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ABSTRACT

This paper focused on invigorating the financial capacity of insurance industry through the new insurance reform capital base. Both secondary and primary data were used for this study. Primary source of data was used through the instrumentality of structured questionnaire. The study adopted cross sectional research design using quantitative approach. Regression Method was used to test the hypotheses at 0.05 or 5% level of significance. Although the study revealed that the new insurance capital reform will have positive effects on the financial capacity and solvency of insurance firms in Nigeria. However, opinion of experts revealed that, in the phase of the unfolding and prevailing circumstances evidenced by the current Covid – 19 pandemic, the new capital base may not be sufficient to meet the demand of businesses. Hence, there is need to further increase the capital base of the insurance industry. Arisen from the findings of this study, the study recommended that: management of Insurance industry should ensure that they adhere to the new reform guideline professionally, to ensure increase in performance of Insurance industry, management of Insurance companies should go beyond the minimum capital base of #18 Billion in order to boost their financial capacity and solvency.
Keywords: Insurance Reform, Insurance Firms, Financial Performance, Insurance Solvency.

Keywords: Strategies, students' ability, practical skills, economic.

1. INTRODUCTION

The recent Covid-19 pandemic and other unforeseen circumstances have revealed the limitation and incapacitation of insurance industry to meet up with their responsibilities to indemnify the continuous collapsing businesses due to their capital base structure, hence, the government/policy makers need to revisit the need to improve their capital base in line with international practice best that is obtainable in the develop world. As a result of the reform, Life insurers are expected to increase their minimum paid-up capital from $2 billion to $8 billion, while general underwriters will increase their minimum paid-up capital from $3 billion to $10 billion, and composite and reinsurance companies will have new minimum paid-up capital requirements of $18 billion and $20 billion, respectively, up from $5 billion and $10 billion.

The new policy takes effect immediately (May 20, 2019) for new applications, but current operators have until June 30, 2020 to comply, according to NAICOM. Nigeria has utilized policy interventions in the past to try to improve the percentage of insured clients but putting these policies into action has been difficult because to the lack of long-awaited increases in minimum capital requirements. Despite the fact that automobile insurance is required, the Nigerian

Insurers Association said in May 2019 that only 5 million of the 16 million automobiles on the road are covered, and that false insurance certificates are rampant. This highlights the market's unrealized potential (Transparency-International, 2021).

In nations where economic development is underway, the effort to attract new policyholders is a common issue, and it is typically the consequence of price-conscious customers considering plans as expensive. Nigerians, on the other hand, have shown a willingness to control risk, and informal market solutions such as collective savings programs are a popular choice for individuals who cannot afford to join in the official financial system (Gudbrand, 2021). Alternatives like these indicate that many Nigerians are aware of danger and may be willing to use insurance coverage in the future. Substitutes for traditional underwriting processes may be successful for insurers. Micro-insurance, where rates and coverage are considerably lowered and affordable for a wider number of individuals, is one prospective replacement (Gudbrand, 2021).

1.1 Background to the Study

The National Insurance Commission (NAICOM) is the regulatory organization for the Insurance Act of 2003, which contains the principal legislation governing insurance activities in the country (Gupta, 2021). In 2009 NAICOM launched its ongoing Market Development and Restructuring Initiative (MDRI), which endeavoured to ensure compliance with mandatory insurance requirements. The initiative was not entirely successful, and in 2018 the agency announced it would soon relaunch the programme with updates reflecting increases in delivery channels and non-traditional insurance options (Hussein, Hassan, & Faris, 2021).

Local content policies for oil and gas risks have also not been fully implemented. These policies require that insurance of large or complex risk may only be sought through foreign insurers if local firms are unwilling to undertake the risk or lack capacity to provide the service. This has been a challenge, as many companies lack either the capital or sophistication to underwrite complex energy sector activities. According to the most recent data, NAICOM had licensed 14 life insurers, 28 non-life insurers, and 13 composite businesses as of late 2018. Two reinsurers, 460 brokers, 25 loss adjusters, and two takaful (Islamic insurance) businesses are among the specialists. Takaful insurance firms provide a sharia-compliant alternative to traditional insurance.

