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Evaluation of the Level of Information Drivers Have on the Compulsory Third Party (CTP) Insurance of Motor Vehicles in Uromi, Nigeria

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Abstract:
This paper seeks to evaluate the levels of information drivers have on the compulsory third party insurance of motor vehicles using Uromi, a town in Edo State, Nigeria as a case study. It has been observed that Third Party Vehicle Insurance is own by virtually every Nigerian vehicle user. This has been accredited to the strict regulations be the Nigerian Road Safety Corps, Vehicle Inspection Officers (VIOs) and the Nigerian Police Force. Oral interview was used to collect information from one hundred respondents across the Uromi Extraction. It was revealed that most of these vehicle users do not claim the benefits associated with the insurance they regularly pay for in cases when such incidence occurs. They rather, on their own takes care of the bodily harms on another in which they have insurance. This we believe is due to the level of information which the vehicle owners have concerning the third party insurance system.

Keywords:*Compulsory third party insurance, information, insurer, insured, awareness programme*

1. Introduction

Insurance generally could be seen as an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium. It may be described as a social device to reduce or eliminate risk of life and property. Under the plan of insurance, a large number of people associate themselves by sharing risk, attached to individual. The risk, which can be insured against include fire, the peril of sea, death, incident, & burglary. Any risk contingent upon these may be insured against at a premium commensurate with the risk involved.

Insurance is actually a contract between two parties whereby one party called insurer undertakes in exchange for a fixed sum called premium to pay the other party on happening of a certain event. Insurance is a contract whereby, in return for the payment of premium by the insured, the insurers pay the financial losses suffered by the insured as a result of the occurrence of unforeseen events.

The business of life insurance started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. We live in a world of risks. This is the reason why we see all kinds of uncertain outcomes in life. It is important to note that when the outcome is positive, we talk of chance and not risk. Without risks, there will be no insurance. As a result of the risks that we all come across every day, various methods of managing risks have been developed and insurance is also one of the methods of managing these risks. Therefore, risk can be defined 'as the likelihood that a hazard will indeed cause the peril to operate or cause the losses'. Insurance can also be defined as 'a risk transfer mechanism whereby an individual who is known as the 'insured' transfers his or her uncertainty of loss unto the shoulders of another known as the 'insurer' or insurance company‟ in exchange for a token amount of money known as the 'premium'.

It is imperative to understand that not all risks are insurable. However, following the Nigerian Insurance Act 2003, Section 2, insurable risks can be classified into two main classes which are - a. Life Insurance business and;b. General Insurance business.

In the case of Life Insurance business, there are three categories namely:
- Individual life insurance business
- Group life insurance and pension business
- Health insurance business.

In the case of General insurance business, there are eight categories:

- Fire insurance business
- General accident insurance business
- Motor vehicle insurance business
- Marine and aviation insurance business
- Oil and gas insurance business
- Engineering insurance business
- Bonds, credit guarantee and surety ship insurance business
- Miscellaneous insurance business.

For the purpose of this research, only one insurance product was considered from the General life insurance business as the commodity being sold to the insuring public. This commodity is the Motor vehicle insurance business. Vehicle insurance (also known as car insurance or motor insurance) is an insurance for purchased for cars, trucks, motorcycles, and other road vehicles. Its primary use is to provide financial protection against physical damage and/or bodily injury resulting from traffic collisions and against liability that could also arise there from. The specific terms of vehicle insurance vary with legal regulations in each region. To a lesser degree vehicle insurance may additionally offer financial protection against theft of the vehicle and possibly damage to the vehicle, sustained from things other than traffic collisions.

Vehicle insurance (also known as car insurance or motor insurance) is an insurance for purchased for cars, trucks, motorcycles, and other road vehicles. Its primary use is to provide financial protection against physical damage and/or bodily injury resulting from traffic collisions and against liability that could also arise there from. The specific terms of vehicle insurance vary with legal regulations in each region. To a lesser degree vehicle insurance may additionally offer financial protection against theft of the vehicle and possibly damage to the vehicle, sustained from things other than traffic collisions.

Vehicle insurance can cover some or all of the following items:

- The insured party (medical payments)
- Property damage caused by the insured
- The insured vehicle (physical damage)
- Third parties (car and people, property damage and bodily injury)
- The cost to rent a vehicle if yours is damaged.
- The cost to tow your vehicle to a repair facility.
- Accidents involving uninsured motorists.

