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Effect of Recapitalization on Financial Performance of Insurance Companies in Nigeria

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Abstract
The study assessed effect of recapitalization on financial performance of Insurance Companies in Nigeria. Specifically, the study set out to determine whether the shareholders fund has any significant effect on the turnover of insurance companies and to ascertain whether shareholders fund has significant effect the profitability of insurance companies. Ex-post facto research design was adopted. The study was anchored on value increasing theory. A sample of 14 insurance companies was purposively selected from a population of 29 insurance companies listed on the Nigerian Stock Exchange market. Annual time series data were obtained for the variables and the parameters of the model were estimated by means of Ordinary Least Squares (OLS) method of econometric regression with emphasis on Chow Test of structural stability. The Findings from the investigation showed that the insurance companies' recapitalization has no significant effect on the Companies turnover and profitability. The implication is that recapitalization programme has made insurance companies to be more adequately capitalized and less risky, but has no significant effect on the variables of turnover and profitability. The study recommended that insurance companies' management should improve on their management efficiency in order to record improvement in the insurance companies' profitability. This will translate to stabilize the insurance industry and eventually result to maximization of the shareholders' wealth.

Keywords: *Recapitalization, Shareholders fund, efficiency financial performance, profitability, turnover.*

INTRODUCTION

The Nigerian financial system underwent several transformations and reformations especially from 1999 to the present. Due to many identified weaknesses and obstacles inherent in the Nigeria's financial system, many strategies and policies were formulated and implemented, which were aimed at overhauling the system in general. The insurance industry is one of the components of the Nigerian financial system. Reforms were introduced to enhance the operational performance of the companies in the industry. Recapitalization is the most notable reform introduced in the insurance industry. The Nigerian insurance industry has grown tremendously over the years, with the number of insurance companies standing at 181 by the end of 1997 (Chukwulozie, 2008). The Nigerian insurance industry recapitalization was triggered by the decline in the industry's good will (Ewedemi& Lee, 2015). The recapitalization changed the landscape considerably as many companies were forced to merge in

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compliance with the follow-up directive of NAICOM that the requirements were only to be met through mergers or acquisitions (Ewedemi & Lee) supra.

Following the completion of the 2006/2007 recapitalization exercise, which also involved quite a number of consolidations, the number of insurance companies dropped to 27 as at the end of 2009. This encouraged strategic mergers and acquisitions among the then existing insurance companies and made companies operating in the insurance industry to have their share capital base increased. Insurance is understood by most people to be critical to a well-functioning economy as it provides payment in the event of unexpected losses (Yusuf, 2011). Insurance introduces security into personal and corporate business situation and serves as a basis for credence as no financial institution would lend money for purchase of capital goods without protection. In Nigeria, the insurance industry plays an important role through risk bearing and other financial services, employment of labor, payment of tax and providing vehicle for investors (Ujunwa & Modebe, 2011). In view of the above, the recapitalization exercise became inevitable in order to strengthen the competitiveness and operational capabilities of insurance companies in Nigeria with a view to enhancing global and public confidence in the Nigerian insurance system and the economy in general.

Nnanna (2005) posited that historically the Nigerian insurance companies had evolved in three stages. The first stage can be best described as the unguided laisez-faire phase. This was basically because governmental regulation in the sector was low and the minimum paid up capital required to start up an insurance company was low, making it the business of choice for anyone who could afford the capital. At the above stated period, the minimum capital to register an insurance company was ₦50, 000 for general insurance and ₦100, 000 for life insurance. The second stage was the control regime (1988-1997), when the Insurance Decree came into force. It is against this back ground that this study work seeks to study the effect of the re-capitalization on the performance of insurance companies in Nigeria from 2000 to 2014, broken into pre-recapitalization and post- recapitalization periods

Statement of the Problem

The scenario of insurance business in Nigeria has been characterized by low capitalization which consequently transcend into dearth of human capital and professional skills, poor return on capitals, prominence of unethical practices, non- prompt payment of claims, low contribution to GDP/capital figures, lack of innovation in product development, lack of awareness on the part of the consumers on the uses/suitability of insurance products and so on (Chukwulozie 2008).   He further revealed that Nigeria's over all insurance business environments (IBER) was 34.4% compared with South Africa, Morocco, Egypt and Tunisia with 67.7%, 45.3%, 42.2%, and 39.2% respectively. The International Insurance Fact Book (2015), also revealed that in 2013 insurance penetration in Algeria was 0.68%, it was 0.68% for Egypt, 3.41% for Kenya, 5.48% Mauritius, 0.36% for Nigeria, 15.48% for South Africa, 1.76% for Tunisia and 1.5% for Zimbabwe (Olayungbo&Akinlo, 2016). The implication of these surveys is that Nigeria's overall Insurance sector is the least attractive of any of the Africa's countries. To this end, there is the need for consolidation for the risk adjusted capitalization to enhance the ability of the Insurance companies in Nigeria to adequately cover policy holders in the world of increasing risks. The apparent lack of broad based ownership together with a limited capital accounted for the fundamental short comings of Insurance sector in Nigeria (Obaremi 2007). These problems form part of the developmental problems in Nigeria whereby all existing properties at the Federal, State and Local government levels are less than 10% insured while

