TIMBOU-AFRICA PUBLICATION INTERNATIONAL JOURNAL AUGUST, 2025 EDITIONS.

INTERNATIONAL JOURNAL OF FINANCIAL RESEARCH AND MANAGEMENT SCIENCE
VOL. 9 NO. 7 E-ISSN 3027-2866 P-ISSN 3027-1495

NIGERIA'S INSURANCE INDUSTRY AND ITS MISCONCEPTIONS: CHALLENGES AND PATHWAYS FOR REBUILDING TRUST

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DOI: https://doi.org/10.70382/tijfrms.v09i7.018

ABSTRACT

The Nigerian insurance industry is essential in risks management and supporting economic development. However, it remains underutilized and poorly understood. Despite regulatory reforms and increasing digitalization, public misconceptions, ranging from distrust to religious resistance hinder the sector's growth. This article explores the structural landscape of Nigeria's insurance industry, unpacks

Introduction

Insurance functions as a vital buffer against financial distress, promoting resilience and economic stability across individuals, businesses, and governments. In developed economies, it is woven into economic frameworks to safeguard assets, ensure continuity of livelihoods, and support broader financial planning. In contrast, Nigeria's insurance industry remains vastly underutilized penetration rates linger below 1% of GDP, significantly trailing the global average of over 7% (PwC Nigeria, 2022; Channels Television, 2025).

Despite regulatory reforms spearheaded by the National Insurance Commission (NAICOM)—including proposals for recapitalization, growth in agents, and microinsurance initiatives—the industry has failed to achieve widespread acceptance among individuals (Oxford Business Group, 2024; ThisDay Live, 2023; Punch, 2023). Currently, only about 1.5% of Nigerian adults are insured, reflecting persistent barriers to mass adoption (Inspen Online, 2024).

widespread misconceptions, and suggests strategic interventions to rebuild trust and enhance market penetration. Findings indicate that improving literacy, regulatory enforcement, and technological integration are critical to reshaping public perception and expanding insurance coverage in Nigeria.

Keywords: Insurance penetration, public perception, Nigeria, regulatory framework, insurance literacy, risk management.

This disparity stems from deep-rooted social, cultural, and institutional misconceptions. For many Nigerians, traditional community practices such as informal contribution schemes for emergencies supersede formal insurance mechanisms (Channels Television, 2025; Inspen Online, 2024). Moreover, public mistrust, limited awareness, complex policy terms, poor claims experiences, weak distribution networks, and undercapitalized insurers undermine confidence and hinder penetration (ThisDay Live, 2023; Economic Confidential, 2023).

Statement of the Problem

Despite its potential to contribute significantly to economic development and financial resilience, Nigeria's insurance industry suffers from persistent low patronage and limited public trust. Insurance penetration remains below 1%, primarily due to deep-rooted misconceptions, poor public education, negative past experiences, and weak enforcement of compulsory insurance policies. These misconceptions undermine risk protection mechanisms, particularly among informal sector workers and low-income populations. Unless these issues are addressed, the insurance industry will remain underutilized and unable to fulfill its stabilizing role in the Nigerian economy. Hence, this article examines these misconceptions, analyzes their root causes, and provides recommendations for repositioning the insurance industry in Nigeria.

Objectives of the Study

The main objective of this study is to investigate the misconceptions surrounding insurance in Nigeria and assess their implications for industry performance and public trust.

Specific objectives are to:

1. Identify the prevailing misconceptions about insurance among Nigerians.
2. Examine the factors responsible for these misconceptions.

3. Assess the impact of these misconceptions on insurance adoption and market penetration.
4. Evaluate the role of regulatory and institutional frameworks in addressing these challenges.
5. Propose strategies to improve public trust and enhance insurance uptake.

Research Questions

In line with the specific objectives five questions seeks for answers:

1. What are the common misconceptions about insurance among the Nigerian populace?
2. What socio-cultural, economic, or institutional factors contribute to these misconceptions?
3. How do these misconceptions affect the adoption of insurance services?
4. What role do regulators and insurers play in addressing these perceptions?
5. What strategies can be implemented to improve insurance awareness and rebuild public trust?