Brokerages are thought to be responsible for about 75% of all policy purchases. Bancassurance programs were halted in 2017 as a result of concerns made by Nigeria's Central Bank. After new laws were implemented to ensure rigorous separation between banking and insurance divisions in corporate structures, the suspension was removed in March 2018. (Kegode, 2021). A clause prohibiting banks from marketing banking products with insurance elements, as well as a provision prohibiting the payment of insurance premiums as part of any banking product, are among the restrictions. Banks are allowed to recommend insurers under an established bancassurance arrangement, with the insurer handling all marketing and underwriting. A bancassurance partnership's NAICOM licensing fees now vary from N500,000 ($1620) to N2.5 million ($8080). (Klimzack, 2021).

1.2 Objectives of the Study

The aim of this paper is to determine the effect of new insurance reform capital base on the financial performance of insurance industry. The specific objectives are to:
1 Determine the effect of insurance reform on the financial capacity of insurance firms in Nigeria.

2   Ascertain the effect of insurance reform on the solvency of insurance firms in Nigeria.

2. RELATED LITERATURE

Insurance Reform

The new policy is a positive step forward, and it is believed that it will help to enhance Nigeria's insurance sector. As a result, current insurance companies must begin making preparations to comply with the legislation before the June 30, 2020 deadline, either by raising more capital on their own or by establishing commercial partnerships with other insurance companies. However, because to the effect of the COVID-19 pandemic, the NAICOM may decide to extend the deadline for insurance and reinsurance company recapitalization. Insurers are advised to seek legal firms with extensive expertise in restructuring and recapitalization in order to avoid looming catastrophes once the economic climate improves. In 2019, the National Insurance Commission (NAICOM) issued a circular requiring Nigeria's insurance companies to adhere to new mandatory levels of Solvency Capital (SC), which divided the insurance business in each segment (composite, general – also known as Non-life and Life) into separate tiers representing different levels of risk (Proshare, 2019).

That circular was successfully challenged in the courts and was withdrawn. In May 2019, NAICOM issued a new circular specify new levels of capital that insurance companies need to reach (Proshare, 2019). According to the new circular, Life insurers are required to increase their existing equity capital by 300% to N8bn (US$22.2 million). General insurers are required to gross up capital by 233% to N10bn (US$27.8 million). Composite insurers are required to increase capital by 260%, while reinsurers must double their existing capital. Paid-up capital, share premium and retained earnings all qualify as equity in the new circular. The deadline for companies is June 2020 (Proshare, 2019).

New Capital Requirements for Insurance Companies

Business	Old Requirement (#'bn)	New Requirement (#'bn)
Composite	5.0	18.0
General	3.0	10.0
Life	2.0	8.0

The Nigerian finance industry has already seen a similar disruption, namely the banking industry reform of 2004. That exercise demonstrated that enhanced capital formation can be positive for growth, and it resulted in the emergence of more robust banking entities than before. For Example, revenues (inflation-adjusted) of the current eight largest lenders grew by a CAGR of 3.36% from 2010 to 2019, while Gross premiums written of the insurance industry declined by a CAGR of 1.36% over the same period (Proshare, 2019).

The mere fact that, on average, lending institutions are about six times bigger than their insurance counterparts by contribution to GDP over the last decade, suggests that the insurance industry remains at a very nascent stage. In 2014, Nigeria was reported to have only three million policy holders. An insurance industry CAGR of 2.63% between 2014 and 2019 suggests little changes in insurance take-up over the period. In contrast, there were 71.2 million active bank accounts in 2019, with 38.5 million unique individuals who own and operate them. Naturally, the next question is whether the recently-announced reforms will be the catalyst to unlocking growth in the insurance industry. Clearly, NAICOM thinks so. But sustainable value creation and growth occurs when capital employed yields a return greater than the cost of capital acquisition.

