DETERMINANTS OF POLICYHOLDERS' ATTITUDE TOWARDS MOTOR INSURANCE FRAUD IN NIGERIA.

A.C. Ochonogor*
ambrose.ochonogor08@gmail.com

S. A. Aduloju
saduloju@unilag.edu.ng

&

O. S. Fadun
sofadun@yahoo.com

Department of Actuarial Science and Insurance, University of Lagos, Lagos, Nigeria.

Corresponding email address: ambrose.ochonogor08@gmail.com

Abstract

Policyholders' attitudes towards motor insurance fraudulent behaviour are shaped by numerous factors. The pervasive nature of fraud continues to pose serious challenge to the insurance industry. This study examines the influence of rising premium, driving experience and income level on policyholders' fraudulent behaviour in Nigeria. A quantitative survey design was adopted, with the aid of convenience sampling technique to collect data from 395 out of 400 respondents determined through Taro Yamane's (1967) formula. The result revealed that rising premium, driving experience, and level of income significantly influence policyholders' attitudes towards motor insurance fraud. Despite the observed low positive correlation coefficients of all three independent variables, the regression analysis suggests a weak negative predictive link between all three predictors and favourable attitude towards fraud. The study recommends that insurance companies and regulators should; ensure clear and transparent premium adjustment, develop and implement appropriate educational initiatives for inexperienced drivers, emphasize prompt settlement of claims, and ensure effective collaboration to reinforce anti-fraud strategies and public awareness. More research is suggested on regional differences in fraudulent activities across Nigeria, effects of digitisation on fraud and a comparative study of motor insurance fraud and other insurance policies to guide proactive and needed interventions.

Keywords: Motor insurance, fraud, policyholders' attitudes, driving experience, level of income

1.0 Introduction

Insurance fraud is a perennial problem with significant societal, financial, and humanitarian impacts. Insurance fraud has existed for as long as the business itself. Scholars in different fields have provided different reasons for consumer fraudulent behaviours and their causes. Over the years, various studies have shown that motor insurance is one of the highest purchased insurance products in developing countries including Nigeria (Getinsurance 2022, Aduloju, 2021). Forbes (2024) reported that approximately $308.6 billion is lost annually in the United States due to insurance fraud, with each consumer burdened with an estimated cost of $900 mainly through increased premiums. This view is corroborated by Lebron (2025). Amarasinghe (2023) defined insurance fraud as a deliberate deception perpetrated against or by an insurance company or agent for the purpose of financial gain. Although it is nearly impossible to determine precisely the costs of insurance fraud (ABI, 2009), it is reported that globally, about 10% of all insurance claims filed by consumers are fraudulent, with insurers only detecting one-fifth of these false claims (CAIF, 2022). Forbes (2024), on the other hand, reported that 20 percent of claims filed are fraudulent. Therefore, insurance fraud poses a significant problem to the insurance industry's financial stability (Swaby, 2011; Yusuf & Babalola, 2009). For example, in Nigeria, it is estimated that 10-30% of insurance claims filed are fraudulent (Yusuf, 2011); Kuria and Moronge (2014) posited that 40% of the insurance claims paid in Kenya are fraudulent; and that in the year 2010, 100 million rands were lost as a result of policyholder/claim or consumer fraud in South Africa (South Africa Insurance Crime Bureau, 2015).

Motor insurance is one of the means of financial protection against loss or accidental damage to the insured's vehicle. It provides cover for the costs of repairing or replacing the insured's vehicle in the event of an accident or fire, theft, or other perils specified in the contract. Many policies also provide for medical expenses during injuries to the insured and passengers. The Motor Vehicle Act of 1945 states that every motor vehicle owner must have at least a third-party motor insurance. As a result, Section 143 of the Road Traffic Act, Section 3 of Motor Vehicle (Third Party Insurance) Act 1953, and Section 68 of Insurance Act 2003 make it an offence to use a vehicle on the road or public place without insurance coverage. A financial penalty or six months imprisonment or both is also stipulated by the 2003 Act for offenders. This provision makes motor insurance the most common type of insurance policy in Nigeria amid documented widespread apathy, low density, and negative attitude towards insurance in Nigeria.

Reports from the Federal Road Safety Corps (FRSC) and the Nigerian Insurers Association (2024) stated that approximately 12 million vehicles plied the Nigerian roads in 2023, with only 3.11 million duly insured by the registered insurance companies in Nigeria, representing a 16% reduction from the 3.7 million vehicles insured in 2022. One might be tempted to conclude that this reduction is not unconnected to the premium tariff increase introduced by NAICOM in December 2022, which took effect on January 1, 2023. Fraud emanating from motor insurance is regarded as one of the costliest scandals in the world (Coalition Against Insurance Fraud 2012). The act affects every household in the United States by $950 annually, with 10% to 20% of every motor insurance claim filed being fraudulent.

