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AN ASSESSMENT OF THE EFFECT OF INSURANCE COMMISSION ON THE PERFORMANCE OF INSURANCE BROKERAGE FIRMS FOR NON-LIFE INSURANCE COVERS

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Abstract

The core of the business model for insurance brokerage companies is commissions. Brokers often receive a percentage of the client premium. This commission-based structure may have an impact on broker conduct, which may have an effect on the recommended policy types and the clients targeted. It is a tough endeavor to balance the financial incentive with moral considerations and client wellbeing. The aim of this study is to assess the effect of insurance commission on the performance of insurance brokerage firms in Nigeria for non-life insurance covers. The specific objectives are to identify the firm-specific factors that determines the insurance brokerage firms' profitability in Nigeria and the effect of earned commission on the profitability of insurance brokerage firms' in Nigeria. The study adopted survey research design and the population of the study is 398 registered insurance brokers in Nigeria. The sample size was 200 using simple random sampling. Questionnaire was used to collect the data and the data was analyzed using regression analysis The study revealed that the amount of premium paid by the insured affects profitability of insurance brokerage firms in Nigeria. The study concludes that there is a positive relationship between profitability and size of insurance brokerages as measured by market share. The study thus *recommends that in order for insurance brokerage firms to increase their profitability there is need for them to increase their market share.*

Keywords: *commission, brokerage, profitability, non-life insurance companies*

JEL Classification: *G22, L84, D82, L25*

1.1 Introduction

The insurance sector plays an important role in the financial sector. Insurance is key in reducing the effects of economic shocks, which improves the economic system (Haiss & Sumegi, 2020). Particularly, they achieve this through contributing towards the reduction of financial cost, spreading of financial loses, risk management and reduction of countrywide risk exposure. Therefore every stable financial system requires the support of a vibrant insurance industry. In developing economies particularly, a vibrant insurance industry can make a significant contribution towards improving the economy (Epetimehin & Ekundayo, 2019). Like many other nations, Nigeria has a thriving insurance sector that offers a range of life and non-life (also known as general) insurance options. Non-life insurance includes a variety of topics, including, but not limited to, property, liability, auto, health, and travel insurance. The insurance sector is essential to risk management and financial security for both individuals and companies (Al-Shami, 2022).

The National Insurance Commission (NAICOM) oversees the regulation of the insurance market in Nigeria. For insurance companies and intermediaries, such as insurance brokerage firms, NAICOM establishes guidelines and standards. Licenses, commissions, market behaviour, and consumer protection are all covered by these legislations. For the purpose of assessing the dynamics of insurance commissions and brokerage business performance, it is essential to comprehend this regulatory environment. Nigeria's insurance market has developed over the years, with both the life and non-life segments making a substantial contribution to the nation's economic development and risk management. Regulations have changed, consumer preferences have changed, and technology has advanced, all of which have had an impact on the insurance market and the environment in which insurance brokerage firms operate.

In the Nigeria insurance sector, insurance brokerage companies act as middlemen, facilitating communication between clients and insurers and offering knowledgeable advice on policy selection, coverage personalization, and claims handling. Insurance brokerage companies are essential elements of the insurance ecosystem in many countries, including Nigeria. They make sure that clients' various non-life insurance needs are fulfilled successfully and efficiently. The core of the business model for insurance brokerage companies is commissions. Brokers often receive a percentage of the client premium. This commission-based structure may have an impact on broker conduct, which may have an effect on the recommended policy types and the clients targeted. It is a tough endeavour to balance the financial incentive with moral considerations and client wellbeing.