household items have insignificant proportion of insurance with more than 70% of private property and businesses uninsured (Olaleye&Adegoke 2009). These concerns underscore the need for 2006 insurance companies' recapitalization exercise. Therefore, the need to formulate credible policies that will guarantee insurance underwritings for all Nigerians and their property cannot be over emphasized; while re-capitalization of Nigerian insurance companies may address the above concern, the effect of the recapitalization on turnover and profitability of insurance companies is an empirical issue, hence, the need for this study.

Objectives of the Study

The broad objective of the study is to critically assess the effect of recapitalization on turnover and profitability; this is demarcated into two subsidiary objectives as follows:

1. To determine whether the shareholders' fund has any significant effect on the turnover of insurance companies in Nigeria; and
2. To determine whether the shareholders' fund has any significant effect on the profitability of Insurance companies in Nigeria.

REVIEW OF RELATED LITERATURE

Recapitalization is predicated upon the need for reorientation and repositioning of an existing status quo in order to attain an effective and efficient state. The low capitalization of Nigerian insurance companies may be a fundamental bottleneck that may inhibit the functioning of the institutions for growth and achievement of core objective in the drive towards enhancing and sustaining the economic and social imperatives of human endeavor carried out through either government institutions or private enterprises. Recapitalization becomes inevitable in the light of the global dynamic exigencies and emerging landscape. Consequently, the insurance sector, as an important sector in the financial landscape needs to be recapitalized in order to enhance its competitiveness and capacity to play a fundamental role of financing investments.

Financial Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended output. Insurance company's profitability is measured by measuring premium and investment income, underwriting results and overall operating performance (Ewedemi& Lee 2015). The business model for insurance companies can be reduced to a simple equation. Profit is equal to earned premium plus investment income, plus commission receivable minus incurred loss, minus underwriting expenses. Insurers make money in two ways; first, through underwriting – the process through which insurers select the risks to insure and decide how much in premiums to charge for accepting those risks and secondly by investing the premiums they collect from insured parties. The most complicated aspect of the insurance business is the underwriting of policies. Using a wide assortment of data, insurers predict the likelihood that a claim will be made against their policies and price products accordingly. To this end, insurers use actuarial science to quantify the risk they are willing to assume and the premium they will charge to undertake the risk. However, the insurance regulatory bodies set the minimum rate below which insurers are not allowed to charge as premium (Ceceres, 2000).

Another determinant of insurance performance is premium growth and market share. However premium growth is not always a positive indicator of the insurer's success. Premium growth should

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be achieved by underwriting new policies rather than depending on insurance rate increases (Somoye, 2008). Market share is measured as a percentage of the individual company's contribution towards Gross Written Premium. Customer satisfaction is another measure of insurance performance. Insurance companies should undertake periodic surveys to determine the satisfaction levels of their customers. Satisfied customers usually return to renew their policies, share their experience with other people and are willing to pay a premium for the privilege of insuring with a particular insurer (Iyoha & Adeyemo, 2009). They further suggested that the cost of keeping a customer is only one tenth of winning a new one. Therefore, when a customer is won companies should hang on them. Customer needs are evolving and dynamic. This calls for continuous improvement of the current products and coming up with other innovative products to remain competitive and satisfy their customers. Strategy implementation plays a critical role in enhancing performance of companies in the insurance industry.

Turnover and Profitability

The turnover here means the sales of accompany over a period of time. Sales turnover is the company's total revenue, both the invoice, cash payments and other revenues (Okolie, 2006). Virtually all insurance companies in Nigeria are in business to make profit. The overall measure of managerial success or failure in a capitalist economy is profitability. It is a necessary indicator of a firm's efficiency in capital utilization, earning power, growth potential, future prosperity, operational performance and specifically a measure of return on investment. Profit is vital, and fundamental to all economic activity. It is an economic indicator of efficiency and effectiveness.

