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RESEARCH ARTICLE

The Impact of Governance Application on Risk Management in Saudi Insurance Companies

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ABSTRACT

This paper addresses the importance of applying governance to the risk management of insurance companies, focusing on the key concepts of governance and its importance, which influence risk management in insurance companies. The insurance sector is considered one of the most vital sectors upon which the economies of developed countries rely due to its paramount importance for economic and social development.

INTRODUCTION

Insurance companies are among the most exposed institutions in the economic system to risks due to the specific nature of the activities they engage in, making them more vulnerable compared to the commercial sector. As a result, such companies require effective regulatory systems that enable them to anticipate and confront risks by establishing sound structures for practicing corporate governance principles within insurance systems. This need for a strong system allows these companies to operate safely and achieve their desired goals. Consequently, the proper application of governance concepts, principles, and mechanisms leads to the activation of both internal and external control systems, thus reducing their exposure to risks.

The research paper focused on three main themes:

- **The First Theme:** Theoretical framework for the governance of insurance companies
- **The Second Theme:** The importance of applying governance principles to mitigate risks affecting the performance of insurance companies
- **The Third Theme:** The concept of risk management that influences the performance of insurance companies.

The Methodological Framework for the Study and Previous Studies

First: The Methodological Framework for the Study:

Study Variables and Study Model:

This study focuses on examining the impact of governance implementation on the performance of risk management in Saudi insurance companies, represented in the following model:

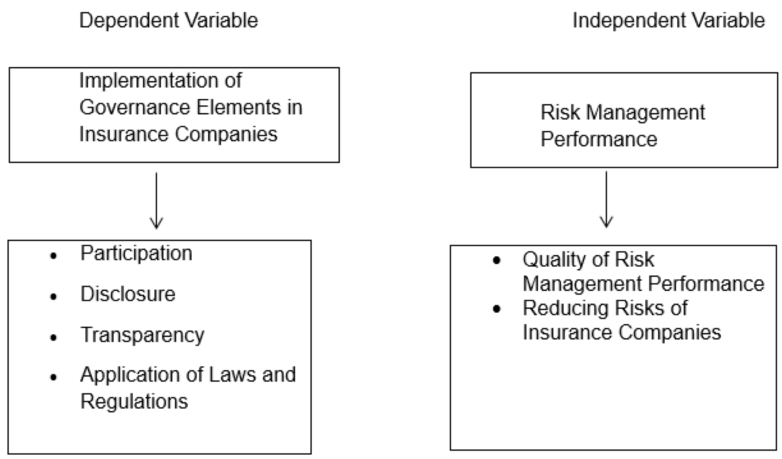

Figure (1.1) Study Model

Definitions of Study Variables:

The independent variable is corporate governance, which is based on a set of elements, the most important of which are (participation, disclosure of important data and information, transparency, and enhancement of the application of laws and regulations). This is evident in the annual and quarterly reports issued by insurance companies, referred to as disclosures in the financial statements of insurance companies. The dependent variable is risk management performance, measured by the quality of risk management that helps to reduce risks in insurance companies.

Study Problem:

Weak performance of risk management in insurance companies due to improper implementation of governance, which is represented by answering the following questions:

1. Does participation in decision-making in insurance companies lead to improved risk management?
2. Does enhancing the disclosure of financial information and data in companies positively affect risk management?
3. Does applying the principle of transparency, which is based on the free flow of information sufficiently and timely in insurance companies, positively affect their risk management?
4. Does non-compliance with laws and regulations in terms of standards and procedures negatively impact risk management in insurance companies?
5. Is risk management in insurance companies adequately conducted when adhering to governance, which is based on a set of elements and influenced by various determinants in insurance companies and the application of its principles and adherence to its mechanisms?

Study Objectives:

1. To identify the extent to which insurance companies apply the principle of participation, which is based on freedom of opinion in decision-making and its effect on risk management.

2. To understand the possibility of disclosing financial data and information in insurance companies in the long term, aimed at achieving quality performance in risk management.
3. To uncover the extent to which insurance companies apply the principle of transparency, which is based on the free flow of sufficient information in a timely manner, and its effect on risk management.
4. To evaluate the extent to which the application of the authority of laws and regulations and their integrity and fairness in application affects risk management in insurance companies.
5. To ensure that risk management in insurance companies is conducted well with adherence to governance, which is based on a set of elements and influenced by various determinants in insurance companies and the application of its principles and adherence to its mechanisms.

