

Implication of Ownership Structure of Insurance Companies on Policyholders' Patronage in Nigeria

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Abstract

Despite the growing importance of insurance in Nigeria's economy, the industry still faces challenges in attracting and retaining policyholders. One potential factor contributing to this challenge is the ownership structure of insurance companies, which may influence policyholders' trust, confidence, and loyalty. This study investigated the implications of ownership structure of insurance companies on policyholders' patronage in Nigeria, from 2015 to the 2023 financial year. The study's population consists of the twenty-three (23) listed insurance firms on the Nigerian Stock Exchange as of 31st December 2023. In this study, policyholders' patronage is measured by Premium income. Ownership structure is proxied by managerial ownership, ownership concentration, and institutional ownership. Secondary data was used in the study and was obtained from the annual reports of the insurance companies, the Nigerian Stock Exchange. Panel estimation method involving (pooled OLS, fixed effect estimation, and random effect) was used to test the hypotheses of the study. The fixed effect model demonstrates a strong fit, with key independent variables (MAO, OWC, INO) significantly influencing policyholders' patronage. Therefore, the study recommends careful consideration of the ownership structure and continuous model validation to maintain the effectiveness of insurance firms in significantly stimulating policyholders' patronage.

Keywords: Ownership structure, policyholders' patronage, Panel estimation method & Insurance companies.

1. Introduction

The ownership structure of insurance companies has long been a subject of interest for scholars and industry practitioners due to its significant impact on various operational and strategic outcomes. In the context of Nigeria, understanding this impact is particularly pertinent given the unique regulatory, economic, and cultural environment in which the insurance industry operates.

The Nigerian insurance industry is a critical component of the country's financial services sector. Despite its potential, the industry has historically faced challenges such as low penetration rates, limited consumer awareness, and trust issues. According to the National Insurance Commission

(NAICOM), the insurance penetration rate in Nigeria is approximately 0.5%, significantly lower than the global average (NAICOM, 2021). However, recent regulatory reforms and increased economic activities have provided opportunities for growth and development in the sector (PwC, 2022).

The insurance industry plays a vital role in the global economy, providing financial protection to individuals and businesses against unforeseen risks. In Nigeria, the insurance industry has experienced significant growth in recent years, driven by increasing awareness of the importance of insurance and government initiatives to promote the industry (Akindele, 2018). However, despite this growth, the industry still faces challenges in attracting and retaining policyholders, with many Nigerians perceiving insurance as an unnecessary expense (Ojo, 2017).

One potential factor contributing to this challenge is the ownership structure of insurance companies. Research has shown that the ownership structure of a company can influence its performance, risk-taking behavior, and customer relationships (La Porta et al., 2002). In the insurance industry, the ownership structure may affect the level of trust and confidence that policyholders have in the company, which can in turn influence their decision to purchase and renew policies (Cumming & Johan, 2017).

The ownership structure of a company refers to the distribution of ownership rights among shareholders. Different ownership structures can have varying effects on a company's performance and behavior. For example, companies with concentrated ownership structures, where a few large shareholders hold significant stakes, may be more likely to prioritize the interests of these shareholders over those of other stakeholders (Shleifer & Vishny, 1997). On the other hand, companies with dispersed ownership structures, where ownership is spread among many small shareholders, may be more likely to prioritize the interests of policyholders and other stakeholders (Fama & Jensen, 1983)

Several studies have examined the impact of ownership structure on policyholders' patronage in the insurance industry. For example, Eling and Schmeiser (2016) found that mutual insurers, which are owned by their policyholders, tend to have higher customer satisfaction ratings than stock insurers, which are owned by shareholders. This is because mutual insurers are more likely to prioritize the interests of their policyholders, who are also the owners of the company. Other

studies, such as Outreville (2013) have examined the impact of foreign ownership on insurance companies and established that foreign-owned insurance companies tend to have higher levels of efficiency. However, the study also found that foreign-owned companies may be less responsive to the needs of local policyholders.

Empirical studies specific to Nigeria provide insights into how ownership structures influence policyholder behavior. For example, research by Aduloju and Oke (2018) indicates that mutual insurance companies in Nigeria tend to have higher customer satisfaction scores compared to stock companies. This is attributed to the customer-centric approach of mutual insurers. On the other hand, studies have shown that stock insurers are more aggressive in market expansion and product innovation, which can attract a broader customer base but may not always sustain long-term loyalty (Olaosebikan, 2019). Similarly, according to a study by Adeleke (2019), many insurance companies in Nigeria have concentrated ownership structures, where a few large shareholders hold significant stakes. This can lead to a prioritization of the interests of these shareholders over those of policyholders, which can negatively impact customer satisfaction and loyalty.