Increase in the capital base will accord the Nigerian insurance industry the opportunity of financing large scale productive projects; assume greater risks, and engage in strict insurance business in terms of underwriting, consequently, enhancing the profit generating capabilities, engender economic and long term growth. In other words, improved capital base of the insurance sector will lead to improved profit efficiency linked to improved diversification of risks and would result to more substantial scale efficiency gain. While profitability is a relative measure showing a more profitable alternative, profit is an absolute measure of the overall amount of net income earned by an organization. The accounting concept of profit is one of net business income normally resulting from the sales transaction of the organization. (Ilaboya, 2005) and Okwoli (1996) further asserts that accountants usually seek to measure profit by taking the difference between income and expenses incurred in obtaining that income. The justification for the concept of profitability in performance evaluation is a progressive one as it distinguishes good performance from the bad and the mediocre. This concept therefore encourages better resources management.

Facet of Reforms and Conceptual Issues on Consolidation in the Insurance Sector

A combination of many weak elements in financial institutions could jeopardize the health of the insurance system. This results primarily from extraction of rents which are made possible through weak regulatory and supervisory framework, weak safety nets arrangement, poor crisis resolution techniques, poor corporate governance and the structure of the insurance system. In view of the above, the facets of insurance sector reforms aimed at ensuring a healthy ambience encompassed reforming the regulatory and supervisory framework, the safety net arrangements, crisis resolution mechanisms, shareholding structure and enthronement of good corporate governance practices (Ajayi, 2005).

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Reforms of the regulatory and supervisory framework are aimed at aligning the institutional framework, governing the regulation and supervision of financial institutions to the needs of a growing and complex financial system. It involves issues of regulatory independence, risk-focused and rule based supervision, while safety arrangement in reforms embrace the traditional underwriter of the last resort role, risk taker insurance arrangements which cater for both normal and financial crisis situations and prudential regulation and supervision reforms relating to corporate governance in order to provide a well-established governance structure and oversight process. This is essential in order to engender proper evaluation, understanding and mitigation of risk as well as permit insurances to strengthen the stability of their operations and instill accountability in its practices. In this regard, risk throughout the institution will be properly managed and improvements will be reflected in a stronger balance sheet.

While reforms in the insurance sector are aimed at addressing issues such as governance, risk management and operational inefficiencies, the vortex of the reforms is around firming up capitalization. Capitalization is an important component of reforms in the insurance industry, owing to the fact that insurance with a strong capital base has the ability to absolve losses arising from compensation liabilities. Attaining capitalization requirements is achieved through consolidation, convergence as well as an efficient capital market. Thus recapitalization is primarily driven by the need to achieve the objectives of consolidation, competition and convergence (Decan, 2004).

METHODOLOGY

Ex-post facto design was adopted in this study. *Ex-post facto research* is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation (Babble 2010).

The population of the study consists of the twenty-nine (29) insurance companies listed on Nigerian Stock Exchange (NSE) operating within the study period. These insurance companies are made up of reinsurance companies and underwriting insurance companies.

Fourteen (14) listed insurance companies were purposively selected for this study. The main purpose of choosing purposive sampling is to focus on particular characteristics of the population that are of interest, which will best enable the researcher to answer his research questions (Nwana, 1981). The sample is made of fourteen (14) listed reinsurance companies that have financial records of pre-consolidation up to 2006 and post-consolidation from 2007 comparison. The insurance companies being listed for the first time after the last consolidation exercise would therefore not qualify as candidates for a pre-consolidation/ post-consolidation comparison. The choice of these method is to ensure that insurance companies that retained their identities prior to and after the merger activities were included in the sample. This is to enable us have a complete picture of how the entire insurance industry is affected by the recapitalization exercise.

We carried our study on the effect recapitalization on the financial performance of insurance companies in Nigeria. In the course of carrying out the study we looked at the insurance companies that have records of recapitalization and post capitalization. The period of the study is divided into seven years before recapitalization and eight years after recapitalization period having considered the year the recapitalization commenced as a transition period. The gestation period and classification above ensure the effect of recapitalization on the insurance company's performance to have been well established. Absolute figures of the sampled insurance companies' shareholders fund, profitability, and turnover were the variables employed to carry out our study. This is to enable us

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test significance of the recapitalization on turnover and profitability of the insurance companies.