Study Hypotheses:

1. Compliance of insurance companies with the principle of participation in decision-making helps improve the performance of risk management.
2. Compliance with the disclosure of data and information in the financial statements of insurance companies positively affects their risk management.
3. Companies' reliance on the principle of transparency, which provides a true picture of everything that has happened, aids in risk management.
4. There is a relationship between corporate governance and the performance of risk management in insurance companies, where governance rules, principles, and mechanisms contribute to the development of insurance companies, which in turn reflects on the effectiveness of risk management performance.

The study population consists of operating insurance companies in Sudan, with a case study of the Sudanese Insurance Company.

Importance of the Study:

The importance of the study stems from two perspectives:

A. Scientific: The study addresses an important issue that has not been covered by previous studies, which became evident after reviewing prior studies and due to regulations, publications, and decisions from the Central Bank for Saudi insurance companies. This study gains importance by discussing a significant issue in the Sudanese insurance market in addition to:

1. Contributing to the scientific library regarding the application of governance principles in insurance companies, especially in risk management.
2. Benefiting researchers with information from the study and addressing other topics that aid in applying principles, mechanisms, and rules of governance in insurance companies.
3. Highlighting the importance of the study in deepening the culture of risk management to achieve better results in performance indicators.
4. Reaching results and specific recommendations that contribute to achieving excellence standards in risk management among insurance companies.
5. Proposing further research in this area.

B. Practical:

1. The study helps insurance companies and related entities make sound decisions.
2. Providing important and practical recommendations for companies and related entities to enhance risk management efficiency through understanding governance and applying its principles and mechanisms.

Methodology Used in the Study:

To answer the proposed questions and achieve the study objectives and test the hypotheses, the study followed a descriptive and analytical approach to reach logical results, addressing the theoretical framework of corporate governance and its role in risk management performance, based on previous studies. The practical aspect uses a case study and a questionnaire to collect data from the study sample and analyze it, aiming to link the theoretical aspect with practical reality, in addition to a statistical analytical approach.

Limitations:
Temporal: (2019-2023)

Spatial: Saudi insurance companies

Data Collection Tools:

Primary Data: A questionnaire is used to determine the extent of governance's impact on risk management discussed in the theoretical chapters, along with some personal interviews. **Secondary Data:** From books, references, scientific papers, journals, and conferences related to the study available on the internet.

SECOND: PREVIOUS STUDIES

Based on the electronic and paper survey I conducted during the preparation and editing of the study related to the impact of governance on risk management in Saudi insurance companies, I came across several studies that addressed the same topic. Some studies focused on the mechanisms and application of governance principles in financial institutions and banks, or on the governance mechanisms of insurance companies without considering their impact on risk management in insurance companies, which this study addresses. Among the most important studies related to the topic are the following:

1. Study by Hisham Mohammed Ahmed Al-Sharif (2011)[1]

This study addressed the problem of the possibility of applying corporate governance principles in Sudanese banks and the effect of their application on risk management in commercial banks. It explored the impact of relying on the Basel Committee's principles regarding corporate governance and the essential elements for the proper application of governance on risk management in banks, as well as the role of key stakeholders in corporate governance and the principles of effective oversight on risk management in commercial banks operating in Sudan. The study concluded that banks are aware of international corporate governance practices, that risk management is the responsibility of the board of directors, and that a comprehensive risk analysis that ensures integration among different risks contributes to more effective risk management. The existence of specialized committees, such as the risk management committee and the audit committee under the board of directors, supports the effectiveness of the risk committee in banks.

2. Study by Farouk Abdulrahman Mohammed Taifour (2018)[2]

This study examined the impact of the quality of risk management on underwriting in insurance companies, applying it to Sudanese insurance companies. It addressed the problem of the increasing and diversifying risks faced by insurance companies and the necessity of establishing a specialized risk management

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[1] Hisham Mohammed Ahmed Al-Sharif, a study titled "The Impact of Applying Governance Principles on Risk Management in Sudanese Banks," Sudan University of Science and Technology, Doctorate in Philosophy in Accounting and Finance, 2011 (unpublished).

[2] A study by Farouk Abdulrahman Mohammed Taifour, titled "The Impact of Risk Management on Underwriting in Insurance Companies: A Case Study of Sudanese Insurance Companies," a research paper for obtaining a Master's degree in Insurance, Nilein University, 2018 (unpublished.

department within the companies. The study concluded that a clear methodology significantly reduces the risks of making incorrect decisions, and adherence to a clear methodology earns client trust.

