be subject to separate application and registration." Insurance Act (2003)

2.2.3 Registration as an insurer.

In the Nigerian insurance act, the procedure for the registration of Insurer(underwriter) as stated in article No. 6 of the act are as follows:
6. "(1) The Commission shall before the registration of an insurer be satisfied that -
(a) the class or category of insurance business shall be conducted in accordance with sound insurance principles;

(b) the applicant being one of the persons referred to under section 3 of this Act is duly established under the applicable law and has a paid-up share capital and statutory deposit as specified in section 9 of this Act for the relevant class of insurance business;

(c) the arrangements relating to reinsurance treaties in respect of the class or category of insurance business to be transacted are adequate and valid;

(d) the proposal forms, terms and conditions of policies are in order and acceptable

(e) there shall be competent and professionally qualified persons as may be determined from time to time by the Commission to manage the company.

(f) the applicant does not have in its employment a person disqualified from being appointed by an insurer under section 12 of this Act;

(g) the directors have attended the promoters' interview and are persons who have not been involved in or been found guilty of fraud;

(h) the name of the applicant is not likely to be mistaken for the name of any other insurer who is or has been an insurer or so nearly resembling that name, as to be calculated to deceive;

(i) the applicant has paid the fee prescribed for registration;

(j) it is in the interest of public policy that the applicant be registered;

(k) where the class of insurance is other than life insurance business, the applicants is for the purposes of transacting not less than 3 classes of insurance business;

(l) the applicant has a satisfactory business plan and feasibility study of the insurance business to be transacted within the next succeeding 5 years from the date of the application; and

(m) in the case of reinsurance business, that in addition to the matters referred to in this section, it has complied with section 10 (i) (d) of this Act and any other conditions which may be specified from time to time by the Commission.

(2) The Commission shall if satisfied register the applicant as an insurer and issue to the applicant a certificate of registration.

(3) Notice of the registration of an applicant as an insurer and under." Insurance Act (2003)

2.3 Modes of Operation for Insurers

According to the Nigerian Insurance Act, there are strict guideline on cargo insurance and other insurance activities/transactions and as per the Section 3 of the Nigeria 2003 Insurance Act. Therefore, anyone who intends to carry on insurance business should follow the required mode of operation as stated in the act:

2.3.1 Requirements as to principal office of insurer

In the Nigerian insurance act, requirements as to principal office of insurer are as below:

11.- "(1) An insurer shall, on the day it is registered to commence business in Nigeria, have a principal office to which all communications and notices may be addressed, so that a postal box address or a private mail bag address shall not by itself only be sufficient for the purposes of the foregoing requirement, Insurance Act (2003)

(2) Notice of the location of the principal office or any subsequent change shall be given within 21 days to the Commission who shall record the same.

(3) If an insurer carries on business without complying with the requirements of this section the insurer and every officer commits an offence and are liable each on conviction to a fine of N500 for every

day during which the insurer so carries on business.

(4) The fact that the address of an insurer is included in its application or in its annual return or any other return to the Commission shall not be taken to satisfy the obligation imposed by this section.

(5) Where the insurer is a company incorporated under or pursuant to the Companies and Allied Matter Act 1990, it shall ensure that its principal office under this Act is the same as its registered office within the meaning of that Act. “Insurance Act (2003)

2.3.2 Records to be kept by insurer.

In the Nigerian insurance act, the records to be kept by insurer by the principal office of insurer are as below:

17-“(1) An insurer shall keep and maintain at its principal office the following-

(a) the Memorandum and Articles of Association or other evidence of the constitution of the insurer;

(b) a record containing the names and addresses of the owners of the insurance business whether known as or called shareholders or otherwise;

(c) the minutes of any meeting of the owners and of the policy-making executive (whether known as or called the Board of Directors or otherwise);

(d) a register of all policies in which shall be entered in respect of every policy issued, the names and address of the policyholder, the date when the policy was affected and a record or any transfer, assignment, or nomination of which the insurer has notice.

(e) a register of claims in which shall be entered every claim made together with the date of claim, the name and address of the claimant and the date on which the claim was settled, or in the case of a claim which is repudiated, the date of repudiation and the grounds for the rejection or in the case of litigation, the particulars of the litigation and the decision of the court in the matter;

(f) a register of investment showing those which are attributable to the insurance funds and those which are not, and any alteration in their values from time to time;

(g) a register of its assets;

(h) a register of reinsurance ceded in showing separately those ceded in Nigeria and those ceded outside Nigeria;

(i) a cash book;

(j) a current account book;

(k) a register of open policies in respect of marine insurance transactions; and

(l) management report by external auditors.

(2) An insurer shall in respect of its life insurance business maintain and keep the following additional record, that is-

(a) a register of assured under group policies;

(b) a register of loans on policies;

(c) a register of cash surrendered values; and

(d) a register of lapsed and expired policies.

(3) Where an insurer fails to comply with any of the provisions of subsection (1) or (2) of this section, the insurer and every officer of the insurer who fails to comply commits an offence and is liable on conviction to a fine of N25,000". Insurance Act (2003)

2.4 The Nigerian Framework for Cargo Insurance

Agbakoba O. (2017) made it clear that Nigeria's economy is undergoing some transformations. It is transmogrifying from a centrally planned economy to one that is primarily driven by the private sector. The Nigerian government is deregulating key economic sectors, including the maritime sub-sector and its parent sector, the transportation industry. To this aim, significant work is being put forward in developing a suitable Nigerian transportation and maritime policy. Osipitan, T (2009), stated that a proper cargo insurance coverage, talking about a comprehensive maritime strategy would be incomplete. Appropriate cargo insurance coverage is one that reflects Nigeria's current socioeconomic conditions. To put it another way, Nigeria needs a cargo insurance coverage that is appropriate for a deregulated economy with a free and liberalized market.

The cargo insurance policy will have two levels of coverage:

First, the international level: This regulation governs the business of cargo insurance between Nigerian insurers and their overseas counterparts.

Second, the Local Level: This regulation governs the cargo insurance activity conducted by Nigerian insurers. Agbakoba (2017).

2.4.1 Policy Basis for the Framework

First and foremost, according to the Varin Industry Black's Law Dictionary (6th edition, page 1157), a policy is a predetermined, planned, or agreed-upon path of activity or action that is usually guided by principles. The word "policy" is defined as "broad ideas by which a government is led in its management of public affairs, or the legislature in its measures,"

According to Agbakoba (2017), the framework for the Nigeria Cargo

Insurance is based on some policies to achieve the desired objective. Take, for example, the delivery policy. Based on the framework policies, the two shipping policies are Commercial Policies and Operational Policies.

i. Firstly, the Commercial Policies refer to trade activities. These policies include areas like ship tonnage, ownership, and registration, seafarer employment, taxation, marine insurance, cargo, passenger transportation, vessel employment in affreightment contracts, and the incorporation of relevant national laws and international conventions into the rights and obligations of parties to these contracts, among other things. Agbakoba (2017).

ii. The Operational Policies covers topics like as maritime safety, environmental preservation, and pilotage are covered. The government generally approaches the execution of these programs on two levels:

First and foremost, the Promotional/Regulatory Strategy: In this case, Osipitan, T (2009)., Agbakoba (2017) stated that the government is attempting to support the sector by enacting policies that will assure local industry growth in the face of overseas competition. The government might, for example, provide subsidies to the industry or adopt protective regulations.

Secondly, the Regional and Inter Governmental Cooperation: Agbakoba O. (2017) revealed that this strategy entails influencing the market through lobbying for changes on a global scale.

2.5 The Challenges of The Nigerian Insurance Industry

According to Osinuga Damilola(2016), the basic objective of cargo insurance, is to manage export and import risks. Insurance facilitates investment by reducing the amount of cash that firms and people must maintain on hand to protect themselves against unforeseen catastrophes. According to some academics, insurance is a barometer of a country's economic activity, and hence protects the success of emerging countries like Nigeria. Cargo insurance in Nigeria has a clear link to the 20th century when agriculture was Nigeria's primary source of revenue. As a result, agricultural exporters required to convey their cash crops to other nations and Europe, and the danger of such transportation had to be reduced. This agricultural product shipping opened the path for cargo maritime insurance's popularity and focus on Nigeria at the time. Osinuga (2016).

Osinuga (2016), noted that despite the importance of insurance for economic growth, insurance firms in Nigeria only collect around 1.9 billion dollars in gross premiums, compared to 3.8 billion dollars in South Africa. The insurance industry in the United Kingdom accounts for around 20% of the country's overall GDP. Osoka, O. (1992), and Oyeka, C.C. (1988) noted that the insurance business provides 17% of total GDP in South Africa, and 3.4 percent of total GDP in Kenya. The insurance business in Nigeria only accounts for 0.7 percent of the country's overall GDP. In comparison to the United Kingdom, where Nigeria originated their insurance system, the Nigerian insurance business has performed poorly.

Hence, Osinuga (2016), highlighted some of the challenges weighing against the growth of the cargo insurance industry in Nigeria as below:

Incompatible and Harsh Economy:
A healthy economy encourages people to save to fund investments, which is required for establishing a viable insurance business that can

contribute to long-term economic growth. To make the best investment selections, insurance firms pay attention to economic conditions. Foreign currency reserves, government debt, government deficits, inflation, interest rates, and exchange rates are just a few of the economic variables that have suffered in recent years because of Nigeria's financial mismanagement. Osinuga (2016). Because of the fear of inflation that has built up over several years owing to budgetary indiscipline and rising inflation, insurance firms are currently hesitant to invest premiums in long-term securities. Short-term investments will generate lesser returns, according to a fundamental economics and investment concept. If this pattern continues, insurance firms will be unable to resolve their liquidity issues, which may result in insurers refusing to pay claims. Osinuga Damilola(2016), Agbakoba O. (2018).

The Nigerian Market is Suspicious of Some Insurance Companies:
The insurance system is usually viewed with suspicion by some Nigerians. This explains why insurance firms in Nigeria have so little patronage. This is because some insurance companies are notorious for not paying claims, which has had a negative impact on the industry's marketing. To put it another way, a lot of individuals are not sure what they are doing. Furthermore, the clauses and conditions contained in insurance policy paperwork add to Nigerians' skepticism. Osinuga Damilola(2016)

Inadequate Access to Information Technology
Although we live in a world where information technology seems to rule everything, many insurance businesses still lack a completely automated and integrated computer software system. The problem is that the document management system is inadequate in comparison to

the insurance systems of the United Kingdom and other advanced countries such as Japan, Korea, and others. Without manual services are still prevalent in the sector, resulting in claim settlement delays, fraudulent practices, inaccuracies, and errors across the board. Also, there is no reliable supervisory guideline on best Information Technology infrastructure for insurance companies and re-insurers to adopt for both operational and reporting purposes. Oyeka, C.C. (1988), Osinuga Damilola (2016)

Weak Insurance Regulatory Framework

The regulatory structure of Nigeria insurance is very weak and questionable. The National Insurance Commission, which oversees the administration, monitoring, regulation, and control of the insurance industry in Nigeria, appears to be underperforming. Another important issue facing the National Insurance Commission is its failure to ensure that some insurance products have standard premium prices. When negotiating premiums, insurance firms must comply to the policy so that there is a baseline for pricing. Osinuga Damilola(2016), Agbakoba O. (2018).

Inadequate skilled Insurance Personnel

Many top insurance executives are clearly marketers who rose to the top because of their unique ability to attract more clients than their competitors. Their advancement was not based on their extensive industrial technical knowledge. Bringing in customers should have been a primary criterion of promotion. Promotions should have required a mix of a strong technical background and knowledge of the insurance industry. As a result, the insurance sector is experiencing a severe lack of qualified professionals (underwriters, brokers, agents, and so on). Furthermore, some insurance companies do not provide enough training to their employees. Furthermore, the bulk of insurance businesses recruit low-skilled individuals owing to insufficient compensation packages, resulting in a difficulty to retain competent staff. Osinuga (2016).

Inadequate Knowledge of Insurance by Prospective Clients

Nigeria has a very poor insurance culture. Many Nigerians continue to believe that insurance is unnecessary. Nigerians' negative attitude toward insurance services is due in large part to their low level of life. Nigeria has a low per capita income; thus, insurance penetration is expected to be low. Osinuga (2016).

2.6 Solutions to the Challenges of Nigeria Insurance Industry.

First and foremost, as noted by Agbakoba O. (2018), the Nigerian insurance laws must also be re-examined and reviewed by the federal government. The Insurance Act of 2003 and the National Insurance Commission Act of 1997, in particular. Appropriate law and policy are urgently needed to provide a positive operating environment for the insurance business.

Secondly, Agbakoba O. (2018), further revealed that the insurance business will benefit from the creation of economic policies that encourage investment. Insurance firms would be able to make long-term investments with greater returns if there were investment-friendly regulations in place. It is also worth noting that if the economy improves, the potential insured will have the financial means to get insurance. Agbakoba O. (2018).

Importantly, creating an exceptional client experience is the first step in altering the face of Nigeria's insurance sector. Customer service is critical for attracting new consumers and keeping old ones. Customers in Nigeria must be able to use an internet-based self-service insurance portal that allows them to examine policy coverage, pay bills, make policy changes, file claims, and track claim progress. Brokers should be able to get customized estimates, proposals, and plans for their clients over the online platform. Osinuga Damilola (2016)

It is critical to hire appropriate and qualified insurance personnel with relevant professional insurance experience. Insurance firms should set aside a portion of their budget for ongoing professional development to keep their employees up to date on industry norms and practices. Insurers must also develop strategies to educate the public about the importance of insurance. The government can also help by enacting legislation that makes certain insurance plans mandatory and imposes heavy penalties for those who do not comply. Osinuga Damilola (2016),
In our contemporary world, there is a global trend of moving away from manual paper-based processes to automated processes. This rising practice should be followed by Nigerian insurance firms. To improve operational efficiency and dependability, insurance companies must enlist the help of technology businesses to build software and efficient platforms. Osinuga Damilola (2016),

Finally, without a well-organized insurance business, no modern economy can run efficiently. Therefore, Nigerian insurance firms must be innovative, as their success would be determined by their ability to develop new approaches to insurance in the country. Furthermore, the Nigerian government, insurance firms, insurance experts, and other relevant authorities must work together to guarantee that the insurance industry reaches its full potential and can compete with the United Kingdom and other modern nations. Osinuga Damilola (2016), Agbakoba O. (2018).

