Chartered Insurance Institute of Nigeria

Deserving Sample Publication from the Year 2024
Fellowship Dissertation Volume 1

THE IMPACT OF CLIMATE CHANGE ON PROPERTY AND CASUALTY INSURANCES

BY

MUSTAPHA, ISMAIL KOLAWOLE (2/2917)

THE IMPACT OF SUCCESSION PLANING IN BUILDING ENDURING INSTITUTIONS IN NIGERIA: A CASE STUDY OF A SELECTED INSURANCE COMPANY

BY

OLUTUSIN, SAMUSIDEEN ADEMOLA (2/5804)

Chartered Insurance Institute of Nigeria
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Volume I

FOREWARD

It is with great pleasure that I write this foreword to commemorate the publication of this impressive collection of professional dissertations by members of Chartered Insurance Institute of Nigeria (CIIN).

As the premier professional organisation for insurance professionals in Nigeria, CIIN has consistently demonstrated its commitment to promoting excellence, innovation and continuous learning in the Insurance Industry. This publication is a testament to that commitment.

The dissertations presented in this publication represent the culmination of rigorous research, critical thinking and professional expertise by CIIN Members. The focus was on a range of critical issues and challenges facing the Industry, from risk management and underwriting to marketing and regulatory compliance.

As you read through these dissertations, you will be struck by the depth of analysis, the breadth of knowledge and the innovative solutions proposed by the authors. You will also gain valuable insights into the latest trends, best practices, and emerging issues in the insurance industry.

Thank you.

Abimbola Tiamiyu

Registrar/CEO

March 2025

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DEDICATION

This project is dedicated to my immediate family. They have always been my inspiration to go the extra mile. Also, to the loving memories of my departed Parent and Uncle. May their souls continue to rest in perfect peace. Aameen

ACKNOWLEDGEMENT

Works of this nature are rarely completed without the inspirations, supports and efforts of other people. This work is not an exception and would not have been completed without the support of other people which I am going to acknowledge here. In everything, I give all honours and glory to the Almighty Allah (SWA); for His infinite mercy and favour was the foundation of this project. My special thanks to my wife and children for their enduring sacrifice during the duration of writing this project. Their support and contributions being the driving force propelling me towards the successful completion of the project. They have been wonderful. I love you all. Lastly, I wish to express my appreciation and indebtedness to my colleagues at the office for their unrelenting encouragement and supports. Worthy of note is the contributions of many others, that for lack of space; I cannot mention them. They have in various measures contributed to this work and made it a reality. I am most grateful. Thank you all and may Allah continue to guide, protect and bless you all. Aameen.

ABSTRACT

Climate change is a change of the climatic condition which is affecting the world in a more negative manner. Most countries of the world are experiencing bad weather conditions. According the United Nations (2024) this bad weather conditions is caused by long-term shifts in temperatures and weather patterns. This condition is naturally caused by changes in sun's hotness and also by large volcanic eruptions. Human activities coupled with their lifestyles are major cause of the present climatic conditions that is affecting humans, plants and animals. This has been attributed to the burning of fossil fuels like coal, oil and gas (United Nations, 2024). This study examined the impact of climate change on property and casualty insurance. This warning of earth became the biggest challenge to mankind hence it is principally regarded as the main form of climate change. This challenge has been with mankind for a long time but became more prominent thereby by extension increasing the claims being paid on property and casualty insurance. The method used in carrying out this study is simple descriptive survey research design. This method assist in the carrying out of an empirically investigate the impact of climate change on property and casualty insurance. The descriptive research design is good in looking variables from an abstract perspective such as this. The findings from the study showed that the Chi-square test indicated that the observed differences in responses are not statistically relevant. We conclude that not have enough evidence is available to agree that a significant relationship exist for the cost of claims in property insurance to be affected by climate change.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Climate change refers to significant alterations in weather patterns and cycles that adversely affect our planet. Currently, nearly every nation is facing extreme weather events. The United Nations' 2024 report indicates that these anomalies result from sustained shifts in temperature and climatic conditions. Such changes are linked to physical factors, including fluctuations in solar radiation and significant volcanic eruptions. It is crucial to highlight that the ongoing climate crisis, primarily driven by human activities and lifestyles, represents a profound threat to humanity, as well as to plant and animal life. The primary contributor to this issue is the burning of fossil fuels, including coal, oil, and gas (United Nations, 2024).

Research indicates that the Earth's climate is changing at an unprecedented rate, largely due to human influence (Jay et al. 2018, p. 34). Additionally, Koch et al. (2019) noted that the Small Ice Age, which spanned from the sixteenth to the nineteenth century, was partially a result of the Great Killing during the sixteenth century. This period saw the widespread decimation of the indigenous population in the Americas by Europeans through violence and disease. The significant reduction in human population allowed for reforestation, which played a key role in lowering atmospheric CO2 levels, thereby contributing to a cooler and more variable climate. The Little Ice Age (LIA) also had a substantial impact on global social changes (Parker 2013).

However, the LIA was influenced by multiple factors, and the consequences of the European invasion of North America remain an area of ongoing investigation.

The unfortunate historical backdrop has consistently demonstrated that climate change is a multifaceted phenomenon influenced by a variety of factors, including societal attitudes towards individuals. These research outcomes undoubtedly warrant thorough examination by institutions, highlighting the complexities of the issue. It is essential to engage with sociological literature that explores the origins and consequences of climate change and its ramifications for social justice. Furthermore, we should assess how sociology can effectively communicate this topic. It may be possible to streamline the report while still addressing the subject comprehensively. A key insight from the literature is the overarching concept of climate change's effects on humanity, which subsequently impacts the environment. The page limit does not include the introductory sections for the various themes explored in this research.

By the end of the first phase of industrialized societies, it became clear that rising levels of greenhouse gases (GHGs) in the atmosphere were affecting the Earth's climate (Weart 2008). However, it was primarily during the Industrial Revolution and particularly from the mid-twentieth century onward that human activities significantly increased the concentrations of GHGs, such as carbon dioxide, methane, nitrous oxides, and fluorocarbons, while also contributing to atmospheric pollution (US Global Change Research Program, 2017).

Climate change encompasses extended weather patterns that indicate shifts in average temperatures, precipitation levels, and storm activities. The current phenomenon of climate

change particularly involves alterations in long-term averages alongside increased variability, which raises the probability of extreme weather events (US National Research Council 2016). Historically, the Earth's climate has experienced fluctuations; however, the magnitude of the present changes is so significant that it may surpass natural adaptive capacities, potentially leading to severe disruptions in both the atmosphere and biosphere. Since 2017, global temperatures have increased by 1°C relative to the pre-industrial era, primarily driven by greenhouse gas emissions and changes in the albedo effect (IPCC 2018).

As a result, it will be exceedingly challenging to limit the temperature rise to 2°C, and the goal of achieving 1.5°C appears overly ambitious. This upper limit is intended to avert serious negative impacts on the economy, human health, well-being, and Earth's ecosystems. Furthermore, it underscores that "Pathways to reducing the globe's rising temperature to 1.5°C without or with minimal overshoot require transitions in energy, land, urban, and infrastructure systems (including transport and buildings), as well as industrial systems (high confidence)." While these systemic transitions are unprecedented in their scale, they are not new in terms of their required pace.

The transitions occurring in the environment are crucial for the health of the planet, alongside issues such as ocean acidification and the increase in sea levels. Climate change involves more than mere temperature fluctuations; it is part of a series of ongoing processes that interact with a variety of environmental elements, including the health of species, biogeochemical cycles, the distribution of harmful substances, and the disruption of services that support human welfare

(Steffen et al. 2018). Given the scale of these changes, they are likely to have long-lasting effects. Some experts have suggested that we should refer to the current geological epoch as the Anthropocene, as geological records from millions of years in the future will clearly reflect these changes (Steffen et al. 2018). It is anticipated that global environmental transformations and our responses to them will continue to pose significant threats to both humans and other living organisms, while also disrupting local and global communities (IPBES 2019).

Climate change, as articulated by the Australian Academy of Science (2024), denotes a prolonged alteration in weather patterns, alongside modifications in oceans, land surfaces, and ice sheets that can persist for years or even decades. The Academy emphasizes that weather pertains to the present state of the atmosphere, characterized by variables such as temperature, humidity, wind speed, and precipitation, which fluctuate over brief intervals, ranging from hours to weeks, and are influenced by the seas, land, and ice that constitute the climate system. In essence, climate change serves as the statistical representation of the condition of this system. Nonetheless, the changes in the climate system brought about by human endeavors such as greenhouse gas emissions, urban development, and other activities or by natural events are what define climate change. Specifically, it involves alterations to the statistical properties of the climate system that transpire over an extended period, typically 30 years or more. This encompasses averages, variability, and extremes that may arise from natural occurrences like variations in solar radiation or volcanic activity, as well as from human actions that alter the atmosphere or land use (Academy of Science, 2014).

The Academy has noted that there exists a limited timeframe during which weather forecasts can be made with a degree of reliability, typically lasting around one week. Nevertheless, predicting short-term fluctuations in natural events, such as droughts, remains a complex task. In contrast, forecasts regarding long-term climate patterns, including shifts in average temperature or precipitation, can be formulated when they are based on identifiable or predictable long-term influences. Various factors that impact the climate alter the energy dynamics within the climate system through greenhouse gases. The sun acts as the primary driver of Earth's climate. The amount of solar energy received by Earth depends on the energy output of the Sun and the distance between the two. Some of this energy is reflected back into space by the atmosphere, clouds, land, ice, and water surfaces. The presence of tiny aerosol particles in the atmosphere, some of which originate from human activities, can increase the reflection of sunlight (Academy, 2014).

Over time, the solar energy absorbed by Earth is released back into space as infrared (heat) radiation, interacting with the entire climate system, which includes the atmosphere, oceans, land surfaces, and ice sheets. The radiation dynamics within the atmosphere (Figure 1.1) are essential in shaping climate. The atmosphere is predominantly composed of nitrogen and oxygen, which do not interact with infrared radiation. However, certain trace gases can absorb this radiation as it ascends from the Earth's surface and subsequently re-emit it in various directions, including back towards the surface. This process hinders the escape of infrared energy from Earth into space, a phenomenon known as the 'greenhouse effect.' The gases

responsible for this effect are termed greenhouse gases, with the most prominent being water vapor, carbon dioxide (CO2), and methane. The greenhouse effect has been acknowledged for more than a hundred years, and in its absence, the Earth's surface temperature would be approximately 33°C lower, making the planet incapable of supporting life (Academy, 2024).

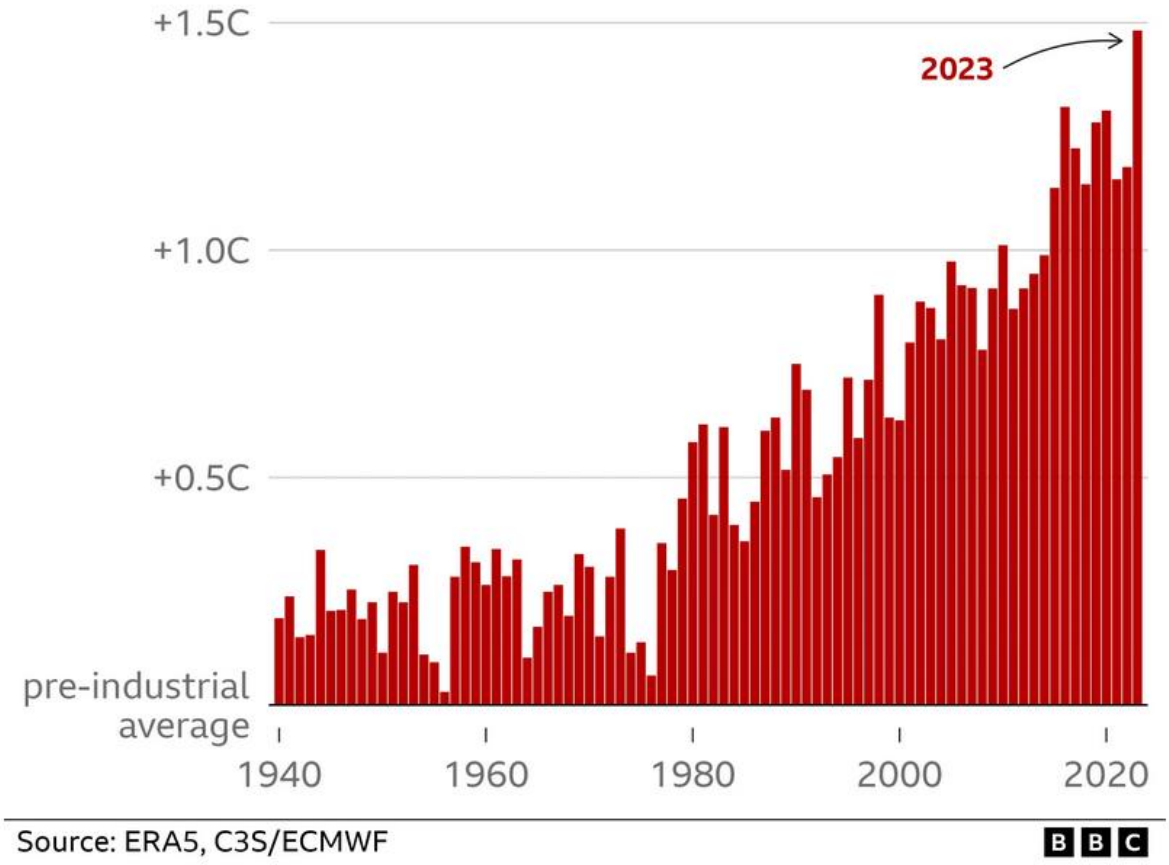
A crucial element in this matter is the combustion of fossil fuels, which produces greenhouse gases and creates a warming effect akin to a blanket enveloping the Earth. This phenomenon restricts the release of solar heat, resulting in elevated temperatures. The primary greenhouse gases implicated in global warming are carbon dioxide and methane. These gases are released during the combustion of gasoline in vehicle engines and the burning of coal for heating. Additionally, deforestation and land clearing significantly contribute to carbon dioxide emissions, with beef production being the largest factor in this regard. Other contributors include charcoal burning and the management of organic soil or wastewater. Methane emissions arise from agricultural practices as well as oil and gas operations. The main sectors responsible for greenhouse gas emissions include energy, industry, transportation, buildings, agriculture, and land use (United Nations, 2024).

As reported by the British Broadcasting Corporation (BBC) in 2024, climate change refers to the long-term alterations in the Earth's climate, characterized by shifts in average temperatures and weather patterns. The BBC highlighted that, on average, the planet has experienced a temperature increase of approximately 1.2°C in recent decades compared to the late 1800s. Furthermore, it noted that global warming has nearly reached 1.5°C on a near-annual basis

(from February 2023 to January 2024), during which the world recorded unprecedented temperature levels. The El Niño phenomenon, a natural climatic occurrence, may have also played a role in the elevated temperatures observed during this period. The rise in temperatures is primarily attributed to human-induced climate change, with the natural El Niño effect serving as an additional factor. This is illustrated by the graph below.

Hottest year on record

The annual global average temperature, in comparison to the pre-industrial average recorded between 1850 and 1900.



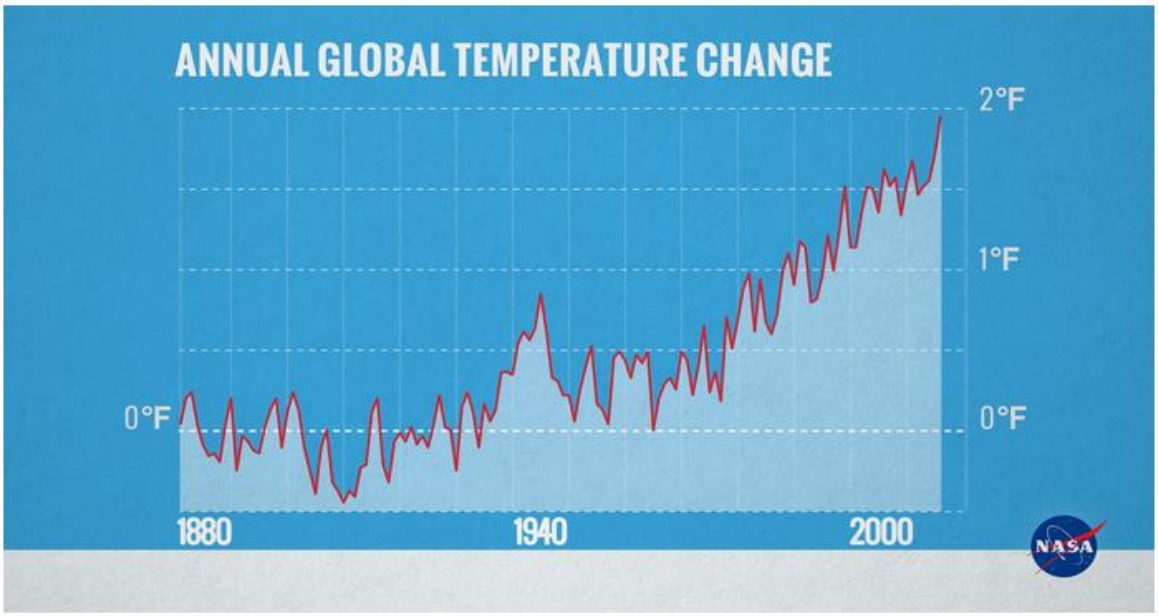
According to the National Aeronautics and Space Administration (NASA) in 2024, climate change is characterized by significant long-term changes in average conditions, including temperature and precipitation, within a specific region over extensive periods. For example, around 20,000 years ago, a large portion of what is now the United States was covered by glaciers. In contrast, the current climate in the U.S. is warmer, with a notable reduction in glacial areas. NASA indicates that the evolving climate of the Earth is indicative of prolonged shifts in weather patterns. Contributing factors include increasing global temperatures and alterations in precipitation trends, both intensified by global warming. These factors result in a range of consequences, such as:

- Rising sea levels.
- Reducing mountain glaciers.
- Speedier melting of ice in Greenland, Antarctica, and the Arctic.
- Changes in the blooming periods of flowers and plants.

The Earth's climate has historically experienced fluctuations, as evidenced by the climatic changes observed today, which occurred long before the advent of humanity. In recent years, however, the scientific community has engaged in comprehensive research on this subject. Notably, the average global temperature is rising at a rate three times faster than it did over the past 150 years.

Global warming, a consequence of climate change, is significantly responsible for the extreme temperatures being recorded worldwide. The authors of the United Nations Intergovernmental Panel on Climate Change (2024) assert that human activities are a major contributing factor to this phenomenon. They further indicate that ninety-nine percent of climate scientists agree that human actions have markedly accelerated global warming over the last century. The primary cause identified is the emission of greenhouse gases, which has led to an unprecedented rise in the Earth's temperature, a level not seen in at least 2,000 years. Specifically, the Earth's surface temperature has increased by approximately 1.2°C since the late 1800s, reaching levels not experienced in the past 100,000 years. The period from 2011 to 2020 was the warmest on record, with each of the last four decades being at least one-and-a-half times warmer than any preceding decade since 1850.

Nevertheless, climate change is often described solely in terms of rising temperatures. In reality, this temperature increase is just the beginning of a much more complex narrative. The Earth functions as an interconnected system, meaning that alterations in one area can have extensive repercussions in others. Consequently, the ramifications of climate change are extensive, leading to severe droughts and water scarcity, intense wildfires, rising sea levels and flooding, rapid melting of ice sheets, devastating cyclones, and significant losses in biodiversity.