While there is a significant body of research on the impact of ownership structure on company performance and behavior, there is limited research on the specific impact of ownership structure on policyholders' patronage in the insurance industry, particularly in Nigeria. This study aims to fill this research gap by examining the impact of ownership structure on policyholders' patronage in the Nigerian insurance industry.

2. Literature Review

Concept of Ownership Structure

Ownership structure is a dynamic and evolving concept in corporate governance literature. According to Muhammed, Halima, and Abdulmalik (2022), ownership structure is the distribution of a company's stock among its major shareholders. The separation of ownership and control gives rise to the conflict of interest between owners and their managers who run the day-to-day business of the company. Lakhali (2015) stated that managers (agents) act on behalf of the shareholders (the principal), who are the actual owners of the firm. This relationship empowers

the manager's position and leave the firm shareholders with no control over the decision-making process.

Literature shows that, ownership structure are in different forms. In this study, ownership structure is limited to first, insiders or managers of a firm who also act as shareholders if they possess some portion of the company shares (Latif, Latif & Abdullah, 2017). Second, proportion of shares owned by insiders and outsiders; and third, proportion of shares owned by institutional shareholders. Managerial ownership is a variable that might reduce the agency costs as the motivations of managers are aligned closely to the objectives of other shareholders (Muhammed, et al, 2022). outsiders who own significant number of the company shares have more power and incentive to monitor management actively especially the financial reporting process, thereby reducing the earnings management probability, also increasing earnings quality.

In the context of this study, ownership structure refers to the distribution of ownership rights and responsibilities among different types of shareholders in a company. This concept is pivotal in corporate governance, influencing how a company is managed, how decisions are made, and how control is exercised within the organization (Ohiani, Eniola & Lateef, 2018).

Concept of Policyholder Patronage

Policyholder patronage refers to the loyalty and retention of policyholders with an insurance company (Crosby & Stephens, 1987). It involves a deep-seated commitment to continue purchasing insurance products from the same company (Oliver, 1999). Policyholder patronage is the customer's overall assessment of the utility of a product or service based on perceptions of what is received and what is given (Zeithaml et al.,1996, Morgan & Hunt, 1994).

Also, Taylor and Hunter (2003) and Kotler and Keller (2016) views policyholder patronage is a customer's intention to continue purchasing from a specific insurance company, driven by satisfaction and perceived value. In the context of this study Policyholder patronage refers to the loyalty and retention of policyholders with an insurance company, resulting from satisfactory experiences, perceived value, and a strong relationship with the company. It is a deeply held commitment to rebuy or repatronize a preferred insurance product or service consistently in the future.

Research has identified several determinants of policyholder patronage, customer satisfaction (Taylor & Hunter, 2003), trust (Morgan & Hunt, 1994), perceived value (Zeithaml et al., 1996) and claims settlement (Bateson & Hoffman, 1999). Other factors also include mutual ownership (Lamm-Tennant & Starks, 1993), concentrated ownership (Shleifer & Vishny, 1997) and foreign ownership (Outreville, 2013). However, the use of managerial ownership and institutional ownership as determinants of policyholder patronage is limited.

Theoretical Literature

The Agency Theory

The agency theory was developed by Jensen and Meckling (1976) explores the relationship between principals (owners/shareholders) and agents (management). It examines how ownership structure influences the alignment of interests between owners and managers and its subsequent impact on organizational performance and stakeholders' outcomes, including policyholders in insurance companies. The core concept of the theory is hinged on principal agent problem, agency costs, and incentive alignment. Institutional and managerial ownership structures generally lead to better alignment of interests between owners and managers, reducing agency costs and enhancing customer satisfaction. Conversely, dispersed ownership may lead to higher agency costs and reduced service quality, negatively affecting policyholders' patronage. Institutional ownership can bring professional oversight and enhance the company's reputation, thereby attracting more policyholders.

In Nigeria, the implication of ownership structure on policyholders' patronage in Nigerian insurance companies is ownership concentration. Some insurance companies have significant ownership by families or government entities. These companies often demonstrate better governance practices and financial stability, which positively impact policyholder confidence and patronage (Nwude & Anyalechi, 2018).