2.7 Incoterms and Nigeria Cargo Insurance

Various parties are engaged with their different duties when goods are moved from one location to another. In accordance with UNCTAD, (1990), the 'Terms of Sale,' a commercial agreement between buyer and seller, specifies who is liable for what throughout the transaction. Incoterms are a set of globally accepted terms in international trade transactions.

Incoterms are joint duties of the seller and buyer deriving from the transportation of products under an international contract in terms of risks, expenses, and documentation, according to UNCTAD, 1990. Incoterms are a set of international commerce terminology. Every court of law recognizes them since they objectively describe the buyer and seller's duties under a commercial contract. Furthermore, they are critical because they guarantee a shared understanding of obligations, make negotiations simple and ultimately, lower the uncertainties associated with international trade. UNCTAD (1990)

International Commercial Terms (Incoterms) were created to aid in the reduction of conflicts and confusion in international trade. Only two incoterms, Cost Insurance and Freight (CIF) and Carriage and Insurance Paid To (CIP), need a contractual commitment on the side of one party to acquire cargo-specific insurance. UNCTAD, (1990) Cost, Insurance, and Freight (CIF) - the seller has a contractual duty to acquire insurance. When the products are carried into the vessel and the ownership and risk transfer to the buyer, the insurance is issued to them. Even though the seller arranges the insurance, all claims for loss or damage that occur after the moment of assignment must be paid by the buyer. UNCTAD(1990)

Carriage and Insurance Paid To (CIP)—In this case, the vendor delivers the items to the ship. The risk is shifted to the buyer on board. Until the shipment arrives at its destination, the importer(buyer) is liable for customs charges, clearance, and other fees. UNCTAD,(1990)

Other commonly used Incoterms in International Trade

Ex Works (EXW) means that the buyer is solely responsible for everything. The vendor just needs to make the items available for pickup by the buyer at their location. UNCTAD(1990)
Free on Board (FOB) - the seller bears all risks and costs associated with shipping the items until they are securely put into the vessel, at which time the buyer accepts complete responsibility. UNCTAD(1990)

DDP (Delivered Duty Paid) - the seller assumes all risk and costs associated with delivering the goods until they are delivered ready for unloading at the buyer's specified location. Importantly, the seller must clear the items for both export and import, as well as pay any applicable duties. for both export and import purposes, as well as to complete all customs requirements. UNCTAD(1990)

CHAPTER 3. Literature review

3.1 Introduction

The Nigerian insurance sector (of which cargo insurance is a component) is controlled by the Insurance Commission Act 1997 and the Insurance Act 2003, according to the National Insurance Commission (NAICOM). NAICOM(2020) indicated that Nigeria's insurance business is still growing and developing. However, Adebisi W. (2006) and Adeda, S. (2013) noted that it barely contributes 0.7 percent to the country's GDP (GDP) when compared to other markets, such as South Africa, where access levels are about 12%, this is a relatively low percentage. Insurers and reinsurers, insurance brokers, agents, and loss adjusters are the four types of players in the Nigerian insurance business. Insurance and reinsurance firms underwrite risks, whereas insurance brokers and agents operate as middlemen in the sale of insurance products and collection of premiums between underwriters and policyholders.

Oyejide, A, & Soyode, A (1976)), noted that without a doubt, the Nigerian insurance industry has a bright future, but there appears to be a challenge in getting insurance products into every nook and cranny of the Nigerian system because a large portion of the population is unaware of the need for it, particularly regarding business and trade. NAICOM, (2003)

According to Adeda, S. (2013), cargo insurance is a cornerstone of the current financial services industry in our modern trade and commercial culture. Aside from its traditional risk management role, the cargo insurance market also serves as a risk transfer and compensation mediator and supplier. Indeed, it encourages financial and economic growth by effectively managing various risks through long-term savings, capital accumulation, and providing as a conduit for money from policyholders to investment possibilities, as well as turning domestic savings into productive investment. NAICOM, (2003), further noted that risk transfer is an important function of cargo insurance for the insured. In most cases, the insured pays a premium in exchange for protection against a specific risk. Cargo insurance policy helps the economic cycle run smoothly and reduces the impact of crisis circumstances on the micro and macroeconomic levels by compensating for uncertainties and precariousness. In comparison to some other advanced countries, however, the demand for insurance against cargo or products loss due to natural catastrophes, crime, violence, or accidents in Nigeria is relatively low. Adebisi W. (2006). Adeda, S. (2013).

3.2 Nigeria Traders Need for Cargo Insurance

As noted by Allianz Insurance plc(2016), cargo Insurance, protects products against physical damage while being carried throughout the world, whether by road, train, sea, or air. While cargoes(products) are being transported, a variety of things might happen. They might be stolen in transportation or destroyed in a shipwreck at sea, putting the owner in a financial bind if not insured. The coverage offered by goods-in-transit insurance does not extend to marine cargo. It guarantees that cargoes goods are safe during loading and unloading, storage, and transportation - both locally and internationally. Allianz Insurance (2016)

Furthermore, C.V. Ozuomba (2013), noted that cargo insurance coverage covers a wide range of items, including raw materials and single components, as well as finished goods and appliances. It was created for manufacturers, wholesalers, retailers, and distributors, as well as any other type of business that imports, exports, and/or distributes items throughout the world.

Hence, the need for Cargo insurance can is as below:
It reduces trader's financial loss - Nigerian traders are particularly concerned about the secure transportation and delivery of their goods or cargoes while importing and exporting, buying, and selling items. As a result, cargo insurance protects their worry and curiosity in the case of damage or loss. Allianz Insurance (2016)

Safeguard from General Average - The General Average is a legal theory in maritime law under which all Nigerian cargo owners share losses arising from altruistic sacrifices or expenditures spent to avert a total loss evenly. Goods owners in Nigeria are encouraged to be insured so that their insurers can handle these circumstances on their behalf and offer the required assurances that their cargo may be unloaded. Allianz Insurance (2016)

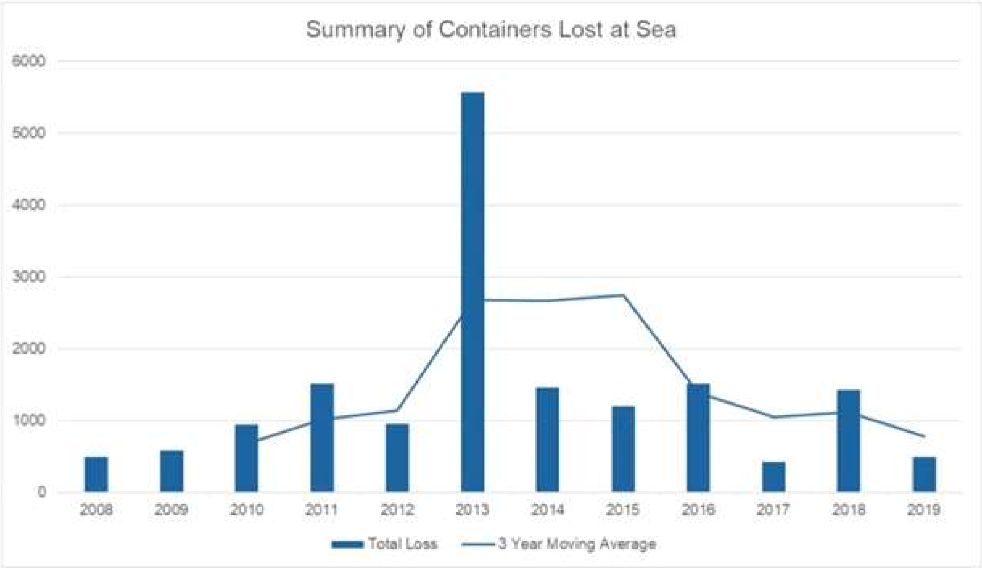
It is a contractual requirement for Sale of Goods- Cargo insurance is a commercial need for traders and businesspeople in Nigeria since it is a prerequisite for the selling of products. Besides, clients' connections, trust and relationship will be strengthened if damaged items are quickly replaced. Marine cargo insurance can also safeguard the interests of banks or other third parties involved in the transaction's financing. Allianz Insurance (2016)

Containers Lost at Sea- From the year 2011, the World Shipping Council (WSC) has performed an annual survey of its members to precisely determine the number of containers lost at sea. World Shipping Council (WSC) member companies run more than three-quarters of the world's container capacity; thus, an examination of their losses provides a reliable foundation for estimating the overall number of containers lost at sea. World Shipping Council (2020)

According to the World Shipping Council (WSC), after evaluating the findings for the twelve-year period (2008-2019), the World Shipping Council (WSC) believes that 1,382 containers were lost at sea on average each year. This is one of the reasons cargo insurances are indispensable in International Trading system. World Shipping Council (2020)

Shockingly, more than 2,675 containers were lost at sea in five incidents between November 30, 2020, and January 31, 2021. In just two months, this is nearly double the yearly average. Source: World Shipping Council 2020.

[Figure 1: 2008-2019 Containers Lost at the Sea from the period]



(**Source**: World Shipping Council 2020)

3.3 Benefits of Cargo Insurance

Despite the challenges of the Nigerian Cargo Insurance, it generates some values and benefits to both the uninsured(importer/exporter) and the economy of Nigeria as a whole. Africa Insurance Trends (2015) summarized the benefits as below:

First, the Cargo Insurance scheme allows many persons who are likely to incur the same type of loss to pool their resources and form a fund by contributing premiums. Any holder of a Cargo Insurance Policy who experiences a loss gets compensated from the fund. Africa Insurance Trends (2015). By agreeing to indemnify (compensate) a business/policy holder against certain sorts of losses, it supports the growth of commerce and industry, as well as the extension of commercial activities. An entrepreneur is encouraged to start and expand his firm. Importers and exporters will continue to operate without being completely affected if their losses are reimbursed. Africa Insurance Trends (2015)

Cargo Insurance firms directly contribute to economic growth by investing in new company endeavors. They may start their own enterprises or work for private investors or the government to run industrial and commercial operations.

They provide investors with technical and financial guidance. They can provide them advice on how to reduce the danger of their business ventures failing. As a result, the loss rate can be decreased. Philip, C.O. (2011).

Finally, the cargo insurance scheme is a kind of future savings mobilization.
Africa Insurance Trends (2015)

3.4 Strengths and Weaknesses of Nigeria Cargo Insurance Markets

3.4.1 Strengths of the Nigeria Cargo Insurance Market

The Nigerian macroeconomic climate is still growing, with the possibility for fast economic and insurance market expansion. Although, in terms of stability, Nigeria's macroeconomic climate is not comparable to that of the United Kingdom, Korea, or Japan at this present point in time. However, there is reason to believe that the macroeconomic situation will improve and become more stable. Nevertheless, Price Waterhouse and Coopers (PWC), (2015), (Africa Insurance Trends, 2015) summarized some of the strengths of Nigerian

Cargo Insurance Market as below:

First and foremost, the influx of foreign investors opens additional opportunities for growth and makes insurance more appealing. The more international investors Nigeria attracts, the greater the potential for cargo insurance to grow. (Africa Insurance Trends, 2015)

Secondly, by controlling and expanding insurable risks, technological development has functioned as a catalyst for growth of insurance business. For instance, the increased use of the internet, cell phones, and conference calls, among other things. (Africa Insurance Trends, 2015)

Thirdly, in reaction to the changing environment, a strong and dependable regulator is needed. Economic and financial operations in the modern world are constantly evolving to stay up with global trends. The Nigerian cargo insurance system changes to adapt, compare, and compete with nations such as the United Kingdom. (Africa Insurance Trends, 2015).

Fourthly by new progressive law that encourages premium and market expansion while also acknowledging the need of developing local content. Insurance policies are being evaluated by the NAICOM to enhance the Cargo Insurance industry and increase the number of people who have insurance policies. This is a technique to boost potential clients′ (insureds′) trust in the Nigerian insurance industry. (Africa Insurance Trends, 2015)

Finally, mobile phones are becoming more prevalent, allowing access to the informal economy. Even though Nigeria is still developing in terms of telecommunications, a rising number of individuals are utilizing mobile phones and may therefore quickly access insurance information and transactions. Insurance firms would be able to reach out to Nigerians and conduct insurance transactions from the convenience of their phones thanks to the mobile phone platform. Paying their premiums, for example, using mobile applications. Price Waterhouse and Coopers (PWC), (2015), (Africa Insurance Trends, 2015)

3.4.2 Weakness of the Nigeria Cargo Insurance Market

The Nigerian Cargo Insurance system are not without its weaknesses which slows down its advancement. For instance, lack of Interest toward insurance among Nigerians due to cultural restrictions, poor per capita income, and inadequate insurance knowledge were highlighted as key disadvantages. According to Price Waterhouse and Coopers(PWC), 2015, (Africa Insurance Trends, 2015) some of the flaws are as mentioned below:

First, the Nigeria Cargo Insurance system is inadequate. The regulatory enforcement and other negative government policies might lead to sector fragmentation.