Graph of change in annual global temperatures, compared to the average of global annual temperatures from 1880-1899. Credit: NASA's Goddard Space Flight Center

NASA reports that climate change impacts the Earth in various ways. Certain regions are experiencing increased temperatures, while others are undergoing cooling trends. On average, global surface temperatures have risen by 2°C over the past century. The last five years have recorded the highest temperatures in several centuries. Numerous individuals, including scientists, have expressed their apprehensions regarding this phenomenon. Due to extreme environmental conditions worldwide, experts predict an escalation in rainfall and storm intensity. This rise in temperatures may also lead to more severe droughts and heat waves. Even a slight change, such as an increase of one or two degrees in the planet's overall temperature, can significantly affect its flora and fauna due to external atmospheric influences.

In a separate context, the American Property Insurance Association (AP 2021), associated with the National Association of Mutual Insurance Companies (NAMIC), defines property insurance

policies as a collection of plans designed to safeguard property against damage, theft, and fire-related incidents. Twin explained that property insurance aims to protect the insured from losses to their property and theft of a building and/or its contents, regardless of the cause, whether it be fire, vandalism, theft, or natural disasters, as well as injuries sustained by others on the premises. As a result, property insurance may encompass various policies that address different risks and hazards, including homeowners' insurance, renters' insurance, flood insurance, and earthquake insurance. It is common for individuals to insure their personal belongings through standard homeowners' or renters' policies; however, there are cases where personal property requires significantly higher coverage, leading to increased costs. Such items typically necessitate an addition to the policy known as a "rider." Regarding claims, the property insurance policy will either reimburse the actual value at the time of damage or the replacement cost.

Rivelli (2023) highlights that property insurance plays a crucial role in reducing the risks linked to property ownership or rental. He notes that this category of insurance includes home insurance, renters insurance, condo insurance, landlord insurance, and mobile home insurance. This indicates that property insurance can offer protection for additional costs that may not be covered by standard home and renters policies, such as flood and earthquake insurance. Rivelli further emphasizes that the specifics of each property insurance policy can vary according to individual circumstances. For instance, homeowners generally have dwelling coverage,

whereas renters insurance does not extend to the building itself. Instead, the building and shared areas, like lobbies and staircases, are covered under landlord insurance. Additionally, property insurance policies primarily focus on safeguarding personal belongings and providing personal liability coverage. This liability protection aids in covering legal expenses and compensating for damages if one is alleged to have caused injury to another person or their property.

The International Risk Management Institute (2024) characterizes property insurance as a system that compensates property owners or users for losses or lost income resulting from covered risks, including fire and explosion. The Institute notes that property insurance encompasses various other types, such as inland marine, boiler and machinery, and crime insurance. Originally, the focus was solely on fire insurance; however, it has evolved into what is now broadly recognized as property insurance, which covers both buildings and their contents.

Hub International (2024) explains that casualty insurance pertains to legal liability coverage that individuals or businesses may obtain to safeguard against potential financial losses. This form of insurance addresses the legal obligations of entities or individuals for damages inflicted on another party's property or for injuries sustained by others. Essentially, it pertains to the financial responsibilities that a business or individual may face under legal statutes. Casualty insurance encompasses a range of policies, such as auto insurance, homeowners'/condo/renters' insurance, coverage for burglary and theft, workers' compensation, commercial general liability

insurance, public liability, pollution liability, and insurance for contaminated products (Hub International, 2024).

The legal obligations of individuals or corporations are of considerable importance, and coverage is applicable when the policyholder can establish negligence related to the insured items. Additionally, the insurance provider has clarified that third-party losses of this nature are included in the liability coverage, whether they pertain to personal injury or property damage.

Hdfcergo (2024) elucidates that casualty insurance serves as a safeguard for both individuals and businesses against civil liabilities arising from accidents, injuries, or damage to property. This definition encompasses a broad spectrum of areas, including liability, theft, workers' compensation, aviation, automotive, and cyber risk insurance, among others. A typical example of casualty insurance is homeowner's insurance, which offers protection against damage to a home or injuries that may occur on the premises. Furthermore, it is noted that property and casualty insurance can act as a risk management tool for organizations, helping to shield their assets, such as buildings, machinery, inventory, and legal liabilities. Consequently, the terms and conditions regarding coverage and limits can differ significantly from one policy to another. Additionally, the escalating climatic threats linked to climate change introduce further risks that property and casualty insurance must contend with. This underscores the importance of assessing the implications of climate change on property and casualty insurance.

1.2 PROBLEMS OF THE STUDY

Scientists have long contended that global warming is one of the most pressing and intricate environmental challenges facing our planet. This phenomenon has become a major concern for humanity and is primarily regarded as a crucial element of climate change. While this issue has been present for a long time, its effects have become increasingly apparent since the Industrial Revolution, a period during which human activities have significantly changed the composition of the atmosphere. The scientific basis of global warming lies in the fundamental concept that all energy on Earth originates from the Sun in the form of solar radiation. This energy is eventually emitted back into space; however, certain gases in the atmosphere trap some of this outgoing heat, functioning like a greenhouse, which raises the planet's temperature and affects its inhabitants. The consequences of this issue for humans and other life forms on Earth pose significant challenges. The main concern is the ongoing increase in the concentration of "greenhouse gases," such as carbon dioxide, methane, and nitrous oxide. This rise indicates that the levels of these gases in the atmosphere are climbing, leading to greater heat retention and a warmer planet. It is also important to recognize that a substantial amount of carbon dioxide is released through the decomposition and respiration of plants, yet terrestrial vegetation and oceans play a vital role in absorbing it, helping to maintain a balance. This implies that a significant portion of current CO2 emissions is linked to the burning of fossil fuels for heating, transportation, and industrial processes.

This issue is of global significance, and over the years, the United Nations has endeavored to

identify viable solutions. A pivotal year in the battle against climate change was 1988. Shortly thereafter, the Intergovernmental Panel on Climate Change (IPCC) asserted that anthropogenic global warming posed a critical challenge that necessitated urgent action. This assertion prompted the UN General Assembly to form the Intergovernmental Negotiating Committee (INC), which ultimately led to the adoption of the United Nations Framework Convention on Climate Change on May 9, 1992. Presently, the Convention comprises 186 parties that gather annually for the Conference of the Parties (COP). In 1997, the Kyoto Protocol was established with the objective of reducing greenhouse gas emissions in developed countries by 5% relative to 1990 levels by the year 2012. During COP 4 in 1998, further discussions regarding the implementation of the Kyoto Protocol took place, culminating in the adoption of the "Buenos Aires Plan of Action." Subsequent COP meetings have continued to tackle various aspects of the Protocol. The most recent Convention held in Marrakesh, Morocco, introduced more lenient penalties for nations that did not meet the Kyoto targets. Compromises have been made to facilitate the effective enforcement of the treaty, even in the absence of support from the United States; it was essential for countries responsible for approximately 55% of global greenhouse emissions to ratify the treaty for it to attain legal binding status.

As environmental concerns have gained traction, numerous protocols and agreements have been established to reduce detrimental impacts on the climate system, yet many of these lack robust enforcement mechanisms. This issue arises from the differing priorities of developing and developed nations. Developing countries are primarily focused on the harsh impacts of

severe floods, droughts, and rising instances of malaria and respiratory illnesses, while developed nations are more concerned with the economic ramifications of stringent regulations. Consequently, many resolutions and protocols remain unenforced, primarily due to disagreements over non-compliance and ongoing debates regarding economic responsibilities.

A prominent example is the Kyoto Protocol, which was established in 1997 with the objective of distributing economic and environmental responsibilities among developed nations while allowing developing countries more leeway for economic advancement. The Protocol required participating nations to reduce their net emissions by 5% relative to 1990 levels. This stipulation faced opposition from industrialized countries, leading to the United States' withdrawal from the agreement. A major issue of debate among nations has been the repercussions of non-compliance with the Protocol. Politicians in Bonn, Germany, voiced their concerns and reached a consensus that any nation failing to meet its targets would automatically lose its compliance status for the subsequent period. Additionally, they agreed that non-compliant countries would be barred from participating in emissions trading during that period.

The challenge of climate change, particularly concerning global warming, has adversely affected property and casualty insurance in numerous countries. This situation has led to increased claim costs within these insurance sectors and has also introduced new risks, resulting in heightened demand for coverage across various regions worldwide.

1.3 SCOPE OF THE STUDY

Climate change represents a global challenge that affects all aspects of life on our planet, both in

direct and indirect ways. As a result, it has affected all types of insurance. This research will look at how it impacts property and casualty insurance. The people who took part in the study come from the Nigerian insurance industry, and they were asked about how they handle climate change with this type of insurance.

1.4 SIGNIFICANCE OF THE STUDY

Natural disasters are becoming more frequent and severe, while inflation and supply chain disruptions have notably escalated replacement costs. The persistent impacts of climate change are anticipated to result in an increase in extreme storms, which could lead to considerable financial losses for insurance companies. The global insurance industry is currently grappling with a mounting crisis associated with climate change. As the intensity and occurrence of natural disasters rise, the challenges posed by inflation and supply chain complications further exacerbate the costs of replacements. With the ongoing effects of climate change and a growing frequency of severe storms, insurers may face significant financial setbacks. This is a worldwide issue: recent studies indicate that by 2050, losses linked to climate change could amount to €143 billion, which is double the losses experienced by the industry from 1989 to 2019. These challenges were anticipated. Insurance leaders are already cognizant of the risks associated with climate change and are taking proactive measures to mitigate them. This enhances the overall understanding within the industry and serves as a crucial reference point.

When evaluating general insurance in relation to climate-related hazards, the repercussions for reinsurance and risk transfer markets are anticipated to be significant, serving as a crucial

indicator. Climate-related risks have transformed weather patterns, leading to an increase in the severity and frequency of extreme weather events that threaten both real estate and personal property. Insurers are encountering difficulties in underwriting these additional risks linked to climate factors. The growing unpredictability of weather presents a major challenge for the industry concerning climate-related risks. This unpredictability may require greater capital investments, resulting in substantially higher premiums. It is important to note that insurance is generally an annual product providing short-term coverage, while climate-related risks represent long-term challenges. Consequently, this research will be essential for policymakers concentrating on environmental matters. The National Insurance Commission, as the Insurance Regulator, regards this study as particularly significant. Furthermore, the research will aid insurance professionals by offering insights into the risks associated with climate change within the industry and proposing strategies to tackle these challenges. Academics, researchers, and students in insurance and related fields will also find this study pertinent.

1.5 RESEARCH OBJECTIVES

The main objective of this research is to examine the impact of climate change on property and casualty insurance coverage. The specific objectives are outlined as follows:

i. To identify the ways in which climate change affects property and casualty insurance policies;
ii. To investigate the potential correlation between climate change and the costs associated with claims in property and casualty insurance;

iii. To evaluate the degree to which climate change may create new risks necessitating coverage in property and casualty insurance;

iv. To analyze the overall effects of climate change on property and casualty insurance.

1.6 RESEARCH QUESTIONS

i. In what ways will property and casualty insurance policies be impacted by climate change?

ii. Is there a notable correlation between climate change and the expenses associated with claims in property and casualty insurance?

iii. Are there emerging risks linked to climate change that require inclusion in property and casualty insurance coverage?

iv. What effects does climate change have on property and casualty insurance?

1.7 RESEARCH HYPOTHESES

i. H0. Climate change adversely affects the development of property and casualty insurance.

H1. Climate change does not adversely affect the development of property and casualty insurance.

ii. H0. A significant correlation exists between climate change and claims expenses in property and casualty insurance.

H1. No significant correlation exists between climate change and claims expenses in property and casualty insurance.

iii. H0. Climate change presents new risks that require coverage in property and casualty insurance.

H1. Climate change does not present new risks that require coverage in property and casualty insurance.

iv. H0. Climate change significantly influences property and casualty insurance.

H1. Climate change does not significantly influence property and casualty insurance.

1.8 DEFINITION OF TERMS

i. **Casualty Insurance** protects individuals against legal responsibilities that may arise from negligence or other wrongful acts.

ii. **Climate** refers to the enduring atmospheric conditions in a region, distinguishing it from the more changeable nature of weather.

iii. **Climate Change** involves changes in these long-standing climatic conditions, which are currently leading to detrimental effects on the Earth.

iv. **Developed Nations** are those with advanced economies, including countries like the United States, China, Germany, Russia, and the United Kingdom.

v. **Developing Nations** are generally less economically advanced countries, many of which are located in Africa, such as Nigeria, Uganda, Cameroon, Mexico, and Haiti.

vi. **Economic Development** signifies enhancements in living standards within nations, fueled by various economic activities.

vii. **Flooding** occurs when water overflows into inhabited areas, often exacerbated by global warming linked to climate change.

viii. **Global Warming** is the increase in Earth's temperatures, leading to climatic changes that negatively impact property and casualty insurance.

ix. **Insurance** is a system designed to safeguard against risks that could endanger an individual's well-being by aggregating these risks for more efficient management.

x. **Property Insurance** provides coverage for both physical and non-physical assets owned by the insured, transferring associated risks to the insurer.

xi. **Protocols** are agreements between nations that address climate change and outline effective management strategies.

xii. **Weather** refers to the immediate atmospheric conditions that can shift rapidly, unlike the more stable climate.

1.9 ORGANISATION OF THE STUDY

The research is organized into five distinct chapters. The initial chapter presents an overview of the study, encompassing the following elements: Background of the study, Problem Statement, Objectives of the study, Significance of the study, Methodology, Scope of the study, and Organization of the study. The second chapter conducts a review of pertinent literature related to the research topic, which assists in pinpointing gaps in the current literature and informs the choice of the research topic. The third chapter provides a detailed account of the research methodology, covering aspects such as Research Scope, Research design and type, Sampling

Technique and Population sample size, Types and sources of data, Research Instruments, Data collection Procedure, Data analysis, Ethical considerations, and Limitations. The fourth chapter presents the data, analyzes it, and discusses the findings. Lastly, the fifth chapter concludes with a summary of the findings, along with conclusions and recommendations.

CHAPTER TWO

REVIEW OF LITERATURE

2.0 INTRODUCTION

In this chapter, a comprehensive examination of the pertinent literature related to the research topic will be conducted, encompassing both theoretical and empirical reviews. This analysis aims to enhance the understanding of the research subject and to pinpoint existing gaps in knowledge within this field of study.

2.1 HISTORY OF CLIMATE CHANGE

The research conducted by Onion, A. Sullivan, Mullen, and Zapata (2023) examines the historical development of climate change, as summarized below. Climate change refers to a substantial transformation in the Earth's temperature and weather systems over extended periods. It took a century of research and accumulating evidence to persuade the majority of the scientific community that human activities could exert a global influence on the climate. Investigations from the 1800s revealed that carbon dioxide (CO2) and other anthropogenic gases could retain heat in the atmosphere, acting as an insulator for the planet; however, these findings were initially perceived as mere curiosities rather than pressing concerns. The CO2 measurements obtained in the late 1950s represented some of the earliest evidence supporting the theory of global warming. In the years that followed, an abundance of data, along with climate modeling and actual weather events, would confirm that global warming is a tangible phenomenon with a variety of catastrophic implications.

Speculation regarding the impact of human activities, such as deforestation, agriculture, and irrigation, on temperature and precipitation patterns has existed since ancient Greek times. Prior to the Dust Bowl of the 1930s, a widely accepted theory posited that "rain follows the plow," suggesting that agricultural practices would lead to increased rainfall; this notion has since been discredited. Although the effects of climate change were observable, they were primarily localized. The idea that human actions could influence the climate on a global scale remained unimaginable for centuries.

In the 1820s, the French mathematician and physicist Joseph Fourier posited that the energy received by the Earth from solar radiation must be balanced by the energy lost back into space, as heated surfaces emit radiation. He theorized that a portion of this energy is retained within the atmosphere, leading to a warming effect on the planet. Fourier likened the Earth's atmosphere to a glass greenhouse, where energy can enter but faces challenges in escaping. This mechanism is similar to that of a backyard greenhouse, which becomes warm due to this process.

Eunice Newton Foote expanded on this idea in the 1850s. Through her experiments involving glass cylinders, Foote demonstrated that the sun's heating effect was more pronounced in humid air than in dry air, with the most significant heating observed in a cylinder filled with carbon dioxide. Her findings established a basis for the work of Irish scientist John Tyndall, who further explored the gases that are crucial for heat absorption. Over time, scientists recognized that the greenhouse analogy was somewhat oversimplified; rather than being trapped, outgoing

infrared radiation is absorbed by the atmosphere. An increase in greenhouse gases leads to a greater retention of energy within the Earth's atmosphere. Despite this, the greenhouse effect analogy continued to be widely accepted, and approximately fifty years later, Foote's research provided further understanding of how heat is absorbed in the Earth's atmosphere.

In the 1850s, Foote's experiments with glass cylinders revealed that the sun's heating effect was more pronounced in humid air compared to dry air, with the most significant heating occurring in a cylinder filled with carbon dioxide. Despite being an amateur scientist, Foote's contributions went unrecognized during her lifetime, although her discoveries preceded those of John Tyndall. Tyndall also investigated gases that could absorb sunlight, and his laboratory work in the 1860s demonstrated that coal gas was particularly effective in this regard. He ultimately established that CO2 functioned similarly to a sponge, efficiently absorbing various wavelengths of sunlight.

In 1989, the United Nations formed the Intergovernmental Panel on Climate Change (IPCC) to provide a scientific perspective on climate change and its potential political and economic consequences. As awareness of global warming grew, researchers began to explore the possible impacts of a warming climate. Predictions included extreme heat waves, droughts, and intensified hurricanes due to rising sea surface temperatures. Additionally, some studies warned that the melting of large polar glaciers could lead to a sea level rise of 11 to 38 inches (28 to 98 centimeters) by 2100, potentially inundating numerous cities along the eastern coast of the United States.

In response to these findings, both governmental and non-governmental organizations have escalated their efforts to combat climate change.

2.2 CONCEPTUAL REVIEWS

The concepts associated with the examination of climate change's effects on property and casualty insurance are analyzed. Conceptual reviews contribute to a deeper comprehension of the themes pertinent to this research.

2.2.1 Concept of Climate Change

The field of climate history has experienced significant expansion, greatly enhancing our understanding of past events. It offers the potential to further inform contemporary discussions surrounding global climate change, including its implications, effects, and societal responses. Scholars engaged in this discipline, often termed historical climatologists in Europe, have predominantly focused on the interplay between climate and human activities in earlier epochs. Research pertaining to climate history prior to the twentieth century is considerably more extensive than that which addresses the post-1900 period. There is a notable scarcity of studies that investigate current cultural and socio-political perspectives on global warming (Carey, 2010; Edwards, 2010; Fleming, 2010; Hulme, 2009; Randalls, 2009; Heymann, 2010; Behringer, 2010; Fleming, 1998 & McNeil, 2008). In this more recent context, academic attention has increasingly shifted towards the scientific aspects of global warming, often neglecting the associated social and cultural dimensions. However, as Matthias Heymann points out, it is vital to understand the historical frameworks of climate concepts that influence our current

perceptions of climate (Heymann 2010). Similarly, McNeill (2008) argued that as we analyze the concept of climate change into its various components, historical records become increasingly relevant for future predictions (p. 45). This historical evidence is essential for comprehending the broader historical forces that have led to anthropogenic climate change and the disparate vulnerabilities that exist across the globe today (Liverman, 2009 & Chakrabarty, 2009).