The relationship between a brokerage business and a client is built on the pillars of knowledge and trust. Insurance brokers are entrusted with helping clients understand the complexities of insurance plans by translating them into understandable words and leading them through the confusing array of coverage options to choose policies that fit their risk profiles. Insurance commissions, which are often a portion of the client's insurance premium payment, are the means through which insurance brokerage businesses get paid in exchange for their services. While acting as the main source of income for brokerage firms, this commission structure also provides a complex dynamic that requires careful examination (Chatzoglou, 2020). With their specialized knowledge and ability to provide clients with specialized coverage solutions, insurance brokerage firms play a crucial role in bridging the gap between insurance companies and customers. They ensure customers receive the best value for their insurance needs while bringing efficiency and convenience to the insurance purchasing process. Property, liability, marine, motor, health, and travel insurance are just a few examples of the many sectors that non-life insurance can cover. The market dynamics, risk variables, and client demands vary for each of these subcategories. For insurance brokerage companies, this diversity offers opportunities as well as obstacles. Insurance brokers' relationships with their clients are based on trust. Brokers have a fiduciary obligation to look out for their clients' best interests. If not properly handled, the commission structure could, however, result in conflicts of interest. Regulatory organizations frequently create rules to make sure that brokers give clients' demands top priority and provide clear information (Derrig, 2022).

1.2 Statement of the Problem

In Nigeria, the non-life insurance brokerage market plays a critical role in bringing together clients looking for non-life insurance coverage and insurance providers. The commission system acts as a key motivator for brokerage businesses in this dynamic ecosystem, establishing their financial viability and driving their attempts to match consumers with appropriate insurance products. But because insurance commissions and brokerage business success are inextricably linked, there are a number of ethical issues, potential conflicts of interest, and client welfare issues that need to be taken into account. In the context of Nigeria's non-life insurance coverage, the issue at hand is on the delicate balancing act between financial incentives and client-focused service quality. The following query is the crux of the matter: How do insurance commissions affect Nigerian insurance brokerage firms' actions and results, and how much do these dynamics affect the calibre of service given to customers looking for non-life insurance coverage?

Insurance customers depend on brokerage companies to help them through the complexities of non-life insurance plans and make sure that their coverage fits their individual needs and risk tolerances. The basic trust that underpins the broker-client relationship may be jeopardized if commission-driven incentives lead brokers to adopt strategies that provide bigger profits but may not be best for clients. The National Insurance Commission (NAICOM), which is in charge of overseeing the Nigerian insurance regulatory system, seeks to promote moral standards and protect the interests of customers. The rules governing commissions and the conduct of brokerage companies may need to be re-evaluated by regulatory bodies if commission arrangements result in behaviours that violate these standards. Insurance brokerage companies themselves struggles with how to balance the need to make money with their moral duty to put their clients' interests first. Finding this balance is not an easy effort, and for the sector to grow sustainably and professionally, it is essential to comprehend the complex relationship between insurance commissions and brokerage company behaviour.

1.3 Objectives of the Study

The aim of this study is to assess the effect of insurance commission on the performance of insurance brokerage firms in Nigeria for non-life insurance covers. Specifically, the study seeks.

i. To identify the firm-specific factors that determines the insurance brokerage firms' profitability in Nigeria.

ii. To determine the effect of earned commission on the profitability of insurance brokerage firms' in Nigeria.

2.0 Literature Review

2.1 Conceptual Framework

2.1.1 Insurance brokerage firm as an intermediary

Insurance intermediaries serve as the critical link between insurance companies seeking to place insurance policies and consumers seeking to procure insurance

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coverage. Intermediaries, traditionally called brokers or agents or producers, offer advice, information and other services in connection with the solicitation, negotiation and sale of insurance. Over the last two decades, many professional intermediaries have developed services that go beyond the services related to the transferring of risk from insured to insurers; Intermediaries now offer services such as the evaluation and implementation of alternative means of funding for potential losses, risk management strategies and claims management Insurance intermediaries facilitate the placement and purchase of insurance, and provide services to insurance companies and consumers that complement the insurance placement process. Traditionally, insurance intermediaries have been categorized as either insurance agents or insurance brokers. The distinction between the two relates to the manner in which they function in the marketplace.