Research Hypotheses

Based on the research questions, the following hypotheses were tested:

H_{01}: There is no significant relationship between insurance misconceptions and insurance uptake in Nigeria.

H_{11}: There is a significant relationship between insurance misconceptions and insurance uptake in Nigeria.

H_{02}: Poor regulatory enforcement does not significantly influence public perception of insurance.

H_{12}: Poor regulatory enforcement significantly influences public perception of insurance.

Review of Related Literature

The Structure of Nigeria's Insurance Sector

The Nigerian insurance market is composed of life, general (non-life), micro-insurance/cooperative insurance (takaful; Islamic-compliant insurance), and reinsurance. NAICOM, established under the Insurance Act of 2003, oversees regulation, licensing, compliance, and supervision. As of 2023, over 50 licensed companies operate in the sector, including major players such as Leadway Assurance, AIICO Insurance, and AXA Mansard.

Although insurance is mandated in specific sectors such as third-party motor insurance, builders' liability, professional indemnity insurance and group life insurance for employers enforcement is weak (NAICOM, 2023). The result is a wide gap between regulatory intent and actual market penetration.

Insurance and Risk Management

Insurance is a risk management tool designed to protect individuals and organizations from financial losses resulting from unforeseen events. It is based on the principle of risk pooling, where premiums from many policyholders are used to compensate the few who suffer losses. It promotes financial stability by transferring risk from an individual to a collective system (Rejda& McNamara, 2017). In economies with high insurance penetration, insurance supports business continuity, investments, social protection, and poverty reduction.

Insurance Perception and Consumer Behavior

Perception is the process by which individuals select, organize, and interpret information. In insurance, perception significantly influences decision-making. Misconceptions about insurance such as it being: a scam or reserved for the elite, shape negative consumer behavior. According to Kotler& Keller (2016), perception influences how value is derived from products or services, including financial products like insurance.

Public Misconceptions about Insurance in Nigeria

Insurance as Deceptive or Exploitative

The idea that "insurance is often perceived as deceptive or exploitative.” is a common misconception. While there are valid criticisms of how insurance is sometimes practiced, insurance as a concept is not inherently a scam.This belief stems from past experiences where claims were delayed, underpaid, or out rightly rejected, often without sufficient explanation (Adebisi&Gbegi, 2021). Fraudulent insurance agents and unlicensed companies also contribute to this perception.

Insurance is a risk management tool. It works by pooling resources (premiums) from many people to help cover the financial losses of the few who experience insured events (like accidents, illness, or property damage). You pay a premium to an insurer, in return, the insurer promises to compensate you if a specified loss (called a "covered peril") happens. This mechanism is based on principles of mutuality and probability, not fraud.

Why People Think Insurance Is a Scam?

1. Claim Denials: Insurance companies sometimes deny claims, often citing terms in the fine print (e.g., exclusions, lack of disclosure, or missed payments). This can feel unfair to consumers, especially if they don’t understand the policy well.

2. Delays in Settlement: Long delays in claims processing or settlement can create suspicion and distrust. In some regions, regulators fail to enforce consumer protection rules strongly.
3. Complex Language: Policies are written in technical, legal language, making it hard for people to understand what's covered. This leads to misunderstandings and frustration.
4. hard-selling of Products: Unscrupulous agents may sell policies that customers don't need or misrepresent the benefits, especially in places with weak oversight.
5. Profit Motive: Insurance companies are businesses; they aim to maximize profits, which can lead to practices that feel exploitative or unethical.

