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FIRM SPECIFIC ANALYSIS OF IMPACT OF RECAPITALIZATION ON INSURANCE BUSINESS IN NIGERIA: A STUDY OF AIICO PLC

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ABSTRACT

This study was on firm specific analysis of impact of recapitalization on insurance business in Nigeria: a study of AIICO Plc. The specific objectives of the study were to examine the effect of gross paid-up share capital of AIICO on its Total Premium, Total Assets, Total Profit and Shareholders Fund. The research design for the study was Ex-post facto method. The statistical analytical technique applied was Ordinary Least Square Regression. It was found that Gross paid-up share capital of AIICO has positive and insignificant effect on Total Premium of AIICO; Gross paid-up share capital of AIICO has positive and insignificant effect on Total Assets of AIICO; Gross paid-up share capital of AIICO has positive and insignificant effect on Total Profits of AIICO; and Gross paid-up share capital of AIICO has positive and significant effect on Shareholders Fund of AIICO. Based on the results it was concluded that impact of recapitalisation on the insurance industry on AIICO Plc is not significant. It was recommended that Capital available to the insurance industry should be advertised by the industry as a means of informing the general public of its capacity to insure as a way of increasing public confidence in the industry and ensuring growing patronage. Added to this, the National Insurance Commission should work more towards improving the capital management capacity of the insurance industry in order to ensure they effectively utilize the capital at their disposal. This can be achieved through conducting an industry wide seminar or conference on international best practices on capital management. Also, the practice of pooling should be reinforced by the insurance industry to effectively utilize their capital. NAICOM should encourage insurance companies that are strictly into either life or non-life segments to form pools for different classes of insurance offered in their segments.

KEYWORDS: Firm Specific, Analysis, Impact, Recapitalization, Insurance Business, AIICO

INTRODUCTION

When the insurance industry of a country experiences major financial setbacks, usually the stakeholders such as the insured public, their beneficiaries, investors, markets, intermediaries (Brokers and Agents) and the regulator will have to respond. The setbacks may be in terms of falling profitability, reduced penetration, density and premium income, insolvency, loss of key staff to other insurers and, otherwise. These can cause the public to lose confidence not only in the affected insurance company but in the entire insurance system. For example, insurance policy holders may rush to turn in their policies at Surrender value for fear of loss and quest for safety. A known response to stem the tide has always been recapitalisation, to enable the insurer continue their normal operations without interruptions. Therefore, recapitalization is embarked upon for the purpose of repositioning and strengthening insurers for satisfactory performance and to improve the quality of services from a period of underperformance and financial distress.

To allow for only capable and reputable insurance companies who are able to carry out insurance as effectively as they ought to, the minimum capital base of insurance companies in Nigeria was revised and increased. As at 2003, the minimum capital for insurance companies was 150 million Naira, 200 million Naira, 350 million Naira and 350 million Naira for life insurance, general insurance, composite insurance and reinsurance, respectively (Ojukwu, 2006). On the 15th of September, 2005, this was increased to strengthen the inefficient and rather weak industry and the companies were given 18 months to implement this. The new minimum capital became 2 billion Naira for life insurance, 3 billion Naira for general insurance and 10 billion Naira for reinsurance (Ojukwu, 2006).

The essence of the recapitalization was to flush out all inefficient and unstable insurance companies and allow for strong players in the industry. Indeed, this goal crystallized, evident from the 49 insurance and 2 reinsurance companies that remained out of the industry total of 103 companies. According to Ewedemi and Lee (2008) it changed the landscape considerably resulting in direct implications on policyholders, shareholders, potential investors, employees, and other interested parties.

STATEMENT OF THE PROBLEM

The 2005 recapitalisation exercise allowed the companies that scaled through to increase their capacities. However, Asedionlen (2004) opined that recapitalization may raise liquidity in short term but will not guaranty a conducive macroeconomic environment required to ensure high asset quality and good profitability. Empirical studies on the impact of recapitalization on insurance business in Nigeria have largely been industry based. Being only industry-wide in consideration leaves the impact on respective companies (life, non-life and composite insurers) unknown. Therefore, this study looks at a particular insurance firm (AIICO Plc) to examine the impact of 2005 recapitalisation on its business.