Climate change constitutes a pressing societal challenge that profoundly impacts humanity, thereby becoming a central concern for sociologists throughout history. According to Dietz, Shwom, and Whitley (2022), climate change stands as one of the most critical ecological and social dilemmas of the twenty-first century. They emphasize that sociologists have made significant strides in elucidating the human dimensions that contribute to contemporary climate change. This includes an exploration of how social structures and political economies influence national greenhouse gas emissions, the dynamics of power and politics within corporate sectors and policy frameworks, as well as the motivations that drive individual behaviors among citizens and consumers. Furthermore, Dietz et al. (2022) assert that sociology will remain vital in investigating climate justice across various stratification dimensions, encompassing race, class, gender, indigenous identity, sexuality, queerness, and disability, in addition to examining how climate change shapes our relationships with nonhuman species. For sociology to effectively leverage its potential in enriching the societal dialogue surrounding climate change, it must pursue enhanced theoretical integration, foster interdisciplinary collaboration, and maintain a focus on environmental and climate inequalities (Dietz et al., 2023).

2.2.2 An Overview of Property Insurance

The property segment of insurance offers financial assistance for various risks that may lead to damage to property. Various categories of property insurance include money protection, fire and special perils coverage, and theft protection, among others. Climate change is increasingly impacting properties, alongside traditional risks that have been acknowledged historically. For instance, the heightened occurrence of wildfires poses a significant threat, becoming a pressing issue in numerous countries (Ransom, 2019). Property insurance, as described by Kaplan Financial Education (2019), is relatively straightforward in its definition. It includes various types of insurance designed to protect against property losses and the financial risks associated with damage or destruction of owned assets. Property loss can be categorized into three primary types:

- Physical damage or loss of the asset: This includes instances such as the theft of a valuable artwork or damage to a vehicle due to an accident.
- Loss of income derived from the asset's utilization: For example, if a hotel is consumed by fire, the resulting loss of over $2 million in room rental income during the reconstruction period constitutes a property loss.
- Additional expenses incurred as a result of the asset's loss: If a major fire destroys a city's newspaper facility, and the owners are compelled to rent a more expensive printing press to continue operations, the extra costs associated with maintaining the business post-loss are also classified as property loss (Kaplan Financial Education, 2019).

The following are some types of insurance commonly classified under property policies:

- Dwelling
- Homeowners
- Commercial Property
- Crime
- Equipment breakdown protection, commonly known as boiler and machinery
- Inland Marine
- Ocean marine (Kaplan Financial Education, 2019).

Property insurance is generally structured as a short-term or annual agreement, which is why it is offered yearly. Jaffee, Kunreuther, & Michel-Kerjan (2010) contend that residential property insurance has traditionally been available in the form of annual contracts that can be renewed at the insurer's choice. In some cases, laws have been enacted to prevent insurers from canceling policies, providing reassurance to residents that coverage will remain available. In Nigeria, property insurance is classified under general insurance and is also regarded as an annual contract. After the Northridge earthquake in 1994, California effectively imposed an exit fee on insurers that opted not to provide earthquake coverage to homeowners, requiring these businesses to contribute to the initial funding of the newly formed California Earthquake Authority. As insurers have limited the offering of new policies for homeowners, policyholders have understandably felt concerned about the possibility of their current insurance being unexpectedly canceled or premiums significantly increasing, particularly after a natural disaster

that could inflict substantial damage at any time (Jaffee, et al, 2010).

2.2.3 Concept of Casualty Insurance

The Centre for Climate Engagement (2023) pointed out that climate change can influence the liabilities of policyholders, which subsequently impacts the liability risks insurers encounter. As climate change progresses, it introduces new physical risks for insurers, alongside emerging legal challenges. Actions undertaken by policyholders in the present may lead to liabilities that emerge many years later, even though claims can still be filed under current insurance policies. This situation is reminiscent of claims associated with asbestos; once the link between asbestos exposure and health issues was confirmed, insurers could no longer afford to delay their response to climate litigation if they wished to protect themselves from climate-related financial losses.

On the other hand, the definition of casualty insurance is more complex, as noted by Kaplan Financial Education (2019), since it encompasses nearly all insurance products that are not related to property. A major segment of casualty insurance is liability insurance. Liability losses occur due to the insured's actions involving other individuals or their property. A common illustration is a vehicular accident. For instance, if Arthur backs out of his driveway and collides with Beatrice's parked vehicle, resulting in $600 worth of damage, he is legally responsible for the repairs due to his fault. Liability insurance would cover these costs, thereby relieving Arthur from the financial burden of paying for Beatrice's car repairs (Kaplan Financial Education, 2019). To establish legal liability, an individual must generally be determined to have acted negligently

by failing to exercise the requisite standard of care in their conduct. When such negligence results in harm to another individual, the negligent party becomes accountable for the resulting damages. Within the insurance sector, liability losses are often referred to as third-party losses. In this context, the insured individual represents the first party, the insurance company constitutes the second party, and the individual to whom the insured owes legal responsibility for damages is identified as the third party (Kaplan Financial Education, 2019). Similar to acquiring property insurance to mitigate financial losses stemming from property damage, one can also secure liability insurance to protect against financial repercussions if found legally responsible for causing injury to another person or damaging their property. Although casualty coverage for liability risks is the most widely recognized, there exists a range of other insurance types that have historically been classified under casualty insurance. Casualty insurance might also include the following coverage types:

- Aviation
- Auto
- Worker's compensation
- Surety bonds (Kaplan Financial Education, 2019).

The Centre for Climate Engagement (2023) indicates that the insurance sector has recognized three categories of insurance that are expected to face heightened liability risks: general and public liability insurance, directors' and officers' liability (D&O) insurance, and professional indemnity insurance. The influence of climate change is increasingly evident in general and

public liability insurance, with a growing number of claimants pursuing damages associated with climate change, especially in the United States. Thus far, the main defendants have been major oil and gas companies, but as this area evolves, other emitters may also be scrutinized (Centre for Climate Engagement, 2023). Although tortious claims have had varied outcomes globally, they have not yet gained significant traction in the UK. Two significant obstacles these claims face are establishing a duty of care and demonstrating causation.

As attribution science progresses and provides a more robust basis for asserting causation and the responsibilities of defendants in climate change-related damages, this is likely to become a more urgent issue for insured parties. Cases that highlight prospective actions, particularly those grounded in human rights, aimed at compelling corporations and governments to reduce their emissions may not be covered by liability insurance policies. In addition to cases addressing the inadequacy of climate change mitigation, future policyholders could encounter claims related to insufficient adaptation to the effects of climate change. To date, there have been relatively few claims regarding 'failure to adapt,' predominantly aimed at governmental entities; however, as this area of law evolves, adaptation claims are expected to become increasingly significant. Another potential source of liability risk is 'greenwashing,' where companies make deceptive claims about the environmental effects of their products or operations, as illustrated by the Australian case, ACCR v Santos. Policyholders implicated in greenwashing may face a range of claims, including improper product labeling or the failure to adequately inform investors about critical risks.

Climate change presents a significant threat to Directors and Officers (D&O) insurance policies. There is an increasing awareness that neglecting to address the climate crisis could be viewed as a breach of fiduciary duties, particularly those specified in sections 172 and 174 of the Companies Act 2006, which require acting in the company's best interests and exercising due care, skill, and diligence. Directors and officers may encounter derivative claims for various reasons, with the risk of greenwashing being particularly concerning, especially if deceptive claims are found in the company's official communications. As the link between fiduciary duties and climate change becomes more pronounced, insurers will need to evaluate how this relationship may impact those covered by D&O insurance. This could have implications for a broad spectrum of insured individuals; for example, the failure to implement sufficient climate measures was a pivotal factor in the case of Ewan McGaughey v Universities Superannuation Scheme, which involved allegations against the directors of the Universities Superannuation Scheme, and it also underpinned ClientEarth's derivative action against Shell's directors. Although both cases were ultimately dismissed by the High Court, the potential for legal risks may lead insurers to restrict coverage in their D&O policies. Furthermore, directors and companies may find themselves increasingly exposed to long-tail claims, as D&O policies typically cover claims made within the policy period (Centre for Climate Engagement, 2023).

The Centre for Climate Engagement (2023) has highlighted that professional indemnity insurance may represent a considerable source of liability risk for insurers. It pointed out that professionals in industries such as construction might encounter claims due to their inadequate

consideration of climate-related weather risks, which could result in heightened insured losses. Additionally, emerging initiatives, including renewable energy projects, could also lead to professional indemnity claims. Legal disputes have already arisen in other domains regarding the technical details of these projects, exemplified by the case of MT Højgaard v E.On.

2.2.4 Climate Risks

In 2014, the Intergovernmental Panel on Climate Change (IPCC) underscored that climate change presents significant physical threats in two main forms. The first form is characterized by changes in the frequency and intensity of specific events, including heat waves, floods, wildfires, and storms. The second form pertains to long-term alterations in climate patterns, which include changes in precipitation, variations in extreme weather events, rising sea levels, and increasing average temperatures. Additionally, the Bank of England Prudential Regulation Authority (2019) observed that losses stemming from physical risk factors have a direct impact on the responsibilities of insurance companies, primarily due to an increase in claims. These physical risks extend beyond the immediate effects of natural disasters, potentially disrupting supply chains as well. The Bank acknowledged the challenges associated with accurately assessing the financial impacts of these risks on the liabilities of general insurers. Current climate conditions already present significant uncertainty in estimating weather-related risks, and this uncertainty is compounded when forecasting how future climate scenarios may influence these risks. The report highlights that while there is inherent uncertainty, evaluating the risks associated with climate change can provide valuable insights for informing business decision-

making.

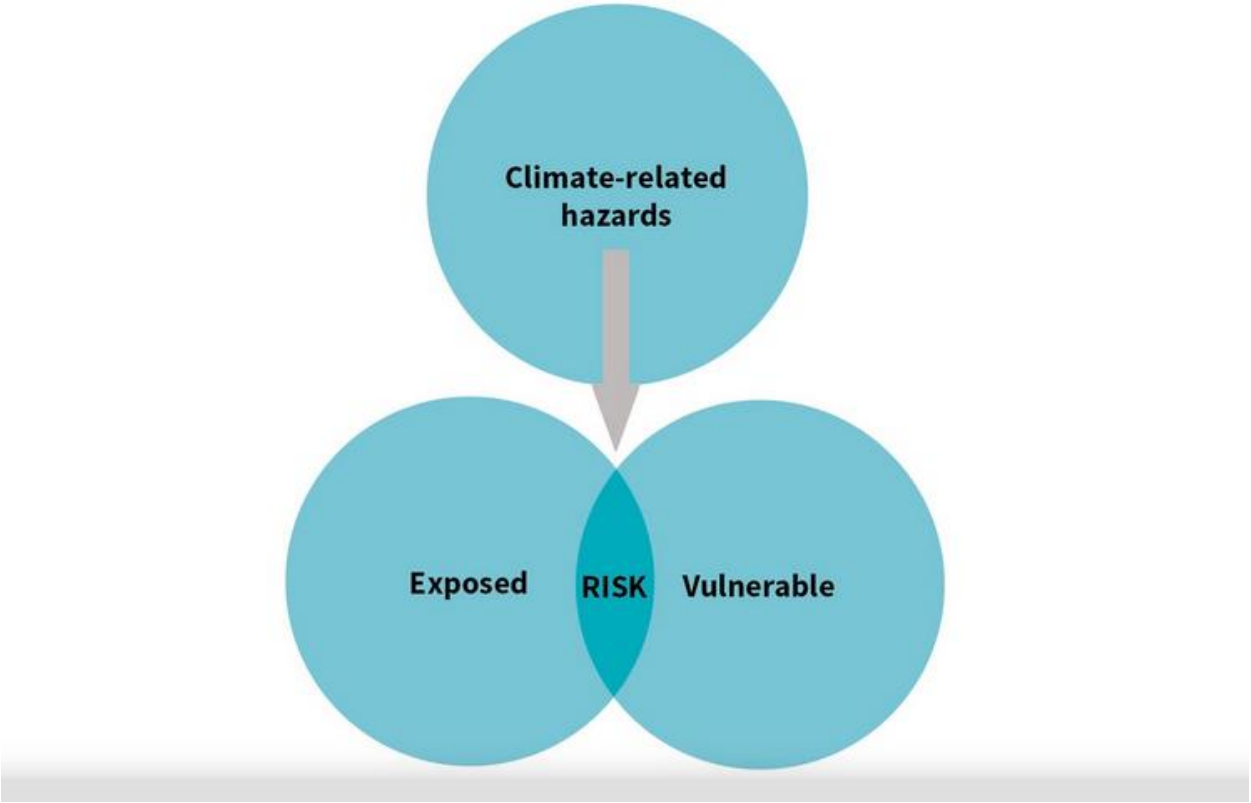
Gutterman (2023) highlights that the Centers for Disease Control and Prevention recognizes the significant amplification of pre-existing health risks due to climate change and extreme weather phenomena, in addition to the immediate dangers such as injuries, drowning, and heart attacks. This observation suggests that while public attention is often directed towards fatalities that occur in the aftermath of such events, the enduring health risks may be equally, if not more, alarming. Consequently, the difficulty in pinpointing the underlying causes of health complications has resulted in a substantial underappreciation of the illnesses and deaths associated with climate change. The implications for health and mortality are extensive, with potential negative health outcomes that may develop over time, occasionally culminating in premature death from cardiovascular, respiratory, and cancer-related conditions influenced by cognitive factors (Gutterman, 2023). Furthermore, these health challenges can worsen food insecurity, as approximately 10% of American households face low or very low food security, alongside mental health issues, with over 20% of American adults experiencing some form of mental illness across diverse demographic groups, thereby affecting long-term health trajectories.

The subsequent figure, from Gutterman 2020, depicts those impacted:

1. Those exposed to the effects of the relevant hazard.
2. People exhibit a heightened susceptibility to these health risks.

Figure 1: The transition from hazard to risk is influenced by factors such as exposure and

vulnerability.



Source: Gutterman, S. (2023). Impact of climate changes on life insurance. The Actuary, September, p.4

EIOPA (2022) identified three primary factors essential for assessing risks associated with physical climate change. The first factor, exposure level, evaluates the potential demographic composition and the characteristics and value of assets that are at risk. The second factor, hazard, refers to the physical attributes, occurrence, and intensity of weather-related events. The third factor, vulnerability, reflects the probability of incurring damages from such events. According to EIOPA (2022), an assessment of overall risk is achieved by integrating information on changes in hazards with exposure levels and corresponding vulnerabilities. It is important to recognize

that an increase in the frequency and intensity of weather-related disasters does not necessarily lead to a proportional rise in physical risk. For instance, if there are no people or properties in the impacted areas, or if effective mitigation strategies are in place, the resultant damage from these events may be minimal or even negligible.

Figure: Factors affecting physical risk within the insurance industry.

Source: EIOPA, The pilot dashboard on insurance protection gap for natural catastrophes (2020). Note: In this context, the figure is used to illustrate visually the key elements necessary to assess the physical climate change risk for the insurance sector. These elements are interpreted differently in a physical risk and protection gaps context. On the one hand, insurers may be exposed to physical risk only if an object is insured. On the other hand, to assess the protection gap it is necessary to measure the level of protection or more generally its absence.

The actual insurance coverage established for the insured objects, as illustrated in Figure 1, will ultimately dictate the financial and underwriting risk faced by the insurance industry.

This report and historical events highlight that the extent of coverage differs greatly depending on the region and the kind of risk involved. According to Väähänen (2019), climate risk insurance is designed to shield people, businesses, and nations from the negative impacts of increasingly common and severe extreme weather events due to climate change. Väähänen (2019) posits that the notion of climate risk insurance is grounded in the belief that climate change intensifies natural disasters, leading to greater frequency and severity. This includes not

only floods and droughts but also volcanic eruptions and earthquakes, which seem to be increasing in frequency as a result of climate change. Consequently, climate risk insurance serves as a safeguard against disaster risks associated with climatic factors, primarily focusing on droughts, floods, typhoons, and earthquakes, while also recognizing volcanic eruptions due to their links with climate change. This approach aligns with broader inclusive insurance frameworks, with certain options available within the microinsurance sector. It is noteworthy that in particular contexts, terms such as disaster risk insurance, "extreme-weather insurance," "index-based insurance," or "parametric insurance" may be used interchangeably to describe this form of protection.

2.2.5 Climate Change and Insurance

Botzen (2013) highlights the significant influence of weather-related risks on the insurance industry, particularly evident through the examination of loss trends associated with natural disasters that impact both insured and uninsured regions. The data from the research reveals a marked rise in the amounts claimed. Extreme weather events, including storms, floods, and droughts, vary by country, influenced by distinct geographical characteristics and locations; thus, no nation is entirely shielded from these repercussions. This is because, beyond compensating policyholders for damages in the wake of disasters, insurance firms can significantly contribute to risk reduction and adaptation. They can encourage proactive measures through the design of incentives. A comprehensive risk analysis connected to the insurance sector could be beneficial for several nations. Public policies can strengthen the

insurance industry in multiple ways. For example, introducing a compulsory insurance system that integrates catastrophe coverage into standard property insurance plans, like those for homeowners, could be effective. Moreover, offering government guarantees could mitigate the private sector's risk exposure and reduce capital expenses, such as with dedicated government disaster funds. It is also vital to establish a regulatory framework to allow the private insurance market to function effectively, which may include advantageous tax treatment for disaster insurance premiums and tax deductibility for reserve funds (Fellowes-Granda, 2024).

Additionally, considering Fellowes-Granda's assertion that the insurance industry's capacity may fall short, a pooled or state-backed compensation system may be the only feasible approach to managing the high costs that accompany natural disasters. Insurers generally rely on reinsurance from either the private sector or the government to manage the financial impact of extreme events. Typically, the reinsurer assumes a share of the risk, specifically for losses from rare incidents. In return, it enables primary insurers to access more funds at a lower expense, assisting them in maintaining liquidity during significant claims. Many nations have regulations mandating that insurers maintain sufficient funds to remain solvent, even for very infrequent events.

The Earnix Team (2024) noted that the increase in global temperatures correlates with a rise in both the frequency and intensity of extreme weather phenomena, including floods, wildfires, hurricanes, and droughts. They emphasized that the growing incidence of these natural disasters leads to a surge in insurance claims, thereby exacerbating the challenges insurers face

in evaluating and pricing risk. Essentially, insurance companies are now facing a changed risk environment due to climate change, where events once deemed rare are increasingly regular. This transformation is resulting in heightened home insurance costs, a trend that has already led some insurers to exit particular markets. The matter necessitates a worldwide viewpoint, as highlighted by Botzen (2013) and emphasized by the Bank of England Prudential Regulation Authority (PRA), which oversees the insurance sector in the UK. This assertion is further supported by the global initiative Principles for Sustainable Insurance (PSI) and an assessment conducted by the GDV (German Insurance Association) regarding the response of the German insurance industry to climate change. It indicates that nations should take a more rigorous approach to exploring and understanding the connection between climate change and insurance as a means of safeguarding against the related risks.