This premium hike is, in turn, firing up discontent, especially by consumers who feel that they are being treated unjustly by insurance companies (procedural justice) or that insurers are

making too much profit through increased premiums (distributive justice). Such feelings drastically raise tolerance for insurance fraud as cited by Tennyson (1997, 2008) and Tseng and Kudo (2014). Previous studies have revealed that when people are negatively predisposed toward the insurance industry, they tend to be more tolerant of insurance fraud (Tonenciuc, 2015). Increased tolerance for insurance fraud correlates positively with the frequency of motor injury claims (Cummins & Tennyson, 1992), which directly impacts motor insurance costs.

In this context, the Nigerian insurance industry is grappling with the pervasive problem imposed by the impact of motor insurance fraud over an extended period (NAICOM, 2019). Consequently, stakeholders, especially policyholders and insurers, have endured considerable financial strain. The Nigerian Insurers Association (2019) also noted the alarmingly high rate of insurance fraud in Nigeria, estimating motor insurance fraud to be as high as 70%. In the wake of the 2008 social and economic crisis that hit Europe, insurance-related crime surged (Fligstein & Roehrkasse, 2016). Even though fraud is seen as a fairly invisible crime, which is hard to detect and quantify (Sparrow, 2008), it has major financial, societal, and humanitarian costs (Palasinski, 2009). Insurance fraud threatens the profit level of insurance firms. The cost inherent in fraudulent activities leads to a higher cost of the insurance premium paid by the policyholder (Pimenta, 2009; Viaene et al., 2007). This is a consequence of the insurance company distributional risk system: the demand for the accumulation of liquid assets (monetary) to pay losses resulting from claims related to vehicle accidents, of which some are fraudulent (ACFE, 2009).

Insurance fraud presents a big problem in the Nigerian insurance industry, leading to financial strain for insurance companies, which is then passed on to honest policyholders in the form of higher premiums (Hirsch, 2006). A lot of policyholders believe that insurance companies are raking in disproportionate profit, instigating a sense of distributive and procedural injustice. As highlighted by Tennyson (1997, 2008) and Tseng and Kudo (2014), this view can induce tolerance for insurance fraud.

In light of the above, this research work aims to investigate the determinants of policyholders' attitudes towards motor insurance fraud in Nigeria. Specifically, the research will focus on the following determinants—rising motor insurance premium, policyholders' driving experience, and policyholders' income level. A thorough investigation, analysis, and understanding of these factors and their effect on fraud can provide a roadmap towards strategies and proper policy interventions to tackle the problem in the Nigerian insurance industry.

2.0 Literature Review

2.1 Theoretical Review

The study is anchored on two theories: the Rational Choice Theory and Strain Theory.

2.1.1 The Rational Choice Theory

This was propounded by an economist, Adam Smith in the year 1776. It contends that people make decisions based on a cost/benefit analysis in a bid to maximize their gains. Another theorist in consistent with this theory is Becker (1976), who suggests that individual decision is based on

a rational evaluation of the costs and benefits associated with their actions. As described by McCarthy (2002), individuals who make criminal decisions tend to follow a rational process in which they weigh the potential advantages of their actions with the possible resulting disadvantages. Within the rational choice theory of criminal behavior, this decision-making process goes further to include an analysis of the costs and benefits of other noncriminal responses to the situation before making a choice (McCarthy, 2002; Piliavin, Thornton, Gartner, & Matsueda, 1986).

In the context of insurance fraud, individuals would estimate the likely benefits they are likely to derive from the act of fraud against the potential cost of punishment if detected. This theory may be useful in research with the view to determine the factors that influence policyholders' decision to defraud insurers in light of rising premiums and levels of income. If the costs associated with fraud are higher than the expected gains, then policyholders may easily indulge in fraudulent practices. The rational choice theory examines a situation with an expectation that actors have at their disposal all the information that is pertinent to the given environment and resources within the same realm (Ajzen, 1991). Perhaps, acknowledging to a certain extent that experienced drivers may have more information about insurance policies, claims, and fines associated with insurance fraud. With this information, many of them are in a better position to make informed decisions.

2.1.2 Strain Theory

This theory, introduced by Robert King Merton (1938), argues that the dominant cultural values of society and its social structure cause strain, which might encourage citizens to commit crimes. Recent studies indicate that discontentment with financial status and experience of economic challenges, such as difficulty in meeting financial obligations, have been traced to criminal behavior (Jang & Agnew, 2015). The results support classic strain theory (Agnew et al., 1996, 2008), on the argument that the said economic strain increases by a huge margin the likelihood of crime. The fact that increasing motor insurance premiums may play a critical role in the present study is justified, as Strain Theory suggests that strain in the economic sense may push policyholders to perceive fraud as a way of ending their economic strain. Likewise, customers in low-income brackets who are facing financial pressure may be more tolerant to fraud viewing it as an alternative means of dealing with increasing premiums. The relationship between economic pressure, perceived fairness as well as past incidents could also be relevant in shaping policyholders' conduct and perception towards insurance fraud in Nigeria. This knowledge is useful in developing fraud preventive strategies and promoting the insurance industry.