OBJECTIVES OF THE STUDY

The broad objective of the study was to examine the impact of recapitalization on insurance business in Nigeria. The specific objectives of the study are:

1. To examine the effect of gross paid-up share capital of AIICO on its Total Premium;

2. To evaluate the effect of gross paid-up share capital of AIICO on its Total Assets;

3. To analyze the effect of gross paid-up share capital of AIICO on its Total Profit; and

4. To measure the effect of gross paid-up share capital of AIICO on its Shareholders Fund.

REVIEW OF RELATED LITERATURE

MEANING OF INSURANCE

Insurance is the equitable transfer of the risk of a loss of human being, from one entity to another in exchange for payment (Onuorah & Okoli, 2013). It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance is a process in which the insured transfers the cost of potential loss to another entity in exchange for monetary compensation known as the premium.

Insurance is a contractual relationship in which an insurer party agrees with an insurance taker party or policyholder, against payment of a premium, to make monetary provision on behalf of an insured party to cover, after a formal claim has been filed by a (first- or third-party) claimant party, the loss of an insurable interest due to one or more future, well-defined, but uncertain events (Viaene and Dedene, 2004).

MEANING OF RECAPITALIZATION

It is a process where firms increase their capital stock by issuing shares to existing shareholders or new shareholders or a combination of both (Idris, 2016). It is one of the government's policy reforms that enable organizations to increase its capital stock substantially to sustain adequate economic growth and development. Capital adequacy is important for insurers to absorb risks till they are able to generate profit. However, insurers that are able to exceed the capital requirement stand a better chance of luring customers and instilling confidence in the system.

Recapitalization is a major reform objective which literarily means increasing the amount of long term finances used in financing the organization. This entails increasing the debt stock of the company or issuing additional shares through existing shareholders or new shareholders or a combination of the two (Oluitan, Ashamu & Ogunkenu, 2015). It could even take the form of merger and acquisition or foreign direct investment. Whichever form it takes, the end result is that the long term capital stock of the organization is increased substantially to sustain the operational activities of the business which is capable of impacting positively on the economy (Oluitan, Ashamu & Ogunkenu, 2015).

Nigerian insurance sector recapitalisation in 2005 was implemented to strengthen the insurance system, embrace globalization, improve healthy competition, exploit economies of scale, adopt advanced technologies, raise efficiency and improve profitability. Ultimately, the goal is to strengthen the intermediation role of insurers and to ensure that they are able to perform their developmental role of enhancing economic growth, which subsequently leads to improved overall economic performance and societal welfare (NAICOM, 2017).

OBJECTIVES OF 2005 NIGERIAN INSURANCE SECTOR REFORM

• To increase the industry's low retention capacity, which had stunted its growth? Government was especially concerned about low local underwriting capacity for big ticket risks in the oil and gas, aviation, marine and other special risk sectors and was determined to dam the huge foreign exchange outflow engendered by the situation (NAICOM, 2017).

• To attract foreign capital infusion into the industry for enhanced premium growth and profitability

• Achieving a consolidation that will produce companies capable of meeting claims obligations and compete at the continental and global levels

• To enable operators to attract the wherewithal for strategic investments in human Capital development – ie, to attract, train and retain professionals able to utilize new technologies for greater efficiencies (NAICOM, 2017).

• Creating a competitive environment which leads to brand-new activities, increased investment and better public awareness of the benefits of insurance to society at large

• Achieving the necessary economies of scale that will make insurance affordable and accessible

• Encouraging the industry to leverage on synergies from mergers and acquisitions and other alignments to achieve superior product innovation, deeper market penetration and product distribution (NAICOM, 2017).

OVERVIEW OF AIICO INSURANCE PLC

Established in 1963, AIICO Insurance Plc is an insurance, pension's management, and asset management Group in Nigeria (AIICO, 2017). AIICO commenced operations in Nigeria in 1963 as an Agency office of American Life Insurance Company ("ALICO") – at the time, a subsidiary of American International Group ("AIG"). The Company was incorporated, registered and licensed in Nigeria as American Life Insurance Company Limited – as a wholly owned subsidiary of ALICO/AIG – in 1970 – to offer Life and Pension products and insurance services (AIICO, 2017). The Company was renamed American International Insurance Company Limited ("AIICO") upon the acquisition of a 60% stake by the Federal Government of Nigeria, and later listed on the Nigerian Stock Exchange in 1990, after which both shareholders – the Federal Government of Nigeria and AIG divested. Its market-leading positions and key business lines are: (1) Life assurance and annuity, (2) General insurance and special risks, (3) Pension management, (4) Health insurance, and (5) Asset management.