KPMG (2023) pointed out a well-known adage: What gets measured gets managed. For insurers to genuinely pursue their net-zero objectives and tackle the risks associated with climate change, they must first understand the scope of their emissions and set targets for future reductions. Armed with this information, insurance leaders can attain a clearer perspective on their path toward achieving net zero. Likewise, Favier et al. (2023) noted that insurance products can be customized to support the recovery of natural assets after disasters occur. They emphasized that parametric or index-based insurance products are especially effective in this regard. These insurance payouts can be swiftly executed once a specific threshold is reached, as the coverage is defined by parameters such as rainfall, wind speeds, or flooding instead of assessed damage.

This method ensures immediate access to funds for repair costs, enabling the rapid restoration of essential natural structures like coral reefs, mangroves, or forests.

KPMG (2023) pointed out that external influences are making net zero an essential target for businesses. Although some insurers have committed to achieving net zero, very few can accurately assess their total Scope 1, 2, and 3 emissions, although many are developing strategies to tackle this challenge. Favier et al. (2023) highlighted that insurance companies must understand the impact their commercial clients have on biodiversity and climate. They should also take into account the wider implications beyond merely the direct effects of an industry and the isolated production processes of individual firms. This viewpoint encourages insurers to analyze the entire value chain, including consumer behavior. Industries are ultimately shaped by consumer demand and preferences, a domain in which the insurance industry can play a significant role by creating incentives that support initiatives aimed at combating climate change and protecting the environment.

Fellowes-Granda (2024) noted that property and casualty insurance companies, together with their reinsurers who play a role in risk distribution, collect comprehensive data on the economic losses experienced by both households and businesses, in addition to other relevant information concerning the policies they issue. This information reflects the repercussions of adverse climate events and guides business decisions related to the amount of insurance coverage provided and its pricing. However, since this data is proprietary and not aggregated, it has not been used for systematic analysis, according to Fellowes-Granda (2024). Accessing this information would

allow policymakers to more effectively assess the potential consequences of climate-related losses on insurers' ability to meet consumer needs, as well as on the overall stability of both the insurance sector and the financial institutions that rely on their consistent functioning.

2.3 THEORETICAL REVIEW

We start by looking at two theories on climate change before reviewing another two on risk management.

Greenhouse Effect

According to Sidiropolous (2023), this concept is the most widely recognized and intensely discussed among various climate change theories. He highlighted its origins in the 19th century, with notable contributions from Joseph Fourier, Eunice Newton Foote, and Svante Arrhenius. The theory posits that the Sun emits short-wave radiation that penetrates greenhouse gases, leading to the warming of the Earth's surface. This warmed surface then emits long-wave radiation, a portion of which is absorbed by these gases, contributing to the heating of the atmosphere. It is important to note that although greenhouse gases constitute only a small fraction of the atmosphere, their impact on the greenhouse effect is significant. Key trace gases include carbon dioxide, nitrous oxide, methane, and ozone, which together make up nearly 0.1% of the atmospheric composition. These molecules resonate at infrared wavelengths, converting infrared energy into kinetic energy, which results in an increase in atmospheric temperature. This theory has garnered both support and criticism from a wide array of scientists worldwide and serves as the foundation for the Anthropogenic Global Warming (AGW) theory, which is

endorsed and promoted by the Intergovernmental Panel on Climate Change (IPCC).

Anthropogenic Global Warming

This theory is rooted in the greenhouse effect (GHE), yet it is often treated as a distinct concept because the GHE can operate independently of anthropogenic global warming (AGW). The core assertion of AGW is that human activities are altering one of the Earth's inherent temperature regulation mechanisms the greenhouse effect. Throughout the industrial era, human endeavors, especially the combustion of fossil fuels, have been the primary contributors to atmospheric gas emissions. The physical mechanisms underlying the GHE explain the observed global warming associated with rising CO2 concentrations in the atmosphere. It is the increase in greenhouse gas emissions resulting from human activities that amplifies the natural greenhouse effect.

Proponents of the AGW theory argue that CO2 emissions from human sources are linked to a range of environmental crises, including floods, droughts, extreme weather events, agricultural failures, species extinction, the proliferation of diseases, coral bleaching, famines, and other significant challenges. They contend that these adverse events will become increasingly frequent and severe as global temperatures rise. In contrast, critics of the GHE/AGW theory maintain that climate has always undergone changes and that the current warming trend is merely a natural rebound from the Little Ice Age, which persisted from 1300 to 1850 AD, with present-day temperatures resembling those of the Medieval Warm Period, which occurred from 900 to 1300 AD.

Supporters of the theory contend that these historical fluctuations were not global in nature but

instead regional, affecting places like northwest Europe, eastern America, Greenland, and Iceland. Another area of skepticism arises from the failure of climate models to produce accurate forecasts. Modifications are made to align past data with actual observations, which can cause discrepancies between predictions and historical data, requiring further adjustments to fit new information, and ultimately reducing the system to a reflection of observed data. The basis of these climate change theories suggests that the dangers related to climate change are largely driven by human activity. In addressing these dangers, we will examine the associated risk management strategies to evaluate how these risks could be mitigated.

Environmental complexity

The concept of 'risk' has become increasingly common in our language today, covering a wide range of personal issues such as health, retirement plans, insurance, and investment, as well as societal challenges like terrorism, economic health, and food security. In the corporate world, it pertains to governance, strategic planning, and the continuity of business operations. Various human-created institutions can be perceived as strategies to mitigate uncertainty, encompassing areas such as politics, religion, philosophy, technology, legal systems, ethics, and morality (Hillson 2006). This suggests that human cognition has successfully recognized patterns of uncertainty and developed heuristics to reduce their effects. As a result, risk is everywhere, as is the necessity for risk management. In every area where risk is recognized and acknowledged as a fundamental component, there exists, as highlighted by Hillson (2006), a corresponding initiative to manage that risk as thoroughly as possible.

Pavodani & Tugnoli (2005) identify several critical factors that underscore the increasing importance of risk management today. Firstly, the growing volatility and competition faced by organizations have driven them to develop at least a fundamental awareness of risk. Furthermore, notorious global incidents like Enron, WorldCom, and more recently, Lehman Brothers, have prompted legal requirements from regulatory bodies, urging organizations to adopt more sophisticated risk management measures. Additionally, although technology has improved operational efficiency, it has also introduced a variety of new and significant hazards. Pavodani & Tugnoli (2005) argues that these elements have introduced new risks and increased both the frequency and intensity of pre-existing ones. As a result, adopting risk management as a continuous and structured process that can integrate with and improve other organizational functions seems to be a suitable approach to the difficulties faced by these organizations. In this context, risk management not only seeks to reduce and control the negative impacts of events on an organization but also acts as a catalyst for seizing opportunities (Pavodani & Tugnoli, 2005). While climate change stems from human activities, its related challenges can be addressed through effective risk management strategies, including the use of insurance.

2.4 EMPIRICAL REVIEW

2.4.1 An Assessment of the Efficacy of Insurance in Relation to Climate Change.

Rihah (2015) performed an empirical investigation into global warming, concentrating on its causes, effects, and possible solutions. The study underscores the increasing worries among researchers, engineers, and environmental advocates about the shifting climate of our planet. A

major contributor to this issue is the ongoing dependence on fossil fuels for electricity production. The researcher noted that the combustion of these fuels emits gases like carbon dioxide, methane, and nitrous oxides, which play a role in global warming. Furthermore, deforestation worsens the problem. Rihah emphasized that the peril of global warming poses significant risks to the Earth's environment on a consistent basis. Unfortunately, a considerable portion of the population remains unaware of global warming and fails to perceive it as a pressing concern for the future. It is often overlooked that global warming is currently occurring, with humanity already confronting some of its detrimental effects. This phenomenon endangers ecosystems and disturbs ecological harmony. In light of the alarming repercussions of global warming, finding effective solutions is imperative. The study not only clarified the concept of global warming but also elaborated on its causes and risks while proposing potential remedies. The text underscored the critical importance of proactively seeking out alternative energy sources, including wind, hydro, geothermal, and bioenergy. Embracing renewable energy options may represent a vital strategy in addressing the growing issue of global warming.

Rayhan et al. (2023) carried out a study titled "Climate change and global warming: impacts, causes, mitigation, and adaptations," illustrating that climate change and global warming have become one of the most critical challenges of our era. Their effects on the environment, societies, and economies have turned into a global concern. The research investigated the complex aspects of these issues, addressing their impacts, root causes, and strategies for both mitigation and adaptation. It called for a comprehensive collaborative effort on a global scale to effectively

tackle these challenges. The report emphasized the necessity of understanding and confronting climate change through a detailed examination of its environmental, ecological, and societal effects. Additionally, it pinpointed key causes of climate change, placing focus on significant contributors like greenhouse gas emissions, deforestation, and industrial activities. The research presented various mitigation strategies, including renewable energy, enhancements in energy efficiency, carbon capture technologies, reforestation, and urban planning. Proposed adaptation measures included climate-resilient infrastructure, improved agricultural practices, information-driven policies, and initiatives to raise community awareness. In conclusion, global collaboration and prompt action are vital for mitigating and adapting to the ramifications of climate change.

Nobanne et al. (2022), in their paper titled "Insurance for Climate Change and Environmental Risks: A Bibliometric Review," sought to fulfill several goals. The research examined the output related to climate change and insurance-related environmental risks from 1986 to 2020, exploring the evolution of literature through collaborative networks. The results showed a growing interest in the relationships among insurance, climate change, and environmental threats. The study clarifies how these factors interact with one another. The methodology employed was bibliometric analysis, enabling the authors to assess the current landscape of knowledge in this domain. They identified 97 scholarly articles from prominent journals listed in the Scopus database. The outcomes revealed that the understanding of climate change, environmental vulnerabilities, and insurance has progressed through collaborative research

efforts, encompassing various networks, key topics, and evolving trends over time. A notable limitation of this study is its sole dependence on English-language journal articles sourced from the Scopus database. This focus predominantly highlights high-quality research within the realms of climate change, environmental risks, and insurance. The practical implications of this research are significant for scholars, as it can enrich their understanding of the progression of studies in these areas, aid in identifying the current landscape, and inform future research agendas. From a societal perspective, this study may provide valuable insights into the role of insurance as a potential solution to the challenges posed by climate change and global warming, thereby improving practitioners' understanding of the industry.

2.5 Gaps in Knowledge

The review of existing literature revealed a significant deficiency in research pertaining to climate change in Africa. Our analysis did not uncover any studies specifically addressing the circumstances in Nigeria. This finding highlights the urgent necessity for additional research into the effects of climate change, considering both the broader African context and the specific Nigerian perspective. Consequently, the timing of this study is particularly relevant to the Nigerian insurance industry, as it investigates the implications of climate change on the market.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

Upon examining the existing literature on this topic and noting the insufficient research concerning climate change and insurance, it is essential to outline a methodology for this investigation. As a result, this chapter will focus on specifying the study population to develop a sample for the research. Additionally, this chapter will address the research instruments and other relevant topics.

3.1 OVERVIEW OF THE METHOD

This research utilizes a descriptive survey research framework. This approach facilitates an empirical investigation of climate change impact on property and casualty insurance. The descriptive research model is suitable for examining variables from a wider viewpoint, which aligns with the study's aim to gather crucial primary data through surveys. This methodology is especially fitting considering the potentially extensive size of the target population. Moreover, the survey technique is adept at deriving conclusions that represent the larger group. The study is cross-sectional, indicating that the findings and conclusions stem from primary data collected from insurance professionals in Lagos State at a specific point in time. This design allowed the researcher to obtain data from participants concurrently.

3.2 JUSTIFICATION OF METHOD CHOSEN

A descriptive survey research design constitutes a methodical strategy for collecting data from a selected group of individuals or entities that represent a larger population. The primary objective of this approach is to provide a comprehensive and nuanced depiction of the characteristics, behaviors, opinions, or attitudes associated with the variables under investigation.

Often classified as quantitative research, it focuses on the what, how, when, and where, rather than investigating the why. In conducting descriptive survey research, the emphasis is on comprehending the essence of a phenomenon without examining its underlying causes.

In summary, the primary aim of descriptive research in survey methodology is to clarify the central issue under investigation and to enhance understanding of it. This method provides valuable insights into the issue at hand before probing into the reasons for its occurrence. Consequently, this approach has been employed in the current study.

3.3 POPULATION OF THE STUDY

The chosen research topic implies that the population for this study is limitless, as it includes all property and casualty insurance companies. However, attempts have been made to draw data from firms that are specifically functioning in Nigeria.

3.4 SAMPLING AND SAMPLING TECHNIQUES

For this study, a purposive sampling method was employed. As a result, six companies located in Lagos State, Nigeria were selected as samples for the research. The selection

process did not involve any specific criteria, focusing instead on the convenience for the researcher. A total of 250 questionnaires were handed out to participants in the chosen companies.

3.5 DATA COLLECTION METHOD

In the research, primary data was obtained from a chosen group of companies regarding their participants. The benefit of collecting primary data is that it enables researchers to acquire detailed insights from pertinent sources, enhancing the understanding of the participants' viewpoints.

3.6 RESEARCH INSTRUMENT

The primary tool employed in this research was a structured questionnaire, which facilitated the effective gathering of personal data from the participants. The researcher designed the questions within the questionnaire, taking into account the characteristics of the variables and conducting an extensive review of relevant conceptual, theoretical, and empirical literature from earlier studies. Both the questionnaire and the interview guide were meticulously developed to align with the study's objectives.

3.7 ADMINISTRATION OF INSTRUMENT

Reproductions of the created questionnaire were handed out to employees at insurance firms in Lagos State. Research Assistants collaborated with the Researcher to distribute these copies. The Researcher supplied the Research Assistants with a cover letter and gave a short explanation of the study’s aim to help them secure appropriate responses from the participants.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.0 INTRODUCTION

In this chapter, the results of the analysis of the data collected from the respondents in the various companies are presented. The SPSS 23 was used for running the analysis.

4.1 SPSS SYNTAX FOR DESCRIPTIVE STATISTICS

spss

Copy code

```
* Descriptive Statistics for Demographic Information.

FREQUENCIES VARIABLES=Sex Age Marital_Status Academic_Qualifications Working_Experience.

FREQUENCIES VARIABLES=Climate_Aware_1 Climate_Aware_2 Climate_Aware_3 Climate_Aware_4 Climate_Aware_5.

FREQUENCIES VARIABLES=Climate_Change_Impact_1 Climate_Change_Impact_2 Climate_Change_Impact_3 Climate_Change_Impact_4 Climate_Change_Impact_5.

* Descriptive Statistics for Research Questions.

DESCRIPTIVES VARIABLES=Climate_Aware_1 TO Climate_Aware_5 Climate_Change_Impact_1 TO Climate_Change_Impact_5 /STATISTICS=MEAN STDDEV.
```

4.2 SUMMARY OF RESPONSES TO SECTION A

The result from the analysis of the Section A of the questionnaire (appendix) is presented below.

Figure 4.1 Demography of respondents

Sex	**Count**	**Percentage (%)**
Male	53	58.88%
Female	44	41.12%
Total	107	100%
Age		
21 – 30 years	23	21.50%
31 – 40 years	29	27.10%
41 – 50 years	31	28.97%
51 years and above	24	22.43%
Total	107	100%
Marital Status		
Single	41	38.32%
Married	53	49.53%
Divorced	13	12.15%

Total	107	100%
Academic Qualifications		
WASC/GCE/SSCE	13	12.15%
NCE/OND	26	24.30%
BSC/HND	43	40.19%
MA/MSC/MBA	23	21.50%
PHD	2	1.86%
Total	107	100%
Work Experience in the Industry		
Below 5 years	23	21.50%
5-10 years	33	30.84%
11-15 years	31	28.97%
Above 15 years	20	18.69%
Total	107	100%

Source: Researcher's Fieldwork, 2024.

4.3 PRESENTATION OF ANALYSED DATA

CHI-SQUARE TEST

The chi-square test of independence for the questions was performed using cross-tabulated data for the responses. The chi-square tests are used to examine the relationship between categorical variables, we'll categorize the Likert scale responses into binary categories (e.g., Agree/Strongly Agree vs. others).

The details of the process and conduct of the Chi-square test of the hypothesis in SPSS are as detailed below:

Data Preparation
For this example, let's categorize responses as follows:

- Agree (1) if the response is 4 (Agree) or 5 (Strongly Agree)
- Disagree (0) if the response is 1 (Strongly Disagree), 2 (Disagree), or 3 (Neutral)

We applied this categorization to the following questions:

1. **Significant relationship in cost of claims in property insurance and risk in climate change** (Climate_Change_Impact_3)
2. **Significant relationship between an increase in claims costs in casualty insurance and a rise in climate change** (Climate_Change_Impact_4)
3. **Significant relationship between the general increase in claims costs and the rise in climate change** (Climate_Change_Impact_5)

SPSS Syntax

spss

Copy code

```
* Creating the dataset.

DATA LIST FREE / Respondent (F2) Prop_Risk (F1) Cas_Risk (F1) Gen_Risk (F1).

BEGIN DATA

1 1 1 1

2 1 0 1

3 0 0 0

4 1 1 1

...

107 1 1 1

END DATA.

* Run Chi-Square Test for Property Insurance Risk and Climate Change.

CROSSTABS /TABLES=Prop_Risk BY Cas_Risk /STATISTICS=CHISQ.

* Run Chi-Square Test for Casualty Insurance Risk and Climate Change.

CROSSTABS /TABLES=Cas_Risk BY Gen_Risk /STATISTICS=CHISQ.

* Run Chi-Square Test for General Claims Cost and Climate Change.

CROSSTABS /TABLES=Prop_Risk BY Gen_Risk /STATISTICS=CHISQ.
```

Detail of Responses to Research Questions

QUESTION 1: There is a significant relationship between cost of claims in property insurance and risk in climate change

Response	Count	Percentage
Strongly Agree (5)	**27**	**25.23%**
Agree(4)	**21**	**19.63%**
Neutral(3)	**15**	**14.02%**
Disagree(2)	**19**	**17.76%**
Strongly Disagree(1)	**25**	**23.36%**
	107	**100%**

Source: Researcher's Fieldwork, 2024

To perform a Chi-square test for the hypothesis, we need to calculate the expected values, the differences between observed and expected values, and the Chi-square statistic.

Calculating Expected Values

For simplicity, we assume that the responses are uniformly distributed. Therefore, each category is expected to have 1/5th (20%) of the total responses (since there are five categories).

Expected count for each category = Total responses * Expected percentage = 107 * 0.20 = 21.4

Chi-square Calculation

1. Observed - Expected: Calculate the difference between the observed and expected counts.

2. $(\text{Observed} - \text{Expected})^2 / \text{Expected}$: Square the difference and divide by the expected count.

Detailed Table of the analysis

Response	Count (Observed)	Per (%)	Expected	Observed - Expected	(Observed – Expected)²/Expected
Strongly Agree (5)	**27**	**25.23%**	**21.4**	**5.6**	**1.47**
Agree (4)	**21**	**19.63%**	**21.4**	**-0.4**	**0.01**
Neutral (3)	**15**	**14.02%**	**21.4**	**-6.4**	**1.91**
Disagree (2)	**19**	**17.76%**	**21.4**	**-2.4**	**0.27**
Strongly Disagree(1)	**25**	**23.36%**	**21.4**	**3.6**	**0.61**
	107	**100%**	**107**		**4.27**

Chi-square Statistic

X^2 = Sum ({(Observed - Expected)²}/{Expected}) = 1.47 + 0.01 + 1.91 + 0.27 + 0.61 = 4.27

Degrees of freedom (df) = Number of categories - 1 = 5 - 1 = 4

Interpreting the Result

To determine the significance, compare the calculated Chi-square value with the critical value from the Chi-square distribution table at the desired significance level (0.05) and 4 degrees of freedom.