Method of Data Analysis

In order to ensure accurate collection, presentation and analysis of data, the researcher further divides the third stage (the era of consolidation) into two independent stages: the pre-consolidation era (2000 to 2006) and the post-consolidation era (2007 to 2014**).** Annual time series data were obtained for the variables and the parameters of the model were estimated by means of Ordinary Least Squares (OLS) method of economics regression with emphasis on Chow Test of structural stability and the tool of analysis is E-Views Version. Just as in the present study under review, a series of data can contain a structural break. In order to test and accommodate for such a structural break. Chow's first test often comes handy. The researchers used regression analysis because the researchers wanted to establish whether the recapitalization has significant effect on the financial performance of insurance companies

Hypotheses formulation

The following Null hypotheses (Ho) are formulated and tested:

H_{o1}: Shareholders' fund has no significant effect on the turnover of insurance companies in Nigeria

H_{o2}: Shareholders' fund has no significant effect on the profitability of insurance companies in Nigeria

Test of Hypotheses

In testing the first hypothesis that insurance companies' recapitalization has no significant effect on the turnover of insurance companies in Nigeria, the extract of the turnover of the sampled insurance companies was used to test the hypothesis.

Table 1: Regression Result for Shareholders Fund Against Turnover Before Recapitalization

Dependent Variable: TURNOVER
Method: Least Squares
Date: 08/23/16   Time: 13:26
Sample (adjusted): 2000- 2006
Included observations: 7 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	315334.9	30648.39	10.28879	0.0001
BSF	0.610533	0.019134	31.90825	0.0000
R-squared	0.995113	Mean dependent var		1059043.
Adjusted R-squared	0.994136	S.D. dependent var		687588.0
S.E. of regression	52654.70	Akaike info criterion		24.81586
Sum squared resid	1.39E+10	Schwarz criterion		24.80040
Log likelihood	-84.85549	Hannan-Quinn criter.		24.62484
Prob(F-statistic)	0.000001			

Source: The Researchers' Computation Using E-view 7.1

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Table 2: **Regression Result for Shareholders Fund Against Turnover After Recapitalization**
Dependent Variable: TURNOVER
Method: Least Squares
Date: 03/23/17   Time: 08:35
Sample (adjusted): 2008- 2014
Included observations: 7 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3081553.	6136026.	-0.502207	0.6369
ASF	1.368218	1.020123	1.341228	0.2375
R-squared	0.264586	Mean dependent var		5125381.
Adjusted R-squared	0.117504	S.D. dependent var		1287707.
S.E. of regression	1209688.	Akaike info criterion		31.08458
Sum squared resid	7.32E+12	Schwarz criterion		31.06913
Log likelihood	-106.7960	Hannan-Quinn criter.		30.89357
F-statistic	1.798894	Durbin-Watson stat		0.706683
Prob(F-statistic)	0.237544			

Source: The Researchers' Computation Using E-view 7.1

Table 3: Showing Regression Result on Shareholders Fund and Turnover
Dependent Variable: TURNOVER
Method: Least Squares
Date: 08/17/16   Time: 09:38
Sample: 2000- 2014
Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	95388.35	432922.5	0.220336	0.8290
SF	0.797857	0.096044	8.307163	0.0000
R-squared	0.841481	Mean dependent var		3090366.
Adjusted R-squared	0.829287	S.D. dependent var		2246575.
S.E. of regression	928227.1	Akaike info criterion		30.44351
Sum squared resid	1.12E+13	Schwarz criterion		30.53791
Log likelihood	-226.3263	Hannan-Quinn criter.		30.44250
F-statistic	69.00896	Durbin-Watson stat		2.064985
Prob(F-statistic)	0.000001			

Source: The Researcher's Computation Using Eview 7.1
Consequently, the chow test result is shown below:

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Table 4: Showing Chow Test Result on Shareholders fund and Turnover
Chow Breakpoint Test: 2007
Null Hypothesis: No breaks at specified breakpoints
Varying regressors: All equation variables
 Sample: 2000- 2014

F-statistic	0.643943	Prob. F(2,11)	0.5439
Log likelihood ratio	1.660779	Prob. Chi-Square(2)	0.4359
Wald Statistic	1.287886	Prob. Chi-Square(2)	0.5252