Stakeholder Theory

The Stakeholder theory, developed by Freeman in 1984, posits that organizations should create value for all stakeholders, not just shareholders. Stakeholders include anyone who can affect or be affected by the organization's actions, such as employees, customers, suppliers, communities, and shareholders. Stakeholder theory can be applied to understand how different ownership

structures of insurance companies in Nigeria influence policyholders' patronage. This approach emphasizes the importance of considering the interests of all stakeholders, including policyholders, in corporate governance and decision-making processes.

Furthermore, creating value for stakeholders is central to the organization's strategy. In the context of insurance companies, this includes providing reliable and fair services to policyholders. In Nigeria, some insurance companies are family-owned, and their long-term commitment to the business can lead to stable and reliable services for policyholders. However, the challenge lies in ensuring that the interests of all stakeholders, not just the family, are considered (Adegbite, Amaeshi, & Nakajima, 2013). Publicly listed insurance companies in Nigeria must comply with regulatory requirements for transparency and accountability. These requirements can enhance policyholder trust and patronage by ensuring that the companies operate ethically and responsibly (Afolabi & Dare, 2015).

Stakeholder theory provides a robust framework for analyzing the implications of ownership structure on policyholders' patronage in Nigerian insurance companies. By prioritizing the interests of all stakeholders, especially policyholders, companies can enhance trust, loyalty, and overall satisfaction. Different ownership structures, whether concentrated or dispersed, present unique challenges and opportunities for stakeholder engagement and value creation. Ultimately, ethical practices and responsible management are key to building a sustainable and successful insurance business that attracts and retains policyholders.

Resource Dependence Theory

Resource Dependence Theory (RDT), developed by Pfeffer and Salancik in 1978, posits that organizations are not self-sufficient and must engage with external entities to obtain essential resources for survival and growth. This theory emphasizes how ownership structure can influence an organization's ability to secure these critical resources and how this, in turn, impacts organizational behavior and outcomes. Applying Resource Dependence Theory to the context of Nigerian insurance companies helps explain how different ownership structures can affect their ability to acquire resources such as capital, expertise, and market credibility. These resources are crucial for providing high-quality services to policyholders, maintaining financial stability, and gaining customer trust and loyalty.

In companies with concentrated ownership, major shareholders, such as family owners or government entities, can provide the necessary capital and financial stability. This financial backing can enhance the company's ability to offer competitive insurance products and services, thus attracting more policyholders (Pfeffer & Salancik, 1978). Dispersed ownership allows for a broader base of resource acquisition, including financial, managerial, and operational resources from a variety of shareholders. This diversity can lead to innovation in insurance products and better risk management practices, which are attractive to policyholders (Hillman, Withers, & Collins, 2009).

Nigerian insurance companies with significant institutional ownership, such as AIICO Insurance, leverage the financial strength and governance expertise of their institutional investors to enhance operational efficiency and customer service, attracting more policyholders (Adegbite, Amaeshi, & Nakajima, 2013). More so, Companies like AXA Mansard, which have substantial foreign ownership, benefit from access to international expertise and capital. This enables them to offer innovative insurance products and maintain high service standards, thereby increasing their policyholder base (Oyejide & Soyibo, 2001). Resource Dependence Theory provides valuable insights into how the ownership structure of Nigerian insurance companies affects their ability to acquire and manage essential resources. Different ownership structures—whether concentrated, dispersed, institutional, or foreign—offer unique advantages and challenges in terms of resource acquisition and management. By securing critical resources and effectively managing dependencies, insurance companies can improve their service offerings, enhance customer satisfaction, and increase policyholder patronage.

Empirical Review

Hassan and Hassan (2023) analyzed the relationship between ownership structure and financial performance of listed insurance companies in Nigeria over the financial years 2013 to 2022. The study included all 23 listed insurance firms in Nigeria, using secondary data and multiple regression analysis. The results indicated that both institutional and managerial ownership negatively and insignificantly influenced the financial performance of these firms. However, the presence of independent directors positively moderated the impact of institutional and managerial ownership on financial performance. The researchers recommended that the Central Bank of Nigeria and the National Insurance Commission ensure diversity of experience while maintaining compatibility, integrity, and independence.

Doorasamy (2021) studied the effect of managerial ownership on financial performance in East African countries from 2009 to 2018. Using the GMM estimation technique, the study analyzed a sample of 65 firms and found that managerial ownership had a significant negative impact on financial performance.