2.2 Conceptual Review

2.2.1 Insurance Fraud

Insurance fraud involves deliberate deceptive practices aimed at gaining dubious and dishonest advantages from insurers. Remli, Salleh, and Arifin (2021) noted that fraud occurs when individuals provide false information to insurance companies to obtain benefits that would otherwise be denied. According to Duffield and Grabosky (2001), fraud is seen as obtaining something of value or avoiding an obligation through deception. The International Association of Insurance Supervisors (IAIS, 2007) defines insurance fraud as an act or omission intended to

gain dishonest advantage for the fraudster or for the purpose of other parties, covering a broad spectrum of behaviours from false claims to intricate corporate frauds.

Internal fraud refers to deceptive practices perpetrated by employees of insurance firms or intermediaries, for their personal gains (Bashir, 2009). This includes falsifying claims information, inflating claims estimates, or mismanagement of insurance funds. External fraud on the other hand involves claimants, policyholders or external parties filing bogus insurance claims including staged incidents, fabricated injuries, or forged documentation to insurance companies for processing (Okura, 2013).

Insurance Fraud can also be classified as hard or soft. According to Derrig and Krauss (1994); Derrig and Zicko (2002) and Sparrow (1998, 2000), hard fraud generally entails intentional acts of deception, such as staged incidents or falsification of non-existent claims incidents. Soft fraud on the other hand refers to opportunistic padding of legitimate claims to maximize claims recovery from insurance companies (Remli et al., 2021). Examples include exaggerating the extent of vehicle or property damage or severity of injuries. As cited in Shoyemi (2024), various researchers have investigated the causes of insurance fraud (Yusuf, 2011; Dionne and Gagné, 2000; NCLC, 2022; CAIF, 2021b; Derrig, 2002b; Avortri and Agbanyo, 2020), Akomea-Frimpong et al. (2016) and identified the predominant causes of internal fraud in the Ghanaian insurance market. These include (i) low remuneration of employees or managers, (ii) insufficient internal controls, and (iii) questionable relationships between employees or managers and external parties. Furthermore, factors contributing to internal fraud as identified in their research include unfair treatment of employees, forged signatures or documents, evasive responses to auditors' inquiries by directors and managers, high-handed management approach to avoid scrutiny, complex organizational structures, poor transaction records, excessive greed among staff members, reports of asset sales below market value, and irregular transaction timing, frequency, location, amount, and parties involved. Njaaga (2022) conducted a study in Kenya on the impact of fraud risk on the profitability of motor vehicle insurance firms and concluded that increased levels of fraud risks result in decreased profits of the firms in that sector. Otiso (2021) agrees with this position by emphasising the adverse economic implications of insurance fraud on the sector including increased insurance cost and low market penetration. Furthermore, Otiso cautions that persistent insurance fraud may impair the ability of insurers to honor their contractual commitments, which may lead to ineffective operations, and in extreme cases, business closures.

2.2.2 Motor Insurance Premium

Motor insurance provides financial protection against losses or damages to the insured's vehicle. It covers the costs to repair or replace the insured's vehicle if it gets damaged in an accident, fire, theft or other covered event. Motor insurance is a pecuniary tool to safeguarding insurers' risks against motor mishaps (Olowokudejo, Aduloju, & Ajemunigbohun, 2020). According to Falegan (1991) as cited in Onafalujo et al. (2011), motor insurance provides for bodily injury or property destruction to the third party emerging from the use of vehicles. It is most times categorized in line with vehicle use embodying private vehicles, goods-carrying types, commercial types, public authorities' vehicles, passengers-carrying vehicles, mechanical plants of specific models, and agricultural vehicles (Bassey, 2018; Ngwuta, 2007). Zerou (2016) defines motor Insurance as a contract between the insured and the insurer, in which the insured agrees to pay a premium and the insurer, agrees to pay losses in line with the policy conditions. Therefore, motor

insurance premium is the monetary amount charged by insurance companies to provide coverage for a motor vehicle against specified covered risks, such as accidents, theft, and damage except as clearly exempted from the policy. Section 50(1) of the Nigerian Insurance Act 2003 states that, "The receipt of an insurance premium shall be a condition precedent to a valid contract of insurance and there shall be no cover in respect of an insurance risk unless the premium is paid in advance." This proviso translates to what we now colloquially refer to in Nigeria as the 'no premium, no cover'.