3. Study by Zaitouni Asia (2015)[3]

This study discussed how governance mechanisms contribute to enhancing the financial performance of insurance companies, branching into the following questions: What is the relationship between corporate governance and the financial performance of insurance companies? How does governance contribute to improving the financial performance of companies? What is the reality of corporate governance at Alliance Insurance Company in Algeria, and to what extent does it contribute to enhancing financial performance? The main results included the enhancement of the competitive capacity of insurance companies, the imposition of efficient oversight on company performance, the reinforcement of accountability and transparency, the evaluation and strengthening of senior management, and increasing the level of trust in it. The study also emphasized that governance mechanisms are one of the main reasons for enhancing financial performance by applying the stipulated mechanisms and principles. The board of directors is considered the most crucial governance mechanism in insurance companies since it is one of the monitoring bodies within the company. There is a strong correlation between governance mechanisms in insurance companies and financial performance, indicating the impact of governance on insurance companies.

4. Study by Al-Hussein Abbas Al-Hussein Hamza (2012)[4]

This study addressed the impact of applying the Basel Committee's recommendations and the concept and principles of governance in the banking sector. Among the primary objectives of the research was to clarify the concept, principles, objectives, and positive aspects of corporate governance, identify credit risks, and clarify the effect of applying the Basel Committee's recommendations on the level of credit risks in Saudi banks. The importance of the research lies in the risks that the banking sector faces, which directly affects other sectors. It also emphasizes the need to apply corporate governance in banks in Arab countries concerning itspositive effects. The research methodology includes the deductive method, the inductive method, and the historical method. The study concluded that there is a direct relationship between enhancing financial and administrative oversight and accountability from the concerned parties and the reduction of financial and administrative risks represented in the spread of financial and administrative corruption. The study also confirmed that there is a significant commitment to the Basel Committee's standards regarding granting credit facilities.

5. Study by Mohammed Abdul Wahab Moussa Al-Jali (2010)[5]

This study addressed the effective application of corporate governance through the role of accounting disclosure, benefiting from this to improve the quality of accounting information. It examined the expected benefits of applying corporate governance in the Khartoum Stock Exchange and its reflection on determining the fair price of the stock. The role of audit committees as a tool of corporate governance in achieving the credibility and transparency of financial reports was also investigated. The study concluded that the application of the corporate governance concept helps establish an effective accounting system that

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[3] A study by Zaitouni Asia, titled "The Role of Governance Mechanisms in Activating the Financial Performance of Insurance Companies," for obtaining a Master's degree in Economic Sciences (unpublished), Mohammed Khider University of Biskra, Faculty of Economic Sciences and Management, 2015

[4] Al-Hussein Al-Abbas Al-Husseini Hamza. "The Role of Corporate Governance in Mitigating Credit Risks in the Banking Sector." Doctoral thesis (unpublished), Sudan University of Science, Khartoum, 1433 AH - 2012 AD.

[5] Abdul Wahab Musa Al-Jali Mohammed, "The Impact of Corporate Governance on the Level of Disclosure in Financial Statements and Achieving the Quality of Accounting Information: The Khartoum Stock Exchange" (unpublished), Sudan University of Science and Technology, Faculty of Commercial Studies, Doctorate degree (2010).

considers the interests of all stakeholders. Companies that implement corporate governance have higher quality accounting information than those that do not, and that the current accounting disclosure in companies listed on the Khartoum Stock Exchange is insufficient to ensure the proper application of corporate governance principles.

6. Study by Samah Mahmoud Helmy Najm (2014)[6]

This study analyzed and discussed the governance of insurance companies in Palestine by evaluating the current situation and requirements for modernization. It represents a field study on the insurance companies listed in the stock market and aims to identify the reality of corporate governance in Palestine in light of international governance standards and measure the extent of their commitment to applying flexible corporate governance rules for public joint-stock companies. The study's results indicated shortcomings in applying the principles of institutional governance, particularly regarding the lack of separation between the chairman of the board of directors and the CEO, the absence of independent members in most boards of directors, and the lack of internal auditing and risk management in most companies.

Theme One: Theoretical Framework for Corporate Governance

Concept of Corporate Governance

The activities of insurance companies involve many risks, perhaps the most significant being their ability to meet obligations to creditors. This means potential bankruptcy and exit from the market, necessitating the implementation of appropriate measures and procedures to manage and control these risks according to the best international practices. To enhance the performance of Takaful insurance companies, the Islamic Financial Services Board in Malaysia has issued numerous Sharia-compliant standards aimed at fostering transparency and disclosure in financial institutions and establishing the meaning of governance. Accordingly, this study will focus on the application of governance principles to enhance the performance of insurance companies, specifically in risk management due to its importance in companies and reducing the degree of risks associated with administrative and financial corruption.