Secondly, the system does not have enough finance and capitalization are connected to low-capacity growth and an inability to recruit specialist insurance skillsets. Besides, there is poor risk pricing and risk profiling by some insurance firms.(Africa Insurance Trends, 2015)

Thirdly, there are display of inefficiencies, incompetence, and mismanagement of insurance firms by the owners in the insurance system.

Another weakness in the system is unhealthy competition among market actors (insurance marketers) who consider insurance risk. Moreover, inadequate capitalization of the some of the insurance companies, limits underwriting capacity and the company's ability to absorb or compensate for risk as and when due.

The Nigerian insurance system is still growing desire to create insurance products that represent people's lifestyles, both rich and poor. Price Waterhouse and Coopers(PWC), 2015, (Africa Insurance Trends, 2015)

3.5 The Role of Cargo Insurance in International Trade

According to UNCTAD/DITC/TNCD(2007) cargo insurance is a type of insurance that covers items against loss or damage while being transported by air, sea, inland rivers, or land. The objects to trade are cargo goods. Almost everything can be covered by cargo insurance, including completed goods and raw material components.

As further noted by Osunkunle, B. (2002), the goal of cargo insurance is to alleviate the financial burden of goods transportation damage or loss between importers and exporters. By paying the insurance premium, the covered party (importer/exporter) acquires the right to reimbursement from the insurer. The insurance coverage pays out in the event of cargo losses or damage. The responsibility portion might be split between the exporter and the importer, or it can be handled entirely by one party. The international trade agreement must specify how such obligation (responsibility or liability) will be shared. Kouladis, N. (1994).

With special reference to International Trade, the roles of Cargo Insurance performed by Cargo Insurance are as below:

First, as noted by World Integrated Trade Solutions (WITS) (2000), it facilitates both local and international trading activities in Nigeria. Trade facilitation means the streamlining and harmonization of international trade procedures. Cargo insurance in Nigeria helps international trade. The actions, practices, and formalities involved in gathering, presenting, communicating, and processing data necessary for international commerce movement of products are included in these procedures. It is worth noting that trade facilitation encompasses more than just imports and exports. For international trade to run successfully, a variety of activities such as insurance, Incoterms, and others are required. WITS (2000).

Secondly, Kouladis, N. (1994) noted that without the ability to shift many of its risks to insurers, no large-scale company could reasonably function. Without insurance, business folks (commercial firms, importers, exporters, and people engaged in international trade and commerce in Nigeria) would have to set aside part of their financial resources to cover the chance of unexpected losses. Importers and exporters who have an insurance policy to cover their cargoes do not need to maintain a portion of their capital to meet unanticipated events since insurers will step forward to compensate the insured. In other words, insurance protects International Traders' company capital while also freeing it up to expand their business and trade. UNCTAD/DITC/TNCD(2007).

Brainard, L. (2006). made it clear that cargo Insurance also provides risk management expertise in Nigeria. This is because certain business owners, such as importers and exporters, may have their own specializations for running their own business or trade, but they may be hampered by a lack of risk management expertise. As a result, Cargo Insurance alleviates the worry that arises by making its knowledge available; as a result, company productivity is enhanced.

Furthermore, Outreville, J.F. (1990), believes that the firm is covered from disaster losses can stimulate entrepreneurs and lead to the pursuit of projects that would otherwise be shelved as too dangerous for the individual concern to undertake.

In international trade and business, cargo insurance plays a critical role. Because it protects against unintentional losses, it allows all those involved in international commerce to risk their capital more freely than they might otherwise, allowing them to grow their activities significantly.

Cargo insurance protects importers and exporters in Nigeria from a variety of damages, including damage to commodities in transit, items that harm customers, and nonpayment by importers. When a firm (importer or exporter) suffers a financial loss because of one of these situations, they are indemnified, that is compensated. Kouladis, N. (1994).

Significantly, as noted by UNCTAD/DITC/TNCD (2007), the cargo insurance sector, together with banks and financial intermediaries, plays an important role in ensuring that parties to an international transaction can conduct business efficiently across international borders. Ozuomba C.V. (2013) believes that exporters can take advantage of chances to grow their enterprises into international markets since insurance companies take on some of the risk. The Nigerian cargo insurance sector has a great interest in a strong economy and a thriving business climate that allows it to reach out to clients all over the world. Insurance companies collaborate with governments, banks, and financial intermediaries to produce solutions that make foreign trade transactions easier in Nigeria. Cargo Insurance agencies, particularly with small and mid-size firms, can utilize their knowledge with international markets to mitigate some of the risk that a novice exporter has due to a lack of institutional reach that allows the exporter to readily examine an importer's credit and company history. UNCTAD/DITC/TNCD(2007)

Furthermore, C.V. Ozuomba (2013), emphasized that cargo insurance agencies in Nigeria periodically create new international trade insurance products, such as foreign currency exchange insurance, although the most common forms of insurance used to assist commerce are export credit, cargo, and product liability insurance. And Kouladis, N. (1994) in his opinion stated that export credit insurance allows exporters to provide open credit conditions to their customers. In the case of nonpayment by the importer, the insurance will cover most of the value of a defaulted receivable. The insurance eliminates the risk involved in the credit extension if the exporter has the capacity and cash flow to comfortably float merchandise to the importer with a promise of payment that may not occur for up to 180 days. UNCTAD/DITC/TNCD(2007)

Finally, UNCTAD/DITC/TNCD(2007) noted that cargo insurance covers commodities in transit and is a form of international commerce insurance. International Traders (Importers and exporters) use it, as it usually contains conditions that are set by the terms of the sales contract. Also, Kouladis, N. (1994), believes that this form of insurance protects against total loss, transportation damage, and any damage that occurs while the items are in customs warehouses in either nation.

Certain events that can occur when commodities reach a foreign nation are also covered, such as seizure and products that are opened and made unsellable during inspections.

3.6 Nigeria Trade (Import and Export): The Rationale for Cargo Insurance for International Trade

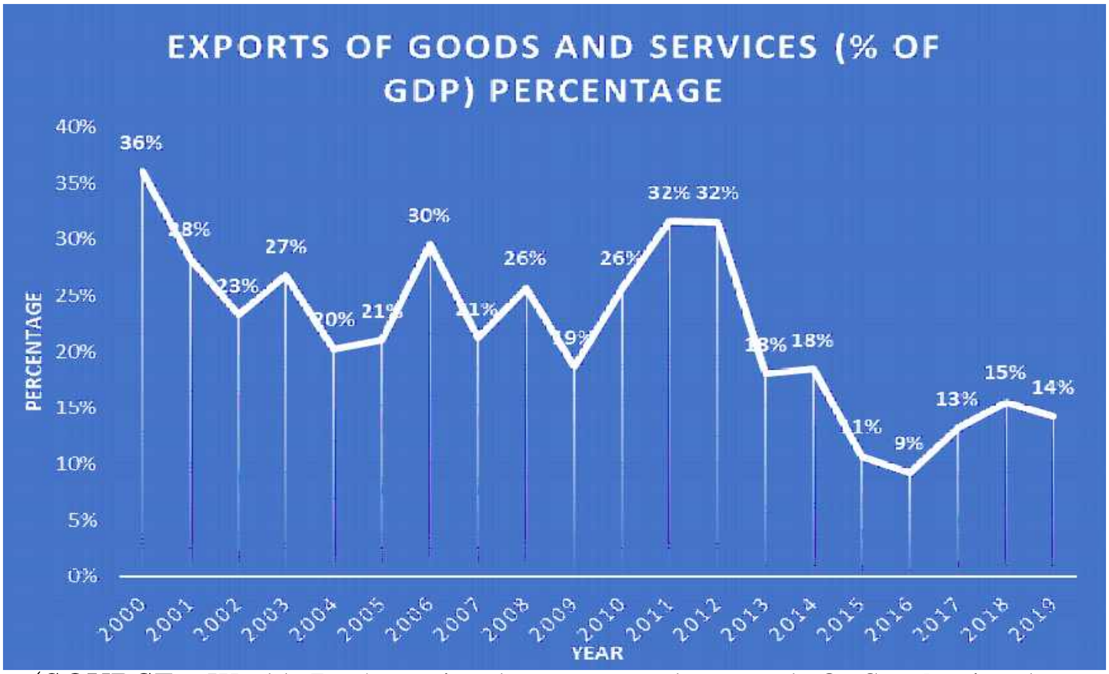
The objective of this section of this academic work is to further clarify the role of cargo insurance in international trade by analyzing Nigeria Export/Import of Goods and Services (a percentage % of GDP). This analysis is vital because the Nigeria Export/Import of Goods and Services (a percentage % of GDP) contains the value of freight/cargo, insurance for the period(2000to2019) under review. (World Bank Data bank)

According to this World Bank Data bank (2000 to 2019), both the importer and the exporter are expected to subscribe for insurance to ensure the safe transport of cargoes. Therefore, insurance has become one of the most important requirements for international trade. To put it another way, an effective international trade system necessitates the use of import and export insurance. Insurance companies will lose customers if there is no foreign trade.

Therefore, we cannot discuss the role of cargo insurance in international trade without looking into the values of Nigeria Import and export within the period (2000-2019) under review. There can be no international trade and cargo insurance revenue without the existence of import and export values in Nigeria. Hence, in this section, we shall be showing the percentage of Nigeria Imports and Exports to GDP, the value of Nigeria imports and exports in USD and the balance of payment positions for the respective years under analysis. The trade values of exports contain the freights costs and incoterms like CIF because the Nigerian government requires and encourages the exporter to use CIF to promote the indigenous insurance companies. (World Bank Data bank)

3.6.1 Nigeria Exports and Imports of Goods and Services

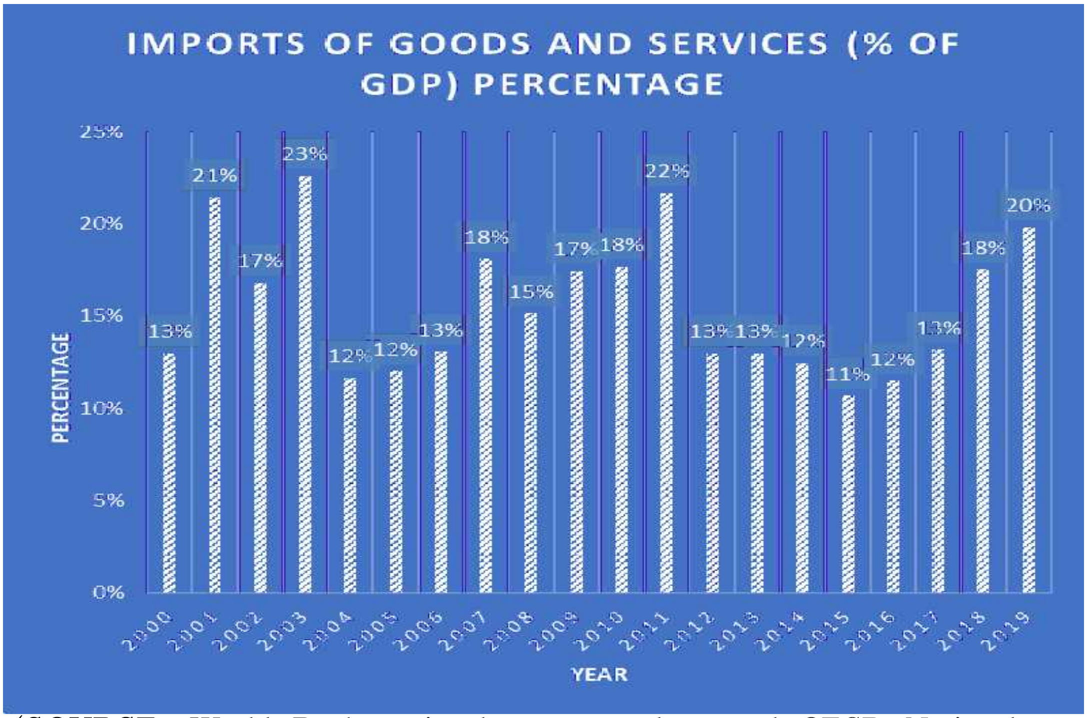
[Figure 2: 2000-2019 Nigeria Exports of Goods & Services(% of GDP)]



(SOURCE: World Bank national accounts data, and OECD National Accounts data files)

The percentage of Nigeria's exports to GDP are depicted in Figure 2 above. The value of all commodities and other market services that Nigeria delivers to the rest of the world is represented by its exports of goods and services. They include the value of goods, freight, insurance, transportation, travel, royalties, license fees, and other services such as communication, construction, financial, information, business, personal, and government services, among others. Employee remuneration, investment income (formerly known as factor services), and transfer payments are not included. (World Bank Data bank)

[Figure 3: 2000-2019 Imports of Goods and Services (% of GDP)]



(SOURCE: World Bank national accounts data, and OECD National Accounts data file)

Figure 3 depicts the contribution of Nigeria's imports to GDP. Import of goods and services, which reflects the total value of all goods and other market services received by Nigeria from other countries. They include the cost of goods, freight, insurance, transportation, travel, royalties, license fees, and other services including communication, construction, financial, information, business, personal, and government services. They do not include employee salary, investment income (previously known as factor services), or transfer payments. (World Bank Data bank)

3.6.2 Nigeria Export and Import Trade Values from Year 2000 to 2018

As earlier mentioned, this segment shows the export and import value of Nigeria's trade because it is also a reflection of the cargo insurance value and position.

Nigeria, like all other countries, participates in international commerce by buying things it cannot produce and exporting products it can. As a result, export and import transactions between countries are required; hence cargo insurance transactions are involved to safeguard import and export of goods and aids operations International Trade in Nigeria.

Exports

According to Anyanwuocha, (2006), The term "export" refers to the sale of products and services to other nations. Export can be either visible or invisible export. Invisible Exports are services provided to other nations, whereas visible Exports are physical commodities sold to other countries.