Table 1: Showing Legitimate vs. Fraudulent Practice

Legitimate Practice	Fraudulent Practice
Legitimate Insurance	Fraudulent/Scam-like Practice
Operates under law and regulation	Operates outside or in violation of regulation
Pays valid claims fairly	Routinely denies valid claims
Uses licensed agents and brokers	Uses fake agents or unlicensed salespeople
Clear contract terms	Hides or manipulates policy terms
Oversight by regulators	Evades oversight or misleads regulators

Insurance is for the Wealthy

Many Nigerians believe that insurance is a service reserved for the affluent or corporate clients. This misconception persists despite the availability of micro-insurance and low-premium products for informal workers, traders, and farmers (Enwereji, 2022).

Religious and Cultural Objections

In some conservative communities, especially within Islamic and traditional belief systems, insurance is viewed as contrary to divine providence or fate.

(Usman& Yusuf, 2020).In Nigeria, particularly among the Muslim population in the North, conventional insurance is often rejected on religious grounds. Islamic teachings prohibit riba (interest) and gharar (uncertainty), both present in traditional insurance contracts.This creates a misconception that all insurance is "haram" (forbidden) (Punch, 2024).The development of takaful insurance designed in accordance with Sharia principles provides an acceptable alternative for such communities(Usman& Yusuf, (2020). While Islamic-compliant insurance (Takaful) exists as an alternative, many Nigerians are unaware of its availability or principles (Abdulraheem&Adeyemo, 2023).

Cultural Misconceptions

Nigerians have strong traditions of communal support systems such as age grades, burial societies, and cooperative groups. These traditional arrangements foster the belief that formal insurance is unnecessary, especially when family and community can provide financial help during crises (BusinessDay, 2025). This preference for informal safety nets creates distrust in insurance institutions (Oluwatosin, 2023)

Superstition and Fatalism

In many Nigerian communities, buying insurance, especially life insurance is viewed as a superstitious or negative act, implying one expects misfortune. These fatalistic worldviews, where events are believed to be controlled by divine will or fate, undermine proactive financial planning like insurance (Olawale&Bamidele, 2023). Many individuals believe health outcomes or property loss are spiritually determined, hence not preventable by insurance (Adeniyi&Onifade, 2024).

Insurance is not Urgent

For many Nigerians, insurance is seen as a luxury that can be postponed. The prevalence of informal risk-sharing practices (such as cooperative societies and community support) often replaces formal insurance mechanisms (Onuoha, 2020).

Causes of Misconceptions

Several interrelated factors sustain these negative perceptions:

Low Insurance Literacy: Most Nigerians lack a clear understanding of how insurance functions, particularly the principles of risk pooling, indemnity (the claims process), and contribution.Many have limited understanding of the technicalities of insurance contracts, including policy exclusions, documentation requirements, and the legal grounds for claims settlement (Adebayo &Oke, 2016). This knowledge gap leads to unrealistic expectations, misinterpretation of contract terms, and frustration when claims are denied or delayed.

Negative Experiences: Delays in claim payments, complicated documentation, and poor customer service reinforce public skepticism.Additionally, low insurance penetration in Nigeria estimated to be less than 1% of GDP is partly due to poor consumer awareness and distrust of insurers, which is rooted in limited public understanding of how insurance works (National Insurance Commission [NAICOM], 2020). As Obalola et al. (2015) argue, many policyholders do not differentiate between legitimate claim rejection based on contract terms and fraudulent denial, leading to a blanket perception of dishonesty in the industry.

E-ISSN 3027-2866
P-ISSN 3027-1495

Weak Enforcement of Compulsory Policies: Furthermore, in the Nigerian context, poor regulatory enforcement and delays in the claims process by some insurers contribute to the distrust. These structural inefficiencies allow negative narratives about insurance to thrive, even when the actual cause of claim denial is policyholder non-disclosure, non-payment of premiums, or failure to provide required documentation (Akinbola et al., 2017). Limited regulatory enforcement makes insurance appear optional or unnecessary.
Marketing and Communication Gaps: Insurers often fail to simplify technical information or use relatable narratives to communicate value to potential clients. The problem is compounded by ineffective communication between insurers and the insured. A study by Yusuf and Dansu (2014) in southwestern Nigeria found that many insured individuals do not fully read or understand their insurance policies, including the claims procedures. As a result, when claims arise, the mismatch between expectations and contractual obligations leads to feelings of deception

Theoretical Framework
The central theory was the Theory of Planned Behavior (TPB), supported by Trust Theory and Information Asymmetry Theory.