Obafemi and Ojekunle (2021) explored the influence of foreign ownership on competitive strategies and policyholder patronage in the Nigerian insurance sector. The findings revealed that foreign-owned insurance companies often implement global best practices, resulting in innovative products and superior customer service. Policyholders of these companies expressed higher satisfaction due to efficient claim processing and better service standards. The study concluded that foreign ownership not only brings in capital but also managerial expertise and technological advancements, thereby enhancing the competitiveness of the insurance firms.

Adegbite et al. (2020) examined how concentrated ownership affects the performance and policyholder satisfaction in Nigerian insurance companies. The study found that firms with concentrated ownership, especially those owned by families or the government, exhibited better governance and financial stability. Policyholders demonstrated higher trust and loyalty due to perceived stability and reliability. The study highlighted that concentrated ownership aligns managerial interests with long-term goals, improving service quality for policyholders.

Okewale et al. (2020) investigated the impact of managerial ownership on the financial performance of food and beverage companies listed in Nigeria from 2010 to 2018. Using secondary data and multiple regression analysis, the study sampled 17 companies and found that managerial ownership had an insignificant positive impact on financial performance.

Afolabi and Ojo (2019) assessed the effect of institutional ownership on the service quality of Nigerian insurance companies. The study found a positive correlation between institutional ownership and high standards of corporate governance, which in turn improved service quality. Policyholders in firms with significant institutional ownership reported higher satisfaction due to professional management practices and financial prudence. The study concluded that institutional investors play a crucial role in ensuring management prioritizes policyholders' interests.

Oyejide and Soyibo (2019) examined the effects of different ownership structures on the financial performance of Nigerian insurance companies and their subsequent influence on policyholder patronage. The study found that financial performance is a critical determinant of policyholder trust and satisfaction, with stronger financial performance leading to higher patronage. Ownership structures that support strong corporate governance, such as institutional and foreign ownership, were linked to better financial performance. The study emphasized that policyholders are more likely to patronize financially stable companies, viewing them as less risky and more reliable.

Nwude and Anyalechi (2018) investigated the relationship between dispersed ownership and policyholder satisfaction in Nigerian insurance companies. The study revealed that dispersed ownership often faces governance challenges due to the lack of a dominant controlling interest. Policyholders in these companies reported mixed satisfaction levels, with issues frequently arising from slower decision-making and less cohesive management strategies. The study suggested that while dispersed ownership can offer diverse perspectives and resources, robust governance mechanisms are needed to adequately protect policyholder interests.

3. Methodology

The study adopts an ex-post factor research design to examine the effect of ownership structure on policyholders' patronage in Nigeria. The study's population consists of the twenty-three (23) listed insurance firms on the Nigerian Stock Exchange as of 31st December 2023. Spanning a period of 2015 to 2023. These companies encompass a wide range of insurance services, including general insurance, life insurance, health insurance, and various specialized insurance products such as aviation, marine, and oil and gas insurance. The diversity in their offerings reflects the broader spectrum of the Nigerian insurance market, catering to different customer needs and contributing to the financial stability of the sector. The study's data was obtained from the Nigerian Stock Exchange, and Central Bank of Nigeria.

Specifically, a panel data multiple regression technique using EViews 10 was used to determine the relationship between ownership structure and policyholders' patronage. Policyholders' patronage is measured by premium incomes. Managerial Ownership is measured by the percentage of shares held directly (shares owned by the director only) or indirectly (When the

director represents the interest of others) by directors. Ownership concentration is measured by a natural log of equity held by individuals with block votes. Institutional ownership is measured by the percentage of shares owned by the institution (Ohiani et al, 2018). The control variable (leverage) was measured using the ratio of total liabilities to total assets (Muhammed et al, 2022). Therefore, the study’s model is presented as;

$$POP = f(MAO, OWC, INO, LEV) \dots\dots\dots eq (1)$$

Where;

POP = represents policy holder patronage measured as the Premium incomes,

MAO = represents managerial ownership structure

OWC = represents ownership concentration

INO = represents institutional ownership

LEV = represents leverage

Following the functional specification in eq (1), the estimation model is respecified as;

$$POP = \beta_0 + \beta_1MAO + \beta_2OWC + \beta_3INO + \beta_4LEV + e_i \dots\dots\dots eq (2)$$

β_0 is the intercept and $\beta_1 \dots \beta_4$ are the parameters of the model to be estimated, e_i is the error term.