Such ideals are threatened in an industry plagued by high cots and low penetration in our view. Nevertheless, if the administrative prudence that comes with enhanced capital levels is achieved through NAICOM's reforms, then growth is all the more likely (Proshare, 2019). According to Siringi and Obange (2021), shortly after the new rules were implemented, UK-based Prudential announced the acquisition of the insurance arm of Zenith Bank. The new conglomerate company, Prudential Zenith Life Insurance, announced bancassurance relationships with Zenith in both Nigeria and Ghana, wherein company sales representatives would be placed in Zenith Bank branches to sell policies. The sector is accustomed to foreign investment, and in recent years has seen companies like France's AXA Group and South Africa's Old Mutual purchase of Mansard Insurance and Oceanic Life, respectively.

As per NAICOM's most recently published figures, gross premium income was N326bn ($1.1bn) in 2017. On a nominal basis this figure increased from 2015, however, it declines after adjustments are made for inflation (Mu, 2021). If partial-year results are an indication, full-year figures for 2018 may not indicate a return to growth in gross premium, as the third-quarter growth rate was lower than that of the same period in 2017 and 2015. The Nigerian Bureau of Statistics reports that the financial sector's overall contribution to GDP, including banking and other financial services, reached 2.69% on the quarter, below the 2.90% recorded in the third quarter of 2017 as well as the 3.32% measured in the second quarter of 2018. Nevertheless, slow recent performance has not changed either the long-term outlook or the structural features that previously attracted investors to the sector. A report from Fitch Ratings forecast that gross premiums would increase in 2019, due to the potential for economic growth, the young population, expanding middle class, investor interest and the low penetration rate (Okumu, 2021).

Non-life

General insurers recorded N201.5bn ($651.5m) in gross premiums in 2017, resulting in an aggregate underwriting profit of N55.7bn ($180.1m) after expenses. Investment income of N30.3bn ($97.9m) was recorded, as was a final after-tax profit of N31.5bn ($98.6m) (Fraser, Madura & Weigand, 2020). There are five companies with market shares of at least 5%, led by Leadway Assurance, with 10.69% of the whole. Continental Reinsurance, Custodian and Allied Insurance, AXA Mansard Insurance and NEM Insurance complete the top five, altogether accounting for 39.2% of the market share (Klimzack, 2021). Compliance challenges for underwriters include an underground market that produces fake auto insurance certificates, which can be considered a cheap solution to the purchase of genuine coverage, as well as non-payment of premiums on existing purchased policies. NAICOM's No Premium No Cover policy states that holders who are delinquent on payment should not expect any claims to be fulfilled. An estimated 60% to 80% of motorists have purchased coverage from unlicensed companies. The certificates they are issued will not provide chance of claim payment, but can possibly be mistaken as proof of coverage if requested by traffic police (Hakkarainen, Kasanen, & Puttonen, 2020).

While insurers have long depended on large-scale customers such as the government and mandatory coverages, there is increasing recognition that accessing Nigeria's long-term potential will require more aggressive courting of retail consumers, like providing exemplary customer service when handling claims. This also includes companies improving digital options, allowing claims data to be submitted online and handled faster overall. In an interview with local media, Jide Orimolade, managing director of Law Union and Rock Insurance, said, "The only way insurance companies can advertise themselves in the market is in the ability to settle claims – not just settling the claims, but settling the claims on time."

Life

Life insurers wrote a combined N124.6bn ($402.8m) in gross premium in 2017 and reported underwriting profits on the order of N7.8bn ($25.2m). Investment income totalled N20.1bn ($64.9m) and after-tax profits reached N4.82bn ($15.6m). This segment of the insurance market is more concentrated, and the top five companies by market share control roughly 72% of the market. Continental RE and Nigeria RE are Nigeria's two domestic reinsurance companies. Lagos is also the headquarters of Africa RE, which is owned by a combination of African states, the African Development Bank and African insurers.

