



## Effects of COVID-19 pandemic on insurance companies' productivity in Nigeria

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### Abstract

*The study examined the effects of COVID-19 Pandemic on Productivity of Insurance Companies in Nigeria. The study employed secondary data from publications of Nigeria Stock Exchange for 2019-2020. The findings revealed that Covid-19 has a high effect on the productivity of insurance companies in Nigeria. However, insurance companies had more clients during the COVID-19 pandemic because; they are exposed to different risks that could insure than other industries that were affected by Covid-19. Accordingly, the study therefore conclude that, insurance companies should find ways of accessing funds for risks management and the government should budget enough funds for disaster that can occur at any specific period.*

**Keywords:** COVID-19, Insurance Companies, Productivity

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### 1.0 Introduction

Akanni and Gabriel (2020) said that coronavirus started in Wuhai, China December, 2019 before spreading to other countries. It was also reported by Gralinski and Menachey (2020) that Seafood market in Wuhan was closed down as a result of Covid-19 incidence. Al-qaness et al (2020) said many lives were lost to Covid-19 pandemic over the world. Ajami (2020) confirmed the consequence of Covid-19 pandemic that led to oil price reduction and closure of economic sectors in Nigeria. Akanni and Gabriel (2020) said that Nigeria is affected with Covid-19 pandemic which claimed many lives. Igwe (2020) argued that the world economy resulted in recession due

to occurrence of Covid-19 pandemic. Effiong et al. (2020) stated that COVID-19 pandemic was discovered in Nigeria on 27<sup>th</sup> February 2020.

President Muhammadu Buhari on 13<sup>th</sup> April 2020 enforced lockdown in every area of the country. The lockdown placed in Lagos, Ogun and Abuja since 23<sup>rd</sup> March 2020, necessitated for another 14 days. It was noticed on 12<sup>th</sup> April, 2020 that Nigeria had 343 confirmed cases which led other state governments to enforce full or partial lockdowns.

Anietie (2020) said that many people observing Covid-19 lockdown lack essential food items and income that could meet the



families' needs. He said further that Nigeria being the largest economy in Africa with the gross domestic product per capita of \$2,028 (2018) more than neighbours countries such as Benin, Chad and Niger but presently witnessed 70% reduction in the GDP.

As directed by President Buhari that every sector should be closed down except some small businesses that are selling essential products and health sectors that are treating patients.

Several businesses stopped production and distribution of goods and services in the country. It has a great consequence on investment and expenditure which led to economic risk and decrease in the gross domestic product in the country.

The lockdown affected many businesses in the country except those that are providing essential services such as food distributors, retailers, market stalls selling food and groceries.

### **Statement of the Problem**

The study cited many cases on the effects of Covid-19 pandemic over the world which resulted to risks of lives and property. Therefore, the study moves ahead to examine how the risks could be minimized to a manageable level by insurance companies. It was further noticed that revenue of insurance companies would increase at this pandemic period which prompted the study to fill the gap by examining how Covid-19 pandemic would affect Insurance Companies' Productivity in Nigeria.

### **Research Questions**

The study examined and provided answers to the following questions:

i. To what extent does Covid-19 pandemic affect the return on assets of insurance companies in Nigeria?

ii. How does Covid-19 pandemic affect the return on equity of insurance companies in Nigeria?

iii. To what length does Covid-19 pandemic affect earnings per share of insurance companies in Nigeria?

iv. At what levy does Covid-19 pandemic affect the profit margin of insurance companies in Nigeria?

### **The objective of the study**

The main objective examines the impact of Covid-19 pandemic on Insurance Companies' Productivity in Nigeria. However, the study explored the following specific objectives

i. To ascertain the effect of Covid-19 pandemic on return on assets of insurance companies in Nigeria.

ii. To discover the impact of Covid-19 pandemic on return on equity of insurance companies in Nigeria.

iii. To find out the effect of Covid-19 pandemic on earnings per share of insurance companies in Nigeria.

iv. To examine the impact of Covid-19 pandemic on the profit margin of insurance companies in Nigeria.