Source: The Researchers' Computation Using E-view 7.1

Discussion of Results on Shareholders fund and Turnover

Table 1 above tests whether there is significant effect of shareholders' fund on turnover of insurance companies before recapitalization. R- Squared of 0.995 i.e. (99.5%) is the correlation coefficient which measures the quality of the prediction of turnover, the adjusted R- squared of 0.994 i.e. (99.4%) is the coefficient of determination which is the proportion of the variable of the turnover which can be explained by the shareholders fund. From the table, the P- value of 0.0000 showed a significant effect of shareholders' fund on turnover before the recapitalization; while the regression after the recapitalization in **table 2**, the R- Squared of 0.264 i.e. (26.4%) is correlation coefficient which measures the quality of prediction of turnover, the adjusted R-Squared value of 0.118 i.e. (11.8%) is the coefficient of determination which is the proportion of the variable of the turnover which can be explained by the shareholders fund. The p-value of 0.2375 revealed an insignificant effect of shareholders fund on turnover. The analysis of the combined data of insurance companies' shareholders fund against turnover before and after recapitalization was carried out in **tables 3 and 4**. In **table** 3, R- squared of, 0.841 i.e. (84.1%) is correlation coefficient which measures the quality of the prediction. The adjusted R- Squared of 0.8293 i.e. (82.9%) is the coefficient of determination which is the proportion of turnover which can be explained by the shareholders fund. The P- value of 0.0000 showed a significant effect of shareholders fund on turnover after recapitalization. In **table 4**, the analysis of the combined data which shows an F-statistics (calculated) of 0.643943, this signifying that there is no break at specified break point. The table value of 3.982298 further confirms that there is no break point as it is higher than the calculated value of 0.643943, while the probability at F (2, 11) showed a value of 0.5439   which is higher than 5% indicating an insignificant effect of shareholders fund on turnover. We therefore, accept the null hypothesis which states that the recapitalization of insurance companies has no significant effect on the companies' turnover.

H$_{o2}$: Shareholders fund has no significant effect on the profitability of insurance companies in Nigeria.

The extract from the statement profit and loss of the sampled insurance companies were used to test the second hypothesis.

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Table 5: Showing Regression Result for Shareholders Fund and Profit After tax for the Pre-Recapitalization Period
Dependent Variable: BPAT
Method: Least Squares
Date: 08/23/16   Time: 14:05
Sample (adjusted): 2000- 2006
Included observations: 7 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	57679.68	18799.08	3.068219	0.0278
BSF	0.058168	0.011736	4.956188	0.0043
R-squared	0.830874	Mean dependent var		128535.7
Adjusted R-squared	0.797049	S.D. dependent var		71691.98
S.E. of regression	32297.29	Akaike info criterion		23.83831
Sum squared resid	5.22E+09	Schwarz criterion		23.82286
Log likelihood	-81.43409	Hannan-Quinn criter.		23.64730
F-statistic	24.56380	Durbin-Watson stat		2.026232
Prob(F-statistic)	0.004262			

Source: The Researchers' Computation Using E-view 7.1

Table 6: Showing Regression Result for Shareholders Fund and Profit After tax for the Post-Recapitalization Period

Dependent Variable: APAT
Method: Least Squares
Date: 08/23/16   Time: 14:06
Sample (adjusted): 2008- 2014
Included observations: 7 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4261748.	2539306.	-1.678312	0.1541
ASF	0.715336	0.422163	1.694454	0.1510
R-squared	0.364771	Mean dependent var		29028.71
Adjusted R-squared	0.237725	S.D. dependent var		573383.8
S.E. of regression	500612.0	Akaike info criterion		29.32001
Sum squared resid	1.25E+12	Schwarz criterion		29.30455
Log likelihood	-100.6200	Hannan-Quinn criter.		29.12900
F-statistic	2.871176	Durbin-Watson stat		2.044628
Prob(F-statistic)	0.150952			

Source: The Researchers' Computation Using E-view 7.1

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Table 7: Showing Regression Result on Shareholders Fund and Profit After Tax
Dependent Variable: PAT
Method: Least Squares
Date: 04/19/17 Time: 12:11
Sample: 2000- 2014
Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	81936.07	190204.6	0.430779	0.6737
SF	0.005712	0.042197	0.135359	0.8944

R-squared	0.781407	Mean dependent var	103376.8
Adjusted R-squared	-0.754007	S.D. dependent var	393258.9
S.E. of regression	407816.7	Akaike info criterion	28.79859
Sum squared resid	2.16E+12	Schwarz criterion	28.89300
Log likelihood	-213.9894	Hannan-Quinn criter.	28.79758
F-statistic	0.018322	Durbin-Watson stat	1.917798
Prob(F-statistic)	0.894402		

Source: The Researchers' Computation Using E-view 7.1

Table 8: Showing Chow Test Result for Shareholders Fund and Profit After Tax
Chow Breakpoint Test: 2007
Null Hypothesis: No breaks at specified breakpoints
s Sample: 2002- 2014

F-statistic	0.100101	Prob. F(3,7)	0.9574
Log likelihood ratio	0.546074	Prob. Ch i-Square(3)	0.9087