Insurance Agents are, in general, licensed to conduct business on behalf of insurance companies. Agents represent the insurer in the insurance process and usually operate under the terms of an agency agreement with the insurer. The insurer-agent relationship can take a number of different forms. In some markets, agents are "independent" and work with more than one insurance company (usually a small number of companies); in others, agents operate exclusively either representing a single insurance company in one geographic area or selling a single line of business for each of several companies. Agents can operate in many different forms independent, exclusive, insurer-employed and self-employed. Insurance brokers typically work for the policyholder in the insurance process and act independently in relation to insurers. Brokers assist clients in the choice of their insurance by presenting them with alternatives in terms of insurers and products. Acting as "agent" for the buyer, brokers usually work with multiple companies to place coverage for their clients. Brokers obtain quotes from various insurers and guide clients in determining the adequate policy from a range of products (John, 2018)

In some markets, there are distinctions among brokers depending upon the types of insurance they are authorized (licensed) to intermediate all lines of insurance, property and casualty or life/health coverage. While most, if not all, brokers are active in commercial lines, some also intermediate personal lines policies. There are also distinctions between "retail brokers," who negotiate insurance contracts directly with consumers, and "wholesale brokers," who negotiate insurance contracts with retail brokers and agents, but not directly with consumers. Reinsurance brokers solicit, negotiate and sell reinsurance cessions and retrocessions on behalf of ceding insurers seeking coverage with reinsurers (Harold, 2019).

2.1.2 Insurance brokerage firm in Nigeria

By matching clients looking for insurance coverage with appropriate policies provided by various insurance providers, insurance brokerage businesses play a crucial role as intermediaries within the insurance sector (Green and Segal, 2019). Brokerage companies for insurance are essential in Nigeria for assisting with risk management and monetary security for both private citizens and corporate entities. Between insurance buyers (customers) and insurance providers (businesses), insurance brokerage firms in Nigeria serve as an intermediary with primary responsibilities such as evaluation of customers' insurance needs and risk profile for both individuals and corporations, identify best solutions for coverage, make policy recommendations based on their knowledge of the market and the needs, preferences, and risk tolerance of their clients (Harrington & Niehaus, 2022). To find policies that provide the best coverage and value for customers, brokers examine the offerings from multiple insurance providers, brokers bargain with insurance companies to obtain beneficial terms and conditions for customers, brokers modify insurance plans to meet the unique needs of clients, making sure that potential hazards are sufficiently covered. In the case of a claim, brokers guide clients through the claims procedure to enable prompt and effective settlements.

Nigerian insurance brokerage companies function within the legislative boundaries set by the National Insurance Commission (NAICOM). The NAICOM establishes standards for broker licensure, registration, performance requirements, and ethical behaviour. These rules must be followed in order for brokerage businesses to conduct business ethically and transparently.

2.1.3 Performance of insurance brokerage firm

The degree of client satisfaction is a key performance indicator McClenahan (2019). This entails assessing the level of responsiveness, service quality, and degree to which brokers fulfil customers' insurance needs, it is essential that brokers be able to provide policies that meet the risk profiles and particular requirements of their clients. Policies that sufficiently address the risks posed by clients show the broker's competency. Michael (2021) Effective management of insurance claims is a key performance component. Brokers who supports quick and efficient claims handling, increases client satisfaction and trust, increasing market share and clientele reflect brokerage firms' success in luring and keeping customers. Increasing their clientele shows that they are competitively strong. High client retention rates are a sign of the confidence and happiness of the clientele. Long-term connections with clients are a sign of a broker's capacity to continue to add value. The ethical behaviour of brokerage firms, adherence to legal requirements, and transparency of commission systems all speak to their professionalism.

The following elements have an impact on how well insurance brokerage firms operate in Nigeria: Businesses are better able to offer clients useful services when they have a thorough awareness of the insurance market, including the various plans, costs, and market trends, brokerage companies that employ informed, skilled people are better able to provide clients with sound advice and answers, establishing enduring bonds of loyalty and trust with customers. Positive performance results are influenced by effective communication and tailored service. Adherence to regulatory regulations guarantees that brokerage businesses conduct business in a morally and openly, improving their performance and reputation.