2.2.3 Policyholder's Attitude

A policyholder therefore refers to an individual, company, government or any other entity which at some point in time has a current policy under an insurance policy sold by an insurance Company. 'Attitude' on the other hand refers to a disposition towards certain behaviors either in favor of or in opposition. In the context of this study, attitude of Policyholders can be referred to as those impressions, beliefs and actions that the policyholders have on the policy and the insurance industry in general (Twofeeq & Adeleke 2019). This paper posits that policyholders' attitude also play a significant role in explaining why or how the identified determinants affect fraudulent behaviour in Nigeria.

In the view of Tennyson (2008), holding constant the pecuniary costs and benefits of fraud, policyholders attitudes may affect the rate of fraud by creating social stigma or psychic costs of engaging in fraud. Insurance education has been found to improve attitudes towards the insurance industry which has been found to reduce the tolerance for insurance fraud (Tennyson, 1997). This may be one of the avenues for changing attitudes towards fraud, especially through public awareness campaigns such as those sponsored by the insurance industry.

2.2.4 Driving Experience

Driving experience refers to the accumulated practical experience and expertise of people from driving motor vehicles for a relatively long period. Driving experience can influence insurance fraud through its effects on risk perception, behavioral patterns, insurance processes awareness, ethical considerations and interaction with socioeconomic factors. Amarasinghe (2023), in their study concluded that policyholders with more driving experience are more likely to exhibit fraudulent behaviour. Walker and Baker (2000) share similar observation by providing empirical evidence that links driving experience with attitudes towards insurance fraud.

Furthermore, age has often been cited as an important factor in attitudes to unethical behaviour and Tennyson (1997) demonstrated that older respondents have a lower tolerance to insurance fraud. While it can probably be assumed that in the majority of cases, age is linked to driving experience, this is not always the case (Kavanagh 2018). In Nigeria, it is not uncommon for individuals to start driving later in life and the current study looks at driving experience to identify if more experienced drivers are less tolerant of insurance fraud.

2.2.5 Income Level

Level of income refers to the financial earnings and/or resources available to an individual. In this context, it refers to the financial status of policyholders. The research investigates how

varying income levels influence ethical behaviours and risk perception as they affect the likelihood of motor insurance fraud. Skiba and Disch (2014) revealed in their study that individuals who had lost their jobs or had suffered a reduction in their salaries tended to perceive insurance fraud as an alternative source of income. This is in line with the 'Social Strain theory' which represents one of the theories upon which this study is mirrored. Brokesova and Pastorakova's (2013) research on how income levels affect individuals' attitudes toward insurance fraudulent behaviour revealed that while attitudes between higher and lower income brackets were expected, attitudes among middle-income respondents remained unclear. Dionne and Wang (2011) argued that morality related to insurance fraud may vary with the income levels of policyholders, with customers in the lower income strata potentially more tolerant due to the pecuniary benefits of increased insurance payout in claims (Tennyson, 2002).

2.3 **Conceptual Framework**

The conceptual framework in Figure 1 below shows the study variables and helps depict the relationship among the variables.

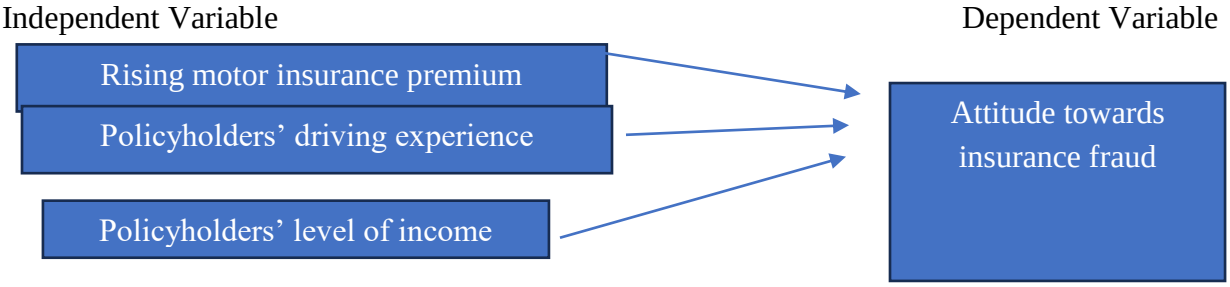

Figure 1 Conceptual Framework

Source: (Researcher, 2025)

2.4 Empirical Review

According to Dionne and Wang (2011), insurance fraud relates to individuals' morality that may also vary with level of income. As insurance claims may increase individuals' income, there are assumptions that respondents at lower income levels could be more tolerant of insurance fraud (Tennyson, 2002). Devos (2008) opined that in different types of white-collar frauds, including tax evasion, the role of income level is unclear.