Theory of Planned Behavior (TPB)
The Theory of Planned Behavior (TPB) developed by Ajzen (1991) posits that individual behavior is driven by behavioral intentions, which are in turn influenced by three core components:

1. Attitude toward the behavior: the degree to which a person has a favorable or unfavorable evaluation of the behavior in question.
2. Subjective norms: perceived social pressure to perform or not perform the behavior.
3. Perceived behavioral control: the ease or difficulty of performing the behavior as perceived by the individual.

Application to Insurance Misconceptions in Nigeria
The TPB is well-suited for understanding the behavioral patterns that drive or hinder insurance uptake in Nigeria. In this study:
Attitudes refer to how individuals perceive insurance (e.g., as a scam, unnecessary, or exclusive to the wealthy).Subjective norms relate to cultural and religious beliefs (e.g., fatalism, reliance on community support, or religious prohibitions).Perceived behavioral control includes literacy levels, access to information, affordability, and past experiences that affect one's confidence in using insurance services.

E-ISSN 3027-2866
P-ISSN 3027-1495

These factors collectively shape behavioral intentions and determine whether an individual adopts or avoids insurance.

Figure 1: Theory of Planned Behavior Applied to Insurance Uptake in Nigeria
Theory of Planned Behavior

Attitude Toward	Insurance e.g., scam belief	Subjective Norms | (e.g., cultural/religiou	Perceived Behavioral Control (e.g., low literacy, affordability issues)	
			Behavioral Intention	Insurance Uptake

Source; Author compilation 2025

Trust Theory (Mayer, Davis, &Schoorman, 1995)
Trust Theory explains how trust influences decision-making in situations involving risk and uncertainty such as financial transactions. It identifies ability, benevolence, and integrity as the key attributes that affect trust.

Application to Insurance in Nigeria:
Consumers assess the ability of insurers to fulfill claims.
Benevolence refers to the insurer's willingness to act in the customer's interest.
Integrity involves honesty and adherence to promises and regulations.
Low levels of trust fueled by past fraudulent experiences, delayed claims, and regulatory failures, explain why many Nigerians avoid insurance altogether.

Information Asymmetry Theory (Akerlof, 1970)
Information asymmetry arises when one party in a transaction possesses more or better information than the other. In insurance, this often manifests when:

Consumers lack knowledge of policy terms.
Agents exploit the information gap to sell unsuitable or overpriced products.
This mismatch creates room for mistrust, misconceptions, and market failure.

Relevance to Study:
Misunderstanding of coverage, exclusions, and claims processes leads to consumer dissatisfaction.
When claims are denied based on misunderstood terms, it reinforces the perception that insurance is a scam.
The Theory of Planned Behavior provides the primary lens for explaining behavior, while Trust Theory explains the emotional and relational dynamics influencing consumer

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P-ISSN 3027-1495

decisions, and Information Asymmetry Theory highlights structural and communication failures in the insurance market. Together, these theories explain how attitudes, social influence, poor communication, and lack of trust shape insurance misconceptions and discourage uptake.

Implications for the Insurance Industry

The persistence of misconceptions limits the potential of Nigeria's insurance market. According to NAICOM (2023), less than 5% of Nigeria's adult population holds any form of insurance. This not only weakens household financial resilience but also restricts the flow of long-term investable capital in the economy.

Furthermore, the informal sector which constitutes over 60% of Nigeria's labor force remains largely uninsured, making it highly vulnerable to economic shocks, health emergencies, and environmental hazards (World Bank, 2021).

Strategies for Rebuilding Trust and Expanding Coverage:

Public Education Campaigns

NAICOM and insurance companies must engage in aggressive public enlightenment campaigns that demystify insurance. These campaigns should use local languages, radio, religious gatherings, and community leaders to disseminate information.