[Figure 4: 2000 to 2018 Nigeria Export Trade Value]

(**SOURCE:** World Integrated Trade Solution (WITS))

The chart(figure 4) provides Nigeria export trade value in thousands of US dollar, for the period of 2000 to 2018. The trade values of exports contain the freights costs and incoterms like CIF because the Nigerian government requires and encourages the exporter to use CIF to promote the indigenous insurance companies.

Imports

According to Anyanwuocha, (2006), Imports are products and services purchased from nations outside of a particular country. Imports can be visible or invisible. Imports that are visible are physical commodities from other nations, and imports that are invisible are services from other countries.

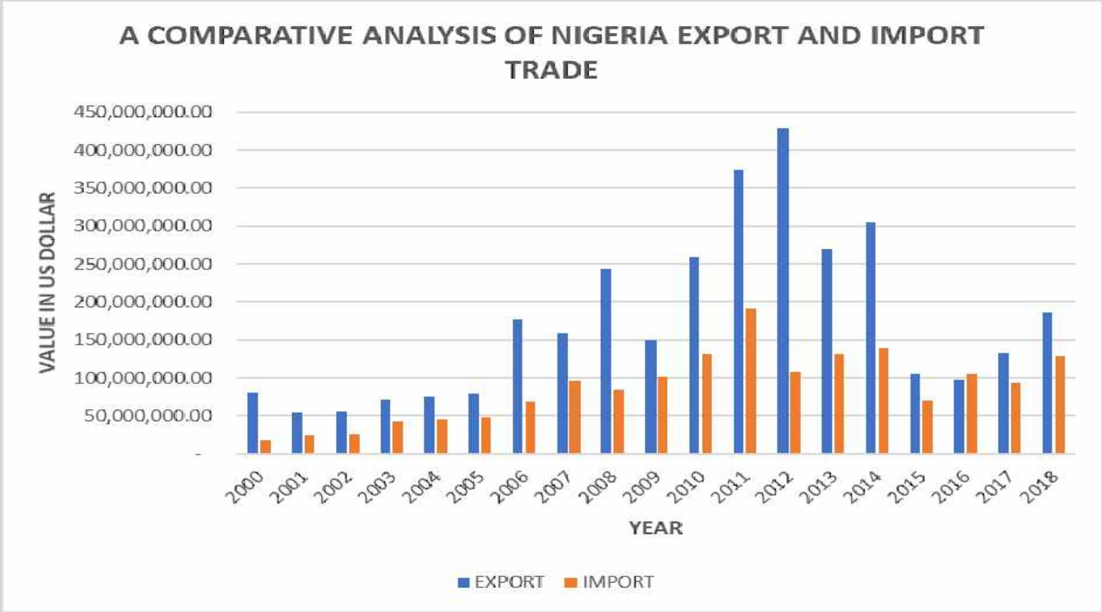
[Figure 5: 2000 to 2018 Nigeria Import Trade]

(SOURCE: World Integrated Trade Solution (WITS))

The chart (Figure 5) provides Nigeria import trade value in thousands of US dollar, for the period of 2000 to 2018.

3.6.3 Comparing Nigeria Export and Imports Values From 2000 To 2018

[Figure 6: : 2000-2018 Comparing Nigeria Export and Import Trade]



(SOURCE: World Integrated Trade Solution(WITS))

The chart (Figure 6) provides a comparative analysis of Nigeria export and import trade value in thousands of US dollar, for the period of 2000 to 2018. In most of the years, Nigeria export value in USD were greater than import value.

[Table 1: 2000-2018 Export and import Trade Values]

A COMPARATIVE ANALYSIS OF NIGERIA EXPORT AND IMPORT TRADE		
YEAR	**VALUE $**	**VALUE $**
	EXPORT	IMPORT
2000	80,794,590.17	17,347,556.96
2001	53,663,444.02	23,727,249.56

2002	55,161,492.25	26,006,947.67
2003	71,743,202.39	42,134,855.94
2004	74,743,202.89	45,134,856.71
2005	79,743,203.59	48,134,857.69
2006	177,644,345.70	68,249,077.21
2007	159,102,163.13	96,695,231.81
2008	243,075,054.47	84,067,672.47
2009	149,053,251.74	100,991,153.18
2010	259,279,702.93	131,706,414.07
2011	374,082,914.28	191,092,168.70
2012	428,366,434.52	107,357,201.59
2013	270,135,309.63	131,072,579.77
2014	305,150,033.55	139,358,621.38
2015	105,150,033.55	69,358,621.38
2016	97,923,614.08	105,338,402.01
2017	132,689,197.57	93,657,608.26
2018	186,359,764.56	128,844,562.52

(SOURCE: World Integrated Trade Solution (WITS))

3.6.4 Nigeria Balance of Trade with respect to Cargo Insurance

Balance of trade shows the relationship between the total value of visible imports and visible exports for a period of one year. The balance of trade of a country can be favorable(surplus) or unfavorable(deficit).

[Table 2 :2000-2018 Nigeria Balance of Trade]

A COMPARATIVE ANALYSIS OF NIGERIA EXPORT AND IMPORT TRADE			
YEAR	**VALUE $**	**VALUE $**	**VALUE $**
	EXPORT	IMPORT	BALANCE OF TRADE
2000	80,794,590.17	17,347,556.96	63,447,033.21
2001	53,663,444.02	23,727,249.56	29,936,194.46
2002	55,161,492.25	26,006,947.67	29,154,544.58
2003	71,743,202.39	42,134,855.94	29,608,346.46
2004	74,743,202.89	45,134,856.71	29,608,346.19
2005	79,743,203.59	48,134,857.69	31,608,345.91
2006	177,644,345.70	68,249,077.21	109,395,268.50
2007	159,102,163.13	96,695,231.81	62,406,931.32
2008	243,075,054.47	84,067,672.47	159,007,382.00
2009	149,053,251.74	100,991,153.18	48,062,098.56
2010	259,279,702.93	131,706,414.07	127,573,288.85

2011	374,082,914.28	191,092,168.70	182,990,745.58
2012	428,366,434.52	107,357,201.59	321,009,232.93
2013	270,135,309.63	131,072,579.77	139,062,729.86
2014	305,150,033.55	139,358,621.38	165,791,412.18
2015	105,150,033.55	69,358,621.38	35,791,412.18
2016	97,923,614.08	105,338,402.01	(7,414,787.93)
2017	132,689,197.57	93,657,608.26	39,031,589.31
2018	186,359,764.56	128,844,562.52	57,515,202.04
TOTAL	**3,303,860,955.02**	**1,650,275,638.83**	**1,653,585,316.19**

(SOURCE: World Integrated Trade Solution(WITS))

The above table 2 shows the difference between the value of Nigeria imports and exports from the period of 2000 to 2018. The table indicates that Nigeria experienced favorable(positive) or surplus balance of trade in all the years under review except for 2016 where it experienced unfavorable (negative) deficit balance of trade of $-7,414,787.93 dollars.

Therefore, based on the values of Export and Import, in all the years above, Nigeria cargo insurance recorded favorable(surplus) balance of payment except in the year 2016 where it recorded a deficit.

3.7 The Relationship Between Cargo Insurance and International Trade (Export/Import Growth)

According to Worldbank Data and UNCTAD/DITC/TNCD(2007), clearly, there is a positive relationship between Cargo Insurance and International Trade (export/import growth). The more international trade transactions(import/export) we have in Nigeria, the more the cargo insurance grows and expands in transactions and value. The less import/export growth we have the less cargo insurance transactions are recorded.

Nigeria is very big and recognized market and international trade center in Africa. Hence the Nigerian government encourages the exporters to use CIF (Cost, Insurance and Freight (CIF) incoterms to promote the Nigerian indigenous insurance companies and generates funds for Nigeria. With this economic principle, the more exports and international trade transactions we have in Nigeria, the more cargo insurance grows and expands. This would in the long run strengthen the Nigerian GDP.

From the figure 3 and 4, we can clearly see the values of export and import for the period of 2000 to 2018. Therefore, we can state the summary of the relationship between cargo insurance and international trade as follows:

i Source of Foreign Exchange: the relationship between cargo insurance and international trade(export/import) will always produce more foreign exchange for Nigeria. The more export transaction, the higher the cargo insurance revenues which ultimately promote Nigerian foreign exchange.

ii Both International Trade(export/import) serves as source of employment to many Nigerians. This is because the more trading transaction we have the greater the insurance premium, hence the cargo insurance companies can expand and employ more people as staff.

iii When Nigerian cargo insurance companies are promoted and facilitated, they would be strong enough to compensate the exporters and importers in the event of loss. In other words, they would act as a catalyst for the advancement of international trade in Nigeria.

iv The Positive relationship between Cargo insurance and Export/Import, provides Long-Term Financial Resources: The insurance industry generates funds from millions of customers(exporters and importers) who pay premiums. Because of the funds' long-term nature, they are invested in long-term infrastructure assets (such as roads, ports, power plants, dams, and so on) that are critical to nation-building. Large investments, which contribute to capital formation in the economy, enhance employment prospects.

v. In figure 5, and table 1, the comparative analysis shows that the value of Nigeria exports ($3,303,860,955.02) is far greater than that of Nigerian imports ($1,650,275,638.83). Therefore, based on the principle of CIF (Cost, Insurance and Freight (CIF) incoterms, there would be more revenues in form of premium for cargo insurance companies in Nigeria.

vi. If Nigeria grow the cargo insurance sector, it will create more revenues and job opportunities for citizens, especially for Nigeria that has teeming population and young folks who are in dire need of job opportunities.

vii. When cargo insurance grows, the import and export activities grow too.

viii. It also shows that there is a relationship between cargo insurance and the Gross Domestic Product (GDP) of Nigeria.

3.8 Weighing Up the Cargo Risks

In Nigeria, an exporter or importer of goods and services are expected to consider and weigh their business risk before engaging in any trade risk. There is need for the importer or exporter to put certain factors or circumstances in consideration to take calculated risk. Therefore, as an Importer or exporter you may have to consider as below:

Exporter- As noted by inntel.biz (2018) As an exporter of products or services, you must protect yourself against the following risks: loss or damage to items in transportation, a defect that leads to a lawsuit from a client, and non-payment for your goods or services. Source: inntel.biz

Importer- As an importer, you should think about the following if you are an importer: probable loss or damage to products in transit, supplier issues, including failure to supply, transportation delays and potential port hold-ups, the risk of performance or health and safety issues, import taxes, bonded warehouse storage, currency fluctuations. Source: inntel.biz(2018)

However, according to UNCTAD, (1990), the obligation for arranging insurance might be shared by both the importer and the exporter, or it can be assumed solely by one of them. Therefore, the importer or exporter must check to see whether the contract specifies which option was picked, if the contract does not state it explicitly, the common international trade terms, Incoterms 2000, should determine each party must bear in terms of risk.

3.9 Cargo Insurance and Economic Growth in Nigeria.

According to Arena, M. (2008), the role of marine cargo insurance in Nigeria's economic development cannot be overstated, as it provides significant protection against the risks associated with shipowners' and traders' entrepreneurial activities in maritime commerce, which is inseparably linked to the expansion of such activities. Cargo insurance is also in a unique position to make a major contribution to the capital market through premiums generated through the provision of critical insurance protection. As a result, a robust, buoyant, and sustainable marine insurance business is critical to Nigeria's maritime industry's economic growth and development. Given the importance of marine insurance in the Nigerian maritime sector, it is reasonable to assume that the marine insurance business is a significant contributor to the Nigerian economy. This is not the case, as the insurance sector has not reached its full potential. Philip, C.O. (2011)

Philip, C.O. (2011) noted that cargo insurance has recently grown in economic relevance in most industrialized nations as well as some emerging ones such as Nigeria. Because Nigeria is such a large market for imports and exports, the cargo insurance industry is critical to the country's economic development. It is vital to the development of the economy.

Arena, M. (2008), made it clear that in Nigeria, cargo insurance firms are becoming an increasingly important element of the financial system. They have also established themselves as major participants on the global finance markets. In industrialized nations throughout the 1990s, insurance firms' total assets rose faster than banks' assets, owing to mergers and acquisitions. Financial system liberalization (including privatization), financial consolidation, increased usage of contractual savings products, and market-seeking techniques are all contributing to the sector's growing prominence.

The cargo insurance industry in Nigeria is intimately related to macroeconomic variables (such as inflation, currency restrictions, country's national income), regulation, the accomplishment of national development goals, as well as the international trade regime. The industry has garnered a lot of attention in the context of privatization and liberalization because of its dual infrastructure and commercial function. As noted by Arena, M. (2008), insurance services contribute to growth as below:

i Cargo insurance helps households and businesses maintain financial security. Insurance services transfer and share risks, allowing people and businesses to specialize, build money, and pursue beneficial ventures they may not have considered otherwise.

ii. Savings are mobilized and channeled through cargo insurance firms. They transmit household savings to the business and public sectors. Their investments are also less susceptible to liquidity problems. Savings rates are greater in countries that grow quicker.

iii. Strong insurance can help the government's finances and budget. Cargo insurance may play a significant part in personal business planning and health-insurance plans, and because private insurance decreases demand on government social security and health-care programs, it can relieve government financial strain.

iv. Cargo insurance is beneficial to trade, business, and entrepreneurship. Because all economic operations (for example, manufacturing, shipping, aviation, medical, legal, accounting, and financial services) rely heavily on risk transfer, insurance services are critical. Insurance, in general, can provide investors the financial confidence to make investments since they know they will be able to recover their money if something goes wrong.

v. Cargo insurance might help reduce the economy's overall risk. The portfolio diversification and incentives to better monitor and manage the risks to which they are exposed, as well as encourage risk mitigation measures, result in a risk reduction.