Insurance is considered one of the most modern and significant means in the system of economic and financial regulation. It plays a crucial role in industrial, agricultural, commercial development, and various economic activities. Therefore, the Takaful insurance industry has witnessed significant growth in recent years, achieving successful contributions to developing, formulating, and regulating insurance products compliant with Islamic law. This has led to the robust revival of Islamic financial institutions and their integration into contemporary financial systems, particularly through the application of the Takaful insurance system. As a result, Islamic insurance companies are among the most economically vulnerable institutions due to the specific nature of the activities they engage in, making them riskier compared to commercial systems. Therefore, such companies need effective regulatory systems that enable them to anticipate and confront risks by establishing sound structures to apply corporate governance principles within Takaful insurance systems, especially after the exacerbation of financial and economic crises and collapses of large global companies, which resulted in adverse effects on world economies. All of this was a result of the absence of regulatory systems governing the operations of these large organizations, necessitating an effective system to operate securely and achieve the desired objectives. Thus, the proper application of the concept and principles of corporate governance within insurance companies is expected to activate internal and external control systems, thereby reducing the likelihood of exposure to risks during the performance of their work. Pressures from globalization and recent financial scandals that affected

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[6] Samah Mahmoud Helmy Najm, a study titled "Corporate Governance in Palestine" – for obtaining a Master's degree in Law (unpublished), An-Najah National University, 2014. Internet visit date (20.11.2018).

many global companies, particularly American ones, during the last two decades of the twentieth century, and the subsequent events have underscored the need for a set of ethical controls, norms, and professional principles without which it is difficult to achieve elements of trust and credibility in data and information. The main parties that require governance include:

1. The entire community, both globally and locally.
2. Stakeholders.
3. The financial and business community.

Governance regulates and organizes the following:

1. The practices of executive directors in general and their actions and activities within their job authority.
2. The practices of the board of directors of companies.
3. The practices of external independent auditors and employees, operations of concealing truths, falsifying data, and misrepresenting financial positions or collusion and deception.

Concept of Governance:

According to the United Nations Development Programme, it is a set of rules, procedures, and mechanisms established by authorities to ensure the effective management of state affairs at the highest level of efficiency.
According to the Organisation for Economic Co-operation and Development (OECD), it is a set of relationships among those managing the company, the board of directors, shareholders, and other stakeholders.[7]

First: The Emergence and Motivations for Governance:

The concept of governance emerged after the advent of agency theory, which refers to the separation of ownership and management of a company. The agency problem arises when the principal incurs losses due to the agent's differing actions and lack of due diligence in maximizing the principal's returns. This issue stems from the different quantities and types of information available to both the principal and the agent, particularly in situations where the principal cannot directly monitor the agent's performance or verify the outcomes of their decisions. In such cases, the principal cannot determine whether the agent is choosing the appropriate alternative when making various decisions.[8]

Interest in establishing rules to regulate relationships among stakeholders in companies did not stop there. In 1986, the National Committee for Financial Reporting Deviations issued a report containing a set of recommendations for applying governance rules in companies.[9]

Theme Two: The Importance of Applying Governance Principles in Reducing Risks Affecting the Performance of Insurance Companies

Corporate governance is one of the essential processes necessary for the proper functioning of companies, ensuring the integrity of management, meeting obligations and commitments, and ensuring that companies achieve their goals in a legal and economically sound manner. This is especially relevant in activating the

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[7] Habbar Abdel Razak, Commitment to the Requirements of the Basel Committee as an Entry Point for Establishing Governance Principles in the Arab Banking Sector: A Case Study of North African Countries, North Africa Economic Journal, Issue Seven, 2009, p. 76.

[8] Zayed Mourad, The Strategic Dimension of Corporate Governance, National Forum on Corporate Governance as a Mechanism to Reduce Financial and Administrative Corruption - Mohammed Khider University, Algeria, p. 40

[9] Ata Allah Ward Khalil Muhammad, Institutional Governance, Al-Hurriyah Publishing and Distribution Library, Cairo, Egypt, 2008, p. 32.

role of general assemblies of shareholders to take on their responsibilities and exercise their role in monitoring and supervising the performance of companies, the board of directors, and executive managers, which leads to safeguarding the interests of all parties. Governance is a solid foundation for integrity and moral health, as highlighted in the following figure[10]:

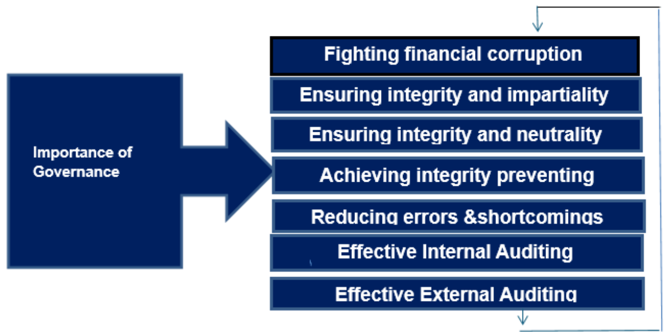

Figure (2.1): Importance of Governance

The Importance of Governance for Company Management: It improves the practices of the board of directors, enhances company performance, optimizes resource utilization, maximizes the company's value, and strengthens its competitive ability in the market, enabling it to attract new clients, retain existing customers, expand, and ensure reasonable financing costs. Governance reduces investment risks and lowers the cost of capital, ultimately achieving the required efficiency and economic development[11].