Source: The Researchers' Computation Using E-view 7.1

Discussion of Results on Shareholders Fund and Profitability

Table 5 above tests whether there is significant effect of shareholders' fund on profitability of insurance companies before recapitalization. R- Squared of 0.8309 i.e. (83.1%) is the correlation coefficient which measures the quality of the prediction of profitability, the adjusted R- squared of 0.7970 i.e. (79.7%) is the coefficient of determination which is the proportion of the variable of the profitability which can be explained by the shareholders fund. From the table, the P- value of 0.0042 showed a significant effect of shareholders' fund on profitability before the recapitalization; while the regression after the recapitalization in **table 6**, shows the R- Squared of 0.3648 i.e. (36.5%) is correlation coefficient which measures the quality of prediction of profitability, the adjusted R- Squared value of 0.2377 i.e. (23.8%) is the coefficient of determination which is the proportion of the variable of the profitability which can be explained by the shareholders fund .The p-value of 0.1509 revealed an insignificant effect of shareholders fund on profitability. The analysis of the combined data of insurance companies' shareholders fund against profitability before and after recapitalization was carried out in **Tables 7 and 8**. In **table** 7, R- squared of, 0.7814 i.e. (78.1%) is correlation coefficient which measures the quality of the prediction. The adjusted R- Squared of -0.7540 i.e. (-75.4%) is the coefficient of determination which is the proportion of profitability which

can be explained by the shareholders fund. The P- value of 0.8944 showed an insignificant effect of shareholders fund on profitability after recapitalization. In **table 8**, the analysis of the combined data which showed an F-statistic (calculated) of 0.1001, thus signifying, there is no break at specified break point. The table value of 4.3468 further confirmed that there is no break point as it is higher than the calculated value of 0.643943. While the probability at F (3, 7) showed a value of 0.9574, which is higher than 5% indicating, an insignificant effect of shareholders fund on profitability. We therefore, accept the null hypothesis which states that the recapitalization of insurance companies has no significant effect on the companies' profitability.

Discussion of Findings

The researchers discovered that the insurance companies' shareholders fund has significant effect on the companies' turnover before recapitalization and had insignificant effect after the recapitalization exercise. Equally there it had significant effect of on the insurance companies' profitability before recapitalization and had insignificant effect after recapitalization. The recapitalization programme though made insurance to be more adequately capitalized and less risky but has not actually yielded much increase in the insurance companies' turnover and profitability that would have resulted to significant positive consequence on the shareholders' wealth. These findings are not in conformity with the study a priori expectation. The views of Mwangi & Marigu (2013), Ahmed (2016) and Gulati & Jain (2011) were that insurance company recapitalization improved the efficiency of the insurance companies.

Conclusion

Insurance sector reforms in Nigeria is driven by the need to deepen the country financial system and reposition the Nigeria economy for growth to become integrated into the global financial structural design and evolve an insurance industry that is consistent with regional integration requirements and international best practices. Capitalization is an important component of reforms in the Nigeria insurance industry, owing to the fact that an insurance company with a strong capital base has the ability to absolve losses arising from claims and settlements of liabilities.

Recommendations

The researchers therefore make the following recommendations:

1. The management should strive to ensure that there is increase in turnover as a result of additional shareholder's fund introduced by investing in available feasible business opportunities.

2. The insurance company management should improve on their management efficiency so as to improve on the insurance companies' profitability for the companies' recapitalization to have significant contribution the shareholders' wealth and the organizations' growth.

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APPENDIX 1

Table 1: Showing the Shareholders Funds for the Sampled Insurance Companies Before Recapitalization

	2000	2001	2002	2003	2004	2005	2006
AIICO	704,490	1,115,234	1,524,184	2,651,465	2,962,860	4,270,071	5,869,964
CORNERSTONE	534,632	599,752	638,856	712,701	1,321,874	1,649,516	3,898,531
GREAT NIG	271491	276231	281480	795,023	816,015	2,157,534	5,967,390
GUINEA	243,318	240,178	237,984	173,981	493,685	523,896	532,402
LAW UNION	299,664	312,283	324,975	351,376	635,682	1,907,913	1,207,094
LINKAGE	172,320	312,259	432,433	1,764,963	1,851,745	979,135	2,283,676
MUTUAL BENFIT	256,913	313,212	527,298	1,034,707	1,299,037	1,977,708	4,035,689
NEM	121,934	134,946	156,566	202,811	522,892	732,062	1,022,814
NIGER	811352	837110	969472	928398	1,877,980	2,089,427	5,527,250
PRESTIGE	300,770	339,274	382,378	653,985	1,187,824	1,420,532	3,617,356
STANDARD	188,660	246,215	303,146	633,653	1,432,283	1,669,509	1,641,118
UNIC	726,301	563,615	669,034	744,532	895,889	1,060,392	3,027,667
WAPIC	183,492	298,834	328,153	795,994	919,481	1,014,076	9,304,538
LASACO	142,264	142,264	142,264	669320	1,196,376	1,340,304	1,515,448