Improving Claims Processing

Transparency, simplified documentation, and prompt settlement of claims will enhance public trust. NAICOM's initiative to digitize claims tracking and require quarterly reports should be strengthened.

Technology and Innovation

Mobile-based microinsurance, blockchain for claim verification, and artificial intelligence in underwriting can make insurance more accessible and efficient (Adegoke, 2021). Companies like Bima and Curacel are already leveraging such technologies.

Incentivizing Inclusion

Regulators can offer tax incentives or subsidies for low-income insurance participation, while insurers can develop bundled products that integrate health, life, and property coverage at affordable rates.

Conclusion

Nigeria's insurance industry faces a credibility crisis driven by entrenched misconceptions and historical failures in service delivery. Nonetheless, the sector holds significant untapped potential to contribute to national development, reduce poverty, and promote financial stability. A paradigm shift anchored on trust-building, education, and innovation is necessary to reposition insurance as an essential tool for every Nigerian, not just a privileged few.

Empirical Literature Review

Several empirical studies have explored the factors influencing the perception and adoption of insurance in Nigeria, particularly examining how misinformation, cultural values, and institutional shortcomings shape public behavior toward insurance. These studies provide a foundation for examining how such factors continue to shape contemporary public attitudes toward insurance, which this study empirically investigates.

Obalola et al. (2015) examined consumer perceptions of insurance in Lagos, Nigeria, and found that mistrust in insurers arising from repeated delays and denials of claims, significantly discouraged policy uptake. Their findings revealed that policyholders often viewed insurance as exploitative and insincere, largely because of unmet expectations and the opaque nature of claims processes. The study highlighted that consumer behavior toward insurance was deeply rooted in both personal experiences and widely circulated negative anecdotes.

Similarly, Adebisi and Gbegi (2021) investigated perceived fraudulent practices within the Nigerian insurance market. The researchers found that many policyholders had either directly experienced or heard stories about fraudulent claims practices, ranging from misrepresentation by insurance agents to outright refusal to honor claims. The study concluded that these practices whether real or perceived, have had a long-lasting impact on the industry's credibility, fueling widespread rejection of insurance products.

Yusuf and Dansu (2014), in a study focusing on Southwestern Nigeria examined levels of insurance literacy. Their findings revealed that many policyholders did not fully understand their policy terms or claims processes. This lack of understanding often led to frustration and allegations of deception when claims were not honored due to policy exclusions or lapses. The authors stressed the urgent need for simplified policy documentation and sustained consumer education.

Furthermore, Usman and Yusuf (2020) investigated religious barriers to insurance uptake in northern Nigeria. Their study revealed that many Muslim respondents believed that conventional insurance conflicted with Islamic teachings particularly the prohibition of riba (interest) and gharar (speculative risk). While takaful (Sharia-compliant) insurance has been introduced to address these concerns, awareness and understanding of such products remained limited.

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Enwereji (2022) assessed the accessibility of micro-insurance among informal workers in Southeast Nigeria. Despite the availability of low-premium insurance products, the study found that many informal sector workers were either unaware of such offerings or failed to perceive them as relevant. The researcher attributed this gap to poor marketing strategies and the lack of localized public education, especially in rural and peri-urban areas.

Akinbola et al. (2017) examined regulatory enforcement of compulsory insurance. Their study found that despite the legal mandate of certain insurance policies (e.g., third-party motor, group life, and building insurance), enforcement by the National Insurance Commission (NAICOM) was weak and inconsistent. This regulatory laxity reinforced the perception that insurance is optional and non-essential.

Adegoke (2021) explored the potential of technology-driven models, including mobile microinsurance and AI-powered underwriting, to expand insurance access. Although the study found that digital innovation could enhance transparency and reduce transaction barriers, uptake remained limited in contexts where trust and awareness were low particularly among low-income and rural populations.