New Alternatives

Insurers are struggling to broaden the sector's involvement in the economy, and the search for solutions includes some non-traditional alternatives. For example, updated NAICOM regulations cover the micro-insurance segment of the market, and include a specialised operating licence and basic governance, solvency and policy standards. The regulations define micro-insurance as any coverage of N2m ($6460) or less per beneficiary. Capital requirements range from N40m ($129,000) for a single branch licensee for life and general insurance, to N600m ($1.9m) for those who wish to operate nationally. As of late 2018 about 10 companies were expected to be considered for licensing.

According to Henri and Peter (2020), a lending facility established by the central bank, non-traditional alternatives to addressing agricultural risks are being developed that could boost farmer coverage from 500,000 people to 3.8m people. NIRSAL and NAICOM are collaborating with the Nigerian Meteorological Agency and various international development organisations and commercial insurers on index-insurance plans, in which policyholders are entitled to payouts if yields are impacted by risks. These risks include disrupted weather patterns, natural disasters or disease. One such programme, initiated in 2018, attracted 25,000 farmers in its first six months. So far, NAICOM has approved a total of five index-insurance pilot projects and this is expected to increase.

Reform Plans

In a renewed effort to achieve its goals of boosting minimum capital requirements and implementing risk-based supervision, NAICOM announced in 2018 that it intended to relaunch the MDRI. However, as of mid-2019 a formal announcement of the new version was still outstanding (Wanyande, 2020). A boost to capital requirements could be imperative in forcing consolidation in a market that is perceived as having too many small insurers and too few larger ones that are capable of retaining risks and profits domestically (CGD-Bills-Digest 2018). NAICOM statistics indicate that there is a total of 10 life insurers and 15 general insurers with less than 1% market share. In the more fragmented general category, the 15 insurers have a combined market share of 9.1%. The current capital requirements are N2bn ($6.5m) to underwrite life policies, N3bn ($9.7m) for non-life and N5bn ($16.2m) for composite insurers. In early 2019 the Nigerian Insurers Association said that as of 2018, seven companies remained below the required thresholds (Berinato, 2021).

NAICOM has encouraged smaller insurers to see larger buyers or join forces, and also asked brokers to steer customers away from distressed companies. Mohammed Kari, commissioner for insurance and CEO of NAICOM, told media in January 2019 that a boost to capital requirements was forthcoming, though he did not provide a timeline in which that would happen. "In the process of establishing risk-based supervision, we are encouraging insurance companies to come together and form stronger entities,"

Kari said. "Where they cannot financially increase their capabilities and abilities, we encourage them to stay within lower classes of insurance within their financial abilities." Market fragmentation and the lack of insurers large enough to take on major risks is not a problem exclusive to Nigeria. At the 44th African Insurance Organisation conference held in Accra, Ghana in May 2019, Ghanaian President Nana Akufo-Addo told the crowd that domestic underwriters in the region lose approximately $8bn annually to offshore insurance markets (Berinato, 2021).

Solvency

According to John and Weitz (2018), Kari characterised the consolidation effort as a part of the gradual adaptation of risk-based supervision concepts, and fundamentally, the adoption of the Solvency II regulatory regime established by the EU in 2009. Solvency II increases the number of risks insurers must set aside capital to account for. Previously, the risks considered were limited to those presented by a company's liabilities. The new system adds asset-based risks such as drops in investment accounts, operational risks and credit risks, wherein third parties fail to pay their debts (Flannery, 2017).