The Shareholders Funds for the Sampled Insurance Companies After Recapitalization

`2007	2008	2009	2010	2011	2012	2013	2014
6,310,977	12,517,353	12,880,884	14,024,734	10,242,572	11,374,297	10,573,139	11,452,531
6,603,053	5,684,286	5,600,842	5,999,909	5,232,291	5,982,141	6,902,428	7,756,413
6,059,242	4,084,332	4,358,784	4,261,178	4,262,059	5,352,912	5,395167	5.18378
3,513,186	3,337,995	3,297,364	3,141,183	3,141,183	2,562,012	2,982,953	3,107356
3,980,515	3,646,964	4,537,822	4,765,430	4,765,318	3,522,500	4,172,200	4,182,419
4,518,492	3,247,575	3,075,968	3,013,533	8,186,951	14,856,198	15,367,058	15,587,689
8,915,687	7,078,208	11,458,312	5,315,183	6,131,371	1,875,796	2,384,544	6,230,428
5,158,799	4,037,696	4,695,651	5,651,578	4,148,309	4,300,645	4,695,693	5,865,777
6,440,523	6,059,163	4,410,051	4,275,607	5,449.945	7,350,256	7,881,587	8,172,830
4,896,917	4,369,625	4,343,721	4,755,651	2,766,693	3,866,203	4,413,343	4,576,147
6,338,452	8,742,522	9,701,623	7,706,464	7,691,889	7,658,064	3,417,482	4,777,750
3,358,712	4,797,126	4,190,533	1,756,706	2,911,227	2,784,406	932,154	1,611,789
8,906,145	8,665,910	8,042,694	7,481,118	7,276,123	7,623,477	14,179,527	14,200,621
6,086,097	6,014,417	6,105,475	6,360,144	6,300,300	5,597,356	5,875,918	5,875,918

Source: Annual reports of selected insurance companies 2000 - 2014

Table 2: Showing the Turnover for the Sampled Insurance Companies Before Recapitalization

	2000 ₦ ,000	2001 ₦ ,000	2002 ₦ ,000	2003 ₦ ,000	2004 ₦ ,000	2005 N,000	2006 ₦ ,000
AIICO	969,800	1,306,914	1,454,046	1,723,200	2,356,794	2,931,822	3,030,457
CORNERSTONE	976,110	1,096,503	1,188,169	1,204,836	1,491,501	1,542,826	2,739,111
GREAT NIG	527,135	655,717	613,204	698,229	728,178	651,698	425,252
GUINEA	40,310	42,567	119,656	334,503	401,455	526,183	678,308
LAW UNION	207,271	262,604	315,063	519,654	456,589	1,106,408	13,325,821
LINKAGE	158,827	295,026	545,694	802,852	1,143,700	835,679	590,448
MUTUAL BENEFIT	148,444	169,445	294,590	58 ,428	784,358	851,607	1,935,005
NEM	165,531	284,172	354,575	481,333	564,549	586,873	853,557
NIGER	1,763,768	1.946,392	1,981,144	2,088,345	2,104,629	2,311,640	3,138,806
PRESTIGE	362,272	479,660	533,670	732,747	903,478	1,269,048	1,539,098
STANDARD	351,354	610,680	725,769	1,029,018,	1,108,288	1,273,943	1,481,826
UNIC	876,058	1,085,143	1,068,064	1,200,133	1,259,241	1,350,733	1,872,345
WAPIC	123,312	189,375	315918	754,301	1,667,561	1,301,650	3,153,035
LASACO	407,583	332,275	266,673	414,212	561,750	957,544	1,600.543

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The Turnover for the Sampled Insurance Companies After Recapitalization