For Shareholders: Corporate governance is of great importance to shareholders and investors as it provides a level of reassurance regarding achieving a suitable return on their investments, enhances their role in monitoring company performance, and emphasizes the principle of transparency, protecting the company and its employees from manipulation, financial fraud, administrative corruption, and bankruptcy. Additionally, separating ownership from management reduces the exploitation of power for non-public interest, thereby protecting shareholders and policyholders[12].

The Legal Importance of Corporate Governance: It ensures the fulfilment of rights for the various parties within the company, especially with large companies, and helps overcome the negatives of executing contracts that may arise from negative practices violating established contractual terms, laws, and basic regulations governing the company[13].

The Importance of Governance for Insurance Companies: Governance rules aim to regulate and guide administrative, financial, and technical practices while respecting established controls and policies. The importance of governance institutions can be summarized as follows:

- Ensuring compliance with laws and regulations governing operations within institutions, whether financial, administrative, or other work-related controls.
- Supporting the elements of integrity and transparency in the transactions conducted by the company, whether these transactions are internal or external, financial or non-financial.
- Improving resource utilization and optimizing its use, working to attract new funding sources, and enhancing the company's value and resources.
- Ensuring fair treatment of stakeholders.

Dr. Mohsen Ahmed Al-Khodairi, *Corporate Governance*, 1st edition, published by Al-Nile Group, Nasr City, Cairo, 2005, p. 57.[10]
Bin Darwish Adnan Haidar, *Corporate Governance and the Role of the Board of Directors*, Union of Arab Banks, 2007, p. 31[11]
Hussein Imad Saleh Ahmed, *Good Governance in Public Shareholding Companies in Palestine*, Master's Thesis, Al-Quds University, [12] Palestine, 2010, p. 9
Bin Darwish Adnan Haidar, *Corporate Governance and the Role of the Board of Directors*, Union of Arab Banks, 2007, p. 35[13]

- Increasing confidence in the national economy, deepening the role of the capital market, and enhancing its ability to grow savings, raise investment rates, and support the company's competitiveness.
- Reducing the cost of capital for the company and ensuring its continuity. Governance plays a significant role in preventing capital flight and combating corruption.

Achieving long-term competitiveness, which in turn contributes to creating and developing new incentives and adopting advanced technologies that increase investment awareness, ultimately supporting the company's resilience against its competitors.

Objectives and Rules of Applying Governance in Companies[14]:

1. Separation of ownership, management, and performance oversight.
2. Limiting the abuse of power by managers over company resources, as these violations take the form of what is known as agency problems, which occur due to managers' tendencies to serve their interests.
3. Facilitating and enhancing commercial business performance by establishing and maintaining a system of incentives that encourages managers to achieve maximum operational efficiency for the company.
4. Improving the ability of companies to achieve their goals by enhancing their public image and positive perception.
5. Improving the decision-making process within companies to increase managers' sense of responsibility and accountability through general assemblies.

Advantages of Governance:

A. Reducing risks related to financial and administrative corruption within the company.
B. Enhancing the company's performance level.
C. Attracting foreign investments and encouraging local capital to invest.
D. Increasing the company's ability to compete globally and opening new markets.
E. Transparency and clarity in financial statements, leading to increased investor confidence.

Components of the Governance System:

It is an interactive and targeted system consisting of three parts[15]:

1. **Inputs of the System:** This aspect comprises what governance needs in terms of requirements and must-have legal, legislative, administrative, economic, and media-community demands[16].
2. **Governance Operating System:** Refers to the entities responsible for implementing governance, overseeing its application, and all administrative entities within or outside companies contributing to implementing governance and encouraging compliance to enhance its effectiveness.
3. **Outputs of the Governance System:** Not an end in itself, but a tool and means to achieve results and objectives that everyone strives for. It is a set of standards, rules, and regulations organizing performance, behaviour, and operational practices for companies, organizations, institutions, and

[14] Bin Darwish Adnan Haidar, *Corporate Governance and the Role of the Board of Directors*, Union of Arab Banks, 2007, p. 40

[15] Baden Abdelkader, *The Role of Bank Governance in Reducing Financial and Banking Crises*, Master's Thesis, Hassiba Ben Bouali University, 2008, p. 10

[16] Dr. Mohsen Ahmed Al-Khodairi, *Corporate Governance*, 1st edition, published by Al-Nile Group, Nasr City, Cairo, 2005, p. 63

associations, thus preserving the rights of stakeholders, achieving disclosure, transparency, and the responsibilities of the board.