Tonenciuc (2015) also pointed to previous studies which indicate that when people have negative attitudes towards the insurance industry, they tend to be more tolerant of fraud. Increased tolerance for insurance fraud has a positive correlation with the frequency of motor injury claims (Cummins & Tennyson, 1992) which directly impacts motor insurance costs. Similarly, Jones and Kavanagh (1996) concluded that the higher the cost of insurance to the policyholder, the more the inclination towards fraud. Furthermore, when the number of years of driving experience increases, policyholders' propensity to perpetrate insurance fraud follows the same direction. However, when the perceived fairness of insurance premiums to the policyholder is higher, the tendency to commit insurance fraud is reduced.

Amarasinghe and Sharmila (2023) discovered a significant positive correlation between the cost of motor insurance premiums and customers' attitudes. Their research findings also established a positive relationship between the number of years of driving experience of policyholders and their attitude towards insurance fraud. This suggests that policyholders tend to exhibit fraudulent attitudes towards motor insurance if they perceive an increase in premium. It was also observed that drivers with more driving experience would tend to go in this direction.

A US state-level research conducted identified a strong relationship between insurance fraud tolerance and the frequency of motor injury claims (Cummins & Tennyson, 1996). Corroborating this assertion, Button et al. (2013) discovered that individuals believe that exaggerating symptoms of an actual injury to get a higher claim payment is more acceptable than claiming for a fabricated injury. In the same light, Tennyson (2002) found that exaggerating a claim to cover the policy excess is perceived as being far more acceptable behaviour than falsifying receipts to increase the claim amount. Kavanagh (2018) established that while Irish respondents perceive insurance fraudulent behaviour as common, their acceptance of such behaviors is not profound. However, acceptance rates are significantly higher compared to a related U.S. study by Tennyson (2002).

In a study conducted by Skiba and Disch (2014), it was revealed that individuals who had lost their jobs or had suffered a reduction in their salary had more tendency to refer to insurance fraud as a source of income. This resonates with the 'Social Strain theory' which represent one of the theories upon which this study is based. Ribeiro et al., (2019) concluded in their research that individuals, contractual, macrosocial, and relational factors are interconnected and provide valuable conceptual frameworks for addressing the intricacies of policyholders' unethical behavior. Furthermore, Tennyson (2008), as cited in Ribeiro et al., (2019) analyzed the economic-contractual approach and discovered insurance fraud as an economic response to the contractual relationship between insurers and policyholders, and it is based on the theories of moral hazard. Moral hazard may be conceived as the tendency of the insured to change their behavior when the cost of that behavior will be borne by others (Reibeiro et al., 2019).

Despite the extensive research works conducted on insurance fraud and its causes in different regions such as Europe, Asia, and some parts of Africa, a significant gap in understanding and analyzing the determinants of policyholders' attitudes toward motor insurance fraud still exists, specifically in Nigeria. While some studies have focussed on this relationship in other contexts, similar studies with specific research objectives are notably few, if not non-existent in Nigeria. Shoyemi (2023), in a similar study, focused on the internal and procedural aspects of fraud, investigating and analyzing factors responsible for motor insurance fraudulent claims in Nigeria. The distinctiveness of this research lies in the examination of the influence of the outside factors on the attitudes of policyholders to motor vehicle insurance fraud, such a critical angle that has been overlooked. By employing the more sophisticated statistical method than Kavanagh (2018) and Amarasinghe and Sharmila (2023) who used correlation analysis and were thus limited to reporting the direction and strength of association between the variables they investigated, this study was able to illustrate a clearer realization of the set goals.

Complementary regression analysis employed in this work closed that methodological gap by quantifying the impact of rising premium, driving experience, and level of income on the dependent variable, offering critical insights into the causality and predictive outcomes, thereby offering more robust and useful findings.

3.0 Methodology

To achieve the study objectives, the survey research design method was adopted. This design was deemed appropriate as it would guarantee more accurate results by allowing large representative samples from the target population (Kothari & Garg, 2016; Oyeniyi, Abiodun, Obamiro, Moses, & Osibanjo, 2016). The study is based on a quantitative approach to obtain a reliable result. It is a quick and cost-effective design.

The population of this study comprises the totality of motor insurance policyholders in Nigeria. Federal Roads Safety Corps (FRSC) and the Nigerian Insurers Association (2024) put the number of vehicles genuinely registered and insured with registered insurance companies in Nigeria at 3.11 million. Although, some individuals and organizations own more than one insured vehicle; for the purpose of this study, it was assumed by the researcher that the number of insured vehicles was the same as the number of motor insurance policyholders. This further strengthens the statistical power of the sample size used.