Though implementation of the regulatory reforms under consideration for risk underwriting are subject to delays and challenges, there is a track record of regulation driven growth in the insurance industry, specifically in the pensions segment. Due to a history of asset-management failures and frauds by pension fund administrators, Nigeria passed the Pension Reform Act of 2004 in hopes of rejuvenating the sector and creating a pool of institutional capital that could grow along with the country's fixed-income market. Since the law passed, assets under management have soared, climbing from N2trn ($3.2bn) in 2010 to N7.9trn ($25.5bn) as of March 2019 (Hussein, Hassan, & Faris, 2021).

The 2004 reform moved the sector from defined benefit schemes to defined contribution schemes and introduced the National Pension Commission (PenCom) as a regulator. It mandates coverage for public sector workers and employees in private sector organisations with five or more employees, and requires employers to use pension fund administrators to open retirement savings accounts for each employee. PenCom has licensed 21 administrators, who collectively serve 7.3m Nigerians. However, compliance remains a challenge in the area of pension fund access, as just four of 36 state governments provide workers with the necessary accounts and coverage (Hussein, Hassan, & Faris, 2021).

According to Shapira (2017), most recent annual report, published in 2017, the principal administrator Stanbic IBTC Pension Managers holds a 33.7% share of assets under management. The remaining administrators include ARM Pension Managers, NPF Pension Managers, Pension Alliance, Premium Pension, Sigma Pension and Trust Fund Pension, which each manage around 5% of total assets. Pension money must be invested according to the guidelines set by PenCom for asset classes and risk management. This has resulted in 75% of funds being invested in various government bonds.

Pension Reform

The Pension Reform Act of 2004 was followed by the Pension Reform Act of 2014, which lowered fees paid by account holders and gave them a choice of investment strategies. The previous regime required that all pension funds follow uniform portfolio composition standards, including a 25% cap on investments in equities. The current system, adopted in July 2019, gives workers a choice of investment alternatives to suit individual attitudes towards risk. The new options allow account holders to transfer their accounts to different fund administrators without incurring fees, but this type of transfer cannot be completed more than once per 12-month period (Wanyande, 2020).

The success of the pension funds segment of the insurance market has resulted in a large pool of capital that many would like to see deployed for macroeconomic gain. Pension fund administrators are under pressure to invest on a dual bottom-line basis, in which capital gains are balanced with the social utility of some of their investments. Examples of this type of investment include the purchase of infrastructure bonds or investment in infrastructure funds, which aid the country in its overall economic development (Wanyande, 2020).

Outlook

Though Nigeria's insurance industry has yet to exceed a penetration rate of 1%, and the sector is awaiting the regulator's delayed reboot of its MDRI development plan, several non-regulatory growth drivers could reverse these trends. Oil prices are helping drive the economy out of recession, and with government capital expenditures on the rise, there are likely to be insurable risks in infrastructure and public works, which could aid in growing the bottom line. Alternatives such as micro-insurance and index insurance could also help to expand the pool of potential customers for insurance (Wanyande, 2020). Nevertheless, anticipation of the long-awaited boost to minimum capital requirements, when it is finally implemented, is likely to be the biggest influence on the sector's potential future growth. Insurers are awaiting regulatory clarity and many appear ready to adjust their long-term strategies in response to it (Wanyande, 2020).

2.1 Research Gap

Most studies have failed to consider the effect of the new reform of insurance capital base on the financial performance of insurance industry in light of the unforeseen contingencies. Several researchers believed that the new capital reform will have significant effect on the financial performance of insurance industry, however, the Covid-19 pandemic revealed the insufficiency of the new capital reform of #18 million to invigorate the financial performance of insurance industry, hence, no study has investigated insufficiency of the new capital reform, this this study hereby seek to fill the void.

3. METHODOLOGY

As a result of the fact that the new reform (capital base) has not being fully implemented, the researcher has to reply on the perception of professionals on the likely impact of the new capital reform on the financial capacity and solvency of insurance firm. Questionnaire was structured to ask questions relating to the "New Reformed capital base", "financial capacity"; and "solvency" of insurance firm after the full implementation of the new capital reform. The study adopted cross sectional research design using quantitative approach. Cross sectional research design is most appropriate because structured questionnaire was administered to different Insurance companies. Cross sectional research design allows one to collect quantitative data which can be analysed quantitatively using descriptive and inferential statistics.