Different policies specify the circumstances under which each item is covered. For example, a vehicle can be insured against theft, fire damage, or accident damage independently. In some cases, the insured has an agreement with the insurance company for a GAP (Guaranteed Auto Protection insurance) policy.

Our discussions in this paper will be further streamlined to third party insurance of motor vehicle. The impetus for this is informed be the Nigeria Government principles which makes third party insurance of vehicles to be compulsory to every vehicle owner especially in cases of accident and fire. Though car owners mostly comply with this law due to the strict regulation by the Nigerian Road Safety Corps, Many, especially the semi-literate and the illiterate group are not aware of the responsibilities of the insurance company in cases of such occurrence.

1.1. Statement of the Problem

Third party vehicle insurance is own by virtually every Nigerian vehicle user. This has been accredited to the strict regulations be the Nigerian Road Safety Corps, Vehicle Inspection Officers (VIOs) and the Nigerian Police Force. However, most of these vehicle users do not claim the benefits associated with the insurance they regularly pay for in cases when such incidence occurs. They rather, on their own takes care of the bodily harms on another in which they have insurance. This we believe is due to the level of information which the vehicle owners have concerning the third party insurance system.

1.2. Purpose of the Study

This study is aimed at ascertaining the level of information that the holders of motor-vehicle third party insurance has about the insurance policies and in turn provide an awareness to them on the benefits in cases where there are lapses on the information they have.

2. Literature Review

This section reviews related works in the literature and establishes the gap in knowledge which the work hopes to fill. Sub-sections discussed here include, the concept of insurance, motor-vehicle insurance, and the third party assurance

2.1. Concept of Insurance

Epetimehin (2010) views insurance as a financial mechanism which aims at reducing the uncertainty of loss by pooling a large number of uncertainties so that the burden of loss is distributed. Insurance also serves as a number of valuable economic functions that are largely distinct from other types of financial intermediaries. Insurers also have an incentive to control losses, which is a significant social benefit (Brainard, 2008). Insurance, as Haddrill (2006) has stated, is about more than just compensating for loss. Insurance is an intricate economic and social device for the handling of risks to life and property. It is social in nature because it represents the various co-operations of various individuals for mutual benefits by combining together funds to reduce the consequence of similar risk. Simply put, insurance is the placing back of a person who has suffered a loss in the same position he was the before loss occurred. It aims to eradicate the consequence of a loss by not allowing the insured to suffer the consequential loss (Timothy, 2011). Insurance is beneficial to individuals in many ways. Individuals, society and business benefit from scientifically calculated risk and distribution of financial loss. The premium collected by insurer is utilized for meeting their expenses and claims. The balance is invested in profitable industries. Thus, insurance speeds up industrialization. Hence, development of insurance is a symbol of development of industry, business and commerce, which, in turn, provides employment opportunities (SCERT, 2006). Businesses and individuals would be unable to take risks and protect their assets devoid of it. It allows, furthermore, the victims of accidental losses to recover financially and helps households manage their finances in the face of death and disability and its availability encourages individuals to acquire assets and invest for the future (UNEP, 2007). Insurance enables individuals and businesses to transfer the burden of risk. Pooling premiums for similar risks, it pays the costs of valid claims arising from these policyholders. Insurers organize the pooling arrangement and provide additional capital backing in case claims exceed premiums (Haddrill, 2006). More specifically, the advantage of obtaining insurance is that it allows the pooling of risks and reduces the probability of one party bearing the entire cost of a loss (IAG, 2011). Insurance is a contractual agreement between an insurance company and an insured, which, in exchange for a premium, provides financial protection for risks associated with driving or owning an automobile (Hamm, 2008). By purchasing insurance, individuals and firms can indemnify themselves against the financial effects of adverse events that may be partially or fully caused by themselves or others. Insurance thus ensures individuals are compensated, even though an individual may be responsible for causing the loss and even though a tort process may be required to extract the costs of the loss from that individual (Howell, Kavanagh &Marriott, 2002).

2.2. Definition of Motor Insurance

Automobile insurance is a contract between the insured and the insurance company that protects against financial loss. Auto policies contain a variety of coverage's that can be purchased depending upon the needs and wants of the consumer. Insured agree to pay the premium, and in return, the insurance company agrees to pay for certain expenses as defined in the policy. Having the right insurance coverage may prevent the insured from suffering a large financial loss in the event of an automobile accident (Commonwealth of Pennsylvania, 2013). Murcko (2013) defined Car insurance as it is an absolute necessity for anyone who drives a car. Even ignoring the fact that some types of car insurance are mandated by law, coverage is essential: the potential costs surrounding an accident, whether they be repair/replacement costs of the cars or other property, or medical costs of the victims, are simply too huge to exercise the risk of being without adequate coverage.