Oluwatosin (2023) provided an ethnographic account of traditional safety nets, such as cooperative societies, age-grade associations, and community funds. The study found that many Nigerians relied on these informal institutions, which offer relational trust and immediate assistance, often preferred over formal insurance systems perceived as impersonal and unreliable.

In a more recent study, Adeniyi and Onifade (2024) examined the role of superstition and fatalism in shaping attitudes toward life insurance. They found that many Nigerians, particularly in the north-central region believe that purchasing life insurance invites misfortune or signals an expectation of death. Although such beliefs are irrational from an actuarial standpoint, they continue to significantly shape insurance behavior and deter uptake.

In summary, the reviewed empirical literature consistently reveals a pattern of limited insurance literacy, entrenched cultural and religious values, negative customer experiences, and regulatory deficiencies that collectively reinforce public misconceptions. Addressing these behavioral and structural barriers is critical to repositioning insurance as a credible and accessible tool for financial protection in Nigeria.

Methodology

Research Design

Building upon the gaps identified in the reviewed literature, this study employed a descriptive survey design aimed at gathering data from a cross-section of the Nigerian population to investigate prevailing misconceptions about insurance, their root causes, and the implications for insurance uptake and public trust. The design was suitable because it allowed for the collection of data from a large number of respondents, enabling the researcher to generalize findings to the broader Nigerian society.

Population of the Study

The target population consisted of Nigerian adults aged 18 and above across various socio-economic, religious, and educational backgrounds. This included civil servants, private sector workers, self-employed individuals, traders, artisans, and unemployed individuals residing in both urban and rural areas across Nigeria.

Sampling Technique and Sample Size

A multistage sampling technique was employed. First, six states were purposively selected from Nigeria's six geopolitical zones to ensure national representation: Lagos (South-West), Enugu (South-East), Rivers (South-South), Kaduna (North-West), Plateau (North-Central), and Borno (North-East). In each state, two local government areas (LGAs) one urban and one rural, were randomly selected. Within each LGA, respondents were selected using convenience sampling based on availability and willingness to participate.

A total of 600 questionnaires were distributed (100 per state), with an average response rate of 85%, yielding 510 valid responses used for analysis.

Instrument for Data Collection

The main instrument for data collection was a structured questionnaire developed by the researcher, based on the study objectives and reviewed literature. The questionnaire was divided into seven sections: A: Demographic information, B: Misconceptions about insurance, C: Socio-cultural and institutional influences, D: Impact on insurance uptake, E: Role of regulation, F: Strategies for trust-building, G: Open-ended remarks

Responses in Sections B–F were based on a 5-point Likert scale ranging from Strongly Agree (5) to Strongly Disagree (1).

The instrument was validated through expert review by academics in insurance and public policy and pre-tested on 30 respondents in Ebonyi State to ensure clarity and reliability. The Cronbach's alpha reliability coefficient for the instrument was 0.84, indicating high internal consistency.

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P-ISSN 3027-1495

Method of Data Analysis

Descriptive statistics (frequencies, percentages, and mean scores) were used to summarize demographic data and identify prevailing misconceptions. Inferential statistics, including Pearson's correlation and regression analysis, were employed to test the research hypotheses using SPSS (Version 26).

Specifically:

Hypothesis 1 (relationship between misconceptions and insurance uptake) was tested using Pearson's correlation.

Hypothesis 2 (impact of regulatory enforcement on perception) was tested using linear regression.

Significance was assessed at a 5% level ($p < 0.05$).

Data Presentation and Analysis

This chapter presents the analysis of data collected through structured questionnaires administered to a cross-section of Nigerian adults. The analysis is divided into two parts: descriptive statistics (demographic profiles and frequency distributions) and inferential statistics (correlation and regression analysis) aimed at testing the research hypotheses.