Critical value for (X^2) at 0.05 significance level and 4 degrees of freedom ≈ 9.488

Since 4.27 < 9.488, we fail to reject the null hypothesis. There is no significant relationship between the cost of claims in property insurance and the risk of climate change based on this data.

Conclusion

The Chi-square test indicates that the observed differences in responses are not statistically significant. Therefore, we do not have enough evidence to conclude that there is a significant relationship between the cost of claims in property insurance and the risk of climate change based on the given data.

QUESTION 2: There is a significant relationship between an increase in claims costs in casualty insurance and a rise in climate change

Response	**Count**	**Percentage**
Strongly Agree (5)	**23**	**21.50%**
Agree(4)	**25**	**23.36%**
Neutral(3)	**21**	**19.63%**
Disagree(2)	**17**	**15.89%**
Strongly Disagree(1)	**21**	**19.63%**
	107	**100%**

Source: Researcher's Fieldwork, 2024

HYPOTHESIS 2: There is a significant relationship between the increase in claims costs in casualty insurance and the rise in climate change.
Detailed Table of Analysis

Response	**Count (Observed)**	**Per (%)**	**Expected**	**Observed - Expected**	**(Observed – Expected)²/Expected**
Strongly Agree (5)	**23**	**21.50%**	**21.4**	**1.6**	**0.12**
Agree (4)	**25**	**23.36%**	**21.4**	**3.6**	**0.61**
Neutral (3)	**21**	**19.63%**	**21.4**	**-0.4**	**0.01**
Disagree (2)	**17**	**15.89%**	**21.4**	**-4.4**	**0.91**
Strongly Disagree(1)	**21**	**19.63%**	**21.4**	**-0.4**	**0.01**
	107	**100%**	**107**		**1.66**

Chi-square Statistic

$\chi 2=\sum((\text{Observed}-\text{Expected})^2/\text{Expected})=0.12+0.61+0.01+0.91+0.01=1.66$

Degrees of Freedom

Degrees of freedom (df) = Number of categories - 1 = 5 - 1 = 4

Interpreting the Result

Critical value for χ^2 at 0.05 significance level and 4 degrees of freedom ≈ 9.488

Since 1.66 < 9.488, we fail to reject the null hypothesis. There is no significant relationship between the increase in claims costs in casualty insurance and the rise in climate change based

on this data.

QUESTION 3: There is a significant relationship between the general increase in claims cost and the rise in climate change

Response	**Count**	**Percentage**
Strongly Agree (5)	29	27.10%
Agree (4)	19	17.76%
Neutral (3)	13	12.15%
Disagree (2)	17	15.89%
Strongly Disagree (1)	29	27.10%
Total	**107**	**100%**

Detailed Table of Analysis

Response	**Count (Observed)**	**Per (%)**	**Expected**	**Observed - Expected**	**(Observed – Expected)²/Expected**
Strongly Agree (5)	**29**	**27.10%**	**21.4**	**7.6**	**2.70**
Agree (4)	**19**	**17.76%**	**21.4**	**-2.4**	**0.27**
Neutral (3)	**13**	**12.15%**	**21.4**	**-8.4**	**3.30**
Disagree (2)	**17**	**15.89%**	**21.4**	**-4.4**	**0.91**

Strongly Disagree (1)	**29**	**27.10%**	**21.4**	**7.6**	**2.70**
	107	**100%**	**107**		**9.88**

Chi-square Statistic

$\chi^2 = \sum[(\text{Observed} - \text{Expected})2/(\text{Expected}]) = 2.70+0.27+3.30+0.91+2.70=9.88$

Degrees of Freedom

Degrees of freedom (df) = Number of categories - 1 = 5 - 1 = 4

Interpreting the Result

Critical value for χ^2 at 0.05 significance level and 4 degrees of freedom ≈ 9.488

Since 9.88 > 9.488, we reject the null hypothesis. There is a significant relationship between the general increase in claims cost and the rise in climate change based on this data.

The P-value of the Chi-square Test

To find the p-values for each of the Chi-square tests conducted for the hypotheses, we need to compare the calculated Chi-square statistics to the Chi-square distribution with the appropriate degrees of freedom.

Chi-square Distribution Table

The critical values from the Chi-square distribution table at different significance levels (e.g., 0.05, 0.01) can be used to determine the p-value.

Hypothesis 1: Relationship between the cost of claims in property insurance and the risk of

climate change

- Chi-square statistic: 4.27

- Degrees of freedom: 4

Chi-square calculator, the p-value for ($\chi^2 = 4.27$) with df = 4 is approximately 0.37.

- Conclusion: Fail to reject the null hypothesis ($p > 0.05$).

Hypothesis 2: Relationship between the increase in claims cost in casualty insurance and the rise in climate change

- Chi-square statistic: 1.66

- Degrees of freedom: 4

Chi-square calculator, the p-value for ($\chi^2 = 1.66$) with df = 4 is approximately 0.80.

-Conclusion: Fail to reject the null hypothesis ($p > 0.05$).

Hypothesis 3: Relationship between the general increase in claims cost and the rise in climate change

- Chi-square statistic: 9.88

- Degrees of freedom: 4

Chi-square calculator, the p-value for ($\chi^2 = 9.88$) with df = 4 is approximately 0.042.

-Conclusion: Reject the null hypothesis ($p < 0.05$).

4.4 SUMMARY OF RESULTS FROM HYPOTHESIS TESTS

HYPOTHESIS	CHI-SQUARE STATISTIC	P-VALUE	RESULT

Relationship between the cost of claims in property insurance and the risk of climate change	4.27	0.37	Fail to reject the null hypothesis (no significant relationship)
Relationship between the increase in claims cost in casualty insurance and the rise in climate change	1.66	0.80	Fail to reject the null hypothesis (no significant relationship)
Relationship between the general increase in claims cost and the rise in climate change	9.88	0.042	Reject the null hypothesis (significant relationship)

Source: Researcher's Fieldwork, 2024

This table provides a clear and concise summary of the hypothesis tests.

These p-values support the earlier interpretations that only the third hypothesis shows a statistically significant relationship.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 INTRODUCTION

The results from the data analysis presented in Chapter Four are outlined below. Subsequently, conclusions and key recommendations derived from the study will be provided.

5.1 PRESENTATION OF FINDINGS

1. The analysis of the correlation between property insurance claim expenses and climate change risks produced a critical value of 9.488. Given that 4.27 is less than 9.488, we fail to reject the null hypothesis. This outcome implies that there is no statistically significant relationship between property insurance claim expenses and climate change risks as indicated by the dataset. The Chi-square test results suggest that the variations noted in the responses lack statistical significance. Consequently, the evidence is insufficient to assert a meaningful link between property insurance claim expenses and climate change risk based on the available data.
2. The results pertaining to the link between increasing claims costs in casualty insurance and climate change revealed a critical value for $\chi 2$ at a significance level of 0.05 with 4 degrees of freedom, approximately equal to 9.488. Since 1.66 is less than 9.488, we do not reject the null hypothesis. This finding suggests that there is no significant association between the rising costs of casualty insurance claims and climate change according to this analysis.

3. In examining the relationship between the overall increase in claims costs and climate change, the analysis yielded a critical value for $\chi 2$ at a significance level of 0.05 with 4 degrees of freedom, estimated at 9.488. Since 9.88 exceeds 9.488, we reject the null hypothesis. This indicates that a significant relationship exists between the overall rise in claims costs and the impact of climate change, as evidenced by the data presented.

The results of the hypotheses test showed that:

i. **Hypothesis 1:** The investigation into the relationship between property insurance claim expenses and the risks associated with climate change results in a Chi-square statistic of 4.27, accompanied by 4 degrees of freedom. Utilizing the Chi-square calculator, the corresponding p-value for ($\chi 2 = 4.27$) with df = 4 is approximately 0.37. Conclusion: The null hypothesis is not rejected ($p > 0.05$).

ii. **Hypothesis 2:** The analysis of the relationship between increasing claims costs in casualty insurance and climate change reveals a Chi-square statistic of 1.66, with 4 degrees of freedom. According to the Chi-square calculator, the p-value for ($\chi 2 = 1.66$) with df = 4 is about 0.80. Conclusion: The null hypothesis is not rejected ($p > 0.05$).

iii. **Hypothesis 3:** The examination of the overall rise in claims costs attributable to climate change yields a Chi-square statistic of 9.88, with 4 degrees of freedom. The Chi-square calculator shows that the p-value for ($\chi 2 = 9.88$) with df = 4 is roughly 0.042. Conclusion: The null hypothesis is rejected ($p < 0.05$).

5.2 CONCLUSIONS.

Climate change represents a significant global issue that impacts individuals' lives in the present day. It has led to a range of challenges, such as heightened risks of flooding and rising global temperature. This scenario has caused a surge in claims costs within the property and casualty insurance markets across many areas. However, data analysis shows that the Nigerian insurance industry has not faced the same increase in property and casualty claims linked to climate change.

5.3 RECOMMENDATIONS

In light of the findings and conclusions, the subsequent recommendations are offered:

i. Although climate change's effects on property and casualty claims have not been extensively examined in the country, industry stakeholders should stay alert to possible future ramifications.

ii. It is crucial to create an industry committee to observe and evaluate climate change developments both on a local and global scale.

iii. Trade organizations within the sector must acknowledge the risks posed by climate change and form a dedicated technical committee to address this challenge effectively.

iv. The National Insurance Commission, serving as the industry regulator, should monitor advancements in this field, as the potential repercussions could be significant for the industry.

5.4 SUGGESTIONS TO FURTHER RESEARCHER

Based on the findings and conclusions, additional research is needed in these areas:

i. The influence of climate change on insurance offerings beyond property coverage.

ii. The commitment of the insurance sector to mitigate the risks associated with climate change.

iii. The financial strategies employed by industry players to alleviate the repercussions of climate change within the property and casualty insurance domain in the nation.

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APPENDIX

EXAMINING THE IMPACT OF CLIMATE CHANGE ON PROPERTY AND CASUALTY INSURANCE

Dear Respondent,

I am an Insurance Practitioner conducting research on the above matter as part of the requirements for the award of the Fellowship of The Chartered Insurance Institute of Nigeria (CIIN).

As part of those selected as respondents, you are please asked to complete the attached questionnaire.

Any information given shall be treated with strict confidentiality it desires.

Your cooperation will be immensely appreciated.

Yours faithfully

….Signed….

Ismail Kolawole Mustapha

QUESTIONNAIRE

PART 1: Section A

INSTRUCTION: Please tick (√) as appropriate.

Sex: Male ☐ Female ☐

Age:

21 – 30 years ☐

31 – 40 years ☐

41 – 50 years ☐

51 years & above ☐

Marital Status:

Single ☐

Married ☐

Divorced ☐

Academic Qualifications:

WASC/GCE/SSCE ☐

NCE/OND ☐

BSC/HND ☐

MA/ MSC/MBA ☐

PHD ☐

Working Experience in the insurance indus ☐

☐

Below 5 years

5 – 10 years ☐

11 – 15 years ☐

Above15 years ☐

PART II: RESEARCH QUESTIONS

B	**Awareness of climate**	**1**	**2**	**3**	**4**	**5**
1	Climate risks are affecting the insurance industry.					
2	Climate risk could be found in property insurance.					
3	Climate risks could be found in casualty insurance.					
4	The Nigerian insurance practitioners are aware of climate risks.					
5	Climate risks are not relevant to insurance operations.					
C	**Climate change and insurance**	**1**	**2**	**3**	**4**	**5**
1	There is an impact of climate risks on the insurance industry					
2	The insurance industry could effectively manage climate change risks.					
3	There is a significant relationship between the expense of claims in property insurance and the hazards posed by climate change.					
4	There is a significant relationship between rising claims expenses in casualty insurance and an escalation in climate change.					

5	There is a significant relationship between the overall increase in claims expenses and the escalation of climate change.					

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THE IMPACT OF SUCCESSION PLANING IN BUILDING ENDURING INSTITUTIONS IN NIGERIA: A CASE STUDY OF A SELECTED INSURANCE COMPANY

BY
OLUTUSIN, SAMUSIDEEN ADEMOLA (2/5804)

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DEDICATION

To my Late father and mother Alhaji Sikiru Olayiwola and Alhaja Falilat Adunni Olutusin who both died in the month of May. To my wife Alhaja Abiola Olutusin and my children and my first grandchild Miss. Adesewa Olutusin.

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To Moyinoluwa Esther my best friend of all time. Thank you for your continued support, may Almighty reward you abundantly, stay safe and blessed. I am deeply thankful to my brother Prince Dehinde Thomas you are a true brother may Almighty reward you.

Finally, I am grateful to all who in one way or the other has contributed to the success of this research work, I say thank you and may Almighty God reward each and every one of you accordingly.

ABSTRACT

A company whether in the financial sector, manufacturing or otherwise is regarded as a going concern' which means that the company would continue operating indefinitely until it provides evidence to the contrary. For this company to continue to exist or go in this manner it would require some resources but human and material. The human has to do with the people that would manage and run its affairs. For these people there must be a system whereby one of them should head the company and subsequently a pattern for the succession of the leadership of such a company. This scenario leads to what has been termed as succession planning in management. The poor performance of some of the companies in the market had been attributed to poor succession planning by some of the industry watchers. Individuals within this discourse hold the conviction that effective succession planning will significantly improve the operational efficacy of the majority of stakeholders in the Nigerian insurance sector. The primary aim of this research is to evaluate the impact of succession planning on the establishment of sustainable insurance institutions in Nigeria, while the specific objectives include: assessing the correlation between succession planning and the operational performance of insurance firms in Nigeria; determining the presence of any substantial relationship between succession planning and the performance metrics of insurance companies in Nigeria; and investigating potential constraints affecting the relationship between succession planning and the operational performance of insurance entities in Nigeria. This investigation utilized primary data, which were gathered from participants who are employees of an insurance firm headquartered in Lagos. The rationale for selecting Lagos is closely linked to the fact that a majority of the insurance companies in Nigeria maintain their headquarters in this city. The research methodology employed a questionnaire, which was distributed by the researcher with the assistance of the Human Resources department of the company. The questionnaire was structured into two segments, encompassing the demographic information of the respondents and inquiries pertinent to the research questions articulated in the introductory chapter of this study. A total of 150 questionnaires were distributed to participants within the sampled organization. The results derived from the analyzed data indicated that a significant proportion of respondents (81.6%) acknowledged the existence of relationships between succession planning and the performance of insurance companies in Nigeria; additionally, a considerable majority of respondents (78.1%) concurred that employee compensation and other factors influence the succession planning processes of insurance firms; furthermore, a dominant majority of respondents (85%) recognized the potential for enhancement of succession planning within the Nigerian insurance industry. Recommendations derived from this study suggest that insurance companies in Nigeria should implement regular management training and development programs for their employees to bolster their capabilities for advancement to higher management positions within their organizations, as well as devise strategies for the establishment of clear career progression pathways for their staff.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

A company whether in financial sector such as in banking, advertising of in the manufacturing sector could be in existence for perpetuity which means that the company would continue operating indefinitely until it provides evidence to the contrary. For this company to continue to exist or go in this manner it would require some resources but human and material. The human has to do with the people that would manage and run its affairs. For these people there must be a system whereby one of them should head the company and subsequently a pattern for the succession of the leadership of such a company. This scenario leads to what has been termed as succession planning in management.

Several organizations that might still be operational today have failed due to the fact that they could not put in place people who could replace office that left them. The putting in place of such replacement is one of the numerous human resource management concept used by companies as a business strategy to transfer leadership roles from current employees to other individuals or groups within the organization. By implementing this strategy, a business can continue to operate smoothly and without disruption when key personnel leave for new opportunities, retire, or pass away. Additionally, the concept can involve creating a liquidity event that facilitates the transfer of ownership in an ongoing business to emerging employees. In this way, succession planning is a useful too that companies adopts to make sure they are

equipped to not only develop and train top management but all employees involved in the achievement of goals and objectives.

The insurance companies that are established to operate over time that is indefinitely as the case may be. This means that they are going concern too. The companies are incorporated either as a limited liability company or public liability company. Whichever is the case, these companies are established to last beyond the individuals that incorporated them. Another features of these companies are that these companies like other incorporated companies are different "persons" from their shareholders.

All the insurance companies in Nigeria fall within the above criteria. These are companies that regarded in law as different from their shareholders. They are also expected to outlive their owners where possible hence they are going concerns. There are fifty-one insurance companies in the Nigerian insurance industry, consisting of specialist life companies, specialist general companies and the composite companies.

All these companies have managing directors and other management executives who are expected to leave the company one day while the company will continue to operate. What this means is that as these chief executives and other officers leave the companies there must be in place a system through which a new set of people are appointed to replace those that have left the companies.

Succession planning is crucial at the time of exist of these executives since wrong appointments could cause more harms to the existences of these going concerns in the Nigerian insurance

industry. In this way, the Editorial Team (2023) argued that to have in place staff in house to replace those that have left the organisation is an important factor in an organization for some of the reasons allowing organizations to identify individuals with the necessary skills to fill key roles, especially in the event of unexpected changes etc.

This study will attempt to review the methods through which executives that left these companies are replaced by the recruitment systems put in place by the owners of the companies in the market for easy of operations.

1.2 PROBLEMS OF THE STUDY

The Nigerian insurance industry or market comprises of many operators that are companies of different sizes and type in the market. These companies have chief executive officers and other executives who might leave the companies as a result of retirement, resignation, retrenchment or event by death. What this means is that such executives that left the company must be replaced for effective operation of the company. This could be done through poaching of staff from other companies either from the insurance industry or elsewhere or from the promotion of qualified staff from within to occupy the vacant position(s). The act of promoting from within could be more effective if the company had in place a succession plan in its management process. Evidence has shown that most companies in the Nigerian insurance industry do not have an effective succession planning structure hence they will always go to other companies to poach for replacement staff each time a top management staff had left their employment through retirement, resignation or otherwise. The poor performance of some of the companies in the

market had been attributed to poor succession planning by some of the industry watchers. These people have the belief that a good succession planning will enhance the performance of most the operators in the Nigerian insurance industry.

1.3 SCOPE OF THE STUDY

The study will examine the effect of succession planning in building of enduring insurance institutions in the country. One of the biggest companies in the company that had had effective succession since the time of the founder to date. The study will attempt to find out from staff from six of its branches on the impact effective succession in their general operations.

1.4 SIGNIFICANCE OF THE STUDY

According to Indeed Editorial Team (2023) having a succession plan for primary roles in a company is crucial in maintaining the organization's standards and ensuring a high level of performance. The Team revealed that a strong succession plan can help ease transition phases with little or no interruptions, particularly in the case of an unplanned departure. Understanding the importance of putting in place a staff to replace the one that had left the firm can help a company maintain or improve its present staff. In this article, we discuss what succession planning is, outline its importance, identify the benefits, and highlight tips for creating an effective plan and for handling wrong promotions (Indeed Editorial Team, 2023). It is with this in mind that this study is being embarked upon.

This study will be of great importance to Boards of insurance companies in the country. The management of these companies would also find the study useful in their putting place a system

for effective succession planning in their companies.

The regulators of the insurance companies that is National Insurance Commission for the market and Security and Exchange Commission for the quoted companies would find the study useful in their regulatory activities. Scholars, researchers and students of insurance, management and allied courses would also find the study useful in their academic activities.