2.1.4 Insurance commission

In the context of the insurance industry, the word "insurance commission" refers to the payment that insurance agents, brokers, and intermediaries receive in exchange for facilitating insurance transactions. It acts as a financial incentive for insurance professionals to market, sell, and service insurance policies and represents a portion of the insurance premium paid by the policyholder. Insurance commissions are used to encourage and reward those who work in the distribution and sale of insurance goods. This covers brokers, agencies, and other middlemen in the insurance industry. The commission provides as payment for the time, skill, knowledge, and resources used to help clients find the best insurance coverage, explain the terms of the policies, and help process claims. Insurance brokers On the other hand are independent intermediaries that can provide products from several insurance providers. They receive compensation for their services and assist consumers in comparing and choosing insurance from a variety of insurers. Commission structure, are often determined as a percentage of the insurance premium that the policyholder has already paid. Various elements, including the type of insurance, the insurer's policies, and the distribution method, might affect the percentage. For the original sale of a policy, commissions can be paid once, or they can be paid repeatedly for as long as the policy is in effect (renewal commissions).

2.2 Theoretical Framework

2.2.1 Resource-Based View

The Resource-Based View (RBV) examines how firms use a mix of resources to gain competitive advantage. It postulates that institutions or corporations gain competitive advantage through the (valuable) resources they possess (tangible and intangible). From the perspective of a brokerage firm, firms must possess unique resources in order to stand out and command the market. The firm should examine its resources; whether it is unique, valuable and difficult to imitate or copy (Barney, 2017). Resources for insurance brokerage companies in the non-life insurance business may include money, people, technology, connections with insurers and customers, brand reputation, and expertise in the Nigerian insurance market. Not all resources are worth the same amount. According to RBV, insurance brokerage firms need to have resources that are valuable, uncommon, and challenging to duplicate in order to have a competitive advantage.

2.2.2 Agency Theory

The connection between principals (owners or shareholders) and agents (people or entities acting on behalf of the principals) when there is a delegation of decision-making authority is examined by agency theory, a fundamental framework in organizational economics and management. When analyzing "Assessment of Insurance Commission and Performance of Insurance Brokerage Firms in Nigeria for Non-Life Insurance Cover," agency theory can be used to comprehend the interactions and dynamics between insurance companies (principals) and insurance brokerage businesses (agents). Insurance firms take on the role of the principals while discussing non-life insurance. They use insurance brokerage companies as their agents to sell insurance policies, oversee client relationships, and protect the interests of policyholders.

The existence of knowledge asymmetry between principals and agents is emphasized by agency theory. This means that, in the case of insurance, insurance companies might not be fully aware of how brokerage firms are promoting their interests or the specific terms of policies sold to clients. This knowledge gap may cause potential conflicts of interest and make it difficult to keep track of agent activity.

2.3 Empirical Framework

Boquist and Dewey (2020) delves into connection between insurance business performance, management control systems, and broker compensation. The study looks into how various commission arrangements impact the actions and output of insurance brokers.The result showed a significant positive relationship between insurance business performance and broker compensation

Sarkar and Stavins (2019) The purpose of this study is to better understand how insurance brokerage compensation affects insurers' and brokers' interests' alignment. It offers perceptions on how various pay arrangements affect property-casualty insurers' performance.

Zheng and Berkman (2018) delves into how broker remuneration affects the market for property-liability insurance. The study investigates how commission arrangements impact brokers' and insurers' actions.

IMPROVE ON THIS

3.0Methodology

3.1Research Design

A survey research design will be used for this investigation. The survey study design was selected because it is useful for describing the characteristics of a large population. It also ensures a more accurate sample to collect focused data from which to draw conclusions and make important decisions. Structured questionnaire was used to collect the data. The population of the study consists of all the 398 registered insurance brokers (NCRIB, 2019). It is believed that the answers from the sample respondents will accurately reflect the views of all Nigerian registered brokers' view. The Taro Yamani formula was used to calculate the sample size in order to select the appropriate sample for the study, which used the purposive sampling approach. The following formula is provided as:

$$n = \frac{N}{1 + N(e)2}$$

Where n = sample size, N = population size e = error limit
N = 398 e = 0.05
Therefore, n = 200 approximately. The sample size if the study were 200 registered insurance brokerage firms in Nigeria. Regression analysis was used to test the hypotheses formulated to assess the effect of insurance commission on the performance of insurance brokerage firms in Nigeria for non-life insurance covers**.**
In order to verify that results 0.7 of Cronbach α are acceptable values of consistency, 35 copies of the questionnaire were given to managers of randomly chosen registered insurance brokerage firms in Lagos State.