### **Research Hypotheses**

In the course of this study, the following hypotheses are formulated:

**H<sub>01</sub>:** There is no significant relationship between Covid-19 pandemic and return on assets of insurance companies in Nigeria.

**H<sub>02</sub>:** There is no significant relationship between Covid-19 pandemic and return on equity of insurance companies in Nigeria.

**H<sub>03</sub>:** There is no significant relationship between Covid-19 pandemic and earnings per share of insurance companies in Nigeria.

**H<sub>04</sub>:** There is no significant effect of Covid-19 pandemic on the profit margin of insurance companies in Nigeria.

## **2. Literature Review**

### **Conceptual Review**



### Covic-19 Pandemic

The coronavirus (Covid-19) is a disease spreading from one person to another through different medium which appeared in Nigeria in early march, 2020.

### Insurance Companies

These are industries set up to protect the lives and property for a specific period.

### Productivity

This represents total revenue generated by insurance companies during a specific period.

### Theoretical Review

#### Stakeholders Theory

It was stated by Freeman (1983) that management plays crucial roles in achieving organization objectives and risks' management.

The stakeholders' theory explained the need for companies to be conscious on its immediate environment in order to be environmentally friendly towards the surrounding where business is sited.

The main concern of the stakeholders' theory in Covid-19 period is how business could survive and environmental friendly with others.

The theory said further that the company has a common goal of profit making in order to satisfy the desires of shareholders.

However, revenue may not be realised if the environment where the business operates is neglected.

Thus, the study is anchored on stakeholders' theory, as its concern to maximize stakeholders' value in term of revenue generation as well as minimization of costs.

### Empirical Review

#### Developing Countries

Ozili, (2020) stated that Covid-19 has a high consequence on economy and financial markets in Nigeria that resulted in an economic loss of income earners from small-medium scale businesses, inability of

investors to push funds to economy and oil price reduction from global economy.

Sanusi (2010) researched on financial problems in banks during the periods of 2007-2009 that led to unavailability of loan, poor risk management and improper corporate governance in banks.

Adeniran and Sidiq (2018) looked into a balance of payment deficits in Nigeria that led to an economic recession as a result of decrease in oil revenue and displayed a high effect on country's foreign reserve.

#### Developed Countries

Feinstein (2020) confirmed the global equitable market lost of \$24 billion in the United States' Gross Domestic Product. He further carried out a study on Zombie outbreak that could be compared to Covid-19 pandemic and concluded that lives were lost in the incidence, gross domestic product and financial market reduced by 23.44% and 29.30% respectively.

Glassman (2001) researched on the competition among manufacturing companies which led to a reduction in profit made and affect economic activities of Asian countries.

Carneiro et al (2014) studied the Portugal's economic problems that led to unemployment as a result of industries shut down.

Cheong (2001) studied the economic problems of Korea that led to income disparity during the period.

Morales and Sachs (1989) solved economic problems in Bolivia as a result of interest rates on loan; they further said that world prices of exported commodities would rise tremendously.

The effect of Covid-19 pandemic would lead to external debt of any country (Mckibbin and Fernando, 2020).

Honkapohja and Koskela (1999) said that there is a decrease in gross domestic product

and employment opportunities in Finland as a result of bad government policies. They further said that private companies owed a huge amount of money that led to unemployment in the period.

Di Quirico (2010) confirmed political and economic instability in Italy as a result of world financial problems and corruption in public sector and he said further that there were lacks of innovation and new project execution.

Giannakis and Bruggeman (2017) researched on Greece economic problems of rural dwellers compared to urban dwellers.

Some consequences came out during the economic recession of Greece such as pneumonia, alcoholic consumption and occurrence of homicide (Khang et al, 2005).

The study carried out in Greece showed a high effect of liquidation in small and medium scale enterprises (Soininen et al, 2012).

### 3. Methodology

The population of the study contains Insurance Companies in Nigeria with a sample of AXA MANSARD INSURANCE PLC.

The study employed secondary data from publications of Nigeria Stock Exchange for the period 2019-2020.

The effects of Covid-19 pandemic on productivity of insurance companies were measured through ratio analysis such as Return on Asset (ROA), Earnings per Share (EPS), Return on Equity (ROE) and profit margin.