Following the insurance industry's consolidation in 2007, the Company acquired NFI Insurance plc and Lamda Insurance Company Limited (both cumulatively accounting for less than 30% of AIICO's pre-acquisition gross premiums). The Company subsequently re-certified as both a General Insurance and Life Assurance Company – taking advantage of its legacy, brand, franchise and strong retail distribution network to grow a leading General Insurance business.

THEORETICAL FRAMEWORK

BUFFER THEORY

This study takes its theoretical basis from buffer theory of Calem and Rob (1996). The theory is anchored on the volatility of capital adequacy ratio as well as reliability and dependability on capital for long term planning. An insurer faces the danger of capital base erosion if it is unable to generate sufficient premium. In that case, the insurance firm may be endangered by capital adequacy ratio volatility. Therefore, the theory postulates that insurers may prefer to hold a *'buffer'* of excess capital to reduce the probability of falling under the legal capital requirements, especially if their capital adequacy ratio is very volatile. This is to hedge against prolonged under-capitalization and avoid sanctions and possible closure by the regulatory authorities which consider breach of the capital requirements as a major infringement of banking legislation. Given the uncertainty that surround when a loss may occur insurers are bound to always set aside money against unforeseen circumstance. The Buffer theory helps to encourage insurance firms to lay aside a sizeable pool of fund that can be used when unexpected events occur.

EMPIRICAL REVIEW

Ibiwoye and Adeleke (2008) examined whether insurance is Nigeria's next capital market 'honey pot': An investigation using daily stock data. Descriptive statistics were used for this study. In addition to the measures of central tendency like mean, median and mode we also utilize statistics such as skewness, kurtosis, and coefficient of variation; kurtosis and skewness because they characterize the shape and symmetry of the distribution and coefficient of variation because it allows one to compare the amount of variance in two or more variables that are measured in different units. We also examined the volatility of the data so as to relate the standard deviation of the change in value of a financial statement with a specific time horizon and to help in quantifying the risk of the instrument over the time period of the study. The results show that with capitalization in the insurance industry completed, investors have realized the value of insurance. They now see insurance as an emerging market. The implication of this outcome is that investors had faith in the last recapitalization exercise unlike the previous consolidations. This tends to support the widely held view that previous exercises were mere consolidations on paper as not much fresh funds were injected into the firms (Obaremi, 2008).

Ibrahim and Abubakar (2011) assessed the pre and post 2006 recapitalization impact on the profitability of quoted insurance companies in Nigeria. The study was descriptive in nature and used secondary data contained in the annual reports and accounts of the quoted insurance companies for the years 2002 to 2009. Regression analysis was employed in analyzing the data. The findings from the study revealed that recapitalization has not impacted significantly on the profitability of quoted insurance companies in Nigeria both before and after the 2006 recapitalization. Even though there are some indications for improvements in absolute average profit figures during the post recapitalization, the increase of the share capital base of insurance companies in Nigeria does not commensurate with the level of profitability achieved by the companies. It was recommended that insurance companies should be more aggressive towards securing bigger and better insurance contracts so that the increased share capital base could be efficiently and effectively utilized. Also, the Nigerian government should always consider the risks, uncertainties, and opportunities surrounding the insurance industry and employ scientific procedure in arriving at a particular recapitalization policy.

Yusuf (2011) evaluated the impact of the consolidation of insurance companies on Economic growth and development in Nigeria. The main objective was to evaluate the impact of the Insurance Companies' consolidation on the Gross Domestic Product (GDP) in Nigeria. The Econometric technique method of analysis was used. The econometric model was based on Capital Assets Pricing Model (CAPM). Relying on data collected from 1988 to 2008 shows that the Gross Domestic Product (GDP) of the economy would increase by about 55 percent variation for a unit change in the consolidation policy while holding other economic variables constant. This scenario leads credence to the fact that consolidation policy has positive impact on the economic growth and development of the country if all structural bottlenecks to implementation are removed. It is also recognized that the impact of consolidation policy on insurance companies to achieve the desired economic growth and development may not be necessary contemporaneous, but long lived if properly managed- especially as capital projects and human activities tends to have long gestation periods. To achieve intermediate and long-term economic aspirations to make Nigeria among the 20th most industrialized countries of the world (FSS 2020), efforts should be directed to develop a modern, well-structured, efficient and competitive insurance sub sector that caters for the long term needs of the economy.