To obtain a representative sample from the population of 3, 110,000 motor insurance policyholders in Nigeria, the research employed Taro Yamane's (1967) formula as cited in Ajay and Masuku (2014) to compute the sample size at 95% confidence level. The formula is given as:

$n= N/1+N(e)^2$

where:

n = sample size

N= population size

e= assumed acceptable sampling error at 95% confidence level, p =0.05.

$$n= \frac{3,110,000}{1+3,110,000 \times (0.05)^2} \quad n \approx 400$$

The convenience sampling technique was deemed appropriate by the researcher and adopted for the study as it enabled the efficient and cost-effective collection of data from readily accessible motor insurance policyholders across Nigeria, providing preliminary insights into their attitudes toward fraudulent behaviour, given the time and resource constraints typical of this kind of study. Saunders et al. (2008) argued that the non-probability convenience sampling technique was a good option when time and money are limited. Data was gathered via a structured questionnaire on web-based Google forms. The participants' point of view was carefully assessed using a five-point likert scale ranging from 'strongly agree' to 'strongly disagree' (Cooper & Shindler, 2014). The questionnaire consists of three sections: Section A- Demographic data of the responders, Section B- Driving and insurance details, Section C- Propensity for insurance fraud and Section D- Policyholders' attitude toward motor insurance

fraud in Nigeria. Furthermore, in assessing the consistency of research instrument, a reliability coefficient of 0.883 was derived using the Cronbach Alpha test, indicating strong dependency.

3.1 Method of Data Analysis

The study employed linear regression along with analysis of variance (ANOVA) aided by the statistical software -Statistical Package for the Social Sciences (SPSS) providing a thorough exploration of the correlation and association between the dependent variables and independent variables.

4.0 Result and Discussion

4.1 Test of Hypotheses

$H0_1$: Rising motor insurance premiums have no significant effect on policyholders' attitudes toward motor insurance fraud in Nigeria.

Table 1: Rising motor insurance premiums and attitude toward motor insurance fraud

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.016[a]	.000	-.002	3.092

a. Predictors: (Constant), Policyholders' level of income

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.985	1	.985	.103	.008[b]
	Residual	3767.709	394	9.563		
	Total	3768.694	395			

a. Dependent Variable: Attitude toward motor insurance fraud

b. Predictors: (Constant), Rising motor insurance premium

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18.646	.564		33.070	.000
	Rising motor insurance premium	-.036	.112	-.016	-.321	.008

a. Dependent Variable: Attitude toward motor insurance fraud

Source: *Research's Computation (2025)*

Table 1 shows an R square value of 0.000 indicating that there is little or no changes in attitudes towards fraud as premiums increase. The unstandardized regression coefficient (-0.036) results in a rather weak negative effect, suggesting that as premiums increase by one unit, the policyholders' tendencies to commit fraud decrease by 0.036 units. The ANOVA results reveal a statistically significant regression model ($p = 0.008<0.005$), indicating that rising premiums can affect attitudes toward fraud, albeit small. This shows that there is not enough evidence to accept the null hypothesis. Hence, rising premium has a significant effect on the insured's attitude toward committing motor insurance fraud in Nigeria.

$H0_2$: Policyholders' driving experience has no significant effect on policyholders' attitude toward motor insurance fraud in Nigeria

Table 2: Policyholders' driving experience and attitude toward motor insurance fraud

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	.235[a]	.055	.053	3.006

a. Predictors: (Constant), Driving experience of motor insurance policyholders.

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
2	Regression	209.012	1	209.012	23.134	.000[b]
	Residual	3559.683	394	9.035		
	Total	3768.694	395			

a. Dependent Variable: Attitude toward motor insurance fraud

b. Predictors: (Constant), Driving experience of motor insurance policyholders

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	20.666	.481		43.008	.000
	Driving experience of motor insurance policyholders.	-.325	.068	-.235	-4.810	.000

a. Dependent Variable: Attitude toward motor insurance fraud

Source: *Research's Computation (2025)*

The results of table 2 show that more driving experiences have a considerable impact on policyholders' views of motor insurance fraud in Nigeria. The R square value of 0.055 indicates

that 5.5% of the variation in policyholders' attitudes can be explained by driving experience. The ANOVA results of ($F = 23.134$, $p < .001$), show that the model is statistically significant which indicates that driving experience impacts attitudes. However, the negative beta value (-0.235) suggests an association between increased driving experience and a less tolerable attitude towards insurance fraud. Thus, the policyholders' driving experience has a significant effect on policyholders' attitudes toward motor insurance fraud in Nigeria

$H0_3$: Policyholders' level of income has no significant effect on their attitude toward motor insurance fraud in Nigeria.