Characteristics of Corporate Governance:

Governance is characterized by several traits[17]:

- **Discipline:** Following appropriate and correct ethical behaviour.
- **Transparency:** Providing a true picture of everything that happens.
- **Independence:** No unnecessary influences resulting from pressures.
- **Accountability:** The ability to evaluate and assess the actions of the board of directors and executive management.
- **Responsibility:** To all parties with an interest in the organization.
- **Fairness:** Respecting the rights of different groups and stakeholders.

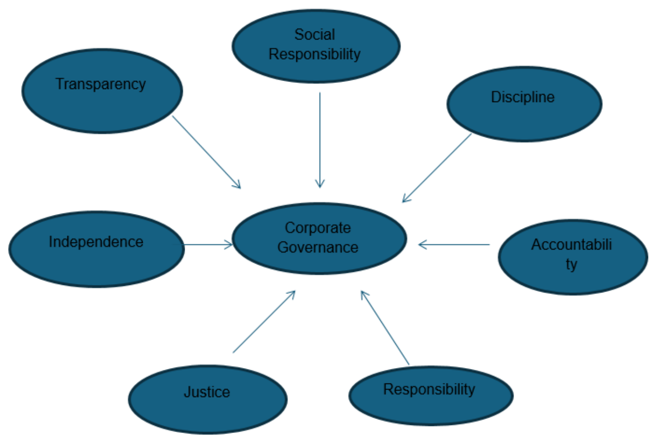

Figure No. (2.2) Characteristics of Corporate Governance.

Theme Three: The Concept of Risk Management Affecting the Performance of Insurance Companies

First: Risks Specific to Insurance Companies

The types of risks that insurance companies face vary, whether commercial or takaful insurance companies. Examples include:

1. **Reinsurance Risk**:

This risk relates to the inadequacy of the reinsurance program, which could lead to significant financial difficulties for the company. Therefore, it is important to assess the insured's need for protection through reinsurance and choose the appropriate type, specifying the agreement terms. It is worth noting that this risk is less significant in life insurance due to its operational nature.

2. **Investment Risk**:

Insurers invest the pooled funds to cover future disasters. However, these investments are subject to value fluctuations due to external factors such as interest rate changes and market value variations. To mitigate this risk, insurers should diversify their portfolios, avoid concentrating on a single product, and properly assess their assets.

Dr. Mohsen Ahmed Al-Khodairi, *Corporate Governance*, 1st edition, published by Al-Nile Group, Nasr City, Cairo, 2005, p. 65[17]

3. **New Product Risk**:

This risk is associated with the development of new insurance products or changes to existing ones, often due to low insurance awareness, pricing errors, and marketing and sales information inaccuracies.

4. **Operational Risks**:

These include errors, delays, or interruptions in the company's operations due to problems arising from the IT systems used, such as technical malfunctions, data theft, or deliberate tampering with the database, and insufficient technical expertise.

5. **Underwriting Risks**:

These risks arise from the company adopting specific insurance policies based on its objectives, financial, administrative, and technical capabilities. They include issues such as unreliable data, non-compliance with underwriting policies, and weak risk assessment expertise.

6. **Liquidity Risk**:

This refers to the company's inability to meet its obligations promptly, delays in settling claims, or claims exceeding available liquidity. It also includes exchange rate risks, forcing the company to liquidate assets at a loss.

7. **Fraud Risk**:

Insurance fraud takes many forms, such as presenting inaccurate financial information or taking advantage of the insurer's trust to claim more than deserved, submit fake claims, or cover risks not included in the policy, including intentional events.

Second: Risks Related to the Customer

In light of basic risk and risk management concepts in insurance, risk management plays a crucial role in serving the company's clients by:

1. Studying the risks the client faces, identifying insurable and non-insurable risks.
2. Preparing a scientific guide to the client's risks, identifying causes (natural or personal) and direct/indirect losses from realized risks.
3. Examining the client's economic activities and advising on appropriate risk management policies.
4. Inspecting and evaluating the client's risks to offer suitable insurance, while guiding them on prevention methods to reduce risks.
5. Assessing preventive measures throughout the client's economic activities to ensure they are adequate and effective in mitigating specific risks.