Fashoto, Okpoko, Owolabi and Gbadeyan (2012) studied application of AHP model to recapitalization in insurance companies of Nigeria. Its objective was to determine whether recapitalization helps to revive the loss confidence and trust of individuals and corporate organizations on the financial competencies of the insurance companies or not especially the aviation industry. The study used Survey research design. Data was raised using Questionnaire administered to Managers of selected insurance companies. The Analytical Hierarchy Process (AHP) technique was used to process the consistency ratio, eigenvalues, eigenvectors, and consistency index and randomness index results. The findings of the study were that all the insurance companies under this study have a good capital share that is consistent, need to work more on the management efficiency and need to work more on the market share, liquidity level and technology criteria because the consistency of these factors are not stable. The results emphasize that the success of any company in the consolidation exercise should not be seen as an end in itself. Rather the insurance companies should see the exercise as a wakeup call to enable them reposition for global challenges. It was recommended that that the insurance companies should look more into their liquidity level to enable the insurance companies to be able to stand test of time as regard the recapitalization exercise.

Torbira and Ogbulu (2014) investigation into the relationship between fund mobilization by insurance companies and gross fixed capital formation (GFCF) in Nigeria and specifically how the latter responds to stimuli emanating from the insurance companies. A five variable-predictor multivariate regression model was estimated and analyzed. The short run results reveal that four explanatory variables namely: premium from fire, accidents, motor vehicles and employee liabilities insurance policies positively and insignificantly correlate with Gross Fixed Capital Formation while the relationship between premium from marine insurance policies and GFCF is both negative and insignificant. In the long run, the fund mobilization variables by insurance companies positively and significantly impact on the growth of gross fixed capital formation. In addition, the Granger causality test provides no evidence of causality among the variables. The paper therefore recommends the formulation and implementation of policy measures that will increase insurance penetration, improve insurance fund mobilization and enlarge the insurance market in Nigeria.

Kenn-Ndubusi and Akani (2015) examined the analysis effects of recapitalization on commercial banks survivals in Nigerian: pre and post camel analysis. This is because the banking industry in Nigeria has witnessed a lot of transformation as a result of the restructuring programmes channelled towards resolving the existing problems of the industry by the Central bank of Nigeria. The banking consolidation and recapitalization of commercial banks exercise which has shaped the structure of the Nigerian banking industry significantly. This was driven by the need to strengthen the banking sector and reposition the banks to be strong in order to meet up with the internationalization of financial and business globalization best practices. The exercise was deemed necessary because having a strong capital base increasing their ability to assume risk and absorb losses. The study used an Ex-post-facto research design comprising of pooled data which employs the use of secondary data covering a thirteen years period pre and post recapitalization (2006- 2012) using 10 out of the 25 banks that emerged after the transformation to test the effect of the reform . Chow test was used to check for structurally difference between the pre and post period using CAMEL framework as indicators for measurement. The result of the regression model of Minimum capital base on capital adequacy, asset quality, management quality and earnings quality and liquidity indicated an increase after recapitalization and consolidation but only

Capital adequacy and management quality had a structurally difference with the increment. Based on the findings, it is discovered that recapitalization and consolidation is a welcome development that is needed by the banks but it cannot stand alone in achieving all round soundness and stability desired by Central Bank of Nigeria, little thereafter we are still faced with the post 2006 distress of banks even after the huge recapitalization reform and the Central Bank of Nigeria bailing out 8 banks with over 400 billion in 2012. Therefore, we recommend among other things the strict compliance to corporate governance practices, zero tolerance on misreporting and fraudulent practices, enforcing laws like the liabilities of board members of failing banks and finally, every business needs an enabling environment to enhance profitability.

GAP IN EMPIRICAL REVIEW

Significant effort were made in the various literature reviewed above with the main intent to evaluate effect of recapitalsation on Nigerian insurance industry. It was observed that these studies were industry wide in coverage. By not considering a firm-specific point of view they left a gap in empirical studies. Therefore, this study sought to cover the gap by being firm specific in consideration.

METHODOLOGY

The study used the *ex-post facto* research design relying on time series data from 2007 to 2016. Secondary data was taken from the annual reports of AAICO Plc for the period under review.