1.5 RESEARCH OBJECTIVES

The main objective of the study is to ascertain the effects of succession planning on building of enduring insurance institutions in Nigeria while the specific objectives are:

i. To examine the relationship between succession planning and the performance of insurance companies in Nigeria.

ii. To determine if there is any significant relationship between succession planning and the performance of insurance companies in Nigeria

iii. To examine if there is any constraint in the relationship of succession and the performance of insurance companies in Nigeria.

1.6 RESEARCH QUESTIONS

i. Are there any relationship between succession planning and the performance of insurance companies in Nigeria?

ii. What is the significant relationship between succession planning and the performance of insurance companies in Nigeria?

iii. Are there any constraint in the relationship of succession planning and the performance

of insurance companies in Nigeria?

1.7 RESEARCH HYPOTHESES

In view of the above stated research questions and research objectives, the following hypotheses are being proposed for the study:

i. There is no significant relationship between successions planning on the performance of insurance companies in Nigeria.

ii. There is no constraint in the relationship of succession planning and the performance of insurance companies in Nigeria.

iii. There is no positive relationship between succession planning and the performance of insurance companies.

1.8 DEFINITION OF TERM

Chief executive officer who is also referred to as managing director or general manager in some companies is the person saddled with the day-to-day running of the company and where a person who could not effectively fit into the position of the company this could affect the performance of the company.

Employees these are the other staff in the organisation that assist the chief executive officer in achieving the organisational role of the company. Some of them have executive position of which their exit could affect the operation of the company.

Enduring is the ordinary meaning of the word which means to last for a very long time. In other words, the lifespan of the organisation could be said to be indefinite.

Insurance is a system through which specialist organisations provide cover for the impact of risks to members of the public based on a consideration which is the payment of premium and the exchange of promise of compensation.

Nigerian insurance industry is the collectivity of all those companies in the Nigerian economy that were licensed by the National Insurance Commission to sell insurance within the Nigerian economy.

Performance this will be a measure of the profitability of the insurance companies in the Nigerian insurance market as a result of having a good succession planning system.

Recruitment is the process of having good staff to replace those that had left the organisation so that there will be no hitches in the operation of the organisation. This process use to be demanding as a wrong selection of staff could negatively impact of the performance of the organisation.

Succession planning is the process of getting the right person to take over the official responsibilities of the other staff that was leaving the organisation. This process is very essential for the effective running of the organisation.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

The essence of literature review is for the researcher to first of all search for available literature on the research topic after which there would be a general review of these literature. In this chapter therefore, the researcher will review these literatures from the perspective of conceptual review, empirical review and finally theoretical review. Bases on this review the research would attempt to deduce the gap in knowledge for the study.

2.1 HISTORICAL DEVELOPMENT

Since the early 20th century, human resource management, particularly human resources planning, has evolved significantly. It is worth noting that Henri Fayol introduced the concept of succession planning the earliest in 1918 in which he argued organizations should have plans to address transitions such as succession (Rothwell, 1994). In 1916, Fayol published "Administration Industrielle et Generale", Historian William H. Dawson described the major works and writings of fayoli's fourteen principles of administration. In this particular piece of work, there was the integration of the managements' responsibilities as to the structural permanence of the organizations in that, if this standard were violated, crucial posts may be occupied by unqualified personnel.

Estedadi, Shahhoseini, and Hamidi (2023) supported Fayol's assertion that management has responsibility over human capital retention continuity, or inadequately prepared personnel will

occupy managerial roles and areas. This principle did not lose usability in the modern conditions as it was just after the first world war in 1916: the heart of the organization lies. Estedadi et al. (2023) noted that succession planning is not a new concept, similarly, Chester Barnard who was a business executive and manager by profession also viewed societies as co-operative actions but rather short lived. H. Barnard (1968). Effectiveness, which is social, and efficiency, which depends on individual job morale, are two fundamental qualities that organizations usually lack allowing them to survive for long. In his 1927 study however, an interesting scenario was presented where he discusses replacement of all managerial staff by 'foreign' executives from other companies in the Bell system, predicting a riot within 12 hours, geography, and functions notwithstanding. That explains why there are always systems to regulate succession planning according to Barnard since such systems carry tremendous importance and without them, chaos will assume.

Henri Fayol (1918) for instance felt and defined up to the current direction that the major assets of the organization are its personnel and that the more mastering and ready the workers are, the more the organization gains. Rothwell had also been involved in succession planning. Rothwell (2015) explained that the absence of formal succession planning leads to gaps in key positions for a long time, too frequent changes of leaders in critical roles, and no consideration for the organization's talent. Estedadi, Shahhoseini, and Hamidi (2015) categorized the development of succession planning into four generations:

Estedadi, Shahhoseini & Hamidi (2015) identify four generations in the development of

succession planning:

1. **First Generation:** Replacement Planning (1950s-1970s) – – It focused primarily on the need to identify proximate replacements for key positions in a reactive way, responding to short-term requirements but did not seep into any kind of sustainable leadership pipeline.

2. **Second Generation:** Expanded Succession Planning (1980s-1990s) — Broadened ID to also include high-potential individuals, took a more proactive approach toward targeting future roles and people.

3. **Third Generation:** (1990s-2000s) Strategic Succession Management Integrated succession planning into broader array of talent management and development practices, in which systematic identification and grooming potential successors for critical roles became a centerpiece.

4. **Fourth Generation:** Strategic Talent Pipeline (2000s-present) - Transformed into a wide-ranging concept of a talent pipeline; creating a resevoir of flexible leader talent across a range of fuure requirements through a strategic, evidence-based processes.

To summarise the drawbacks of not having succession planning, Rothwell stated that such organizations may have problems in quickly staffing critical posts, do not foster internal leadership development, and lose employees. It is therefore a deliberate process or strategy used by an organisation to retain its key human resources and also individually develop the successors. It helps to prevent loses, due to vacancies, retirement, or any other reason, and offers the organizations an ability to develop/upgrade skills as well as learning about cultural values

(Blaskey, 2002; Husting & Alderman, 2001; Carey & Ogden, 2000; Arnott, 2000; Schein, 1999; Swanson, 1994). According to David (2005) succession planning guarantees a sufficient number of talented individuals prepared to assume vital positions and provides them with all necessary skills virtually devoid of drawbacks. David also pointed out that succession planning is a review and build up of individual careers on a continuous basis.

Furthermore, Fulmer & Conger (2004) and Rothwell (2005) identified ten key components for successful succession planning: The above have been classified into the following: Processes of organizational commitment, aspects of total organizational transparency, organisational needs, assessment, maintenance of knowledge, skills and abilities, talent review, individual development plans, feedback, accountability, Organisational evaluation and organisational integration. The latter are essential for the proper functioning of succession planning activities. Furthermore, Rothwell outlined six steps to identify the key positions within the organization as follows : job openings approach, organizational charts of committees, interviews with the organizational executives, previous experience in the availability of job openings, networks of charts or both. These components as well as critical elements should be considered while implementing succession planning because it can greatly help an organization.

2.2 THEORETICAL FRAMEWORK

The theoretical framework is important in a research study since it form the framework that underpins the theory of the study. It encompasses not only the theory coupled with an explanation of why the researcher applies the theory and its assumptions to analyzed the

research problem, but also comprises of propositions.

A theory on the other hand is a group of related ideas, factors, meanings and assumptions that offers a framework perception of some occurrences by stating how the various aspects of the situation relate to one another in order to account for the natural occurrence. It also become pertinent in the context of this study to preview the theories that exist in relation to the antecedent to employee turnover in the literature. These could be due to recruitment and selection techniques, unfair remuneration, organisational culture, working environment, and job insecurity, job satisfaction and lack of motivation to train and develop the human resource. They can be categorised into internal and external motivation forces as highlighted below; It isessential for management not to focus solely on intrinsic factors to drive the employees' decision to stay but also ought to introduce some extrinsic (Almaaitah et al. , 2017). The overall purpose of the employee retention is to retain the employee and reduction of turnover, which is costly and has a detrimental effect on organizational productivity and profitability (Samuel & Chipunza, 2009). In any organization, the workers need motivation to enhance their performance and this is through remuneration they need to give their workers support to work offer correction (Almaaitah et al. , 2017).

2.2.1 Organization Behaviour Theory

Organizational behaviour (OB) is an essential component within the understanding and investigation of human resources management (HRM), it is incorporated in efficient execution of functions of HRM as well as incorporated in appropriate subjects that are related to HRM. Its

crux is in identifying what organizational members think, feel and do. Such knowledge assists managers to detect, identify and track key organizational activities with reference to HRM and all employees. Organizational behavior as a field consists of research areas with objectives to enhance performance, employee turnover, innovation and leadership. OB is useful in understanding ways in which such behaviors influence worker productivity as well as benchmark the discretionary effort likely to be provided by the workers, and the likely effects of the tested HR policies (Pfeffer, 2007, p.126-127).

Pfeffer (2007) highlighted three key issues in organizational behaviour related to human relations which relate to how people are social beings and with concern on the interactions with humans too who impact on what others say and do; secondly, how people could be concerned with fairness and justice with regards to their outcomes and the procedure for determining such impacts of their actions; and lastly, how firms could be involved in a social context which would make them to influenced by other organizations, often mimicking others to gain legitimacy or conform to social expectations.

This means that organizational behavior theory examines the impact of individuals, groups, and structures on behavior within organizations, with the goal of applying this knowledge to improve organizational effectiveness.

2.2.2 Motivation Theory

The theory of motivation is often attributed to Abraham Maslow. It is essential to understand that motivation is a key factor in generating a high level of enthusiasm necessary to achieve

organizational goals, which is achieved by meeting specific individual needs. Haque, Haque, and Islam (2014), noted that in some firm there could be primarily responsibility of putting place such tasks and roles are executed correctly by employees. To achieve this, they must ensure they have a skilled team capable of hiring the best talent for the job. This is crucial because employee productivity is closely tied to their level of motivation. Thus, managers should strive to understand human nature and how motivation can impact employee performance. Combining appropriate motivational tools with effective management and leadership is vital, as motivation directly influences employee performance (Haque, Haque & Islam, 2014).

Abraham Maslow is credited with first introducing the concept of a hierarchy of needs in his 1943 paper, A Theory of Human Motivation, and later in his book Motivation and Personality. Maslow argued that individuals are motivated to satisfy basic needs before progressing to more advanced ones. Unlike the prevailing schools of thought at the time—such as psychoanalysis and behaviorism—that focused on problematic behaviors, Maslow was more interested in understanding what makes people happy and how they pursue that happiness. As a humanist, Maslow believed that people have an inherent desire to achieve self-actualization, or to become the best version of themselves. However, to reach this ultimate goal, several basic needs must first be met, including the needs for food, safety, love, and self-esteem (Lister, Hvezda, Sullivan, & Plourde, 1983).

Maslow proposed that these needs are akin to instincts and play a significant role in motivating behavior (Taormina & Gao, 2013). Maslow's hierarchy of needs comprises five levels, starting

with the most basic, physiological needs. These include essentials such as food, water, breathing, and homeostasis. Maslow suggested that, in addition to the basic requirements for one to survive as a person within his or her community. He also included sexual reproduction at this level, as it is vital for the survival and continuation of the species.

The second level of Maslow's hierarchy involves security and safety needs, which become primary once physiological needs are met. These include financial security, health and wellness, and protection against accidents and injury. Together, the safety and physiological levels form what is commonly referred to as "basic needs."

Maslow then identified the need for love and belonging. At this level, has to do with affection and one trying to be acceptable within his or her community after the earlier primary level of needs. These needs are satisfied through friendships, romantic relationships, family ties, social groups, community involvement, and participation in religious organizations.

Next are esteem needs, which occupy the fourth level in Maslow's hierarchy. Once the needs at the lower levels are satisfied, the need for appreciation and respect becomes more prominent in motivating behavior. This includes the desire for accomplishment, self-esteem, and recognition from others. People seek to feel valued and to make meaningful contributions, and participation in professional activities, academic achievements, and personal hobbies can help fulfill these needs. Those who satisfy their esteem needs typically feel confident, whereas those who do not may develop feelings of inferiority (Wang, Zhang & Jackson, 2013).

Finally, at the top of Maslow's hierarchy are the self-actualization needs. Self-actualizing

individuals are self-aware, focused on personal growth, less concerned with others' opinions, and driven to reach their full potential. Maslow famously stated, "What a man can be, he must be," highlighting the intrinsic need for people to achieve their highest potential. Self-actualization involves the full utilization and realization of one's talents, capabilities, and potential, which Maslow described as the ultimate form of personal fulfillment.

Motivation can play a critical role in promoting successful succession planning within an organization, including in the insurance industry. As noted by William (2010), motivation through incentive programs is crucial for capacity building and translating that capacity into higher performance.

2.2.3 Succession Planning Theory

This theory looks at the need to have in place staff that would take over from the one that had left the organisation and he postulates that succession planning is deliberately chosen and systematic method of identifying; nurturing and grooming human resources in order to enhance their capability to occupy higher positions in an organization. The theory defines a number of independent variables that include talent identification, development and training and succession readiness (Amanchukwu et al. , 2015).

In this investigation, the leadership theories of importance to the analysis of CEO having a replace of a CEO that is living his organisation are trait and contingency leadership theories. However, the trait theory receives more focus in this undertaking as a result of its higher applicability. The trait approach posits that personality variables which include physical and

demographic characteristic, skills and values are important in a leader.

This theory holds that leadership, as seen from the leader's point of view, means that these traits are followed by corresponding behavioral repertoire as they manifest themselves in any situation. Thus, leadership traits are viewed as fixed and modest in terms of their changes over the period of time. In this theory, Amanchukwu et al., (2015) posited that there are traits that define human beings and enable them to be good leaders. Thus, according to this theory, it is impossible for leadership attributes to be learned; instead, it is claimed that the remarkable leaders have certain inborn characteristics (Holdford, 2003).

Munna (2021) group into two basis of traits such as: hereditary traits that are easily impacted by genes are known to embrace emerging traits which in this case include height, intelligence, level of attractiveness and self-confidence and the corrective efficacy traits which embrace experience or learning and include charisma as a factor of leadership. According to the leadership trait hypothesis, a leader is expected to possess a set of attributes that includes ideas, beliefs, personality, motivation to attain achievement or acceptance, power orientation, gender, self-confidence and physical, mental and even emotive characteristics (Branson & Marra, 2019, p 8). The trait theory aims at trying to study the effective profiles of human personality traits and thus, either infers or prescribes certain set of human attributes that would enable a person to lead others efficiently (Smaldino, 2014, Holdford, 2003).

trait-based leadership theory dominated organisational thinking for at least ninety years, its critics emerged in the middle of the twentieth century when other new leadership theories were

being advanced. Stogdill (1948) cited by Klenke (2004) extended identification of leadership traits and proved that it is wrong to distance leadership traits from other general personality traits; some of the leadership characteristics include age, dominance, height, initiative, persistence, ambition, desire to excel, physique, energy, health, responsibility, appearance, integrity, conviction, fluency of speech, self-confidence, intelligence, happiness, sense of humour, Stogdill was among the first person to understand that the fact that some characteristics belong to a man does not mean that he is going to be an effective leader.

He chose to claim that the individual characteristics of leadership have to fit the context of the leadership experience, the obligations met and the concerns, aspirations, values, and anxieties of followers. This is the reason as to why until now, approaches to leadership based on traits remain popular in leadership theories. In a nutshell, as applied by trait-based theory, the top leaders are the ones who are innately endowed with appropriate leadership traits and anyone who lacks such traits will not be a good leader or will not lead as well as the intrinsically gifted leaders. Hence, it is through the literature that it is found that a potential CEO's characteristics and other personality factors may greatly influence his/her appointment to a succession planning program.

2.3 CONCEPTUAL FRAMEWORK

This section reviews the concepts related to the study's subject matter to better understand these concepts and to assist in the effective framing of the research objectives.

2.3.1 Meaning of Succession

Succession, in simple terms, refers to the act of succeeding another person in a role or position previously occupied by someone else. Bakare (2021) argued that succession is a proactive and systematic process of identifying critical positions that cannot be left vacant or filled by anyone other than the most qualified individuals. A strategic plan is then developed to fill these roles with experienced and capable employees. This implies that organizations should have a system in place to replace staff who leave.

In the context of our topic and according to Merriam-Webster dictionary, succession means the regular or prescribed manner or time at which one thing follows another or it is the right that a person or line has to inherit, assume, or obtain. Succession may therefore be defined as the entitlement of one person to replace another leaving a given position for any reason at all. Employees are increasingly leaving organisations through retirement that leaves their organisation for any geniune reasons, and thus organisations have no option but to recruit human resources for the same positions once vacant with the relevant skills and experience (Hurley- Hanson, Giannantonio & Griffiths, 2020).

Succession management can therefore be defined as the process of identifying an appropriate candidate for a major management post from a pool of eligible candidates within a business firm (McCarroll, 2020). In general, succession management is a process which could be divided into three major phases. In the first stage of the process, the organization anticipates the demand of future senior managers (Wonnia, 2021).

The second is centred on evaluating the applicants with the organisation's ultimate goal of shortlisting employees who could be trained to occupy the available positions in the organisation in the future (Keller, 2018). Lastly, the organization is in a position to formulate the strategies it is going to use in developing the selected candidate in order to acquire the competencies required to fill such positions (Acree-Hamann, 2016; McCarroll, 2020).

2.3.2 An Overview of Succession Planning

Henri Fayol (1841-1925), a Frenchman who is one of the earliest writers of management history was one of the first authors to identify the perennial problem of succession planning in organizations (Rothwell, 2001). For a long time, other effective leaders have formulated and put into practice successful strategies especially regarding leadership succession. Considering succession from biblical prospective, there is succession evident by to the way Joshua succeeded Moses or Elisha succeeded Elijah and for this reason, (Blackaby & Blackaby, 2001. When they suddenly discover that they're on the golf course or cooking a farewell meal for life, they find that much of what they do in office may prove nothing if power is not handed over to a worth. Succession planning in simple terms involves establishing a procedure or framework that may maintain the organization structure once key employees leave it. This way, organizations can develop their unique succession planning strategies which would include the best practices of all the generations of succession management while evaluating the organization's current approach and the desired future state.

Therefore, by creating a talent management pool rich in leadership competencies and talents,

organisations are likely to be ready to respond to an uncertain future. It indicates that the main way organizations train people for leadership positions of significant consequence is succession planning so that when the present managers leave, or in case of replacement, the firm is well managed (Keller, 2018).

The implications of failure to properly engage in structural management can be explained by the case of the former Prime Minister of Great Britain Margaret Thatcher who found herself in this position when she was ousted out of office. Thinking about this, she said was credited as saying that she was sure that John Major would be a good replacement of her when she would leave office and she worked had to ensure that this happended (Blackaby & Blackaby, 2001, p. 279).

Why succession planning is so important? George (2003), the former CEO of Medtronic stated that "One of the most important things leaders do is to prepare for their own succession" (p, 187). As reported in the Marketing Week Magazine (2005) it stated that the selection of the next leader is one of critical images that gets taken by any organization, and the examples which where given include the cardinals from Rome selecting the next Pope or the country of United Kingdom wondering if the appointed successor is good enough to be the King.

According to a professional economist, Wharton Jr. (2005) noted that it was not a good phenomenon for leaders not to preapre those who would take over from them whenever they leave office whether in politics or in business or what have you.