Table 3: Policyholders' level of income and attitude toward motor insurance fraud

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
3	.111[a]	.012	.010	3.074

a. Predictors: (Constant), Policyholders' level of income

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	46.644	1	46.644	4.938	.027[b]
	Residual	3722.050	394	9.447		
	Total	3768.694	395			

a. Dependent Variable: Attitude toward motor insurance fraud

b. Predictors: (Constant), Level of income of motor insurance policyholders

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	19.373	.434		44.669	.000
	Level of income of motor insurance policyholders	-.211	.095	-.111	-2.222	.027

a. Dependent Variable: Attitude toward motor insurance fraud

Source: *Research's Computation (2025)*

The analysis in table 3 reveals a weak association ($R = 0.111$) between policyholders' level of income and attitudes toward motor insurance fraudulent behaviour, with only 1.2% of the variance in attitudes explained by income level. ANOVA results of ($F = 4.938$, $p = 0.027$) indicate a statistically significant relationship suggesting that level of income influences attitudes. The unstandardized beta coefficient of -0.21 indicates that higher income level is associated with less tolerable attitudes toward motor insurance fraud, with this relationship being statistically significant at $t = -2.222$ and $p = 0.027$).

Table 4: Summary of Tested Hypotheses

S/N	Research Hypotheses	Results	Remarks
1	Rising motor insurance premiums have no significant effect on policyholders' attitude towards motor insurance fraud in Nigeria.	$\beta=-0.036$, $S.e=0.112, p<0.05, R^2=0.000, r=-0.016$	The null hypothesis is rejected.
	Policyholders' years of driving experience has no significant effect on their attitude towards motor insurance fraud in Nigeria.	$\beta=-0.325$, $S.e=0.068, p<0.001, R^2=0.055, r=-0.235$	The null hypothesis is rejected.
	Policyholders' level of income has no significant effect on their attitude towards motor insurance fraud in Nigeria	$\beta=-0.211$, $S.e=0.095, p<0.05, R^2=0.012, r=-0.111$	The null hypothesis is rejected.

4.2 Discussion of Findings

From the empirical analysis conducted and the hypotheses tests carried out, this study has been able to achieve the research objectives and thus, answered the research questions raised. The analysis reveals a statistically significant relationship between rising motor insurance premiums and policyholders' attitudes toward fraud, even though the influence is minimal. With an R Square value of 0.000 and an R-value of 0.016, the model shows a very weak positive adjustment in attitudes with an increase in premiums. This finding aligns with the study by Amarasinghe and Sharmila (2023), whose analysis in this regard was only limited to correlation, and found a positive association between the rising cost of motor insurance premiums and attitudes toward insurance fraud. To this extent, the research aligns with the notion that as the financial burden of premiums rises, some policyholders may feel justified in perpetrating fraud to defray those costs which resonates with the Strain Theory, one of the theories upon which this study is mirrored. Further analysis using regression provides interesting insight into the predictive and causality outcomes for the dependent and independent variables. The unstandardized coefficient of -0.036 suggests a slightly negative predictive relationship between rising premiums and policyholders' attitudes towards motor insurance fraud. By way of practical interpretation, it depicts that for each unit rise in motor insurance premium, the tendency to commit fraud drops by 0.036. In slight agreement with this position, Kavanagh (2018), found that despite most respondents feeling that motor insurance premiums had increased and were unjust, it did not influence their attitudes toward accepting fraud. This is an indication that other factors, such as policyholders' education and perceptions of insurance companies, need to be explored to effectively address and mitigate fraud.
The p-value of 0.008 which is below 0.05 rejects the null hypothesis, affirming that rising motor insurance premiums significantly affect policyholders' attitude to commit fraud.

The second analysis also indicates a significant relationship between driving experience and attitudes towards fraud, supported by the p-value of 0.00, below the 0.05 maximum threshold. The correlation coefficient R (0.235) reflects a weak positive association between driving experience and attitudes towards fraudulent behaviour. This supports the finding of Kavanagh (2018), who found a weak positive association between driving experience and policyholders' attitudes towards fraud. An R Square value of 0.055 suggests that driving experience explains 5.5% of the variation in attitudes. The ANOVA results reinforce this association, establishing a statistically significant F value of 23.134 and p = 0.000. Again, the unstandardized regression coefficient of -0.325 suggests that for each additional unit of driving experience, policyholders'

attitude towards motor insurance fraud reduces by 0.325 units suggesting that the finding of Kavanagh (2018) can be further explored beyond the strength and association of the studied variables. This negative predictive relationship suggests that as policyholders gain more experience in driving, they tend to be less tolerant of fraud. The p-value of 0.000, below 0.05 significance level rejects the null hypothesis, confirming that driving experience does significantly affect policyholders' attitude to commit fraud.