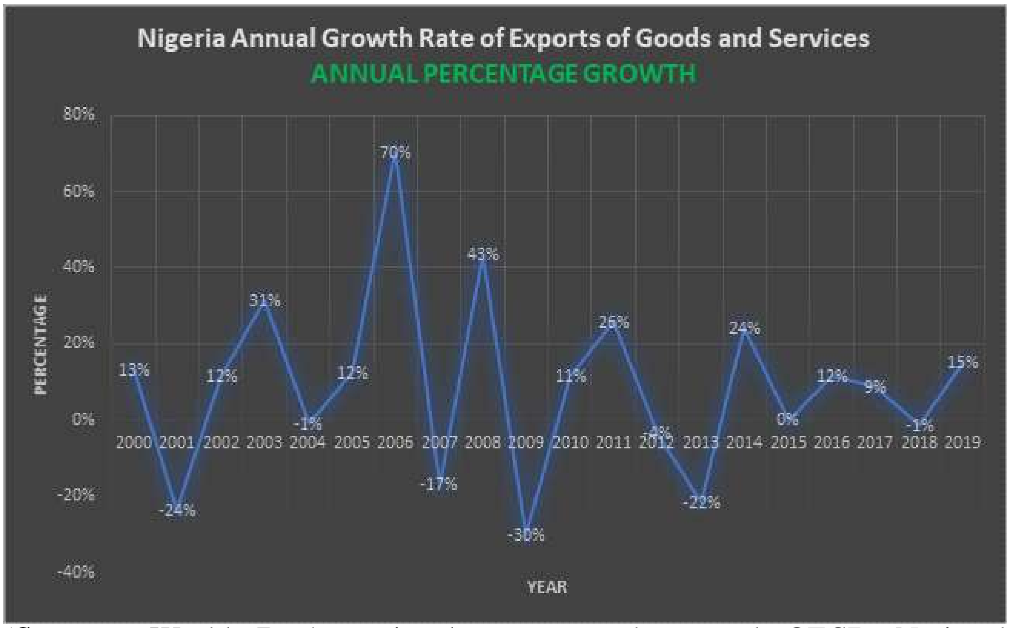
vi. Individuals' quality of life and societal stability are improved through cargo insurance. Individual peace of mind as an international businessperson is achieved, for example, since compensation is assured in the case of loss or damage. Arena, M. (2008).

3.9.1 Nigeria Annual Economic Growth Rates with Respect to Cargo Insurance

Having pointed out some of the areas in which cargo insurance contributes to Economic growth in Nigeria, we shall further show the statical pictures to explain the annual percentage growth of Export and Import of Goods and Services (the value of, freight, insurance inclusive) from the period of 2000 to 2019. (World Bank Data bank)

As noted by Daniel, F. (2012). Davis, E. P. (2000), one of the most common ways financial experts describe a country's economic success is through growth. The positive percentages in the graph below (figure 6) indicates that Nigeria's economy is improving. On the other hand, the negative percentages denote a decline or downward trend. Economists use GDP to measure growth to characterize the status and performance of the economy. Increases in the money supply, economic production, and productivity are all examples of growth. Negative growth entails a reduction in the money supply, economic output, and productivity, among other things. Economists consider negative growth to be a sign of a recession or depression. (World Bank Data bank)

[Figure 7: 2000-2019 Nigeria Exports of Goods and Services Annual % Growth]



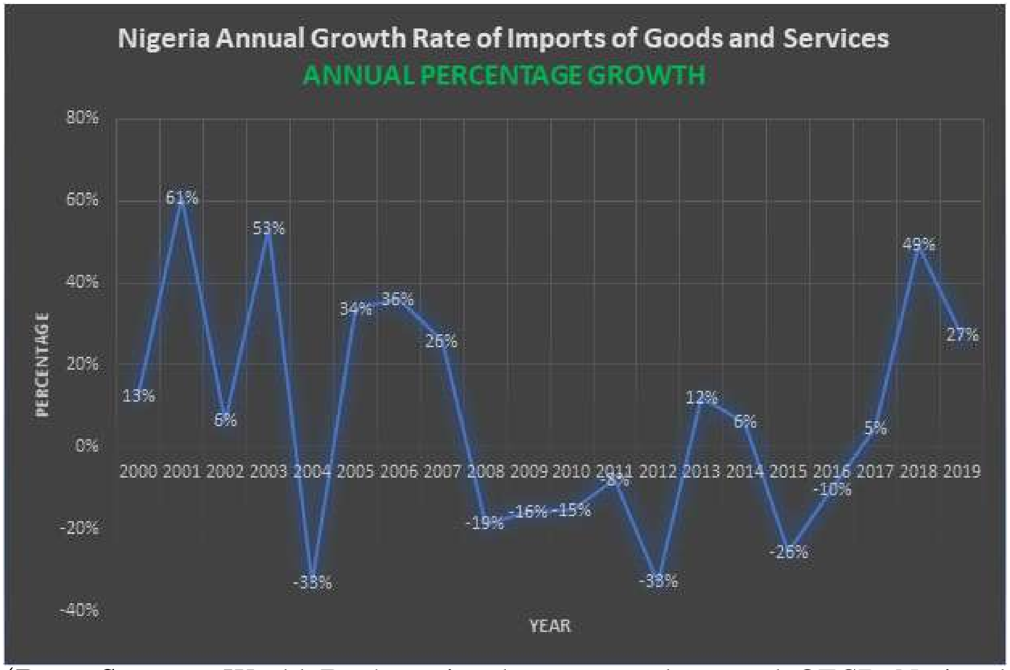
(Source: World Bank national accounts data, and OECD National Accounts data files).

This data (Figure 7) information shows Annual growth rate of exports of goods and services of Nigeria. This growth rates includes the value of freight, insurance for the period under review.

The value of all commodities and other market services offered to the rest of the world is represented by exports of goods and services. Merchandise, freight, insurance, transportation, travel, royalties, license fees, and other services, such as communication, construction, financial, information, commercial, personal, and government services, are all included. Employee remuneration, investment income (previously known as factor services), and transfer payments are not included. (World Bank Data bank)

The annual growth rate shown in the chart above reflects and shows the changes and growth rate of cargo insurance within the period of 2000 to 2019.

[Figure 8: 2000-2019 Nigeria Imports of Goods and Services Annual % Growth]



(**Data Source:** World Bank national accounts data, and OECD National Accounts data files)

This data (Figure 8) information shows Annual growth rate of imports of goods and services of Nigeria. This growth rates includes the value of freight, insurance for the period under review.

These rates of imports of goods and services represent the value of all goods and other market services received from the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude compensation of employees and investment income (formerly called factor services) and transfer payments. (World Bank Data bank)

The annual growth rate shown in the chart above reflects and shows the changes and growth rates of cargo insurance within the period of 2000 to 2019

3.10 Nigeria Gross Domestic Product Value :A Reflections of Cargo Insurance Position

The purpose of this section is to provide an overview of Nigeria's GDP from 2000 to 2019. And because cargo insurance contributes to Nigeria's GDP, the total value of each year's GDP reflects the state of cargo insurance in Nigeria from 2000 to 2019.

The sum of value added by all the country's producers is referred to as GDP. Before accounting for use of fixed capital in production, value added equals the value of producers' gross output minus the value of intermediary products and services consumed in production. According to the United Nations System of National Accounts Value added is measured using either basic prices (excluding net taxes on products) or producer prices, (including net taxes on products paid by producers but excluding sales or value added taxes). Transport costs are billed separately by producers in both values. Purchase prices are used to calculate total GDP. Industry's value added is usually assessed in terms of fundamental pricing. (World Bank national accounts data, and OECD National Accounts data files.)

[Table 3: 2000-2019 Nigeria GDP Value in USD]

NIGERIA GDP FROM 2000 TO 2019	
YEAR	**VALUE IN USD**
2000	69,448,756,933
2001	74,030,364,472
2002	95,385,819,321
2003	104,911,947,834
2004	136,385,979,322
2005	176,134,087,150
2006	236,103,982,432
2007	275,625,684,969
2008	337,035,512,677
2009	291,880,204,327
2010	361,456,622,216
2011	404,993,594,134
2012	455,501,524,575
2013	508,692,961,937
2014	546,676,374,568
2015	486,803,295,098
2016	404,650,006,429
2017	375,746,469,539
2018	397,190,484,464
2019	448,120,428,859

(Source: WorldBank national accounts data, and OECD National Accounts data files)

[Figure 9-1: 2000 to 2019 Nigeria GDP]

(Source: World Bank national accounts data, and OECD National Accounts data files)

[Figure 9-2: 2000-2019 Nigeria GDP]

(Source: World Bank national accounts data, and OECD National Accounts data files)

From the above figure 9-1 and figure 9-2, Nigeria recorded the lowest GDP value in the year 2000 and highest GDP value in 2014 when there was an economic boom.

Chapter 4. Findings, Data Analysis and Discussions

4.1 Introduction

In this chapter the data obtained from World Bank, World Integrated Trade Solutions (WITS), International Monetary Fund (IMF) Central Bank of Nigeria (CBN) will be analyzed, explained, and interpreted.

A comparative analysis will be employed in this study project to help readers and researchers to have a better comprehension of this research paper. Researchers' understanding of the systems, economic performance, cultures, patterns, and other activities of two or more nations would be enhanced by the comparative examination in this scholarly work. As a result, the insurance percent of commercial service on exports and imports of Nigeria and United Kingdom respectively, will be comparatively examined. In other words, the freight(cargo) insurance on goods exported and imported.

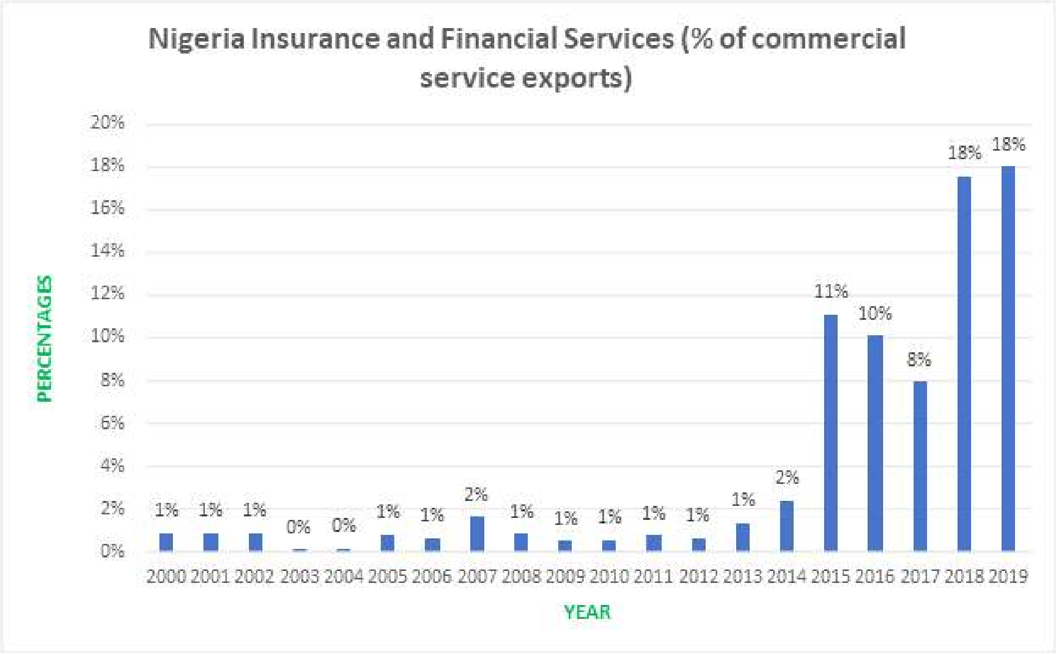
This academic work used a comparative analysis of Nigeria and UK with respect to freight (cargo) insurance percentages on items exported and imported because of these important reasons: First, this research work wants to measure and evaluate the position of Nigeria cargo insurance system with UK for the period of 2000 to 2019. Secondly, Nigeria has a strong relationship with UK in terms of trade and commercialization. Thirdly, the two countries are closely knitted both economically and politically, hence the Nigeria concept of insurance(cargo) must have been drafted from that of United Kingdom. Fourthly, to give clearer picture of the subject matter and broaden the knowledge of the readers.

The percentages shown in the various tables and charts for insurance and financial services include cargo insurance on goods exported, cargo insurance on goods imported, and other direct insurance such as life insurance; financial intermediation services such as commissions, foreign exchange transactions, and brokerage services; and auxiliary services such as financial market operations.

A comparison between Nigeria and the United Kingdom will be illustrated in this chapter utilizing several charts to depict cargo insurance on exported and imported goods. For the two mentioned countries, the insurance percentage of commercial service exports covers the year period of 2000 to 2019.

4.2 Nigeria Cargo Insurance Percentage of Commercial Service Exports 2000 To 2019

[Figure 10: 2000-2019 Nigeria Insurance Percentage of Commercial Service Export]



(Source: World Bank databank: World Development Indicators).

The above chart (Figure 10) reflects the Nigeria Cargo Insurance percentage of commercial service on exports for a period of twenty years (2000 To 2019).