4. Results and Discussion

The descriptive statistics provided in Table 1 below, offers a snapshot of the key variables in your study.

Table 1: Descriptive Statistics

Variables	Mean	Std. Dev.	Min	Max
POP	21.014	1.028	12.34	25.683
MAO	.418	.210	.039	.087
OWC	.190	.106	.010	.065
INO	2.820	1.107	.981	1.094
LEV	9.887	3.449	1.877	18.754

Source: Author's computation, using EViews 10, 2024

The descriptive statistics showed that POP, which measures the efficiency of a company in generating profit from its assets through policyholders' patronage, has an average value of 21.014%. This suggests that, on average, the companies in the sample are generating 21.014% return on their assets. The low standard deviation (1.028) indicates that premium income (POP) are tightly clustered around the mean, suggesting low variability among the companies. The range (12.34 to 25.683) shows a moderate spread in performance efficiency among the companies.

MAO represents the proportion of shares owned by the company's management. The mean value of 0.418 indicates that, on average, management holds about 41.8% of the shares. The standard deviation of 0.210 suggests moderate variability in managerial ownership among the firms. The minimum and maximum values (0.039 to 0.087) indicate a relatively narrow range of managerial ownership stakes. OWC measures the extent to which shares are concentrated in the hands of large shareholders. With a mean of 0.190, on average, 19% of shares are held by major shareholders. The standard deviation of 0.106 points to some variability in ownership concentration across the firms. The range (0.010 to 0.065) indicates a broad span in ownership concentration levels.

INO represents the proportion of shares owned by institutional investors. The average value of 2.820 suggests that institutional investors hold a significant portion of shares. The standard deviation of 1.107 shows some variability in institutional ownership. The values range from 0.981 to 1.094, indicating a moderate range of institutional ownership among the companies. LEV measures the extent of a company's financial leverage or debt levels. The mean value of 9.887 indicates that, on average, companies have a leverage ratio of approximately 9.887. The standard deviation of 3.449 points to a significant variability in leverage levels among the firms. The range (1.877 to 18.754) shows a wide spread in leverage ratios, indicating that some firms are highly leveraged while others maintain lower debt levels.

Table 2: Hausman Test for Fixed Effect and Random Effect

Variables	(b) Fixed	(B) Random	(b-B) Difference
MAO	0.0189404	0.01620331	0.00273709
OWC	0.0033901	0.01905221	-0.01566211
INO	0.9078711	0.67190216	0.23596894

LEV	-0.5012569	-0.07031552	0.43094138
Chi²	0.67		
Prob>chi²	0.01664		

Source: Authors Computation, EViews 10, 2024

The Hausman test is used to determine whether a fixed effects model or a random effects model is more appropriate for the study's panel data analysis. The results of the test help in choosing the correct model by testing whether the unique errors (random effects) are correlated with the regressors.

The coefficient for managerial ownership (MAO) is slightly higher in the fixed effects model compared to the random effects model, with a small difference of 0.00273709. This suggests that managerial ownership has a similar impact on the dependent variable in both models, but the fixed effects model shows a slightly stronger relationship. Ownership concentration (OWC) has a positive coefficient in both models, but the random effects model shows a much larger effect (0.01905221) compared to the fixed effects model (0.0033901). The negative difference of -0.01566211 indicates that the fixed effects model attributes a smaller impact of ownership concentration on the dependent variable.

Institutional ownership (INO) has a significant positive impact in both models, with a larger effect in the fixed effects model (0.9078711) than in the random effects model (0.67190216). The difference of 0.23596894 suggests that institutional ownership's impact is more pronounced when considering the fixed effects model. Whereas, Leverage (LEV) has a negative coefficient in both models, indicating an inverse relationship with the dependent variable. However, the fixed effects model shows a much stronger negative effect (-0.5012569) compared to the random effects model (-0.07031552). The positive difference of 0.43094138 suggests that the fixed effects model accounts for more of the variability associated with leverage.

Therefore, the Hausman test statistic (Chi²) is 0.67 with a p-value of 0.01664. The null hypothesis of the Hausman test is that the preferred model is the random effects model. If the p-value is low (typically less than 0.05), it suggests rejecting the null hypothesis in favor of the fixed effects model. In this case, the p-value of 0.01664 is less than 0.05, indicating that the fixed effects model is more appropriate for this data set. This means that there is evidence of correlation between the unique errors and the regressors, and thus the fixed effects model, which controls for time-invariant characteristics, provides more reliable estimates.