3.1 Population of the Study
There are five companies with market shares of at least 5%, led by Leadway Assurance, with 10.69% of the whole. Continental Reinsurance, Custodian and Allied Insurance, AXA Mansard Insurance and NEM Insurance complete the top five, altogether accounting for 39.2% of the market share. The study's target population for this study constitutes senior staff of the five (5) top listed Insurance companies on the Nigerian Stock Exchange who by their training and experience can be regarded as top management that are responsible for decision making, having a total of 189 senior and management staff.

3.2 Sample Size Determination
The study used the Taro Yamane formula in determining the sample size as follows: $n = N/(1+N(e)^2)$. Where n is the sample size, N is the population size and e is the level of significance respectively, which in this case shall be 0.05. A sample size of 127 was used as the sample for the study.

$$n = \frac{189}{1+189(0.05)^2}$$

$$n = 127$$

3.3 Description of Research Instrument
Respondents responded freely and objectively on all the items by ticking the most appropriate option to them. The questionnaire was development based on a 5-point Likert scale of strongly agree (SA), agree (A), Undecided (UD), Disagreed (D) and strongly disagree (SD) respectively. However, the items in the questionnaire were rated as 5, 4, 3, 2 and 1 respectively.
To ensure that relevant variables in the study are adequately captured in the questionnaire, the researcher soughed the opinion of experts in the field. The questionnaire for the study was adapted and modified.

3.4 Validity and Reliability of the Instrument
This comprises of two items, namely the validity of the questionnaire and its reliability respectively.

3.5 Content Validity
The instruments (questionnaire) were designed on a 5-point Likert scale (1= not relevant, 2 = somewhat relevant, 3 = quite relevant, 4 = relevant, 5 = very relevant) to evaluate the relevance and suitability of the measurement items. After developing the instruments, it was issued out to ten (10) experts which include: experts in marketing, practitioners, consultants and psychometrics. We used expert evaluation to rate the instruments and modified based on their comments. Comments made were incorporated in the final questionnaire.

This was consistent with previous studies who emphasized that it is beneficial to do so as it enables a researcher to assess its internal consistency, inter-item correlations and factor structure. Table 1 shows the results reflecting Content Validity Index (CVI) for the questionnaire all above 0.7 taken as acceptable basing on Sekaran (2003).

Table 1 CVI for Questionnaire

Variable	Experts										Mean CVI
	1	2	3	4	5	6	7	8	9	10	
Solvency of insurance firms	0.9	0.8	0.7	0.8	0.9	0.1	0.8	0.8	0.9	1	**0.86**
Financial capacity of insurance firms	0.8	0.7	0.8	0.8	0.8	0.9	0.7	0.8	0.6	0.8	**0.79**

Source: Researchers Field Survey (2022)

3.6 Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. After the development of the questionnaire, a pilot study was conducted on main sample which comprises of 10 Senior staff of Insurance companies listed on the Nigerian Stock Exchange which were picked at random. The main rationale behind the preliminary study was to assess the clarity and relevance of the items in the instrument. There are many techniques of accessing instrument reliability but in this research, Cronbach Alpha technique was used to determine the reliability of the question. The advantage of this method is that it requires one testing session and this eliminates chance error due to differing test conditions.

More so, Cronbach Alpha measures internal consistency among a group of items combined to form a single scale. It is a reflection of how well the different items complement each other in their measurement of different aspects of the same variable or quality and it interpret like a correlation coefficient. Qquestionnaire is considered reliable if the Cronbach Alpha coefficient is greater than 0.70. This is in line with the rules of thumb for the Cronbach alpha: >.9 is Excellent, >.8 is Good, >.7 is Acceptable, >.6 is Questionable, >.5 is Poor, and <.5 is Unacceptable.As could be seen in the table 2 below, all the variables have Cronbach's alpha coefficient above 0.7. Thus, confirming reliability of the instrument for the study.