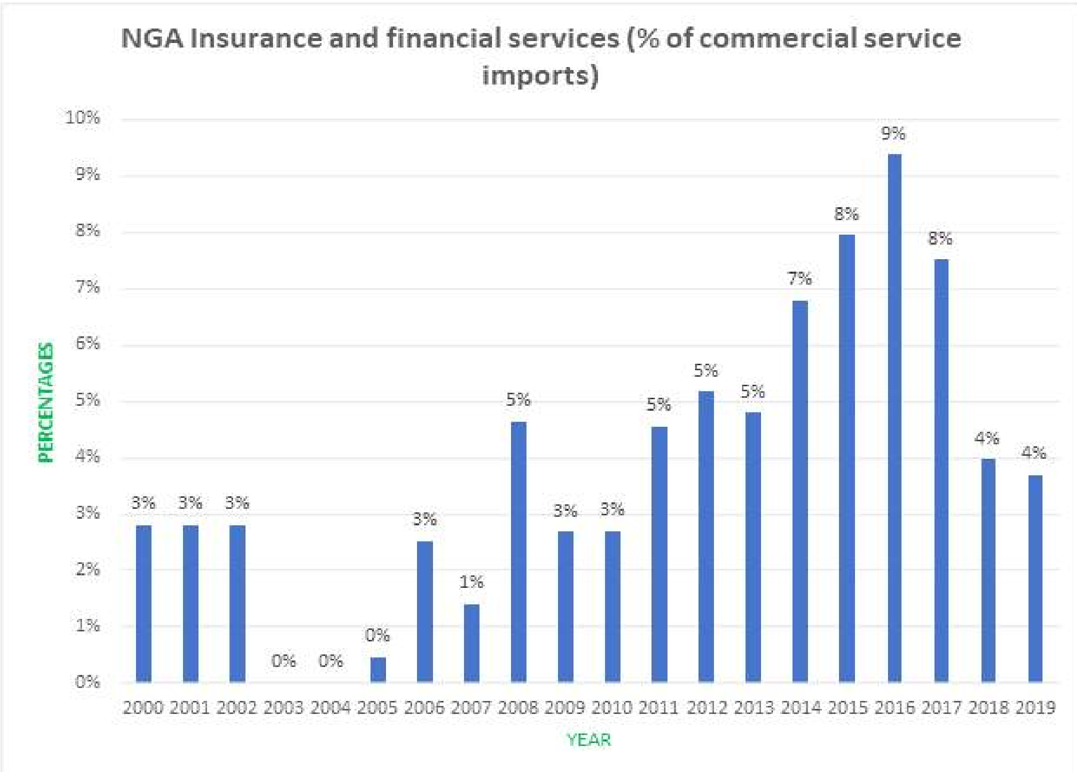
In this Nigeria's Insurance and financial services export percentages, we have the following: freight(cargo) insurance on goods imported and other direct insurance such as life insurance; financial intermediation services such as commissions, foreign exchange transactions, and brokerage services; and auxiliary services such as financial market operational and regulatory services. (World Bank databank)

From the early beginning of the year 2000 and the subsequent years, 1% of cargo insurance was recorded on commercial service export. It fluctuated during the period and peaked at 18% in the year 2019. In 2015, there was a quantum leap to 11% of Cargo insurance transactions. This shows that greater cargo insurance services and premium were recorded and collected in 2019 as compared to the previous years for the periods under review. From the year 2015 there was a remarkable changes and growth in cargo insurance rates. This was because of the changes in government political party and power administration, hence the new government administration introduced and efficiently implemented policies which triggered a great growth in insurance participations and subscriptions. Evidently, as years goes by, more Nigerian Export traders clearly see the need for cargo insurance because they are confident their financial security(compensation) against any loss any form of cargo losses. Secondly, increased commercial and export activities, coupled with the application of Cost, Insurance and Freight (CIF) INCOTERMS on the cargoes being exported might be another factor which triggered such rise in cargo insurance operations.

Hence the rise in cargo insurance transactions within the period of 2000 to 2019.

4.2.1 Nigeria Cargo Insurance Percentage of Commercial Service Imports 2000 To 2019

[Figure 11: 2000-2019 Nigeria Insurance Percentage of Commercial Service Import]



(Source: World Bank databank : World Development Indicators.)

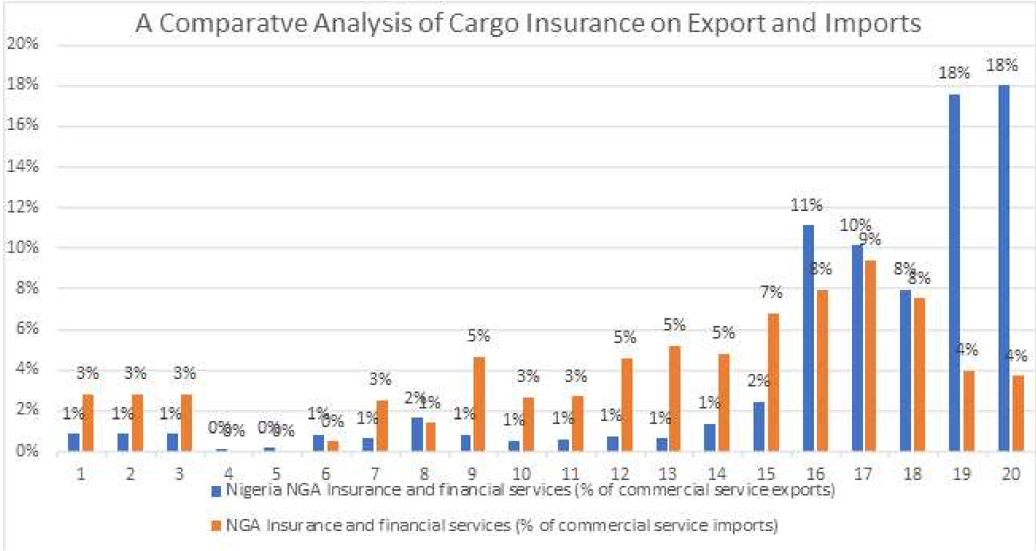
The above chart (Figure 11) shows the Nigeria Cargo Insurance percentage of commercial service on imports for a period of twenty years (2000 to 2019).

In this Nigeria's Insurance and financial services import percentages, we have the following: freight(cargo) insurance on goods imported and other direct insurance such as life insurance; financial intermediation services such as commissions, foreign exchange transactions, and brokerage services; and auxiliary services such as financial market operational and regulatory services. (World Bank databank)

Under the period of review, in 2016, the highest percentage of 9% of cargo insurance was recorded on commercial service import. It fluctuated during the period and the lowest percentage was recorded in the year 2003. This shows that greater cargo insurance services and premium were recorded and collected on Nigerian imports in 2016 as compared to other years for the periods under review. Evidently, according to INCOTERMS, in most cases, the consignor/Supplier/Exporter bears the burden of the insurance fees. However, this depends on the INTERCOMS used or the agreement between at the supplier and buyer.

4.2.2 A Comparative Analysis of Nigeria Cargo Insurance Percentages on Export and Import

[Figure 12: 2000-2019 Comparing Nigeria Insurance Percentages on Export and Import]

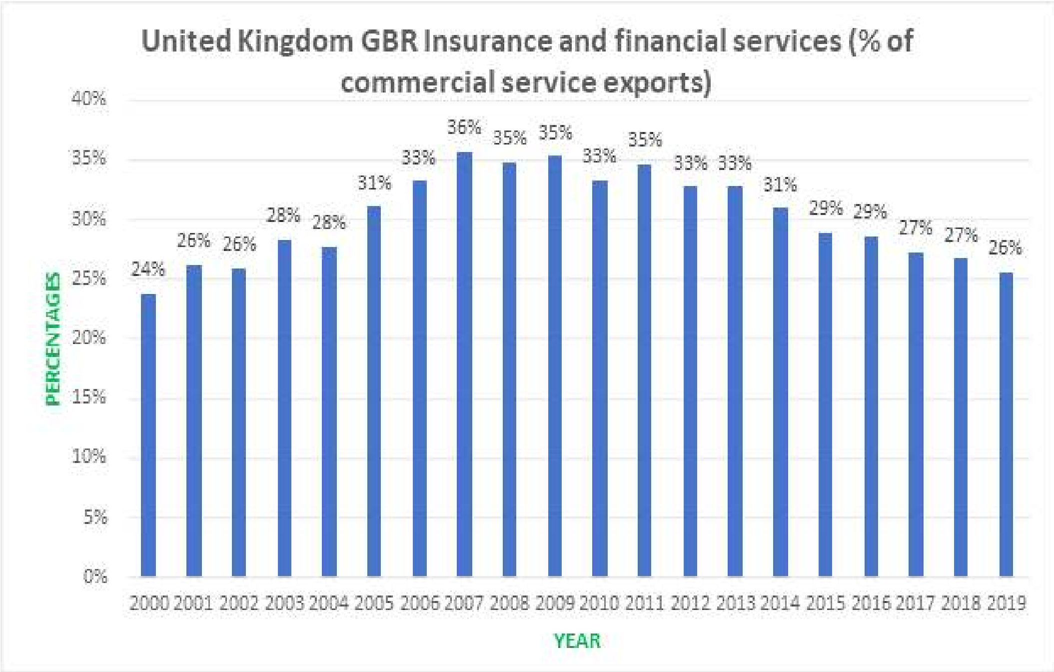


(Source: World Bank databank: World Development Indicators.

(1 to 20 represents a period 2000-2019)) The above chart (Figure 12) shows a comparative analysis of cargo insurance percentages on export and import for a period of twenty years (2000 to 2019). From the above comparative chart, a greater percentage of cargo insurance activities were carried out on Nigerian exports than imports. A lot of factors might have been responsible for this development.. (World Bank databank) However, is shows that Nigerian Exporters opted for INCOTERMS categories, (Cost Insurance and Freight (CIF), Free on Board-FOB), and Delivered Duty Paid-DDP) which requires them as Supplier/Consignor/Drawer to pay for the cargo insurance in Nigeria. Evidently, according to INCOTERMS, in most cases, the consignor/Supplier/Exporter bears the burden of the insurance fees. However, this depends on the INTERCOMS used or the agreement between at the Nigerian supplier/exporter and foreign buyer/importer. The Nigerian government, on the other hand, fosters exporters to employ Cost, Insurance, and Freight (CIF) incoterms to promote Nigerian indigenous insurance businesses and earn funds for Nigeria.

4.3 Great Britain Cargo Insurance Percentage of Commercial Service Exports 2015 To 2019

[Figure 13: 2000-2019 UK Insurance percentage of Commercial Service Export]



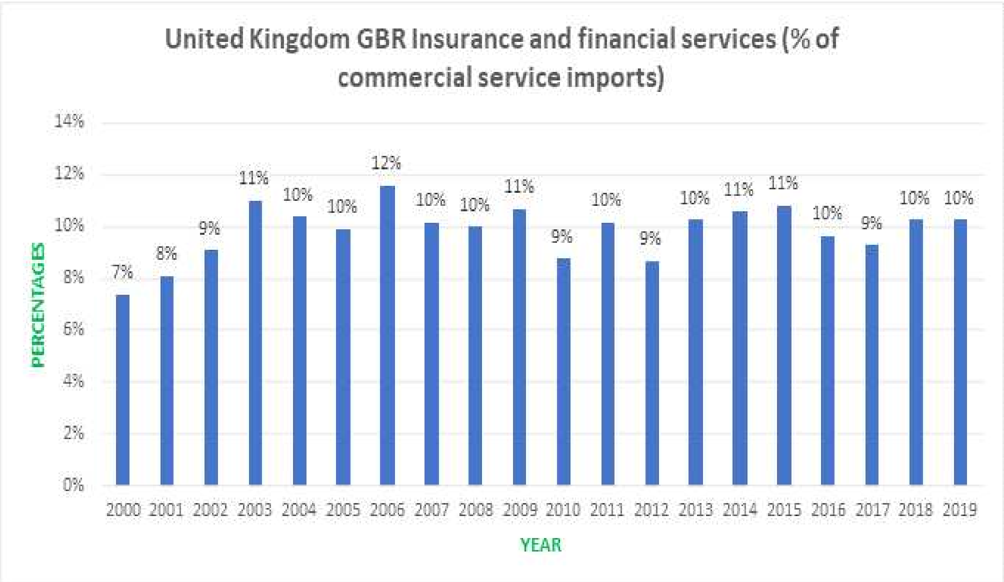
(Source: World Bank databank : World Development Indicators)

The above chart (Figure 13) reflects the Great Britain (UK) Insurance percentage of commercial service on exports for a period of twenty years (2000 to 2019). From the year 2015, the cargo insurance activities on export showed a continuous downward fluctuation from 24% in 2000 to 26% in 2019. This might be due to some economic and political issues. The Brexit may be another factor. But the effect of Brexit on UK export might not be so pronounced or significant.

The Great Britain (UK) Insurance and financial services incudes freight (cargo) insurance on goods exported and other direct insurance such as life insurance, financial intermediation services such as commissions, foreign exchange transactions, and brokerage services, and auxiliary services such as financial market operational and regulatory services.