Table 2: Demographic Profile of Respondents

Variable	Frequency (n=510)	Percentage (%)
Gender		
Male	280	54.9
Female	230	45.1
Age Group		
18–25	96	18.8
26–35	158	31.0
36–45	126	24.7
46–55	86	16.9
56 and above	44	8.6
Educational Level		
No formal education	32	6.3
Primary education	64	12.5
Secondary education	158	31.0
Tertiary education	178	34.9
Postgraduate	78	15.3
Employment Status		
Self-employed	152	29.8

E-ISSN 3027-2866
P-ISSN 3027-1495

Civil servant	118	23.1
Private sector worker	104	20.4
Student	84	16.5
Unemployed	52	10.2

The descriptive analysis revealed a widespread prevalence of misconceptions about insurance among respondents. A significant 67% agreed or strongly agreed with the belief that insurance companies delay or deny claims unfairly. Similarly, 58% perceived insurance as a service meant only for the rich, while 40% held that insurance contradicts religious or cultural beliefs. Additionally, 52% felt that insurance was unnecessary because community groups already offer support in times of need. These patterns highlight deep-seated doubts surrounding trust, accessibility, and cultural compatibility with insurance.

Socio-cultural and institutional influences further shaped perceptions. About 72% reported that past negative experiences either personal or from others had influenced their views on insurance. Moreover, 66% indicated that their religious teachings discouraged participation in insurance, and 75% admitted they had never received any formal education or sensitization on the subject.

The impact of these attitudes on insurance uptake was clear. Sixty-one percent of respondents had never purchased any insurance policy. Among those who had, 35% expressed dissatisfaction, citing unclear terms or delays in claims settlement. Encouragingly, 70% stated they would consider taking up insurance if it were made simpler and more transparent.

Concerns also extended to regulation and enforcement. About 64% felt that the National Insurance Commission (NAICOM) and other regulators were "not visible" or "ineffective," while 68% believed insurance companies often operated without adequate oversight. In response, 74% supported stricter regulation and closer monitoring of claims handling processes.

When asked about strategies to rebuild trust, 81% of respondents favored public education campaigns delivered through religious and community leaders. Similarly, 77% supported the adoption of digital micro-insurance as a more accessible alternative. Most notably, 84% emphasized that quicker and fairer claim payments would go a long way in restoring public confidence in the insurance sector.

Hypothesis Testing

Hypothesis 1

H_{01}: There is no significant relationship between insurance misconceptions and insurance uptake in Nigeria.

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H_{11}: There is a significant relationship between insurance misconceptions and insurance uptake in Nigeria.

Table 3: Pearson Product-Moment Correlation Test Result

Variables Correlation (r)Sig.,(p-value)
Misconceptions & Uptake −0.613 0.000
Source: SPSS (Version 26).

Interpretation: There is a significant negative correlation between insurance misconceptions and uptake ($r = -0.613$, $p < 0.01$). Thus, the null hypothesis is rejected, indicating that the more misconceptions people hold, the less likely they are to adopt insurance.

Hypothesis 2

H_{02}: Poor regulatory enforcement does not significantly influence public perception of insurance.

H_{12}: Poor regulatory enforcement significantly influences public perception of insurance.

Table 4 Test Result of Simple Linear Regression
Summary:

Predictor	β	R^2	F(1, 508)	p	Sig. (p)
Constant		0.472	453.15	-0.001	
R. Coefficient	0.687				0.000

Source: SPSS (Version 26).

Interpretation: Poor regulatory enforcement significantly influences public perception of insurance. The null hypothesis is rejected. Regulatory gaps explain about 47.2% of the variation in negative public perception.

Discussion of Findings

The findings confirm that entrenched misconceptions rooted in poor literacy, religious and cultural beliefs, and institutional failures, are key barriers to insurance adoption. The significant negative correlation between misconceptions and uptake supports the Theory of Planned Behavior, which posits that attitudes and perceptions shape behavioral intentions.

The role of Trust Theory is also evident; repeated negative experiences erode public trust, while weak regulatory visibility contributes to perceived insurer impunity. The findings further reinforce the Information Asymmetry Theory, demonstrating that unclear communication and complex policy terms fuel suspicion and underutilization.