2.3. Types of Motor Insurance

There are four types of motor vehicle insurance: Compulsory Third Party (CTP) Insurance; Comprehensive Insurance; Fire and Theft Only; and Third Party Property Only.

Consumers should shop around and ensure they purchase cover appropriate to their situation.

- CTP is mandatory in all States and Territories and provides compensation for bodily injuries caused by vehicles. It does not provide cover for any damage to the vehicle and therefore other forms of motor vehicle insurance should also be purchased.
- Comprehensive Insurance can cover damage to vehicles, theft of vehicles, collision, malicious damage and weather damage. Depending on the policy, it can cover damage caused to other vehicles.
- Fire and Theft Only is a limited form of insurance that only covers for fire damage to, and theft of, vehicles. It does not cover collision damage to vehicles.
- Third Party Property only provides cover for vehicles damaged by the policyholder's vehicle. It does not provide cover for the policyholder's own vehicle. This product is generally only taken out by consumers with a low value vehicle, protecting themselves against damage to other motorists.

2.4. Benefits of Motor Insurance

Car Insurance is mandatory by law. Driving around without valid car insurance is illegal in India, Nigeria and many other countries. In case of death or bodily injury to a third party or any damage to its car, the car insurance policy provides compensation depending on the level of injury sustained. Such type of vehicle insurance is known as the third party insurance and it protects not only you but also other people or family members who may be riding / driving your car. Comprehensive car insurance protects your car from any man made or natural calamities like terrorist attacks, theft, riots, earth quake, cyclone, hurricane etc. in addition to third party's claims/damages. At times car insurance can be confusing and difficult to understand. There are certain guidelines that should be followed by the Car Insurance buyers while choosing the policy. Car insurance acts like a great friend at the time of crisis. It covers the losses made in an accident and thus saves you from paying out the huge sum from your pocket. The following are also benefit of motor/car insurance

- Provides benefits to survivors when an accident results in death.
- It covers lawsuits, including legal fees brought against you as the result of an accident.
- Covers the bills of vehicle repairs due to damage caused in an accident.
- Covers damage caused by other than an accident for example, theft, fire, etc.

- Additional discounts: Car insurance policies allow premium discounts for theft or for owning more than one policy with the same insurer.
- It also provides added advantage to extend coverage to others driving your car with your permission.
- No Claim Bonus: If you do not make a claim during the policy period, a no claim bonus is offered on renewals provided you fulfill certain terms and conditions.

3. Research Method

In this section, our discussion is centered on the method of data collection, population of the study, research sample and the instrument with which the data were collected.

3.1. Population of Research

The entire Uromi town in Edo State constituted the population of the research. This population is used to represent the entirety of the Nigeria populace.

3.2. Research Sample and Sampling Techniques

Of the drivers in Uromi, a total of one hundred drivers were randomly selected and the research questions were presented to them in the form of oral interview. These drivers cut across all works of lives including medical doctors, artisans, craftsmen, academic, etc. and commercial drivers that drives motor-vehicles such as trucks, buses, salon cars, etc. Respondents were met in parks, banks, offices and larger number of them at the Uromi market area.

3.3. Research Instrument

Data were collected through oral interviews. Questions were organized prior to the interview date and the questions were administered directly to the respondents in form of oral interview. In some cases, however, there arose some follow up questions that necessitated open discussions. These follow up questions were in most cases as a result of the response gotten from the respondents while giving answers to previously asked questions.

4. Data Presentation and Analysis

In this section,questions are presented and the responses gotten from various responses are presented and analyzed one after the other.