Finally, analysis of the level of income reveals a significant statistical relationship between policyholders' income levels and their attitudes towards motor insurance fraud albeit weak. An R Square value of 0.012, suggests that only 1.2% of the variance in attitudes can be explained by policyholders' income level. ANOVA results with an F value of 4.938 ($p = 0.027$), confirm that level of income significantly influences attitudes towards fraudulent behaviour, thereby rejecting the null hypothesis. Specifically, an unstandardized regression coefficient of -0.211 suggests that higher income levels correlate with a lower tolerance for motor insurance fraud, implying that policyholders' level of income influences moral perspectives on fraudulent behaviour. This is consistent with the finding of Salleh (2018) who highlighted that economic challenges can influence individuals' behaviour, which could lead to insurance fraud.

The studies by Dionne and Wang (2011) presented an argument that morality, that is influenced by the income level, plays an important role in the insurance fraudulent behaviour. Their study suggests that policyholders in the low-income category would rather justify fraudulent actions being a necessity for economic survival. This is also in agreement with Tennyson (2002), who argued that such individuals with lower income levels may be more tolerant of fraud. The insurance claims become a means to relieve any financial pressure on such people. The above resonates with the strain theory that individuals among lower income brackets may be prone to financial strains, which may make them consider the option of committing fraud for economic relief. The theory posits that when legitimate means to achieving financial goals are perceived as unattainable, individuals may resort to deviant behaviours, which include insurance fraud. Therefore, lower-income policyholders might feel justified in perpetrating fraud due to economic difficulties. On the other hand, applying the rational choice theory, individuals in higher income brackets are more inclined to engage in a cost-benefit analysis that discourages fraudulent behaviour. Individuals may consider the risks of fraud as being greater than the benefits linked to it; thus, the theory reflects the negative coefficient that policyholders with more income have a clearer view of the costs of fraud and they act more ethically.

4.3 Conclusion

The analysis of the relationship between identified factors and attitudes toward motor insurance fraudulent behaviours revealed critical insights. The regression models suggest that rising motor insurance premiums and driving experience have a significant influence on policyholders' attitudes, while income level has a weaker but still notable effect. Specifically, the model analyzing driving experience reveals a significant relationship ($F = 23.134$, $p = 0.001$), with a negative explanatory variable indicating that increased driving experience correlates with a lower tendency for fraud. In contrast, the model analyzing the level of income indicates a minimal effect ($R^2 = 0.012$, $p = 0.027$), suggesting that while income levels impact attitudes, it does so to a lesser degree than driving experience. Findings from this study highlight the intricacy of the selected determinants of policyholders' attitudes toward motor insurance fraud in Nigeria. The observed significant impact of rising premiums may speak to broader economic challenges faced

by motor insurance policyholders, which could lead to heightened perceptions of fraud as a rational response to financial strain.

Conversely, the influence of driving experience suggests that more experienced drivers may develop stronger ethical standards regarding fraud, potentially due to a better understanding of the consequences associated with such behaviour.

4.4 Recommendations

Based on the conclusion, the following recommendations are proposed:

i. Insurers and regulators should strive to be more transparent while fixing premium rates. If insurers and regulators provide a justifiable rationale for changes in premium at any point in time, they will gain the policyholders' confidence, and the perception of unfairness and injustice, which might lead to policyholders' fraudulent behaviour will be minimized.

ii. Driving experience being a major factor that determines attitudes towards fraud suggest that insurance companies should implement various strategic educational initiatives. These should target novice drivers, encouraging them on ethical practices while informing them of the contractual and legal consequences of fraudulent practices.

iii. The findings indicate that high-income policyholders are less likely to engage in fraudulent activities. Therefore, they should be incorporated into loyalty programs or receive some contractual incentive as a recompense or gesture to encourage lower-income policyholders' whose attitudes tend to be more negatively predisposed towards fraud.

iv. It is also important for the insurers to keep their promise of timely claims settlement to inspire trust from policyholders as this may reduce the motivation for such policyholders to perpetrate fraud.

v. Insurers should also enhance their lobbying efforts and join forces with regulators in order to implement stricter anti-fraud measures with harsh penalties, while also educating the public on motor insurance fraud.

vi. Insurers in collaboration with loss adjusters should be more thorough and savvier in claims investigation techniques embracing technology and innovative means.

4.5 Suggestion for future Studies

Scope of research should be expanded to accommodate more expected determinants of policyholders' attitudes towards motor insurance fraud. These include cultural beliefs, peer pressure, and trust in the insurance provider. Cross-country studies within Nigeria would be useful in identifying the geographical differences in the propensity for fraud, and thus, assist in designing appropriate interventions in those areas. In the light of widespread adoption of cutting-edge technology to enhance the provision of insurance services, it is equally important to look into the effects of digitalization on incidences of insurance fraud including the preventive measures against fraudulent claims. longitudinal or attitudinal studies that are done after some time, especially in looking at the development of attitudes after an introduction of new policies or economic conditions would be highly beneficial. Also, it might be worth looking at the

statistics of motor insurance fraud compared to other types of insurance to establish any behavioural differences or patterns

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