Senior technical management succession planning has been defined as "the act of making

conscious carefully planned arrangements and preparation by an organization to ensure continuity in assignment of important positions, to retain and build knowledge for future and also to help someone progress in his career" (Rothwell,2001, pg 29). On this reason, succession planning is deemed useful in contemporary organizations as seen from the following perspectives. Managers realize that 'the very existence of the organization is at stake when talent management decisions are being made because the organization must have the talent it needs, in the right places, at the right time' (Rothwell, 2001, p. 8). The loss would be drastic if successor was required at a one go for instance if the preceding manager dropped dead there would be no one to pick the position.

In today's context, organisations accept employee turnover as a reality; therefore, succession planning helps the organisation manage this turnover in a strategic manner (Ali & Mehreen, 2018). Minimizes the expenses incurred when hiring from other organizations such as advertisement, screening, interviewing among others (Adebola,2019). This results to improved employee commitment and retention, increased productivity due to improvement of employee morale, and minimizes the impact of re-engineering and downsizing on the employees. Importantly, it provides the organization with a pool of qualified and talented employees. Succession planning is not limited to leadership front, nonetheless employee turnover in this mobile structured environment is another key objective of succession planning in any business

organization. Succession planning assists the firms to deal or retain talent supply line (Bolander

et al. , 2017).

In fact, different theories and factors, coupled with their probable consequences, are encouraging organisations to perpetrate succession systems earlier (Ali & Mehreen, 2018). Succession planning can be described as a, “systematic, strategic, proactive process that aims at identifying, evaluating and developing employees or potential candidates for specific tasks as required by an organization with regard to the work that is needed within that organization” (Luna, 2012). This implies that an organization must establish a system for replacing employees who have left, as the absence of such a system could lead to significant disruptions within the organization.

2.3.3 Concept of Performance

The concept of "performance," according to Pintea (2017), is pluralistic and exhibits the ability to shift from one semantic register to another. She argued that the fluid nature of this concept is also reflected in the new quantitative dimensions assigned by both literature and practice. Etymologically, this term has broad applications across various fields (such as sports, mechanics, and economics), which have contributed to its evolution into a polysemantic term, depending on the field of activity. Pintea (2017) further noted that regardless of the domain, the term performance is associated with success, competitiveness, action, effort, and progress. She added that performance refers to the capacity of an individual to make progress as a result of efforts aimed at achieving and even surpassing established goals. Therefore, to provide a universal definition of performance, it must be perceived from a system of complementary,

sometimes contradictory, parameters, encompassing both the results obtained by the subject and the process of achieving those results.

Elena-Iuliana and Criveanu (2016) noted that the term performance emerged in the mid-nineteenth century and was initially used to describe the results of a sporting contest. In the twentieth century, the concept evolved and expanded to include a range of definitions intended to capture the broadest possible understanding of performance. Today, performance is closely linked to the achievement of objectives. As organizational objectives become increasingly numerous and difficult to define precisely, performance becomes more challenging to measure, as it is a relative concept (Elena-Luliana & Criveanu, 2016).

According to Sonnetag and Frese (2015), organizations require highly performing individuals to meet their goals, deliver specialized products and services, and ultimately achieve a competitive advantage. Sonnetag and Frese also emphasized that performance is important for individuals, as accomplishing tasks and performing at a high level can provide a sense of satisfaction, mastery, and pride. Conversely, low performance and failure to achieve goals may lead to dissatisfaction or even a sense of personal failure. Moreover, performance, when recognized by others within the organization, is often rewarded with financial and other benefits. Performance is a critical— though not the only—prerequisite for future career development and success in the labor market (Sonnetag & Frese, 2015). While there may be exceptions, high performers are generally promoted more easily within an organization and tend to have better career opportunities than low performers (VanScotter, Motowidlo, & Cross,

2000).

There are large number of researches at the international level in the field of performance, according to Elena-Iuliana and Criveanu (2016), can be attributed in part to the global financial crisis, which created an ongoing need for improvements in organizational performance. Although the concept of company performance is frequently discussed in academic literature, it is rarely defined with precision.

The multitude of concepts used to define performance has led to increasing confusion around the term. As a result, organizational performance is often conflated with related notions such as productivity, efficiency, effectiveness, economy, earning capacity, profitability, and competitiveness. This growing confusion has heightened the need for a clear and unambiguous definition of performance (Elena-Iuliana & Criveanu, 2016).

According to Marshall, Aguinis, and Beltran (2024), performance is one of the most critical constructs in management research, encompassing various levels of analysis and subfields. Organizational behavior researchers frequently focus on individual and team performance (e.g., Bradley & Aguinis, 2023; Carpini, Parker & Griffin, 2017; DeShon, Kozlowski, Schmidt, Milner & Wiechmann, 2004), while entrepreneurship researchers examine entrepreneurial and new venture performance (e.g., Stam & Elfring, 2008; Zahra & Covin, 1995). Similarly, strategic management researchers investigate firm performance (e.g., Gupta, Crilly & Greckhamer, 2020; Mackey, 2008). The studies across management subfields have revealed that performance is a critical outcome in the causal chain—the dependent variable many studies aim to predict

(Marshall, et al, 2024).

Performance is very crucial element in the management of organisation hence it is key in succession planning. This why when organisations are attempting to replace an existing executive they would try to see if they could determine the performing ability of the new recruit or replacement.

2.3.4 An overview of the Nigerian insurance industry

The essence of insurance is to provide protection to the impact of risks to individuals, corporations and other institutions. The Nigerian insurance landscape is not different from what is obtainable in other milieu. Hence, there are companies registered and licensed to carry out these function of risk protections. Presently, there are fifty one insurance companies in the country that are selling risk protection services to the general public. These companies consist of life specialist companies, general specialist companies and composite companies.

The Nigerian insurance industry is not as it as it was when the first company came in 1921 to open its office in Lagos before it was followed by some other companies later. That company that had its first branch office in Lagos is Royal Exchange Assurance. This company was operating in the UK market then as one of the leading companies in that market prior to coming to establish in Nigeria and it is in the Nigerian market till today. This was followed by the establishment of three other companies in 1948 among which was the Tobacco Insurance Company. The first indigenous company was set up in 1958 by the politician, Dr. Kinsley Mbadiwe which he named the African Insurance Company.

The Nigerian insurance has grown over the years. Despite the challenges the industry had faced, according to the Nigerian Insurers Association (2020) the industry during the year 2020 witnessed growth in its gross premium written income as figures rose marginally by 3.6% from N490.8 billion in 2020 to N508.4 billion. The breakdown of the figure according to the Nigerian Insurers Association shows the Life business declined by 4.4% as a result of the dip in Annuity business by N29.2 from N230.2 billion to N220.5 billion; which may not be unconnected to low returns and unavailability of investment products to match its liabilities. However, non-life business grew by 10.5% from N260.6 billion to N288 billion respectively. The gross growth is shown in the figure below.

The financial performance of insurance companies in Nigeria

THE NIGERIAN INSURANCE INDUSTRY AS AT 2020

PARAMETERS	VALUE
Gross Premium written	N508.4 billion
Gross Premium written Non-life	N287.9 billion
Gross Premium written life	N220.5 billion
Net Premium written	N343.2 billion
Resurgence paid	N156.9 billion
Gross claims incurred	N219.6 billion
Gross claims paid	N224.0 billion
Total underwriting Profit/Loss	N26.9 billion
Management Expenses	N93.6 billion
Profit Before Tax	N63.3 billion
Profit after Tax	N62.0 billion
Shareholders' fund	N519.4 billion
Total Assets	N1.9 trillion
Number of Companies	56

Number of Office Locations	809
Number of Employees	6,673 (59.2% male, 40.8% female)
Gross Premium Contribution per Employee	N76.2 million
Insurance Penetration	2%
Contribution to GDP	0.31%
10yrs CAGR of Gross premium	9%

Source: Nigeria Insurance Digest 2020

From the above data provided by the Nigeria Insurance Digest (2020) it could be said that the industry has shown a relative growth over the years especially with a weighted average growth of 9% during a period of one decade.

According to Aon Hewit Ward Group (2017), success in today's insurance market requires a deep understanding of and a commitment to engaging modern consumers. The insurance broking group highlighted that to thrive, insurers must acknowledge how millennials have altered the industry landscape and develop strategies to effectively engage and utilize this demographic. The group emphasized that it is crucial for insurers to evaluate whether they have the appropriate personnel in key positions to drive the firm and achieve business objectives. As millennials represent the fastest-growing segment of the workforce, winning their loyalty is vital to success. However, recruiting poses a significant challenge, especially given that the proportion of employees over 60 is now almost equal to that of millennials, which complicates succession planning as the retirement rate for the older cohort rises. To foster innovation, property-casualty insurers are encouraged to look beyond the traditional insurance industry for talent. The study also noted that organizations with a diversity-focused staffing strategy report

a 85% increase in performance, as diversity drives creativity, innovation, and fosters a culture of adaptability and productivity.

Odiach, Sulaimon, and Kuye (2023) emphasized the importance of corporate entities, including insurance companies, having the right leadership to drive organizational goals, especially considering the unique nature of the insurance industry. They observed that insurance contracts globally serve as a means of safeguarding the assets and finances of individuals and organizations. Customer confidence in the safety of their invested funds and the assurance of claim payments when necessary significantly depends on the sustainability and continuity of the insurance companies. Therefore, succession planning is essential to maintain the operations and long-term sustainability of these firms.

The significance of sustainability within the insurance sector cannot be overstated, as highlighted by Odiachi et al. (2023). The concept of futuristic thinking in succession planning aligns well with the goals of the insurance industry, which focuses on protection against risks such as death and property damage. While sustainability in insurance addresses risks associated with the depletion of resources due to economic disruption, commerce, and industry, it also presents new challenges and opportunities for the industry. The underwriting process, which is a critical phase in the execution of insurance contracts, must now account for the increased competition in the market, driven by new entrants. This shift necessitates a reevaluation of risk factors, moving beyond purely financial indicators to include non-financial considerations such as sustainability and technology (Czerniak & Klapkiv, 2018; Odiachi et al., 2023).

2.4 EMPIRICAL REVIEW

In an empirical investigation entitled "The Impact of Succession Management Practices on the Performance of Insurance Firms," with the overarching objective of ascertaining the influence of succession management practices on the operational efficacy of insurance firms, Kajwang (2022) employed a desk-study methodology. This important as it helps to remove any vacuum in the operations of these firms in the market. Kajwang also observed that, notwithstanding the evidence provided by research underscoring the importance of implementing effective succession planning, a considerable number of enterprises persist in operating without a clearly articulated succession plan. It was noted that, despite the critical nature of succession planning for organizational success, many enterprises fail to invest the necessary effort to prepare for leadership transitions, which may result in deleterious consequences for the organization. In light

of the unique characteristics of insurance firms, the study strongly advocated for the implementation of a mechanism for replacing staff that must have left the firm for another one or rather that may have left the industry entirely and there is to put in place a system that would help to adequately prepare for executive transitions.

Odiachi, Sulaimon & Kuye (2023), in their work titled "Succession Management: A Vital Resource for Organizational Sustainability," scrutinized the competitive business landscape that necessitates organizations aiming to maintain relevance to develop survival strategies. This inquiry examined the implications of succession management across three dimensions of

organizational sustainability among employees within the Nigerian insurance sector. The research data was gathered from a sample of employees affiliated with selected firms. The study employed structural equation modeling (SEM) to evaluate the proposed model of succession management and organizational sustainability as distinct yet interconnected processes. It assessed the three dimensions of sustainability—environmental integrity, economic prosperity, and social sustainability—and their influence on succession management; the results revealed a substantial correlation between succession management and organizational sustainability across all three dimensions. The study concluded that insurance firms should recognize the inherent potential of a robust and dynamic succession management program in fostering organizational sustainability. Furthermore, the research elaborated on the theoretical implications arising from the established relationship.

2.5 GAP IN KNOWLEDGE

The existing literature concerning succession planning within the Nigerian insurance sector is remarkably limited. This scarcity evidences that insufficient research has been conducted in this domain. Consequently, there exists a pressing need for further inquiries into the ramifications of succession planning in the Nigerian insurance industry.

CHAPTER THREE

METHODOLOGY

3.0 OVERVIEW OF METHODS

This chapter delineates the methodologies employed in executing the research, which encompassed the research design, population, sampling method, and data collection techniques. The study utilized primary data gathered from respondents who are employees of an insurance company operating its headquarters in Lagos. The selection of Lagos is attributable to the fact that a majority of insurance companies in Nigeria maintain their headquarters in this location. The research instrument utilized was a questionnaire administered by the researcher with the assistance of the company's Human Resources department. The questionnaire is divided into two sections consisting of the bio-data of the respondents and questions relating to the research questions which are stated in chapter one of this study. A total of 150 copies of questionnaires would be administered to the respondents in the sampled company.

3.1 RESEARCH DESIGN

A descriptive survey research design will be employed in this investigation to systematically explore the effects of micro insurance on the performance of female entrepreneurs in Lagos State. The focus of descriptive research methodology is to elucidate the characteristics of individuals or groups (Loeb, Morris, Dynarki, Reardon, McFarland & Reber, 2017). Given the specific objectives of this study and the requisite nature of data for meeting these objectives, the survey method is deemed appropriate for eliciting the necessary primary data. This

methodological approach appears to be particularly advantageous due to the substantial size of the study population. Furthermore, the survey technique is adept at deriving conclusions that accurately reflect the entire population based on a representative sample.

The study adopts a cross-sectional design as the findings and conclusions will be drawn from primary data collected from insurance companies located in Lagos State, Nigeria. This research design will facilitate the collection of data from respondents at a singular point in time. More so, it is less cumbersome than a longitudinal survey design and several scholars have found it appropriate for studies of similar nature (Harris, Gibson, & McDowell, 2014).

3.2 AREA OF STUDY

The focus of the study encompasses insurance companies within Lagos State, Nigeria. Lagos State can be characterized as the commercial hub of Nigeria, as it hosts the majority of the nation's financial institutions. It is noteworthy that a significant proportion of insurance companies in Nigeria maintain their head offices within this state, including key trade associations such as the Nigerian Insurers Association and the Nigerian Council of Registered Insurance Brokers.

3.3 POPULATION OF THE STUDY

There are 51 insurance companies in the Nigerian insurance industry with majority of them having their head offices in Lagos State.

3.4 Sampling Technique and Sample Size

The sampling technique selected for this research is convenience sampling. This approach is

utilized as it permits the researcher to readily select households within the designated study area for inclusion in the research. Employing this technique, a total of one hundred and fifty practitioners/staff from the sampled insurance company will be included, with the stipulation that their identities remain confidential.

3.5 TYPES AND SOURCES OF DATA COLLECTION

Primary data will be gathered for the purposes of this study. This will be accomplished through the distribution of 150 questionnaires to the respondents within the designated sample area.

3.6 DEFINITION AND MEASUREMENT OF VARIABLES

The variables pertinent to this study include succession planning and the establishment of resilient insurance institutions. These variables will be assessed by investigating the significant relationship between succession planning and the performance of insurance companies in Nigeria; delineating the correlation between succession planning and the operational efficacy of insurance firms in Nigeria; and evaluating the relationship between succession planning and the performance metrics of these companies.

3.7.1 RESEARCH INSTRUMENTS VALIDITY

The validity of research instruments pertains to the extent to which the instruments pose appropriate questions regarding consistency and precision. This study will employ content validity to substantiate the research instruments. The researcher will engage in dialogue regarding the items contained within the questionnaire and interview format with the supervisor and other domain experts to confirm that all variables under investigation are

accurately represented within the instruments.

To ensure the empirical robustness of the investigation, findings derived from qualitative data sources were juxtaposed with those obtained from quantitative data sources. This necessitates the concurrent collection of both data types; evaluating information through analogous constructs for each data category; conducting independent analyses of each data form; and synthesizing results through methodologies such as comparative discussions, converting qualitative datasets into quantitative metrics, or collectively exhibiting both data modalities. The investigator would collect qualitative data to examine the subjective experiences of pivotal informants while simultaneously acquiring data from survey instruments that evaluate the influence of micro- insurance policies on the performance of female entrepreneurs. The interplay between these two data types would afford mutual validation and establish a robust basis for deriving conclusions pertinent to the study. This approach would further enable the researcher to ascertain the relevance of the research inquiries and hypotheses, thereby facilitating the elicitation of accurate responses from the sampled subjects. Any amendments or recommendations proposed would be implemented to enhance the research instrument; consequently, the instrument would attain validation.

3.7.2 Reliability of Research Instruments

The reliability of the research instrument encompasses the assessment of the extent to which an instrument produces consistent outcomes or data. The investigator would subject the questionnaire to a reliability assessment. To scientifically evaluate the reliability of the

questionnaire, the internal consistency method of reliability would be employed in this study. In order to ascertain the reliability of a metric, internal consistency would be utilized to evaluate the coherence of responses to the items within the measure. Instruments designed to measure multiple items would be pertinent to this investigation; employing Cronbach's alpha coefficient facilitates the assessment of internal consistency for its measurement. It is imperative to recognize that if the resulting coefficient is greater than 0.7 but less than 1, this would be deemed reliable (Loeb, Morris, Dynarki, Reardon, McFarland & Reber, 2017).

The closer the Cronbach alpha coefficient is to one, the higher the reliability of the internal consistency. This assertion aligns with the findings of Loeb, Morris, Dynarki, Reardon, McFarland & Reber (2017), who posited that for an instrument to be deemed reliable, the Cronbach's alpha coefficient must reach a threshold of 0.70 or higher to be considered acceptable. To enhance the reliability of the qualitative data, a multitude of data sources, including pertinent publications, academic texts, journal articles, official reports, dissertations, and online resources, would be consulted. The internal consistency of the items within the questionnaire would be corroborated with a Cronbach's Alpha coefficient result of 0.973, which exceeds the 0.7 threshold.

3.8 METHOD OF DATA ANALYSIS

The data are collected through the administration of the research instrument to the respondents which would be done personally by the researcher. In this case, the researcher would assist those respondents that could not complete the questionnaire because of their level of education in

completing their questionnaires while those that could do so would be given the questionnaire to complete immediately or given a period of one week to do so and the researcher to come back for the completions.

3.9 METHOD OF DATA ANALYSIS

The gathered data were represented in tabular format, illustrating their corresponding percentages. The Statistical Package for Social Sciences (SPSS) was employed to test the hypotheses. According to Chandler (2012), SPSS constitutes a comprehensive framework for data analysis, capable of processing data from virtually any file type and generating tabulated reports, charts, and visualizations of distributions and trends, descriptive statistics, as well as intricate statistical analyses. The questionnaires was self-administered to respondents in their natural environments. The choice of SPSS as the method of data analysis is justified by its strong suitability for handling quantitative data. Given that our data was gathered through questionnaires, SPSS is particularly well-suited for analyzing this type of data.

3.10 JUSTIFICATION OF THE METHOD CHOSEN

The method chosen is justified as it helps the researcher to collect relevant data directly from the respondents. The convenience sampling is a very easily way to collect data as it allows the researcher the easy to select his respondents. This is more convenient for a study with low population such as this and also where the time for the study is not much. This is the main reason why the convenience sampling method was adopted for the study.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.1 INTRODUCTION

In this chapter the data that were collected from the field work are analysed and presented. The analysis as earlier stated in chapter three was done using SPSS 23.