4.1. Data Presentation

- Question One: Do you have an insurance cover for your vehicle?
- The one hundred respondents that were interview claimed to have insurance cover for their vehicle
- Question Two:What type of insurance cover do you have for your vehicle?
- From the responses and presentation of the insurance document to us. It was revealed that all the respondents possess the Compulsory Third Party (CTP) Insurance.
- Question Three: why did you decide to do this type of insurance for your vehicle?
- From this question, 59% of the respondents claimed that they applied for the insurance cover in order to be able to present it to the Nigerian Road Safety Corps or the Police while on the high way while 32%claimed that they consulted an agent to prepare all vehicular papers for them and the agent included the insurance document, 4% claimed none ownership of the vehicle whereas; 5% claimed to have requested for the insurance in order to cover the third party damage in cases of accident.
- Question Four: Has your car been involved in a collision with another vehicle?
- The purpose of this question was to ascertain the number of respondents who would have had the course to make use of their insurance cover. Response to this question revealed that 41 percent have been involved in one form of accident or another.
- Question Five: Was there any injury sustained by your opponent?
- This question was a follow up of question 4. From the response, 27 persons of the 41 percent of the respondents claimed that their opponents sustained various degrees of injuries during collision of their vehicles.
- Question Six: What was your role in taking him/or her for medical attention?
- This question was only restricted to the 27 persons in question five that claimed that their opponents sustained various degrees of injuries. Responses to this question show that 8 percent of the respondents absconded from the scene of the incidence for fear of being lynched and fear of being responsible for the medical expenses while 19 percent were involved in taking the victims for a medical centre for urgent attention.
- Question Seven:Who paid the medical bills?
- Responses to this question were based on the responses to question six were in, 19 percent took collision victims to medical centers for attention. From the responses, 17 percent of the drivers who took their victims to the hospital participated in paying for the medical bills and expenses even up to 100% of the total bill presented. 2% on the other hand contacted their respective insurance companies who in turn paid the medical expenses of the victims.
- Question 8: Did you contact your insurance Company?
- 2 % of the population claimed that they contacted their insurance company as a result of collision whereas; others never contacted.

- Question 9: If question 8 is 'yes' what was the response of the insurance Company?
- From the responses gotten from our respondents, it was revealed that there was a swift response from the insurance company who in turn swiftly did their evaluation, recommendations and took over the bills.
- Question 10: Has there been any information, sensitization and awareness campaign by your insurance company which is aimed at enlightening you on the type of insurance policy that you choose on your vehicle?
- All respondents claimed that they have never been sensitized nor informed by their insurance company on the workings of their insurance cover with recourse to their vehicles.

4.2. Data Analysis and Discussions

From the responses gotten from questions 1 to 3, it can be deduced that most of the vehicles in Uromi have a third party insurance cover and the reason for this is largely due to the Nigerian law on motor vehicle wherein, one cannot use a motor vehicle in Nigeria without a third party insurance cover. Thus, this makes the vehicle users to apply for the insurance cover but not necessarily to claim the benefits when the need arises.

From questions 4 to 7, it can be deduced that in the event of collision or accident involving a passerby, majority of the vehicle users take personal responsibilities to treat the affected victims or rather abscond without contacting the insurance companies even after engaging in the compulsory third party insurance. This can be partly attributed to the fact that majority of those who possess the CTP insurance do not have the requisite orientation on the benefits accrue to them in cases of eventuality but rather believes that the paper is only meant to be tendered to the law enforcement agents.

From question 8 and 9, it was established that insurance companies when contacted responds swiftly to their client and provides the necessary claims on behalf of their client to the victim. However, response to question revealed that the insurance companies have greatly failed in sensitizing, educative and informing their clients on the areas their insurance cover. It further reveals that knowledge of the above will make drivers to make judicious use of the opportunity once they are availed of it.

5. Concluding Notes

Third Party Motor-Vehicle Insurance is one of the social and humanitarian engagement which a vehicle owner can in the least help in subsidizing physical and emotional trauma he/she may have caused to his victim. However, it has been revealed here that majority of the vehicle owners though registered and are certified by their insurance company to possess this CTP insurance, they do not make the appropriate use of the opportunity. This accordingly, is due to lack of sensitization, awareness campaign and proper information dissemination on the use of the CTP on the one hand and the bogus belief that the insurance cover is only meant to be shown to the law enforcement agents on the other hand.

It is therefore recommended that:

- At the point of registration, drivers should be sensitized by their insurance companies on the use of the insurance cover
- Insurance companies should create information department that will disseminate this information in motor parks, offices, market places, social media, radio, television and newspapers for adequate awareness.
- At the point of vehicle particulars' check, law enforcement agencies should as a matter of tradition educated motorists on the use of their insurance cover.
- Driving schools should include this theoretical aspect as part of their curriculum for teaching their students and these should be check mated regularly by the relevant government agency.

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