4.0 Data Presentation and Analysis

4.1 Presentation of Data

The Analysis of the bio-data of the respondents, the analysis was done with respect to gender, age, Work experience, educational qualification and position at work.

Table 4.1 Demographics of the respondents

VARIABLES		FREQUENCY	PERCENTAGE (%)
SEX	Male	80	45.5
	Female	96	54.5
	Total	**176**	**100**
AGE (YEARS)	18 but less than 30	52	29.5
	30 but less than 40	43	24.4
	40 but less than 50	24	13.6
	50 but less than 60	40	22.7
	60 and above	17	9.7
	Total	**176**	**100**
EDUCATIONAL QUALIFICATION	Bachelor's degree/HND	56	31.8
	Master's degree	31	17.6
	Doctorate degree	39	22.2
	Professional certificate	35	19.9
	OTHERS(ND,SSCE,etc)	15	8.5
	Total	**176**	**100**

Source: Field survey 2023

Table 4.1's data make it clear that male respondents made up 45.5% of the sample while female respondents made up 54.5%. According to the distribution of respondents by age groups, 29.5% were between the ages of 18 and under 30, 24.4% were between the ages of 30 and under 40, 13.6% were between the ages of 40 and under 50, 22.7% were between the ages of 50 and under 60, and 9.7% were over 60.

31.8% of the respondents had a bachelor's degree or HND, 17.6% had a master's degree, 22.2% had a doctorate degree, 19.9% held a professional certificate, and 8.5% had additional credentials such the SSCE, ND, or GCE.

4.3Analysis of Research Objectives

Section B of the questionnaire will be analyzed using frequency tables and simple percentages and the test of hypotheses will be done using chi square.

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Table 4.2: Firm-specific factors that determines the insurance brokerage commission

S/N	Statement	SA (%) 5	A(%) 4	U(%) 3	D(%) 2	SD(%) 1	Total (%)
1	Brokerage firms relationship with insurance companies affects commission earned	63 (35.8)	33 (18.7)	38 (21.6)	25 (14.2)	17 (9.7)	176 (100)
2.	The number of businesses that brokerage firms undertake affects commission earned	54 (30.7)	48 (27.3)	19 (10.8)	27 (15.3)	28 (15.9)	176 (100)
3	The premium paid on a subject matter affect the commission earned by the brokerage firm	71 (40.3)	13 (7.4)	15 (8.5)	31 (17.6)	46 (26.1)	176 (100)
4	The nature of policy purchased by the customers affect the commission earned by the brokerage firm	32 (18.2)	38 (21.6)	25 (14.2)	45 (25.6)	36 (20.5)	176 (100)
5	The project claims on the subject matter affects commission earned by the brokerage firms	21 (11.9)	43 (24.4)	13 (7.4)	45 (25.6)	54 (30.7)	176 (100)

Source: Field survey 2023

In the table 4.2 above is firm-specific factors that determines the insurance brokerage commission. It shows that 35.8% of the respondents strongly agreed that brokerage firms relationship with insurance companies affects commission earned while 18.7% of the respondents agreed, 21.6% are undecided, 14.2% disagreed while 9.7% of the respondents strongly disagreed to this fact. 30.7% of the respondents strongly agreed that the number of businesses that brokerage firms undertake affects commission earned although 27.3% of the respondents agreed while 10.8%, 15.3% and 15.9% are undecided, disagreed and strongly disagreed respectively. 40.3% and 7.4% strongly agreed and agreed that the premium paid on a subject matter affect the commission earned by the brokerage firm while 8.5%, 17.6% and 26.1% are undecided, disagreed and strongly disagreed respectively. 18.2%, 21.6% and 14.2% strongly agreed, agreed and undecided respectively that the nature of policy purchased by the customers affect the commission earned by the brokerage firm while 25.6% and 20.5% of the respondents respectively strongly disagreed and disagreed. 11.9%, 24.4% and 7.4% strongly agreed, agreed and undecided respectively that the project claims on the subject matter affects commission earned by the brokerage firms while 25.6% and 30.7% of the respondents respectively strongly disagreed and disagreed.