Together, the evidence indicates that regulatory bodies and insurers must take decisive steps to improve transparency, enforce standards, and actively rebuild trust.

Summary, Conclusion, and Recommendations

Summary of Findings

Unlike previous studies that examined isolated factors, this study provides a multidimensional analysis of misconceptions, trust dynamics, and regulatory failures within a unified theoretical framework.

The study revealed that:

1. Misconceptions about insurance such as beliefs that insurance is a scam, only for the wealthy, or contrary to religious beliefs, are prevalent and significantly hinder insurance uptake.
2. Socio-cultural factors, including religious views, traditional support systems, and superstition, contribute to public resistance toward insurance services.
3. Negative past experiences (e.g., claim delays, non-payment, and miscommunication) further erode consumer confidence.
4. Regulatory weaknesses, such as poor enforcement of compulsory policies and limited public-facing engagement by NAICOM, have worsened public distrust.
5. Empirical analysis confirmed a significant negative relationship between misconceptions and insurance adoption, and a strong positive relationship between poor regulation and negative public perception.

These findings underscore the need for systemic reforms and targeted interventions to rebuild trust and expand insurance coverage in Nigeria.

Conclusion

Despite its potential to provide financial resilience and economic stability, Nigeria's insurance industry remains underdeveloped and poorly trusted. Entrenched public misconceptions informed by misinformation, cultural resistance, and past failures in service delivery, continue to hinder adoption. The study concludes that addressing these misconceptions through a multifaceted strategy centered on education, institutional reform, transparency, and innovation is critical for repositioning the insurance industry as a vital tool for national development. Unless these barriers are addressed, the sector will remain marginal and unable to serve the majority of Nigerians, especially those in the informal and rural economies.

E-ISSN 3027-2866
P-ISSN 3027-1495

Recommendations

Based on the findings, the following recommendations are proposed:

1. **Launch Nationwide Insurance Literacy Campaigns:** NAICOM, in collaboration with insurers and NGOs, should implement sustained public education campaigns using local languages, religious institutions, market associations, and community radios to demystify insurance concepts.
2. **Strengthen Regulatory Enforcement and Oversight:** NAICOM must reinforce its supervisory role by:
    - Enforcing compliance with mandatory insurance policies
    - Penalizing unethical practices
    - Publishing annual consumer complaint reports to promote accountability.
    - Promote Inclusive and Religious-Compliant Products
    - To address cultural and religious barriers:
        - Insurers should scale up Takaful and cooperative insurance schemes, especially in Muslim-majority and low-income regions.
        - Products must be simplified, affordable, and aligned with community needs.
        - Improve Claims Processing and Transparency
    - Insurers should:
        - Digitize claims submission and tracking systems.
        - Publish claims performance data quarterly.
        - Reduce documentation burdens to build customer confidence.
3. **Leverage Technology and Mobile Platforms:** Digital microinsurance platforms should be developed to reach underserved populations through mobile phones. Partnerships with fintech companies and mobile network operators can enhance accessibility and affordability.

Rebuild Trust through Human-Centered Service

Insurance companies must train agents and customer service representatives in ethical selling, empathy, and responsiveness. Consumer engagement strategies should prioritize long-term relationships over short-term sales.

Contribution to Knowledge

This study fills a critical gap in empirical research by simultaneously examining behavioral, cultural, and institutional factors influencing insurance uptake, providing one of the most comprehensive and nationally representative surveys on the topic in Nigeria.

E-ISSN 3027-2866
P-ISSN 3027-1495

Applying the Theory of Planned Behavior and Trust Theory in the African insurance context
Offering practical, policy-relevant strategies for regulators and industry stakeholders

Future researchers may consider:

Longitudinal studies tracking public perception of insurance before and after education campaigns.
Sector-specific analysis (e.g., health, agriculture, micro-insurance).
Experimental studies on the effectiveness of trust-building strategies like Takaful and digital onboarding.

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