4.3.1 Great Britain Cargo Insurance Percentage of Commercial Service Imports 2010 To 2019

[Figure 14: 2000-2019 UK Insurance percentage of Commercial Service Import]



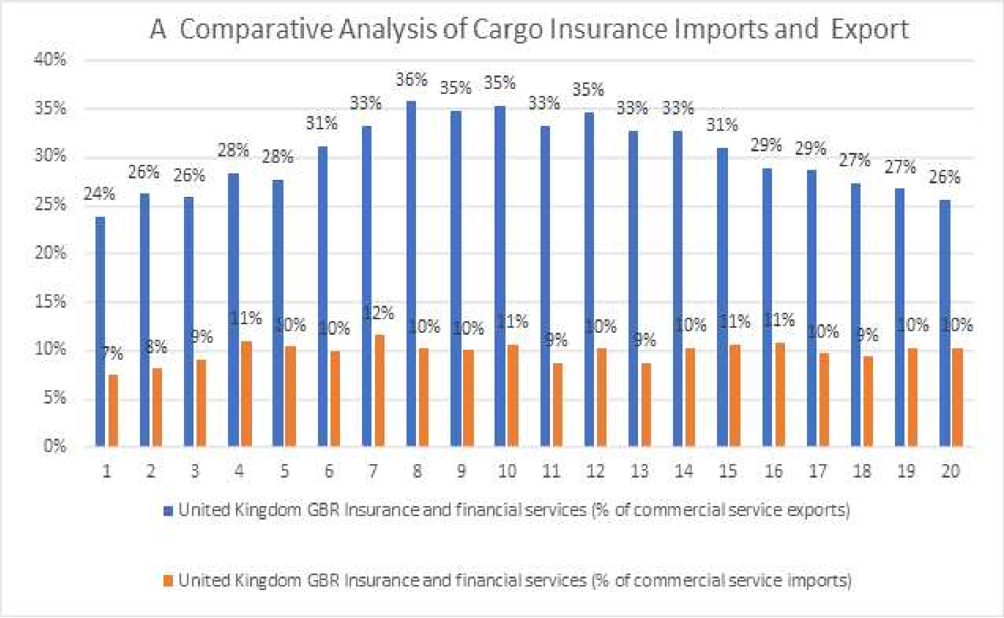
(Source: World Bank databank : World Development Indicators)

The above chart (Figure 14), shows the Great Britain(UK) Cargo Insurance percentage of commercial service on imports for a period of twenty years (2000 to 2019). Under the period of review, in 2006, the highest percentage (12%) of cargo insurance was recorded on commercial service import. It fluctuated during the period and the lowest percentage of 7% can be seen in the year 2000. This shows that greater cargo insurance services and premium were recorded and collected on United Kingdom 2006-12% as compared to other years for the periods under review. Evidently, according to INCOTERMS, in most cases, the consignor/Supplier/Exporter bears the burden of the insurance fees. However, this depends on the INCOTERMS used or the agreement between the supplier and buyer.

The Great Britain(UK) Insurance and financial services cover freight(cargo) insurance on goods imported and other direct insurance such as life insurance; financial intermediation services such as commissions, foreign exchange transactions, and brokerage services; and auxiliary services such as financial market operational and regulatory services.

4.3.1 A Comparative Analysis of Great Britain Cargo Insurance Percentages On Export And Import

[Figure 15: 2000-2019 Comparing UK Insurance Percentages on Export and Import]

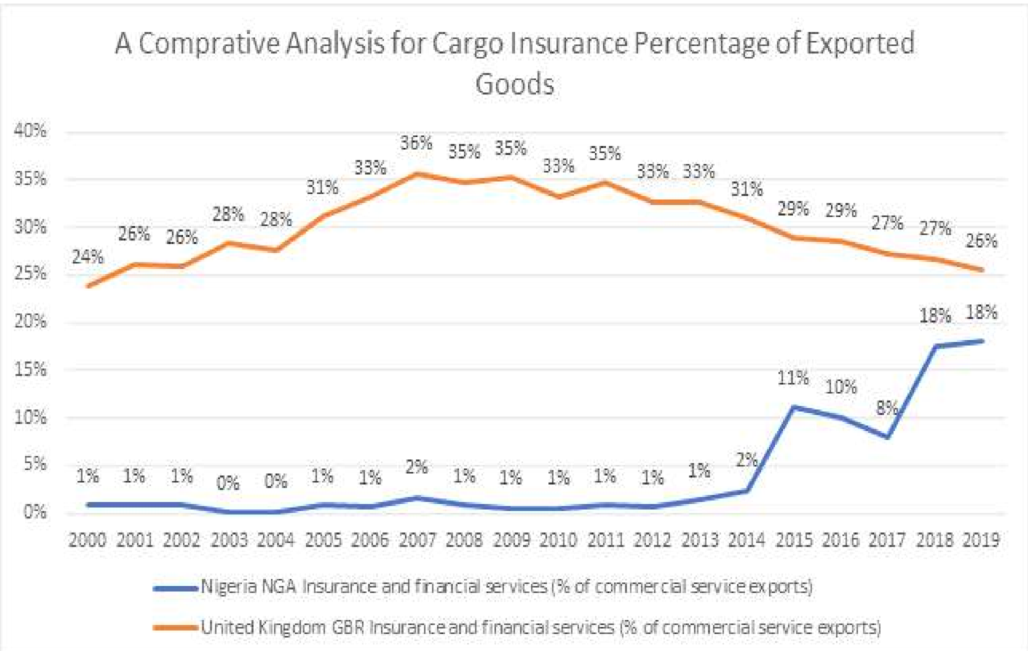


(Source: World Bank databank: World Development Indicators. (1 to 20 represents a period 2000-2019)

The above chart (Figure 15.) shows a comparative analysis of cargo insurance percentages on export and import for a period of twenty years (2000 to 2019). From the above comparative chart, a greater percentage of cargo insurance activities were carried out on Great Britain's (UK) export than imports. A lot of factor might have been responsible for this development. However, is shows that Great Britain(UK) Exporters opted for INCOTERMS categories (Cost Insurance and Freight(CIF), Free on Board-FOB), and Delivered Duty Paid-DDP) which requires them as Supplier/Consignor/Drawer to pay for the cargo insurance in Great Britain(UK). Evidently, according to INCOTERMS, in most cases, the consignor/Supplier/Exporter bears the burden of the insurance fees.

4.4 Nigeria and Great Britain (UK): A Comparative Analysis of Cargo Insurance Percentage of Exported Goods.

[Figure 16: 2000-2019 Comparing Nigeria and UK Insurance Percentages on Exported Goods]



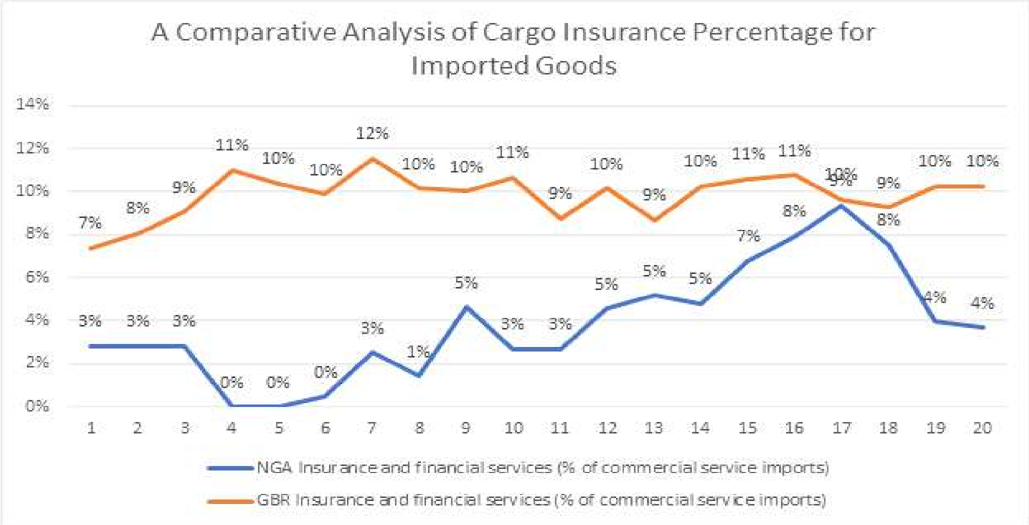
(Source: World Bank databank : World Development Indicators)

In the above Figure 16, we depicted a comparative analysis of cargo insurance percentage of exported goods from Nigeria and Great

Britain(UK). Obviously, Great Britain (UK) recorded a greater percentages of cargo insurance transactions than Nigeria in the period of 2000 to 2019. This is a clear indication that UK Cargo insurance system is more functional and active than that of Nigeria. Besides, UK exporters are more enlightened about the need for cargo insurance in their trading transactions. Hence, they have greater number of exporters who engage the services of cargo insurance companies for their export trade. For the period under review, UK had 36% record in 2007 as the highest percentage, while Nigeria a had 2% in 2007 as the highest percentage. In other words, in each of the respective years period, UK surpassed Nigeria in the volume and value of cargo insurance transactions and other financial services.

4.5 Nigeria and Great Britain (UK):A Comparative Analysis of Cargo Insurance Percentage of Imported Goods

[Figure 17: 2000-2019 Comparing Nigeria and UK Insurance Percentages on Imported Goods]



(Source: World Bank databank : World Development Indicators)

Figure 17 represents a comparative analysis of cargo insurance percentage of imported goods between Nigeria and Great Britain (UK). Obviously, Great Britain (UK) recorded a greater percentages of cargo insurance transactions than Nigeria in the period of 2000 to 2019. This is a clear indication that UK importers are more exposed and enlightened about the need for cargo insurance in their import activities. Hence, they have greater number of importers who engage the services of cargo insurance companies for their import trade. For the period under review, UK had 12% record in 2006 as the highest percentage, while Nigeria had 3% in 2006 as the highest percentage. In other words, in each of the respective years under review, UK surpassed in the volume and value of cargo insurance activities.

4.6 The Implications of Comparison Between Nigeria and United Kingdom

First and foremost, based on the comparison of the Nigerian and UK cargo insurance systems in Figures 16 and 17, UK has a more stable and structured cargo insurance system. While that of Nigeria's is seems unpredictable and fluctuating. The implication for both countries is that cargo insurance goes together with the growth of import and export. In other words, to grow the export and import system of Nigeria and UK respectively, cargo insurance should be promoted in all aspects.

Therefore, some of the implication can be deduced as follows:
First, the comparison between Nigeria and United Kingdom(UK) as seen in figure 16 and 17 describes and projects the weak regulatory insurance framework in Nigeria when compared to that of United Kingdom.

Secondly, it clearly shows that Nigeria cargo Insurance system cannot compete with that of the United Kingdom with respect to international trade activities and securing the cargoes of traders.

Thirdly, to promote international trading activities in Nigeria and the United Kingdom, cargo insurance should be more widely encouraged, promoted, and facilitated.

Moreover, there is a positive correlation between cargo in insurance and international trade. In other words, the more the cargo insurance services are carried the more international trade values and opportunities are created and the more international trade activities are engaged, the more cargo insurance revenues are generated.

It shows the relationship between cargo insurance and the Gross Domestic Product (GDP) of Nigeria and UK respectively.

Finally, when cargo insurance grows, the import and export activities grow too. Therefore, if Nigeria and UK promote and grow the cargo insurance sector, it will create more revenues and job opportunities for citizens, especially for Nigeria that has teeming population and young folks who are in dire need of job opportunities.

4.7 The Implications of the Fluctuations in Nigeria Cargo Insurance system

The ups and downs of Nigeria's economy are reflected in cargo insurance fluctuations as shown in Figures 10 and 11. And according to Chui, A.C & Kwot, C.C (2008), when the economy expands, businesses can expand as well, resulting in increased earnings. When the economy slows, businesses make less money and profits fall. These have an impact in the long-term growth as well as the distribution of income and wealth in the economy. This means that these changes not only affect the household's average aggregate consumption, but they also have different effects on different people and generations.

The following are some of the consequences of instability in the Nigerian insurance system:

To begin with, the Economy; one of the most important effects of cargo insurance fluctuations can be seen in international trade. Generally, a weaker cargo insurance system cripples international trade, thus decreasing the country's international trade system depending on the sector. On the other hand, a strong cargo insurance system strengthens international trade, widening the Gross Domestic Product of that country.

Secondly, exporters and importers would be burdened with high level of anxiety and the Nigerian Insurance market and potential clients will be worried of Nigeria insurance businesses. Both domestic and international clients/policyholders may be scared away; even the operating Nigeria insurance subscribers(clients) would be uncomfortable with their operations due to a lack of confidence in them.

Thirdly, the Nigerian insurance system's fluctuations would make it impossible for Nigerian insurers to compete with their international counterparts.

A prolonged high rate of cargo insurance fluctuations as seen in Figures 10, 11 and 17 may lead to loss of confidence in Nigeria's insurance system as a whole and a consequent collapse of the monetary or financial system.

The fluctuating position of Nigeria cargo insurance as seen in figure 17, can worsen the International Trade situation in Nigeria. This would

further lead to a fall in foreign exchange earnings and worsening the balance of payment.
Another effects of the fluctuations in figure 17 is that it would discourage the growth of commerce and industry and the expansion of business undertakings.
Furthermore, the fluctuations reveal some deficiencies of some insurance companies such as insufficient capitalization, limited underwriting capacity, and ability to absorb or compensate for risk when it arises.
These fluctuations would indirectly affect economic development because it reduces the funds of insurance companies.

The instability of Nigeria Insurance system clearly shows that there are lots of inefficiencies, incompetence, and mismanagement of insurance firms by the owners in the insurance system in Nigeria.

4.8 Summary of Findings

The following are the facts that have been deduced from the findings, analysis, and debates, following a thorough examination of the study process:

First and foremost, this research work observed and revealed that insurance (particularly cargo insurance) is poorly understood in Nigeria.

Secondly, cargo insurance and international trade have a beneficial relationship. To put it another way, the more cargo insurance services is rendered, the more international trade values and opportunities are created, and the more international trade activities that are conducted, the more cargo insurance premium is earned.

To promote international trading activities in Nigeria and the

United Kingdom, cargo insurance should be more widely encouraged, promoted, and facilitated.

A higher number of Nigerian businessmen are unconcerned about cargo insurance advantages, resulting in significant long-term losses. (Please refer. to Figure 1 and 2)

In view of Nigeria's enormous population and trade volume from the year 2000 to 2018, the insurance business has relatively low patronage. (Please refer. to Figure 3 and 4)

The cargo insurance framework in the United Kingdom (UK) is more evolved and functioning than that in Nigeria. This is because exporters and traders in the United Kingdom (UK) recognize the importance of cargo insurance and the insurance system. (Please refer. to Figures 13 and 14)

The UK government is more dedicated to a viable cargo insurance market policy and structure than the Nigerian government. (Please refer. to Figures 13,14,16 and 17)

This research work discovered that certain insurance companies have a shady attitude towards their clients. This has a detrimental impact on their productivity and patronage. Some of them, for example, do not resolve the claims of some merchants.