Table 2 Reliability Test

Variable	Cronhach alpha (α)	Scale
Solvency of insurance firms	0.835	1 – 5
Financial capacity of insurance firms	1.974	1 – 5

Source: Researchers Field Survey (2022)

3.7 Method of Data Analysis

The study employed the use of both descriptive and inferential tools (regression model) in analysing the data that was gathered. The descriptive tools that were used in the analysing include mean and standard deviation. Regression Method was used to test the hypotheses at 0.05 or 5% level of significance.

3.8 Model Specification

This will provide the researcher with the knowledge of the nature, and direction of the relationship between the variables.

$$Solv = \beta_0 + B_1 InsRef + \varepsilon \qquad\qquad ... \text{Model 1}$$

$$Fin\text{-}Cap = \beta_0 + \beta_1 InsRef + \varepsilon \qquad\qquad ... \text{Model 2}$$

Where:
Solv = Solvency of Insurance Company
Fin-Cap = Financial capacity of insurance firms
InsRef = Insurance Reforms
$\beta 0$ - is a constant
ε is the error term

3.9 Decision Rules

This study used the following rules as the basis for statistical decisions: If $p<0.05$, the H_0 to be rejected which implies that the independent variables have significant effect on the dependent variable, but if otherwise, we fail to reject the H_0.

4. RESULT AND DISCUSSION OF FINDINGS

4.1 Demographic Characteristics – Response Rate

Out of the targeted sample size of 127, those who responded to the administered questionnaire were 123. The high response rate (97.3%) is attributed to fact that a personal (self-administered) approach was employed in collecting data. More so, the researcher maintained useful contacts with the respondents and the entrepreneurs, who were instrumental in identifying the relevant sampled respondents and maintaining good relationships with them, which yielded excellent response rates. Table 3 summarizes the response rate:

Table 3 Response Rate

	No. of respondents	Percentage
Questionnaires Issued	127	100
Responses Received	123	97.3%
Responses Discarded	8	6.5%
Responses Used	115	90.5%

Source: Researchers Field Survey (2022)

4.2 Data Analysis

Table 4 Multi-collinearity Results
Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	.752	.144		4.321	.001		
Financial capacity of insurance firms	.214	.137	.321	4.314	.002	.365	2.615
Solvency of insurance firms	.322	.114	.311	3.336	.120	.006	2.364

a. Dependent Variable: Insurance Performance
Source: Field survey, 2022.

4.3 KMO and Bartlett's sphericity test

To evaluate the feasibility of the study, the Kaiser-Meyer-Olkin sampling adequacy index and Bartlett's sphericity test were conducted; both methods suggested the existence of an acceptable inter correlation considering the criteria suggested by Nassiuma (2004). The Maximum extraction method was performed because it best reproduces the population values when the data has normal, multivariate distribution and the statistical significance of the extracted factors can be calculated Nassiuma (2004). The results for all the five variables show the KMO values are above 0.7 (table 5). This implies that the items in our questionnaire correlate well with other items within their respective clusters to measure the underlying dimension, hence, adequate to continue with further analysis.

Table 5 KMO and Bartlett's Results

Variable	KMO	χ^2	Bartlett's test		No of factors
			df	Sig	
Financial capacity of insurance firms	0.941	614.823	11	.001	2
Solvency of insurance firms	0.766	664.198	10	.001	2

Source: Field survey, 2022.

4.4 Test of Hypotheses

Hypothesis One

H_{01}:   Insurance reform does not have significant effect on financial capacity of insurance firms.

Table 6 Model Summary for Hypothesis One

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.171a	.151	.522	36241514514.5414	2.51

a. Predictors: (Constant), Insurance Reform
b. Dependent Variable: Financial capacity of insurance firms
   Source: SPSS version 25 output.