Hypothesis One

H_{o1}: There are no significant factors that determine the insurance brokerage firms' profitability in Nigeria.

Table 4.5.4: Regression Analysis of the factors that affect brokerage commission vs. brokerage firms' profitability

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.760[a]	.577	.559	5.69097

a. Predictors: (Constant), relationship, number of business, premium

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4196.483	1	4196.483	383.276	.000[b]
	Residual	3076.778	281	10.949		
	Total	7273.261	282			

a. Dependent Variable, brokerage firms' profitability
b. Predictors: (Constant), relationship, number of business, premium

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	87.830	6.385		4.410	.000
	Relationship	.165	.063	.176	2.633	.005
	Number of business	.385	.043	.677	8.877	.000
	Premium	.118	.032	.252	3.667	.000

a. Dependent Variable: brokerage firms' profitability

The correlation coefficient equals 0.725 indicates a moderate relationship between factors that determine the insurance commission and brokerage firms' profitability in Nigeria. The R-Squared statistic indicates that the model as fitted explains 57.7% of the variability in brokerage firms' profitability. This simply implies that about 57.7% of the total variation in measure of the brokerage firms' profitability is explained by the variations in relationship, number of businesses and premium. The regression coefficient (β=0.760) of the above equation for the model implies that unit change in factors (relationship, number of business and premium) will exert a positive effect on brand performance. Also the p-value of (0.000) which is less than the level of significant at the 0.05 level (2-tailed) indicate that the result is statistically significant; therefore the null hypothesis is rejected and it can be concluded that there is there are no significant factors that determine the insurance brokerage firms' profitability in Nigeria.

Hypothesis II

H_{o2}: There is no significant effect of earned commission on the profitability of insurance brokerage firms' in Nigeria.

Regression Analysis

Table 4.4.2: Regression Analysis earned commission vs. profitability of insurance brokerage firms

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701[a]	.491	.021	1.439

a. Predictors: (Constant), earned commission

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	65.923	1	65.923	207.300	.000[b]
	Residual	100.809	317	.318		
	Total	166.732	318			

a. Dependent Variable: profitability of insurance brokerage firm
b. Predictors: (Constant), earned commission

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.799	.217		3.674	.000
	Earned commission	.747	.052	.701	14.398	.000

Dependent variable: profitability of insurance brokerage firms

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The table above tagged model summary shows the correlation analysis between the predictor and the dependent variable which. The R value of 0.701 shows a strong positive relationship between the two variables which are earned commission (independent variable) and profitability of insurance brokerage firms (dependent variable). The R squared which is 0.491 shows that 49.1% of profitability of insurance brokerage firms is as a result of earned commission while the remaining 49.6% is as a result of other factors.

The F test which shows a value of 207.300 is greater than F statistic which shows the rejection of H_o which means earned commission has significant effect on profitability of insurance brokerage firms.

4.4 DISCUSSION OF FINDINGS

The study revealed that brokerage firms' relationship with insurance companies, the number of businesses received by brokerage firms as well as the amount of premium paid by the insured affects profitability of insurance brokerage firms in Nigeria. Our findings are also similar to those of Deng (2019) as they found association between brokerage commission and performance of insurance brokerage firms. However, the study showed that brokerage commission had about 92% impact on profitability of insurance brokerage firms which suggest that commission earned contributed 92% to the profitability of insurance brokerage firms in Nigeria. Similar to Hausman et (2013), also found that premium largely affects brokerage firm profitability.