Nigerian insurers have a habit of making the claim settlement process so difficult and time-consuming that the insured becomes disappointed.

Cargo insurance should be encouraged, marketed, and facilitated more broadly in Nigeria and the United Kingdom to support international economic activity.

Cargo insurance has a less influence (financial and economic impact) on Nigeria's economic development compared to that of United Kingdom. (Please refer. to Figure 17 and 18)

In comparison to the United Kingdom (UK), cargo insurance premiums contribute less to Nigeria's GDP. (Please refer. to Figure 17 and 18).

It was also observed that when Nigeria cargo insurance services grows, import and export activities would increase too. The various figures shows that cargo insurance rates and values are included in the export and import values. Therefore, to grow the export and import of UK and Nigeria, cargo insurance should be promoted.

The low level of life in Nigeria, as well as security issues and inadequate infrastructure, have a detrimental impact on the administration of the insurance system and enterprises. Low living standards, for example, may entice insureds to file false claims, while insecurity issues and inadequate infrastructure, such as terrible roads, contribute to the high number of claims.

Finally, from the findings of this research work, that the central body in charge of insurance businesses in Nigeria (including cargo insurance), Nigeria Insurance Commission (NAICOM), has not met the required worldwide standard (in terms of operations and efficiency). However, there are optimisms that they would improve in the few years to come.

Chapter 5. Recommendation and Contribution

The objective this chapter is to raise useful ideas in form of recommendations based on the various findings, data analysis, problems, and challenges of Nigeria Cargo Insurance system. After studying and observing certain operations and policies of Nigeria Cargo insurance system and the insurance industry, this study came up with some ideas and recommendations which would positively contribute to and improve Nigerian Cargo Insurance.

5.1 Proposition and Recommendation

Hence, this study recommends the following schemes/suggestions as below:

First, in terms of trade, cargo insurance addresses risk while also providing a savings opportunity for Nigerian exporters and importers. It also has psychological and societal significance. Cargo insurance's main purpose is to pay for financial losses incurred while conducting business or trading. Cargo insurance was created to cover a policyholder's international/national trade as well as other company investments. Hence, this study advocates for government policies that facilitate economic development. The Nigerian government authorities such as the National Insurance Commission (NAICOM) and other national trading and business bodies/organizations should severely enforce the adoption of mandatory cargo insurance for both domestic and international trade and cargo operations.

Second, insurance firms should target insurance packages that are within the capability and affordability of low-income business owners and entrepreneurs, which will improve insurance market penetration and subscription. It will also be critical to provide insurance policies that will increase policyholder's investment returns and economic/monetary security. This would help Nigerian merchants and investors save more money, boosting the amount of money available for investment in the actual economy.

Thirdly, cargo insurance services are critical for the stability of the Nigerian economy and can encourage firms and merchants to take risks. Insurance firms must pool premiums and create reserve money to receive claims. As a result, this study recommends a wider range of cargo insurance solutions, particularly for international trade. Insurers/insurance firms should develop new and appealing insurance products, as well as attractive modifications of current insurance products, to provide clients with a choice of insurance options. Insurance firms must also take advantage of the mandatory life insurance products to boost premium income and insurance penetration.

Furthermore, it would be extremely attractive to Nigerian merchants and traders if cargo insurance firms invested and increased their efforts in providing technical, commercial, and financial assistance to the country′s numerous traders. This is due to the traders′ lack of knowledge on how to manage their businesses and trading risks. They can, for example, advise traders on how to reduce the danger of their business endeavors failing. Also available are mortgage protection, leasing, risk management, and other services.

Because they serve the needs of corporate units and individual traders in financial intermediation, Nigerian Cargo Insurance Companies are part of the capital markets. Access to insurance services is critical for the Nigerian economy's stability, and it might lead firms, particularly Nigerian International Traders, to assume significant risks. As a result, I suggest that various financial institutions in Nigeria should establish strong network linkages and ties to increase penetration in the Nigerian insurance sector.

The National Insurance Commission (NAICOM) and the insurance industry should use micro-insurance programs to ensure that cargo insurance is established among the grassroots (from rural areas and residents to city dwellers), to increase insurance awareness, volume of business (particularly cargo insurance among petty and mega traders), and consistently increase premium income.

Customer connections should be constantly built and strengthened by cargo insurance companies in Nigeria to keep customers coming back. For instance, we recommend that we improve product development and service delivery processes, settle genuine claims quickly, increase staff understanding of customer needs, train and effectively maintain an effective sales and marketing force, and create more customer-attracting services that are very appealing to the Nigerian population.
Fundamentally, significant coordination between cargo insurance sector operators and regulatory agencies is necessary to effectively enforce the adoption of the required insurance products, which are being led by NAICOM's Market Development and Restructuring Initiatives (MDRI). in the form of cargo insurance premiums, this would produce revenue.

Finally, the insurance business in Nigeria has experienced some measure of development since the insurance consolidation exercise in 2007. As a result, I believe the National Insurance Commission should enhance regulations to encourage the listing of all insurance companies in the country. This is a strategy for growing the number of insurance firms in Nigeria and boosting merchants' trust in the cargo insurance system.

5.2 Contribution

Many students, academics, investors, and organizations are keen to learn more about this subject. As a result, in the twenty-first century, there is a pressing need to raise the performance of the Nigerian cargo insurance industry.

Without a doubt, contributing to knowledge requires a researcher to think carefully, analyze the environment or topic of study, and build abilities and knowledge from which others might benefit. Therefore, the master's thesis of this nature—"Nigeria Cargo Insurance Market for International Trade"— has contributed to the advancement of human knowledge and, ultimately, develop enduring solutions by providing new and fresh knowledge. This would stimulate and satisfy the interest of current and future researchers and provide answers to their questions.

5.2.1 How to Improve Nigeria Cargo Insurance System

After, thorough examination, observations, and analysis, we believe that some of the several ways to improve the Nigerian cargo insurance industry are as below:

1. Firstly, Insurance Education from the Grassroots Level: The Nigerian government must better educate and inform the public on the necessity of cargo insurance and the insurance industry/market. This type of grassroots knowledge would go a long way toward enlisting more

people in the insurance system. This will help to grow the insurance industry, as well as develop businesses and provide more employment possibilities for Nigerians.

2. Nigeria's government and business sectors should collaborate to develop a more comprehensive and worldwide standard cargo insurance policy, which would increase trading activity and perhaps attract international traders from other nations.

3. Over regulation is a problem in the Nigerian insurance industry. As a result, the National Insurance Commission's (NAICOM) function and powers should be reviewed. To put it another way, NAICOM should be transformed to make it more neutral and unbiased that it can act as a referee for Nigeria's different insurance organizations.

4. The Nigerian insurance markets should create goods and services that represent the people's lifestyles, including those of major, small, and medium-term business folks and traders. Consider the commercial, religious, and cultural ways of living.

5. To preserve the interests of both insurance firms and insureds, unfavorable government policies that stifle and hinder the insurance sector's rapid expansion should be examined quickly. Monetary, fiscal, economic, and political policies can all be examples of such policies.

6. If Nigeria's government provides a favorable and attractive economic environment that would allow the financial service sectors to expand successfully, Nigeria's cargo insurance would thrive and compete with the United Kingdom system. Without a doubt, this will result in an

unparalleled growth in the insurance (cargo insurance) industry's operational and productional efficacy.

7. Nigerian insurance firms, in my view, must take the initiative and update their advertising and communication systems with potential consumers. Their marketing strategy should focus on increasing customer awareness of the benefits of insurance.

8. Finally, for cargo insurance to contribute more to Nigeria's GDP, the Nigerian government should adopt some insurance laws that make insurance products mandatory and build up a framework to assure complete execution of such policies through the Nigeria Insurance Commission (NAICOM). As a result, legislators and the National Insurance Commission must establish some rigorous regulations and procedures to maintain greater local content in specific unique hazards, such as maritime, aviation, and oil and gas.

To crown it all, this research aided academic research, knowledge, and understanding of the Nigerian Insurance Industry, with an emphasis on the Nigerian Cargo Insurance System as it pertains to international trade. It revealed that Nigerian cargo insurance is still in its infancy compared to those of sophisticated countries such as the United Kingdom, the United States, and others. And there is an obvious hope for development in that business since Nigeria has the people and economic potential to do so.

Chapter 6. Summary and Conclusions

The advantages derived from any insurance market or system are condition on the ability of the insurance system to fulfill and meet the demand and obligations as and when due; especially with respect to International Trade. Therefore, the greater the supply of cargo insurance fulfills the expectations and needs of the insured, particularly those of enterprises and merchants (both domestically and internationally) for insurance services, the greater the need for insurance firms' services in Nigeria.

Cargo insurance is one of the foundations of contemporary commercial and financial services in most advanced nations, such as Korea, Japan, the United States, and the United Kingdom. Insurance market activity, both as an intermediary and as a provider of risk transfer and compensation, may promote growth by allowing different risks to be managed more efficiently through promoting long-term savings, encouraging capital accumulation, and serving as a platform for directing funds from policy holders to investment opportunities.

Cargo insurance is unquestionably an important part of every country's economic, commercial, industrial, and financial systems. Clearly, the insurance system is evidence that the financial system encourages savings and investment decisions by lowering the cost of researching potential investments, promoting international trading, risk diversification, and risk management, conducting goods and service exchanges, and mitigating the negative effects that unforeseen events can have on the economy.

The amount of activity in the insurance industry, particularly in cargo insurance, is not yet commensurate with Nigeria's vast trade and commercial capabilities. Surprisingly, insurance is still not in high demand in Nigeria, despite the great need for cargo insurance and the various functions they perform such as: reducing uncertainty, instability, and the impact of crisis situations on the micro and macro levels, smoothens the economic cycle, compensates for losses of businesses and goods caused by natural disasters, crime, violence, accidents, fire, and so on,

According to the findings of this study, the cargo insurance industry in Nigeria still has a lot of room for improvement and development. Furthermore, the importance of mutual confidence between insurers and insureds cannot be overstated. Mutual trust will significantly enhance and speed up the growth of the cargo insurance industry.

Finally, this academic study was initiated to learn more about the relationship between the Nigerian Cargo Insurance market and trade, as well as the impact of insurance market activity on trade, economic growth, and development in Nigeria. Despite the Nigerian Cargo Insurance industry's current problems, inefficiencies, and limits, this study has shown that cargo insurance market services have some positive influence on Nigerian trade and economic progress. This means that Nigeria's insurance industry has aided in influencing savings and investment decisions, and therefore long-run economic growth, so boosting the Nigerian economy's growth. It is clear from this academic research that Nigeria's cargo insurance market/industry still has potential for improvement and development.

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국 문 초 록

영국과의 비교분석을 통한 무역활성화를 위한 나이지리아 적하보험 시장 발전방안에 관한 연구

한성대학교 대학원
국제무역경제학과
국제무역전공
사무엘 치논소 아린제치

본 논문은 국제 무역에 관한 나이지리아의 적하보험 시장의 정책과 활동의 일부에 대한 종합적인 설명과 분석을 제공하는 것을 목표로 한다. 더 나아가, 이 연구는 나이지리아 보험시장에서 적하보험 가입과 국제 경제 성장 사이에 긍정적이고 의미있는 관계가 존재한다는 것을 확인하고자 한다. 보험 산업은 나이지리아의 경제 발전에 긍정적으로 크게 기여하고 있다. 이번 연구를 바탕으로 정부가 보험 산업 활동을 자극할 수 있는 경제 정책을 시행해야 한다고 본다. 법정 보험 산업 관계자들은 일반대중에게 익숙할 수 있도록 언론과 같은 홍보 채널에 체계적인 교육캠페인을 추진하여 보험 이미지 및 시장인식활동을 개선하여야 하며; 보험업계 관계자들 또한 언론 등 홍보채널에서 체계적인 교육캠페인을 추진해 보험이미지와 시장인식활동을 개선해야 한다. 이는 나이지리아 보험업계의 실적이 글로벌 규범에 못 미치는 것으로 평가돼 해양분야 리스크 관리에 시사하는 바가 크기 때문이다.

적하보험은 나이지리아 및 타국가에서 화물(상품)을 물리적 손상 또는 도난으로부터 보호하기 위해 사용됩니다. 나이지리아의 국제 무역을 통한 상품 흐름은 다양한 위해와 위험(화재, 전쟁 위험, 해적, 로버, 도둑, 포획, 발작, 구속, 구금 등)이 동반하기 때문에 적하보험을 필요로 한다. 피해나

분실이 발생하지 않는다는 보장이 없다는 점에서 적하보험 가입을 통해 이러한 위험을 완화할 수 있다.

상품 운송은 오랫동안 전 세계 경제의 성장에 중요한 역할을 해왔다. 항공과 해상 화물은 현재 세계 무역의 약 90%를 차지한다. 수년간 안전의 확보와 기술의 발전에도 불구하고 나이지리아와 세계의 다른 지역에서의 화물 운송은 여전히 매우 위험하다. 연구에 따르면 화물(상품) 보험 거래를 용이하게 하고 증진시키기 위해 운영상의 장애물을 완전히 제거하는 데 보다 구체적인 입법 개입이 이뤄져야 한다. 나이지리아에서 보험 네트워크와 가입자를 확대하기 위해서는 대중 홍보, 인지도 제고, 그리고 필요성에 대한 인식이 요구된다. 이것은 나이지리아 보험 사업이 다른 나라들과 더욱 통합되고 경쟁력을 갖추는 데 도움이 될 것이다.

키워드 : 보험, 적하보험, 국제무역, 무역, 경제, 화물, 시장, 운송중개인, 나이지리아 적하보험, 영국 적하보험, 무역원활화