#### Model Specification

The study used the research of Tawose (2012) with modification in the dependent and independent variables; the model for the study is stated as follows:

$$\text{PROD} = f(\text{COVID-19 PANDEMIC}) \text{ ----} 3.1$$

Explicitly, it can be re-stated as below:

$$\text{PROD} = \beta_0 + \beta_1 \text{DEMIC} + \varepsilon_i \text{ ----} 3.2$$

Where:

PROD= Productivity Performance (Return on Assets, Return on Equity, Earning per share and Profit margin used as a proxy for productivity)

DEMIC = Covid-19 Pandemic

$\beta_0$  = Intercept

$\beta_1$  = shift parameters

$\varepsilon_i$  = Error terms ( $\varepsilon_i$ )

Explained (dependent) variable = PROD

Explanatory (Independent) variables = DEMIC

A priori Expectation

It shows that there is a positive relationship between DEMIC and Productivity Performance and expressed as  $\beta_1 > 0$

Contribution to Knowledge

The outcome of the research:

- decompose significant factors of Covid-19 pandemic into various components and how they affected insurance companies revenue;
- allow policymakers to gain a better understanding of variables that are significantly associated with Covid-19 pandemic and insurance companies productivity.

### 4. Data Analysis and Discussion of Findings

**Table1. Ho<sub>1</sub>:** There is no significant relationship between Covid-19 pandemic and return on assets of insurance companies in Nigeria.

Company	Axa Mansard Insurance Plc
January-September, 2020	$\frac{\text{₦}2,065,848}{\text{₦}74,310,070} = 0.03$
January-September, 2019	$\frac{692,258}{67,597,041} = 0.01$

**Source: Researcher's Computation, 2020**

Discussion of Findings:

The Return on Assets and interpretation are as follows:



AXA MANSARD INSURANCE PLC recorded return on assets of 0.03 for 2020 better than 0.01 for 2019.

It showed that during Covic-19 pandemic, AXA MANSARD INSURANCE PLC has more clients to be insured that resulted in greater return on assets of the industry.

**Table2. Ho2:** There is no significant relationship between Covic-19 pandemic and return on equity of insurance companies in Nigeria.

Company	Axa Mansard Insurance Plc
January-September, 2020	₦28,576,771
January-September, 2019	₦23,097,805

**Source: Researcher's Computation, 2020**

Discussion of Findings:

The Return on Equity and interpretation are as follows:

AXA MANSARD INSURANCE PLC showed ₦28,576,771 as return on equity for 2020 better than ₦23,097,805 for 2019.

It showed that during Covic-19 pandemic, AXA MANSARD INSURANCE PLC has more clients to be insured that brought greater return on equity of shareholders.

**Table3. Ho3:** There is no significant relationship between Covic-19 pandemic and earnings per share of insurance companies in Nigeria.

Company	Axa Mansard Insurance Plc
January-September, 2020	$\frac{₦2,065,848}{₦10,500,000} = 0.2$
January-September, 2019	$\frac{₦692,258}{₦10,500,000} = 0.1$

**Source: Researcher's Computation, 2020**

Discussion of Findings:

The Earnings per share (EPS) and interpretation are as follows:

AXA MANSARD INSURANCE PLC displayed 0.2 as earnings per share for 2020 which better than 0.1 as earnings per share for 2019.

It showed that during Covic-19 pandemic, AXA MANSARD INSURANCE PLC has more clients to be insured that resulted in greater earnings of the shareholders.

**Table4. Ho4:** There is no significant effect of Covic-19 pandemic on the profit margin of insurance companies in Nigeria.

Company	Axa Mansard Insurance Plc
January-September, 2020	$\frac{₦2,065,848}{₦8,444,685} \times 100 = 24\%$
January-September, 2019	$\frac{₦692,258}{₦7,464,829} \times 100 = 9.3\%$

**Source: Researcher's Computation, 2020**

Discussion of Findings:

The profit margin and interpretation are as follows:

AXA MANSARD INSURANCE PLC recorded 24% as a profit margin for 2020 better than 9.3% as a profit margin for 2019. It showed that during Covic-19 pandemic, AXA MANSARD INSURANCE PLC has more clients to be insured which resulted in high profit making for the industry.