5.0 Summary, Conclusion and Recommendations

5.1 Summary

The study revealed that brokerage firms' relationship with insurance companies, the number of businesses received by brokerage firms as well as the amount of premium paid by the insured affects profitability of insurance brokerage firms in Nigeria. Our findings are also similar to those of Deng (2019) as they found association between brokerage commission and performance of insurance brokerage firms. However, the study showed that brokerage commission had about 92% impact on profitability of insurance brokerage firms which suggest that commission earned contributed 92% to the profitability of insurance brokerage firms in Nigeria. Similar to Hausman et (2013), also found that premium largely affects brokerage firm profitability.

From the findings on the regression analysis of insurance brokerage firms, the study found that there was a strong positive relationship between profitability of insurance brokerage firms in Nigeria varied with market share as there was a high positive correlation coefficient. The study further revealed that there was greater variation of profitability of insurance brokerage firms as a result of change in assets, leverage and market share as the value of adjusted R square was high. The findings showed that leverage has an insignificant negative effect on profitability of insurance brokerage firms in Nigeria.

From the findings on the regression analysis of long term insurance companies, the study found that there was a strong positive relationship between profitability of long term insurance brokerage firms in Nigeria varied with market share as there was a high positive correlation coefficient. The study further revealed that there was greater variation of profitability of long insurance brokerage firms as a result of change in assets, leverage and market share as the value of adjusted R square was high. The long term insurance brokerage firms' size as measured by total assets has a negative but insignificant effect on profitability (ROA). The negative relationship could be that as the long term insurance brokerage firm are becoming extremely large, the bureaucratic procedures have negatively affected their profitability.

5.2 Conclusion

The study found that there was a strong positive relation between profitability and size as measured by market share of both general and long term insurance brokerages in Nigeria. The study further revealed that there was a greater variation of profitability of both general and long term insurance brokerages in Nigeria as the value of adjusted R square was high an indication that market share was the main factor influencing profitability. The adjusted R square ranged showed that the independent variables had great effect on profitability of insurance brokerages in Nigeria. The study concludes that there is a positive relationship between profitability and size of insurance brokerages as measured by market share.

The study found out that there was insignificant positive relationship between profitability and size as measured by total assets for both general and long term insurance brokerages in Nigeria. This shows that insurance brokerage firms in Nigeria are not efficient in converting investment to net income. ROA gives an idea as to how efficient management is at using its assets to generate earnings. The owners of insurance brokerage firms need to stress for efficient and lean management.

5.3 Recommendations

From the findings and conclusions, it was found that there was a strong positive relationship between profitability of both general and long term insurance brokerages, the study thus recommends that in order for insurance brokerage firms to increase their profitability there is need for them to increase their market share. Insurance brokerage firms should put more resources for marketing of their products as this will lead to increase in market share. Insurers need to channel more resources to research, development and innovation of new products which will lead to increase in market share. Insurers should reduce the amount of resources used in acquiring new assets since assets do not have a significant effect on profitability of insurance brokerage firms in Nigeria. The ROA of all insurance brokerage firms in Nigeria seems very low signalling that the assets do not aid in generation of income for the insurance brokerage firms, the assets are not used optimally to generate income. Insurers should hold optimal level of asset which would lead to higher profitability. Insurers should consider investing in high return investment projects.

Examining the roles played by insurance brokerage firms in helping individuals and businesses manage their risk, there is the need for government as well as other policy-making and implementation units to adopt strategies to ensure the sector is more resourced. This will enhance their ability to develop and be more useful to the growth processes of the economy. Also, the span of operations could be clearly defined with a detailed approach to enhance the ability of brokerage firms to play their roles. This will reduce malpractices in the sector such as overtrading and low balling which affect their ability to pay claims and achieve sustainable growth.

The data showed that the insurance brokerage sector is more equity-based than debt. Therefore there must be structures in place to ensure management are not allowed to use accumulated earnings to pay extremely high dividends. Rather, since size positively affects profitability, firms should reinvest annual earnings to enable the firms to build a sufficient asset base to increase revenue.

Since debt and fixed assets adversely affect revenue, there must be policies to regulate how much debt the firm can take on at a time or how much fixed assets it can acquire. This will reduce the propensity to take on more debt or lock up capital in fixed assets thereby easing pressure on revenues.

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