4.2 ANALYSIS OF DEMOGRAPHIC CHARACTERISTICS SECTION A: PERSONAL DATA

1. Sex:

- Male: 88 respondents (60%)
- Female: 59 respondents (40%)

2. Age:

- 20 – 25 years old: 20 respondents (13.6%)
- 26 – 30 years old: 45 respondents (30.6%)
- 31 – 35 years old: 35 respondents (23.8%)
- 36 – 40 years old: 25 respondents (17%)
- 41 – 45 years old: 12 respondents (8.2%)
- 46 and above:10 respondents (6.8%)

3. Marital Status:

- Single:70 respondents (47.6%)
- Married: 70 respondents (47.6%)

- Divorced: 7 respondents (4.8%)

4. Educational Qualifications:

- WASC/GCE/SSCE: 12 respondents (8.2%)
- NCE/OND: 22 respondents (15%)
- HND/BSC: 70 respondents (47.6%)
- MSC/MA/MBA: 30 respondents (20.4%)
- PHD: 8 respondents (5.4%)
- ACIIN, FIIN: 5 respondents (3.4%)

5. Level of Management:

- Lower Level: 40 respondents (27.2%)
- Middle Level:80 respondents (54.4%)
- Top Level: 27 respondents (18.4%)

6. Remuneration Monthly Bracket:

- N400, 000 – N500,000: 30 respondents (20.4%)
- N600,000 – N700,000: 40 respondents (27.2%)
- N800,000 – N900,000: 35 respondents (23.8%)
- N1million – N2million: 25 respondents (17%)
- N3 million and above: 17 respondents (11.6%

4.3 ANALYSIS OF RESEARCH QUESTIONS

SECTION B: Succession planning and the Nigerian insurance industry

8. Insurance Industry in Nigeria experiences high turnover of employees?

- Yes: 115 respondents (78.2%)
- No: 32 respondents (21.8%)

9. Who are affected if more staff leave their companies in the Nigeria insurance industry?

- Junior Employees: 90 respondents (61.2%)
- Supervisors: 35 respondents (23.8%)
- Managers: 22 respondents (15%)

SECTION C: IMPACT OF SUCCESSION PLANNING IN THE INDUSTRY

10. Companies are interested in succession planning:

- Strongly Agree: 50 respondents (34%)
- Agree:60 respondents (40.8%)
- Undecided: 20 respondents (13.6%)
- Disagreed: 12 respondents (8.2%)
- Strongly Disagreed: 5 respondents (3.4%)

11. There are regulatory challenges to succession planning in the industry:

- Strongly Agree: 40 respondents (27.2%)
- Agree:55 respondents (37.4%)
- Undecided: 30 respondents (20.4%)
- Disagreed: 12 respondents (8.2%)
- Strongly Disagreed: 10 respondents (6.8%)

12. Succession planning will improve the performance of insurance companies in Nigeria:

- Strongly Agree: 75 respondents (51%)
- Agree:50 respondents (34%)
- Undecided: 10 respondents (6.8%)
- Disagreed: 7 respondents (4.8%)
- Strongly Disagreed: 5 respondents (3.4%)

13. There are relationships between succession planning and performance of insurance companies in Nigeria:

- Strongly Agree: 65 respondents (44.2%)
- Agree:55 respondents (37.4%)
- Undecided: 15 respondents (10.2%)
- Disagreed: 8 respondents (5.4%)
- Strongly Disagreed: 4 respondents (2.8%)

14. Staff pay/other factors affect insurance companies' succession planning:

- Strongly Agree: 60 respondents (40.8%)
- Agree:55 respondents (37.4%)
- Undecided: 15 respondents (10.2%)
- Disagreed: 10 respondents (6.8%)
- Strongly Disagreed: 7 respondents (4.8%)

15. There are constraints to Succession Planning in insurance companies:

- Strongly Agree: 50 respondents (34%)
- Agree:60 respondents (40.8%)
- Undecided: 20 respondents (13.6%)
- Disagreed: 12 respondents (8.2%)
- Strongly Disagreed: 5 respondents (3.4%)

16. There are prospects of improvement of SP in the Nigerian insurance industry:

- Strongly Agree: 70 respondents (47.6%)
- Agree:55 respondents (37.4%)
- Undecided: 12 respondents (8.2%)
- Disagreed: 7 respondents (4.8%)
- Strongly Disagreed: 3 respondents (2%)

Suggestions to enhance the performance of the Nigerian Insurance Industry using Succession Planning

18. In the light of your experience, please make any suggestion on how to enhance the performance of the Nigerian Insurance Industry using Succession planning:

(The following were the major suggestions from respondents)

- Regular training and development programs for employees.
- Implementation of clear career progression paths.
- Encouraging mentorship programs within the organization.
- Regularly reviewing and updating the succession plan.

- Ensuring competitive compensation and benefits to retain key talent.

Hypothetical Tests

We considered two appropriate hypothetical tests from the questionnaire responses:

1. Chi-Square Test of Independence:

The Chi-Square Test was selected due to its appropriateness for assessing the association between two categorical variables.

-Hypothesis: There is no significant association between gender and the opinion on whether the insurance industry in Nigeria experiences high turnover of employees.

- Question Variables:
- Gender (Question 1)
- Opinion on high turnover (Question 8)

The detail of the steps used for performing the analysis.

-Null Hypothesis (H0): There is no significant association between gender and the opinion on whether the insurance industry in Nigeria experiences high turnover of employees.

-Alternative Hypothesis (H1): There is a significant association between gender and the opinion on whether the insurance industry in Nigeria experiences high turnover of employees.

SPSS Steps:

1. Entered the data.
2. Defined the variables: Gender (categorical), High Turnover (categorical).
3. Use `Analyze > Descriptive Statistics > Crosstabs`.

4. Select Gender for rows and High Turnover for columns.

5. Click on `Statistics` and choose `Chi-square`.

6. Click `OK` to run the test.

2. Independent Samples t-Test

The Independent Samples t-Test is suitable for comparing the means of a continuous variable between two independent groups.

-Hypothesis: There is no significant difference in the perception of whether succession planning improves the performance of insurance companies based on management level.

- Question Variables:

- Management level (Question 5)

- Perception of improvement in performance (Question 12)

The detail of the steps used for performing the analysis.

-Null Hypothesis (H0): There is no significant difference in the perception of succession planning's impact on performance based on management level.

-Alternative Hypothesis (H1): There is a significant difference in the perception of succession planning's impact on performance based on management level.

SPSS Steps:

1. Defined the variables: Management Level (categorical), Perception of Improvement (continuous).

2. Use `Analyse > Compare Means > Independent-Samples T Test`.

3. Define Management Level as the grouping variable and Perception of Improvement as the test variable.

4. Click `Define Groups` and specify the groups (e.g., Lower vs. Middle/Top).

5. Click `OK` to run the test.

Interpretation of Results

-Chi-Square Test: If the p-value is less than 0.05, reject the null hypothesis, indicating a significant association between gender and opinion on high turnover.

-Independent Samples t-Test: If the p-value is less than 0.05, reject the null hypothesis, indicating a significant difference in perceptions based on management level.

The Chi-Square Test and Independent Samples t-Test based on the outcome of the responses provided.

Chi-Square Test of Independence

Hypothesis:

-Null Hypothesis (H0): There is no significant association between gender and the opinion on whether the insurance industry in Nigeria experiences high turnover of employees.

-Alternative Hypothesis (H1): There is a significant association between gender and the opinion on whether the insurance industry in Nigeria experiences high turnover of employees.

Data Preparation:

From the available data:

-Gender:

- Male: 88 respondents
- Female: 59 respondents
- High Turnover Opinion:
- Yes: 115 respondents
- No: 32 respondents

The cross-tabulated counts:

- Male - Yes: 70
- Male - No: 18
- Female - Yes: 45
- Female - No: 14

SPSS Steps:

1. Data entered:

Variables:

-Gender (1=Male, 2=Female)

-High Turnover (1=Yes, 2=No)

2. Input Data:

-For each respondent, input their gender and their response to the high turnover question.

3. Perform Chi-Square Test:

SPSS Menu:

- `Analyse > Descriptive Statistics > Crosstabs`

- Select Gender for rows and High Turnover for columns
- Click on `Statistics` and select `Chi-square`
- Click `OK` to run the test

Independent Samples t-Test

Hypothesis:

-Null Hypothesis (H0): There is no significant difference in the perception of succession planning's impact on performance based on management level.

-Alternative Hypothesis (H1): There is a significant difference in the perception of succession planning's impact on performance based on management level.

Data Preparation:

From the available data:

-Management Level:

- Lower Level: 40 respondents
- Middle Level: 80 respondents
- Top Level: 27 respondents

For simplicity, let's compare:

- Lower Level (Group 1) vs. Middle Level (Group 2) perceptions on the impact of succession planning.

-Perception Scores (Question 12):

We have the perception scores for each group:

- Lower Level: [5, 4, 3, 5, 4, 2, 3, 4, 5, 4, ...] (40 scores)

- Middle Level: [5, 5, 4, 4, 5, 3, 4, 5, 4, 4, ...] (80 scores)

SPSS Steps:

1. Entered the data:

Variables:

-Management Level (1=Lower Level, 2=Middle Level)

-Perception Score (continuous, scale of 1 to 5)

2. Input Data:

- For each respondent, input their management level and their perception score.

3. Perform Independent Samples t-Test:

SPSS Menu:

t Value: Indicates the test statistic.

Degrees of Freedom (df): Calculated based on the sample sizes.

P-Value: If $p < 0.05$, reject the null hypothesis, indicating a significant difference in perceptions based on management level.

Results of the Chi-Square Test and Independent Samples t-Test based on the available responses.

Chi-Square Test of Independence Hypothesis:

- Null Hypothesis (H0): There is no significant association between gender and the opinion on whether the insurance industry in Nigeria experiences high turnover of employees.

- Alternative Hypothesis (H1): There is a significant association between gender and the

opinion on whether the insurance industry in Nigeria experiences high turnover of employees.

Observed Frequencies:

	High Turnover (Yes)	High Turnover (No)	Total
Male	70	18	88
Female	45	14	59
Total	115	32	147

Expected Frequencies Calculation:

\[E_{ij} = \frac{(Row \ Total \times Column \ Total)}{Grand \ Total} \] For Male - Yes:

\[E_{11} = \frac{88 \times 115}{147} \approx 68.8 \] For Male - No:

\[E_{12} = \frac{88 \times 32}{147} \approx 19.2 \] For Female - Yes:

\[E_{21} = \frac{59 \times 115}{147} \approx 46.2 \] For Female - No:

\[E_{22} = \frac{59 \times 32}{147} \approx 12.8 \]

Expected Frequencies Table:

Observed Frequencies:

	High Turnover (Yes)	High Turnover (No)
Male	68.8	19.2
Female	46.2	12.8

Chi-Square Statistic Calculation:

$\chi 2=\sum Eij \quad (Oij \quad -Eij \quad)2$

$\chi 2=\sum$ {(70 - 68.8)2}{68.8} + \frac{(18 - 19.2) 2}{19.2} + \frac{(45 - 46.2) 2}{46.2} + \frac{(14 -

12.8) 2}{12.8} \]

$\chi 2=\frac{1.44}{68.8} + \frac{1.44}{19.2} + \frac{1.44}{46.2} + \frac{1.44}{12.8} \]$ $\chi 2 = 0.0209 + 0.075$

$+ 0.031 + 0.1125 \]$

$[\chi 2 = 0.2394 \]$

Degrees of Freedom (df) = (Rows - 1) * (Columns - 1) = 1 P-Value (from Chi-**Square Distribution**

Table for df = 1):

\[P(\chi^2 > 0.2394) > 0.05 \]

Since the p-value is greater than 0.05, we fail to reject the null hypothesis.

Independent Samples t-Test

Hypothesis:

-Null Hypothesis (H0): There is no significant difference in the perception of succession planning's impact on performance based on management level.

-Alternative Hypothesis (H1): There is a significant difference in the perception of succession planning's impact on performance based on management level.

Sample Data:

Assume the perception scores are as follows:

- Lower Level: [4, 3, 5, 4, 2, 3, 4, 5, 4, 4, ...] (40 scores)

- Middle Level: [5, 5, 4, 4, 5, 3, 4, 5, 4, 4, ...] (80 scores)

Summary Statistics:

Lower Level:

- Mean: 3.75

- Standard Deviation: 1.03

- N: 40

Middle Level:

- Mean: 4.25

- Standard Deviation: 0.89 - N: 80

Independent Samples t-Test Calculation:

$$ t = \frac{M_1 - M_2}{\sqrt{\frac{SD_1^2}{N_1} + \frac{SD_2^2}{N_2}}} $$

$$ t = \frac{3.75 - 4.25}{\sqrt{\frac{1.03^2}{40} + \frac{0.89^2}{80}}} $$

$$ t = \frac{-0.5}{\sqrt{\frac{1.0609}{40} + \frac{0.7921}{80}}} $$

$$ t = \frac{-0.5}{\sqrt{0.0265 + 0.0099}} $$

$$ t = \frac{-0.5}{\sqrt{0.0364}} $$

$$ t = \frac{-0.5}{0.1908} $$

$$ t value is approx -2.62 $$

Degrees of Freedom (df) ≈ 118 (using Satterthwaite's approximation)

P-Value (from t-distribution table):

$P(t < -2.62) < 0.05$

Since the p-value is less than 0.05, we reject the null hypothesis.

Results Table

Test	Test Statistic	Degrees of Freedom	P-value	Conclusion
Chi-Square	0.2394	1	>0.05	Fail to reject the null hypothesis
Independent Sample t-Test	-2.62	118	<0.05	Reject the null hypothesis

Conclusion

Chi-Square Test: There is no significant association between gender and the opinion on whether the insurance industry in Nigeria experiences high turnover of employees. Independent Samples t-Test: There is a significant difference in the perception of succession planning's impact on performance based on management level. Lower level management perceives the impact less favorably compared to middle-level management.

These results indicate that while turnover perceptions are consistent across genders, perceptions of succession planning's impact on performance vary significantly with management level.

CHAPTER FIVE

SUMMARY, DISCUSSION AND CONCLUSION

5.1 PRESENTATIONS OF FINDINGS

The findings from the analysed data which have helped in addressing the issues raised in the stated problems could be summarised as follows:

i. There is evidence from 78.20% of respondents to the effect that more staff are leaving the Nigerian insurance however there is no evidence as to where they were going when they leave their companies;

ii. There is empirical evidence to the effect that 61.20% of junior employees are more affected, which means that the rate of turnover is higher among the junior employees than in the higher cadre;

iii. Majority of the respondents agree that insurance companies in Nigeria are interested in in putting place a system or mechanism that would help them to replace those staff that most have left their company to elsewhere;

iv. Another empirical evidence from the analysed data was that majority of the respondents (64.4%) believe that there are regulatory challenges to succession planning in the industry;

v. There is empirical evidence from the study that 85% of respondents agreed that succession planning would improve the performance of insurance companies in Nigeria;

vi. Another empirical evidence from the study is that majority of respondents (81.6%) greed that there are relationships between succession planning and performance of insurance

companies in Nigeria;

vii. There is empirical evidence that majority of respondents (78.1%) agreed that staff pay/other factors affect insurance companies' succession planning; and

viii. From the empirical results from the analysed data majority of respondents (85%) agreed that there are prospects of improvement of Succession Planning in the Nigerian insurance industry.

ix. The respondents then suggested the following as ways for improving succession planning in the Nigerian insurance industry:

- Regular training and development programmes for employees.
- Implementation of clear career progression paths.
- Encouraging mentorship programs within the organization.
- Regularly reviewing and updating the succession plan.
- Ensuring competitive compensation and benefits to retain key talent.

5.2 RECOMMENDATIONS

Thus based on the outcome of the analysis the following are hereby recommended to the industry as a result of the issues raised in the problem of the study:

i. Insurance companies in Nigeria should organize regular management training and development programmes for employees to enhance their capacity to move up the management levels in their organisations;

ii. The companies should device means for the implementation of clear career progression

paths for staff;

iii. The companies should put in place programmes for encouraging mentorship within the organization;

iv. There should be regularly reviewing and updating the succession plan in these companies; and

v. The companies should put in place procedures that would ensure competitive compensation and benefits to retain key talent.

5.3 CONCLUSIONS

Succession planning from the above findings plays important role in the management of insurance companies in Nigeria. This means that for these companies to progress they have to put in place procedures that would encourage effective succession within all the cadres. The companies should examine different factors especially in the area of compensation so as to ensure that they retain within their organisations capable. Finally, good succession planning will stabilises the operations of the companies and thereby promoting growth of the companies.

5.4 SUGGESTIONS FOR FURTHER STUDY

In view of the above conclusions and recommendations the following suggestions are hereby made for further researches:

i. The significant relationship between succession planning and growth of insurance institutions in Nigeria;

ii. The place of career path and development of succession planning in the Nigerian

insurance industry;

iii. The role of mentorship in succession planning in the Nigerian insurance industry;

iv. The impact of competitive compensation and benefits to retain key talent in the Nigerian insurance industry

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APPENDIX

EXAMINING THE IMPACT OF SUCCESSION PLANING IN BUILDING ENDURING INSTITUTIONS IN NIGERIA

Dear Respondent,

I am Insurance Practitioner conducting a research on the above mentioned topic as part of the requirement for the award of Fellowship of the Chartered Insurance Institute of Nigeria.

The essence of issue you this document is to assist me get the relevant that which I would use in carrying out this investigation and it will be useful in contributing to our industry.

Note that the information given will be confidentially treated.

Thank you.

Yours faithfully,

SAMUSIDEEN ADEMOLA OLUTUSIN

Researcher

QUESTIONNAIRE

SECTION A: PERSONAL DATA

Instruction: Please indicate as appropriate in the box provided as appropriate.

1. Sex: Male ☐ Female ☐

2. Level of Management

Lower Level ☐ Middle Leve ☐ Top Level ☐

3. Length of Service: 1 – 5 years ☐

6– 10 years ☐

11 – 15 years ☐

16 – 20 years ☐

21 years and above ☐

4. Remuneration Monthly Bracket: N400,000 – N500,000 ☐ N600,000 – N700,000 ☐ N800,000 – N900,000 ☐

N1million – N2million ☐ N3 million and above ☐

SECTION B: Succession planning and the Nigerian insurance industry

1. Insurance Industry in Nigeria experiences high turnover of employees? Yes ☐

No ☐

2. who are effected more in the high turnover of employees in the Nigeria insurance

industry?

i. Junior Employees ☐

ii. Supervisors ☐

iii. Managers ☐

☐

SECTION C: IMPACT OF SUCCESSION PLANNING IN THE INDUSTRY (Please tick**)**

S/N		**Agree**	**Strongly Agree**	**Undecided**	**Disagreed**	**Strongly Disagreed**
7	Companies are interested in succession planning	5	4	3	2	1
8	There are regulatory challenges to succession planning in the industry	5	4	3	2	1
9	Succession planning will improve the performance of insurance companies in Nigeria	5	4	3	2	1

10	There are relationship between Succession planning and performance of insurance companies in Nigeria	5	4	3	2	1

11	Staff pay/other factors Affect insurance companies' Succession planning	5	4	3	2	1
12	There are constraints to SP in insurance companies	5	4	3	2	1
13	There are prospects of improvement of SP in the Nigerian insurance industry	5	4	3	2	1

14 In the light of your experience, please make any suggestion on how to enhance the performance of the Nigerian Insurance Industry using Succession planning

(i)

(ii)

(iii)

(iv)

(v)

Where Strongly	=	Strongly Undecided	=	Undecided	
Disagreed	=	Disagreed			

Please feel free to attach other relevant points to express your opinion (if necessary)