## 5. Conclusion and Recommendations

The findings revealed that Covid-19 has a high effect on the productivity of insurance companies in Nigeria. However, insurance companies had more clients during the COVID-19 pandemic because; they are exposed to different risks that could insure than other industries that were affected by Covid-19. Accordingly, the study therefore conclude and recommend that, insurance companies should find ways of accessing funds for risks management, the government should budget enough funds for disaster that can occur at any specific period and there should be stable political environment and





economic diversification for financial market improvement.

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**APPENDIX****AXA Mansard Insurance Plc and Subsidiary Companies****Financial Statements****30 September 2020****Consolidated Statement of Financial Position****as at 30 September 2020****(All amounts in thousands of Naira)**

Group Notes	Group 30-Sep-20	Parent 31-Dec-19	Parent 30-Sep-20	Parent 31-Dec-19
<b>ASSETS</b>				
Cash and cash equivalents	5	21,721,874	17,911,416	16,381,165
<i>Investment securities:</i>				
– Fair value through profit or loss	6.1	5,036,672	5,302,005	5,036,672
– Available-for-sale assets	6.2	28,050,610	27,836,825	24,551,167
Financial assets designated at fair value	6.3	4,940,966	4,154,695	4,940,966
Trade receivables	7	10,145,103	5,418,424	3,925,532
Reinsurance assets	8	9,743,310	8,974,246	9,575,721
Deferred acquisition cost	9	513,121	331,047	481,407
Other receivables	10	2,582,620	1,548,652	2,059,787
Loans and receivables	11	244,328	403,548	2,038,109
Investment properties	12	15,287,773	15,801,949	-
Investment in subsidiaries	13	-	-	1,652,000
Intangible assets	14	248,939	1,580,297	221,511



Property and equipment	15	2,179,880	1,989,781	1,975,800	1,784,543
Right of use	970,233	535,863	970,233	462,082	
Statutory deposit	16	500,000	500,000	500,000	500,000
<b>TOTAL ASSETS</b>		<b>102,165,429</b>	<b>92,288,748</b>	<b>74,310,070</b>	<b>67,597,041</b>
<b>LIABILITIES</b>					
Insurance liabilities	17	30,765,432	25,162,941	20,024,309	17,491,746
<i>Investment contract liabilities:</i>					
– At amortised cost	18.1	4,829,522	4,275,765	4,829,522	4,275,765
– Liabilities designated at fair value	18.2	4,940,966	4,154,695	4,940,966	4,154,695
Trade payables	19	13,497,511	16,567,712	13,187,222	16,478,545
Other liabilities	20	3,962,660	3,305,822	2,574,425	1,894,835
Current income tax liabilities	21	1,355,942	935,546	176,855	203,650
Borrowings	22	4,070,364	6,965,804	-	-
Deferred tax liability	23	947,367	841,496	-	-
<b>TOTAL LIABILITIES</b>		<b>64,369,764</b>	<b>62,209,781</b>	<b>45,733,299</b>	<b>44,499,236</b>
<b>EQUITY</b>					
Share capital	24.1	5,250,000	5,250,000	5,250,000	5,250,000
Share premium	24.2	4,443,453	4,443,453	4,443,453	4,443,453
Contingency reserve	24.3	4,348,580	4,270,458	4,348,580	4,270,458
Other reserves	24.4	2,652,077	2,687,483	2,652,077	2,652,077
Treasury shares	24.5	(304,924)	(304,924)	(304,924)	(304,924)
Fair value reserves	24.6	3,893,716	1,080,718	3,629,948	923,562
Retained earnings	24.7	13,043,138	7,832,957	8,557,637	5,863,179
<b>SHAREHOLDERS' FUNDS</b>		<b>33,326,040</b>	<b>25,260,145</b>	<b>28,576,771</b>	<b>23,097,805</b>
Total equity attributable to the owners of the parent		33,326,040	25,260,145	28,576,771	23,097,805
Non-controlling interest in equity	25	4,469,625	4,818,822	-	-
<b>TOTAL EQUITY</b>		<b>37,795,665</b>	<b>30,078,967</b>	<b>28,576,771</b>	<b>23,097,805</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>102,165,429</b>	<b>92,288,748</b>	<b>74,310,070</b>	<b>67,597,041</b>