Table 3: Pooled OLS, Fixed Effect and Random Effect Regression Model

Independent Variable	Pooled OLS	Fixed Effect	Random Effect
Constant	-0.425 (0.002)	2.911 (0.005)	1.190 (0.064)
MAO	0.711 (0.025)	1.433 (0.011)	0.157 (0.069)
OWC	0.305 (0.014)	0.901 (0.008)	0.118 (0.115)
INO	0.602 (0.037)	1.075 (0.006)	0.321 (0.010)
LEV	0.077 (0.144)	-0.109 (0.105)	-0.081 (0.541)
R-Square	0.85	0.88	0.87
Adjusted R ²	0.79	0.83	0.82
F-statistic	4426.11	2344.101	4421.17
Prob (F-statistic)	0.0000	0.0000	0.0000
Durbin Watson	2.4	2.1	1.8

Source: Authors Computation, EViews 10, 2024

The fixed effect results presented in Table 3 reveal that the constant term is 2.911, which is positive and statistically significant (p-value = 0.005) at the 1% level. This indicates that when all independent variables are zero, the policyholders' patronage is expected to be 2.911 units, serving as the baseline level accounting for fixed effects in the data. The coefficient of MAO=1.433 is positive and statistically significant (0.011) at 5% level of significance. This suggests that a one-unit increase in MAO is associated with a 1.433 unit increase in policyholders' patronage. Similarly, the coefficient of OWC=0.901 is positive and highly statistically significant (0.008) at 1% level of significance. This implies that one-unit increase in OWC is associated with a 0.901 unit increase in policyholders' patronage. Additionally, the coefficient of INO= 1.075 is positive and highly statistically significant (0.006) at 1% level of significance. These findings are consistent with the results of Hassan and Hassan (2023), Muhammed et al. (2022), Ohiani et al. (2018), and Oyejide and Soyibo (2019).

The coefficient of LEV= (-0.109) is negative and statistically not significant. This implies that leverage does not have a statistically significant impact on policyholders' patronage in this model. The R-Square of 0.88, showed that about 88% of the variation in policyholders' patronage is explained by the model. The high value of the F-statistic of 2344.101, indicates that the model is statistically significant. While the Prob (F-statistic) value of 0.0000 indicates that the model is significant overall. The Durbin-Watson value of 2.1 indicates no strong autocorrelation in the residuals.

Overall, the fixed effect model demonstrates a strong fit, with key independent variables (MAO, OWC, INO) significantly influencing policyholders' patronage, while leverage does not have a significant impact.

Table 4: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Chi2(1)	0.01
Prob > chi²	0.8741

H₀: Constant variance Variables

Source: Authors Computation, EViews 10, 2024

The results presented in Table 4 indicate that the residuals of the study exhibit homoscedasticity, as evidenced by the p-value of 0.8741 (prob > chi2 = 0.8741). This p-value is well above the 0.5 threshold, demonstrating that the variance of the residuals is constant. According to established guidelines, p-values in the range of 0.5, 0.6, and higher suggest that the data is suitable and well-fitted for the model. Consequently, this study meets the criteria for data fitness with a p-value of 0.8741, affirming the appropriateness of the model.

5. Conclusion and Recommendations

The study aims to evaluate the effects of the ownership structure of insurance companies on policyholders' patronage in Nigeria. The study's population consists of the twenty-three (23) listed insurance firms on the Nigerian Stock Exchange as of 31st December 2023. Spanning a period of 2015 to 2023. The study conducted pooled OLS, Fixed effect, and Random effect analysis. However, the Hausman test of both random and fixed effects was conducted. Therefore, based on the unique circumstance for the selection of either effect as prescribed in the Hausman test, the fixed effect model was selected. Given the fixed effect findings, this study concludes that the independent variables have both positive effects on the policyholders' patronage proxied by Premium incomes of selected insurance firms in Nigeria for the period under study. Therefore, the study recommends careful consideration of the role of leverage and continuous model validation to maintain the effectiveness of insurance firms in significantly stimulating policyholders' patronage. These strategic actions, supported by the findings of the fixed effect model, will enable the organization to drive growth and improve customer satisfaction.

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