With respect to the objectives the following model for estimation:

$TP = \beta0 + \beta1\ GPUSC + \mu$

$TA = \beta0 + \beta1\ GPUSC + \mu$

$TPR = \beta0 + \beta1\ GPUSC + \mu$

$SF = \beta0 + \beta1\ GPUSC + \mu$

Where: GPUSC = Gross paid-up share capital; TP = Total Premium of AIICO; TA = Total Assets of AIICO; TPR = Total Profits of AIICO; SF = Shareholders Fund of AIICO; β_0, = Constant parameters; β_1 = Coefficient parameter of the respective independent variables; μ = Error term

DESCRIPTION OF MODEL VARIABLES

INDEPENDENT VARIABLE

Gross paid-up share capital: This is a measure of how much money investors have pumped into all insurance companies since inception in return for equity.

DEPENDENT VARIABLES

Total Premium: This refers to the entire premium generated by AIICO in a given financial year.

Total Assets: This refers to the *total* amount of *assets* owned by AIICO in a particular business year.

Total Profit: This is a common measure of a company's success equal to the net revenue that remains once all costs have been deducted.

Shareholders Fund: This is the amount that would be returned to shareholders if all AIICO's assets were liquidated and all its debts repaid.

METHOD OF DATA ANALYSIS

Ordinary least square was used to test the Hypotheses. This is a method for estimating the unknown parameters in a linear regression model, with the goal of minimizing the sum of the squares of the differences between the observed responses (values of the variable being predicted) in the given data set and those predicted by a linear function of a set of explanatory variables. The p-value ($p > 0.05$) was used to measure statistical significance.

Table1Presentation of Data

YEAR	GROSS PAID-UP SHARE CAPITAL (Million)	TOTAL PREMIUM (Million)	TOTAL ASSETS (Million)	TOTAL PROFIT (Million)	SHAREHOLDERS FUND (Million)
2007	1873757	4675776	12969425	304709	5234268
2008	3485337	3581145	20313027	4051	10628429
2009	3520082	4899678	22079652	231347	11129252
2010	4400102	8214706	25369409	- 26911	11193681
2011	3465102	14699104	28344316	1332464	9605941
2012	3465102	21070249	35054680	1247963	11374298
2013	3465102	23316026	42100835	2131892	10332052
2014	3465102	20927888	58338095	2232871	11452531
2015	3465102	10410650	80126161	1195606	9371588
2016	3465102	29507169	73912962	9682115	7932941

Source: AIICO Annual Reports from 2007 to 2016

Table 2 Goodness of Fit of Models

Model	**R** (coefficient of correlation)	**AR^2** (the coefficient of determination)
1	0.175	-0.091
2	0.216	-.072
3	0.036	-.124
4	0.804	0.603

Source: Author's compilation from SPSS 20 output

Table 2 shows that in model one the coefficient of correlation at 0.175 is a positive but weak correlation between gross paid-up share capital and Total Premium of AIICO. The coefficient of determination at 0.091 shows a 9.1% fit of the model to the analysis. It points out that only 9.1% of the variation in total premium can be explained by the model.

For model 2 the coefficient of correlation at 0.216 is a positive but low correlation between gross paid-up share capital and Total Assets of AIICO. Its coefficient of determination at 0.072 shows that only 7.2% of the variation in total assets can be explained by the model.

Model 3 has a coefficient of correlation of 0.036 which is a positive and weak correlation between gross paid-up share capital and Total Profits of AIICO. The coefficient of determination at -0.124 show that only 12.4% of the variation in total profits can be explained by the model.

For model 4 the coefficient of correlation (R) at 0.804 is a positive and strong correlation between gross paid-up share capital and Shareholders Fund of AIICO. The coefficient of determination at 0.603 shows that only 60.3% of the variation in Shareholders Fund can be explained by the model.

TEST OF HYPOTHESES

The Decision rule guiding each hypothesis test holds that when t-calculated is greater than t-tabulated the null hypothesis is rejected and its alternative accepted. When t-calculated is lesser than t-tabulated the null hypothesis is accepted.

Table 3 Result of Hypothesis one test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	5256887.731	1.793E7		.293	.777
	SHARECAPITAL	2.604	5.189	.175	.502	.629

Source: Author's calculation using SPSS 20

From Table 3 it is seen that t-calculated for the independent variable (gross paid-up share capital) was 0.502. On the other hand, t-tabulated was 2.306. This was derived using t∞/2(n-k) = t (0.05/2)(10-2) = t (0.025)(8) . This gives 2.306 from the t-Distribution table. Given that t-calculated is less than t-tabulated it shows that Gross paid-up share capital of AIICO has positive and insignificant effect on Total Premium of AIICO.