Field Study

First: Field Study Procedures

This section includes the methodology of the field study, from the design of the study tool, testing validity and reliability, and providing a detailed description of the study population and sample. It also covers the statistical methods used to analyze data and test the study hypotheses, as outlined below:

1. **Study Population and Sample**:
2. **A. Study Population**:

The study population consists of employees in the Saudi insurance market, specifically applied to the Cooperative Insurance Company.

B. Study Sample and Its Characteristics:

The researcher selected a sample from the study population mentioned in (A) to obtain the required data. A total of 120 questionnaires were distributed to the target group of the study sample, and 110 valid responses were received, representing 92%.

3. **Study Tool**:

The tool used to collect data is the questionnaire. This tool was designed to gather data related to the study hypotheses. The researcher developed it based on a review of several previous studies related to the subject of the study, with the aim of measuring the opinions of the sample members about the "Impact of Governance on Risk Management in Insurance Companies." The questionnaire consists of two sections:

First Section: This section includes personal data related to the sample members, describing them based on demographic information as follows:

. Age

. Years of Experience

. Academic Specialization

. Academic Qualification

. Professional Qualification

. Job Title

Second Section: Study Variables. This section explores the study hypotheses:

. **Independent Variable (Governance)**: This variable consists of five dimensions (25 items):

. The first dimension: The principle of fairness or justice (5 items).

. The second dimension: The principle of transparency (5 items).

. The third dimension: The principle of accountability (5 items).

. The fourth dimension: The principle of participation (5 items).

. The fifth dimension: The principle of evaluation (5 items).

. **Dependent Variable (Risk Management)**: This variable includes 5 items.

4. **Study Scale**

The study used a five-point Likert scale to measure the items in the questionnaire. The scale ranges from the highest value, "Strongly Agree" (5 points), to the lowest value, "Strongly Disagree" (1 point), with three intermediate points. This allows participants to select the most appropriate answer based on their assessment. The key table (3.1A) explains the Likert scale.

Table (3.1): Likert Five-Point Scale Weighting

Statistical Significance	**Relative Weight**	**Weighted Relative Weight**	**Statistical Significance**
High Level of Agreement	5	5 - 4.2	Strongly Agree
Agreement	4	4.2 - 3.4	Agree

Neutral Opinion	3	3.4 - 2.6	Neutral
Disagreement	2	2.6 - 1.8	Disagree
Strong Disagreement	1	1.8 – 1	Strongly Disagree

Based on the weight values in Table (A), the hypothetical mean of the study is the sum of the item scores across the statements (1+2+3+4+5)/5 = (15/5) = 3. If the mean exceeds the hypothetical average (3), it indicates that the participants agree with the statement.

5. **Evaluation of Measurement Tools**:

This refers to the ability, validity, and reliability of the measurement tool to measure what it is designed to. According to accurate measurement theory, full validity means the absence of random or systematic errors. The study first evaluated the appropriateness of the scales used to measure the study statements by conducting reliability and validity tests to exclude insignificant statements and to ensure that the statements used to measure a specific concept actually measure that concept. The researcher presents the results of the analysis for the scales used in the study as follows:

A. Content Validity Test:

After completing the initial version of the study scale, it was presented in a questionnaire format to a group of experts (4 experts) in the field of study. They were asked to provide their opinions on the appropriateness of the study tool and whether the statements represented the study hypotheses. They were also asked to suggest any modifications, deletions, or additions to enhance the validity of the study tool. After receiving feedback from all the experts, the responses were analyzed, and their suggestions were incorporated into the final version of the questionnaire.

B. Consistency and Reliability Test:

Reliability refers to the consistency of the measurement tool, meaning it produces the same results with equal probability if applied to the same sample. Reliability ensures consistent results in every measurement instance. One common method of checking reliability in the case of questionnaires is Cronbach's Alpha, which ranges from 0 to 1. If there is no reliability in the data, the coefficient value will be zero, whereas complete reliability gives a value of 1. Higher Cronbach's Alpha values indicate higher data reliability and more accurate representation of the sample results in the study population. Conversely, values below 0.60 indicate low internal reliability.

Table (3.2) Cronbach's Alpha Coefficients for Measuring the Reliability of the Survey Statements

No	Variables and Dimensions	Number of Statements	Cronbach's Alpha for Reliability	Validity
Independent Variable	Governance	**25**	96	98%
Dimensions of the Independent Variable	Principle of Fairness Principle of or Justic Transparency Principle of Accountability Principle of Participation Principle of Evaluation	5 5 5 5 5	87% 85% 85% 85% 84%	93% 92% 92% 92% 92%
Dependent Variable	Risk Management	**5**	74%	86%
	Total Statements	**30**	%95	97%

Source: Prepared by the researcher from field study data, 2024.