Table 7 Coefficients for Hypothesis One

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)					
Insurance Reform	325141429	32514141		1.210	.031
	1.214	36521414	2.211	1.110	.057

a. Dependent Variable: financial capacity
   Source: SPSS version 25 output.

The relationship between financial capacity of insurance firms and insurance reform is about 17%. R being the determinant of correlation explains the extent to which the independent variable could explain the dependent variable. R square as shown in model summary is about 15%, this implies that the independent variables can predict or determine dependent variables up to 15%. This simply means that the ability of insurance reform to determines financial capacity of insurance firms is about 15%.

This study revealed that a unit change in insurance reform account for about 1.21 positive unit change in financial capacity of insurance firms. This study revealed that the new insurance reform will have positive but insignificant effects on the financial capacity of insurance firms in Nigeria. Since p value (0.057 > 0.05), we hereby fail to reject the null hypothesis and conclude that the new insurance reform will have no significant effects on the financial capacity of insurance firms in Nigeria.

Hypothesis Two

H_{02}: Insurance reform has no significant effects on the solvency of insurance firms in Nigeria

Table 8 Model Summary for Hypothesis Two

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.621a	.611	.601	36251411.54	2.49

a. Predictors: (Constant), Insurance Reform
b. Dependent Variable: Solvency of insurance firms
Source: SPSS version 25 output.

Table 9 Coefficients for Hypothesis Two

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1　(Constant)	241121214	12451411		2.233	.001
Insurance Reform	2.11	0.312	4.211	3.21	.009

a. Dependent Variable: Solvency of insurance firms

Source: SPSS version 25 output.

As shown in the model summary, the relationship between solvency of insurance firms and insurance reform is about 62%. R being the determinant of correlation explain the extent to which the independent variable could explain the dependent variable. R square as shown in model summary is about 61%, this implies that the independent variables can predict or determine dependent variables up to 61%. This simply means that the ability of insurance reform to determine Solvency of insurance firms is about 61%. This study revealed that a unit change in insurance reform account for a significant change in Solvency of insurance firms. This study revealed that insurance reform significantly enhances Solvency of insurance firms. Since p value (0.009 < 0.05), we hereby reject the null hypothesis and conclude that insurance reform has significant positive effects on the solvency of insurance firms in Nigeria.

5. RESEARCH FINDINGS

This study revealed that:
1. Insurance reform has positive but insignificant effects on the financial capacity of insurance firms in Nigeria.
2. Insurance reform has significant positive effects on the solvency of insurance firms in Nigeria.

6. CONCLUSION

This paper focused on the invigorating the financial capacity of insurance industry through the new insurance reform capital base. This paper empirically examined the effect of insurance reform on the solvency and financial capacity of insurance firms in Nigeria. This paper revealed that the new insurance reform will have positive effects on the financial capacity of insurance firms in Nigeria, in the same light, the new insurance reform will equally have significant positive effects on the solvency of insurance firms in Nigeria. However, opinion of experts revealed that, in the phase of the unfolding and prevailing circumstances evidenced by the current Covid – 19 pandemic, the new capital base may not be sufficient to meet the demand of businesses. Hence, there is need to further increase the capital base of the insurance industry.

7. RECOMMENDATION FOR POLICY AND PRACTICES

Arisen from the findings of this study, the study recommended that:
1. Management of Insurance industry should ensure that they adhere to the reform guideline professionally.
2. To ensure increase in performance of Insurance industry, management of Insurance companies should ensure that both financial capacity and their solvencies are guided in line with the insurance reform guideline and should go beyond the minimum capital base of #18 Billion in order to boost their financial capacity and solvency.

8. Direction for Future Works

Upon the full implementation of the new insurance reform act, further study should be conducted in order to either established the findings of this study or ascertain other factor(s) that were not pre-empted by the researcher.

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