Table 4 Result of Hypothesis two tests

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.174E7	4.552E7		.258	.803
	SHARECAPITAL	8.255	13.169	.216	.627	.548

Author's calculation using SPSS 20

Table 4 shows that t-calculated for the independent variable (gross paid-up share capital) was 0.627. Based on the decision rule Gross paid-up share capital of AIICO has positive and insignificant effect on Total Assets of AIICO.

Table 5 Result of Hypothesis three tests

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1260130.398	5738707.069		.220	.832
	SHARECAPITAL	.168	1.660	.036	.101	.922

Author's calculation

For Table 5, t-calculated for the independent variable (gross paid-up share capital) was 0.101. Based on the decision rule Gross paid-up share capital of AIICO has positive and insignificant effect on Total Profits of AIICO.

Table 6 Result of Hypothesis four tests

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1073160.218	2318327.799		.463	.656
	SHARECAPITAL	2.569	.671	.804	3.830	.005

Source: Author's calculation

The table shows that t-calculated for the independent variable (gross paid-up share capital) was 3.830. On the other hand, t-tabulated was 2.306. Using the Decision rule Gross paid-up share capital of AIICO has positive and significant effect on Shareholders Fund of AIICO.

DISCUSSION OF THE FINDINGS

The following findings were made in the study:

1. Gross paid-up share capital of AIICO has positive and non-significant effect on Total Premium of AIICO.

2. Gross paid-up share capital of AIICO has positive and non-significant effect on Total Assets of AIICO.

3. Gross paid-up share capital of AIICO has positive and non-significant effect on Total Profits of AIICO.

4. Gross paid-up share capital of AIICO has positive and significant effect on Shareholders Fund of AIICO.

The findings of the study were not in line with Ibiwoye and Adeleke (2008) whose result was significant as investors had faith in the last recapitalization exercise unlike the previous consolidations. Also Yusuf (2011) and Abuh (2012) found that recapitalization significantly impacted on insurance companies in Nigeria. The findings of this study differed from the studies above by being insignificant. However, this study was in line with Fashoto, Okpoko, Owolabi and Gbadeyan (2012) who found that despite having good capital share the consistency ratio of market share, liquidity level and technology of insurance companies after the recapitalsation exercise were not stable. The implication of respective results obtained for each hypothesis test shows that:

- A unit change in Gross paid-up share capital will bring about an increase in Total Premium of AIICO but the extent of increase will be small.
- A unit change in Gross paid-up share capital will bring about an increase in Total Assets of AIICO yet the degree of increase remains small.
- A unit change in Gross paid-up share capital will bring about an increase in Total Profits of AIICO but the extent of increase will be negligible.
- A unit change in Gross paid-up share will bring about an increase in Shareholders Fund of AIICO and the degree of increase will be large.

CONCLUSION

The impact of recapitalisation on the insurance industry on a firm specific basis is not wholistic. Its influence on AIICO Insurance business proxied by Total Premium, Total Assets, Total Profits and Shareholders Fund of AIICO turned out to be insignificant for the first three and significant for the last. The findings of the study advance that effect of recapitalisation on the insurance industry on a firm specific basis is not significant.

RECOMMENDATIONS

1. The Capital available to the insurance industry should be advertised by the industry as a means of informing the general public of its capacity to insure. This can be done through annual publications of National Insurance Commission (NAICOM) and Nigerian Insurers Association (NIA).

2. National Insurance Commission should work more towards improving the capital management capacity of the insurance industry in order to ensure they effectively utilize the capital at their disposal. This can be achieved through conducting an industry wide seminar or conference on international best practices on capital management.

3. The practice of pooling should be reinforced by the insurance industry to effectively utilize their capital. NAICOM should encourage insurance companies that are strictly into either life or non-life segments to form pools for different classes of insurance offered in their segments.

4. from 2005 to 2017 is twelve years. The insurance industry should be put through another recapitalization exercise to further increase their capital base. This should be aimed at matching the industry's capacity with the volume of foreign direct investment that presently is in the country. This will position the industry to win over the trust of foreign investors and be allowed to insure their investments in Nigeria.

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