2007 ₦ ,000	2008 ₦ ,000	2009 ₦ ,000	2010 ₦ ,000	2011 ₦ ,000	2012 ₦ ,000	2013 ₦ ,000	2014 ₦ ,000
4,657,776	7,474,253	8,799,198	14,952,247	14,699,104	17,054,342	23,602,618	33,648,367
2,775,794	3,812,296	3,766,063	4,021,886	4,270,447	4,619,959	4,622,737	5,187,098
748,216	790,545	990,966	1,161,432	2,403,889	2,881,139	2,429,605	2,753,790
261,209	935,472	1,169,852	1,012,623	1,105,890	1,138,741	1,088,340	127,710
12,509,752	3,708,481	3,528,581	4,046,012	4,181,397	4,163,370	3,443,375	4,161,333
1,471,928	2,252,740	2,140,050	1,771,279	2,288,250	2,137,686	2,689,148	3,054,744
2,084,488	3,456,868	4,772,533	3,367,834	9,586,054	7,944,453	7,680,854	15,535,631
2,553,492	4,181,211	4,940,256	5,978,528	8,381,196	9,652,556	8,933,345	9,836,596
3,874,220	5,324,789	7,196,709	7,043,461	7,809,878	10,330,471	10,443,205	10,647,316
2,260,710	3,008,391	3,445,447	3,874,452	4,273,386	4,790,054	4,222,338	2,653,695
2,120,134	3,007,466	3,258,173	3,883,161	4,551,723	5,381,232	3,792,076	4,333,254
1,920,733	2,742,002	2,740,339	`1,709,949	592,873	318,900	177,704	57,997
3,890,927	7,087,258	4,724,976	3,655,497	5,033,358	4,178,285	3,760,515	5,203,960
1,773,850	2,334,154	3,302,046	2,044,865	3,988,547	4,437,541	4,965,328	4,965,328

Source: Annual reports of selected insurance companies 2000 - 2014
Table 5: Showing the Profit After Tax for the Sampled Insurance Companies Before Recapitalization

	2000 ₦ ,000	2001 ₦,000	2002 ₦ ,000	2003 ₦ ,000	2004 ₦ ,000	2005 ₦ ,000	2006 ₦ ,000
AIICO	145,045	135,549	133,089	183,221	72,519	81,810	483,702
CORNERSTONE	55,613	124,565	89,956	178,727	318,560	304,920	129,489
GREAT NIG	-10,329	18,558	26,246	117089	71,329	-183,047	-155,355
GUINEA	-44,487	-37,538	-2,523	22,008	31,202	30,002	90,918
LAW UNION	18,134	32,551	36,536	56214	235,251	152,368	164,633
LINKAGE	458,824	634,019	126,118	204486	314,434	-775,779	71,519
MUTUAL BENEFIT	12,565	22,327	35,180	58,934	131,948	209,025	702,220
NEM	56,742	10,980	22,634	45,829	54,629	-2,267	8,772
NIGER	257,783	356,289	191,966	198,016	254,933	287,680	589,592
PRESTIGE	72,715	76,894	81,495	91,374	201,877	284,472	407,416
STANDARD	45,018	62,425	66,621	106,440	117,574	198,818	327,977
UNIC	45,924	-163,268	102,373	248,215	222,804	291,212	259,948
WAPIC	27,309	29,411	68,795	243,990	328,235	239,813	701,121
LASACO	62,988	67,437	74,204	56,175	57,352	144,388	171,531

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The Profit After Tax for the Sampled Insurance Companies After Recapitalization

2007 ₦,000	2008 ₦ ,000	2009 ₦ ,000	2010 ₦ ,000	2011 ₦ ,000	2012 ₦ ,000	2013 ₦,000	2014 ₦ ,000
304,709	624,759	1,044,665	1,117,587	-28,381	1,320,663	-739,226	2,232,871
324,960	-419,460	-442,965	399,067	-5,111,418	510,402	860,363	9,464,820
90,249	-435,238	-2,288,756	-106,002	-438,592	903,049	4,382	-101,607
92,605	75,348	-13,394	-106,002	106,002	50,090	39,835	-62,588
311,278	-93,040	294,549	360,922	246,620	-1337180	485,432	125,435
273,979	-156,280	-259,289	-150,930	220,691	176,770	414,282	324,997
1,037,682	-,554,521	354,651	804,979	755,722	-3,390,238	555,752	409,913
399,808	461,676	857,032	833,854	253,294	455,312	395,060	1,525,321
657,025	205,979	-2,285,110	-123,661	1,228,618	776,293	599,472	627,425
638,084	711,649	593,072	487,699	-34,689	603,019	-90,836	14,187
416,970	864,195	-5,702,801	-8,413,755	6,819	-2,024,232	-789,736	1,982,613
430,478	246,519	-200,558	-1,025,032	-143,133	-360,985	-1,033,120	-567,863
601,813	181,582	387,542	-587,657	345,751	383,032	208,127	236,834
688,171	457,602	539,304	249,658	229,711	-255,024	275,340	445,745

Source: Annual reports of selected insurance companies 2000 – 2014