Signed on behalf of the Board of Directors on 30 October 2020

**Mrs. Ngozi Ola-Israel**

FRC/2017/ANAN/0000001734

**Mr. Olusola Adeeyo**

FRC/2013/NIM/00000001919

**Mr. Adekunle Ahmed**

FRC/2017/CIIN/00000017019





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Chief Financial Officer

Chairman

Chief Executive Officer

**Consolidated Statement of Comprehensive Income  
for the period ended 30 September 2020**

<b>Group Q3 2020 only</b>	<b>Group Q3 2019 only</b>	<b>Parent Q3 2020 only</b>	<b>Parent Q3 2019 only</b>
Gross premium written	8,919,475	8,075,434	5,057,580
Gross premium income	11,456,667	10,962,871	6,880,731
Re-insurance expenses	(3,375,966)	(3,908,130)	(3,322,739)
Net premium income	8,080,701	7,054,741	3,557,992
Fee and commission on insurance contracts	363,984	410,088	363,984
Net underwriting income	8,444,685	7,464,829	3,921,976
Claims expenses (gross)	(4,094,909)	(4,859,901)	(1,267,488)
Claims expenses recovered from reinsurers	(42,972)	276,692	(57,657)
<b>Net claims</b>	(4,137,881)	(4,583,209)	(1,325,145)
Underwriting expenses	(931,494)	(821,120)	(756,862)
Changes in individual life reserves	(443,555)	(236,750)	(443,555)
Changes in annuity reserves	(516,187)	27,939	(516,187)
<b>Net underwriting expenses</b>	(6,029,117)	(5,613,140)	(3,041,749)
<b>Total underwriting profit</b>	2,415,568	1,851,689	880,227
Investment income	1,172,973	1,370,671	562,317
Net (losses)/gains on financial instruments	446,553	(372,510)	466,770
Fair value gains on investment property	(9,908)	50,779	-
Disposal of shares in subsidiary	829,572	-	1,093,924
Profit on investment contracts	27,331	87,734	27,331
Other income	25,553	6,838	(30,744)
Total investment income	2,457,996	1,143,512	2,119,598
Expenses for marketing and administration	(373,508)	(556,344)	(357,254)



Employee benefit expense	(719,130)	(663,136)	(565,742)	(738,140)
Other operating expenses	(907,233)	(875,386)	(659,836)	(269,203)
(Impairment)/write back of premium receivables	(36,167)	35,518	-	-
Total operating expenses	(2,036,038)	(2,059,348)	(1,582,832)	(1,490,414)
Results of operating activities	2,837,526	935,853	1,416,993	119,943
Finance cost	(180,006)	(86,578)	(23,107)	-
<b>Profit before tax</b>	2,657,520	849,275	1,393,886	119,943
Income tax expense	(591,672)	(157,017)	(47,644)	(53,165)
<b>Profit for the period</b>	2,065,848	692,258	1,346,242	66,778
Profit attributable to:				
Owners of the parent	2,045,982	612,842	1,346,242	66,778
Non-controlling interest	19,866	79,416	-	-
2,065,848	692,258	1,346,242	66,778	
<i>Other comprehensive income:</i>				
<i>Items that may be subsequently reclassified to the profit or loss account:</i>				
Changes in available-for-sale financial assets (net of taxes)	1,411,305	(160,102)	1,339,794	(14,726)
Other comprehensive income for the period	1,411,305	(160,102)	1,339,794	(14,726)
Total comprehensive income for the period	3,477,153	532,156	2,686,036	52,052
Attributable to:				
Owners of the parent	3,457,287	452,740	2,686,036	52,052
Non-controlling interests	19,866	79,416	-	-
Total comprehensive income for the period	3,477,153	532,156	2,686,036	52,052