The above **Table (3.2)** shows Cronbach's Alpha coefficients for measuring the validity and reliability of the questionnaire. The researcher notes that all Alpha values exceed 60%, indicating consistency in the responses of the sample participants.

Statistical Methods Used:

1. **Cronbach's Alpha Coefficient**: Used to test the validity and reliability of the questionnaire.
2. **Frequencies and Percentages**: Used to describe the opinions of the study sample members toward their responses to the survey statements.
3. **Descriptive Statistics**: Mean and mode used to rank the responses of the study participants to the survey statements by level of agreement, and standard deviation used to measure the efficiency of the mean in representing the data center.
4. **Simple Linear Regression and Correlation**: Used to test hypotheses.

Second : Data Analysis

At the beginning of this chapter, the researcher will explain the personal data, which serves as preliminary information about the sample members. This information is helpful in providing general useful insights and aids in building trust in the data provided by the respondents. The researcher will then present the descriptive analysis of the study variables:

Analysis of Personal Data:

1. Age Variable:

Table (3.3) Distribution of Sample Members According to Age Category

Age	**Frequency**	**Percentage**
< 40	51	46.4%
40 - <50	43	39.1%
50 - <60	10	9.1%
> 60	6	5.5%
Total	110	**100%**

Source: Prepared by the researcher from field study data, 2023.

Table (3.3) shows the distribution of the sample members according to the age category. It indicates that individuals under 40 years old represent 46.4% of the sample, those aged 40 to less than 50 represent 39.1%, those aged 50 to less than 60 are 9.1%, and those over 60 represent 5.5%. The researcher notes that the lower age groups are the most prevalent, as shown in the graph below.

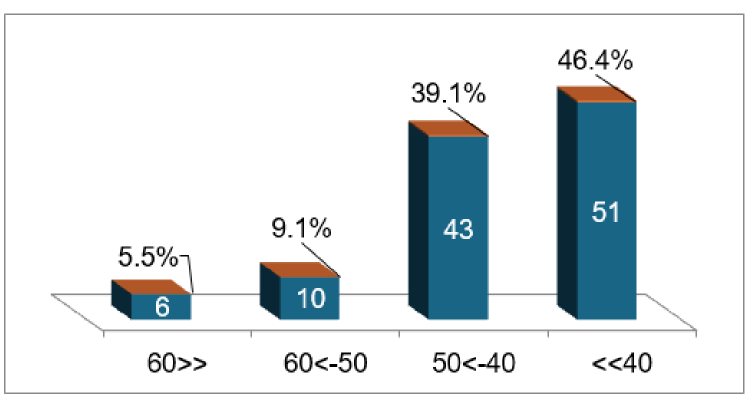

Figure (3.1) Distribution of the Study Sample According to Age Category

2. Experience Variable:

Table (3.4) Distribution of Sample Members According to Years of Experience

Years of Experience	**Frequency**	**Percentage**
< 5	13	11.8%
5 - <10	29	26.4%
10 - <15	29	26.4%
> 15	39	35.5%
Total	110	**100%**

Source: Prepared by the researcher from field study data, 2023.

Table (3.4) shows the distribution of the sample members according to years of experience. It indicates that those with less than 5 years of experience are 11.8%, those with 5 to less than 10 years of experience and those with 10 to less than 15 years of experience each represent 26.4%, while individuals with more than 15 years of experience represent 35.5%. The results show a close range of experience levels, as illustrated in the graph below.

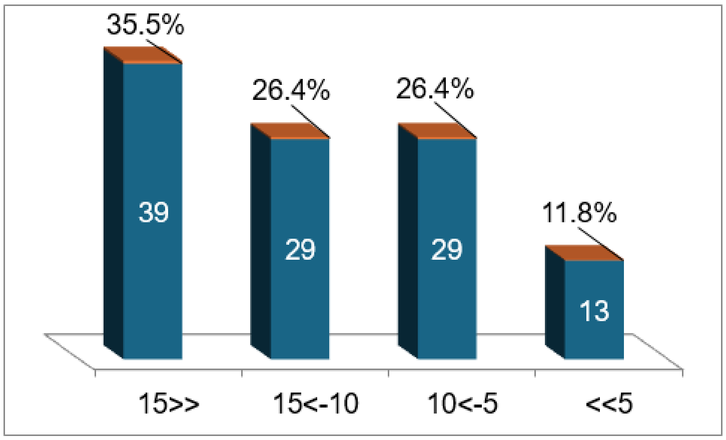

Figure (3.2) Distribution of Sample Members According to Years of Experience

4. **Scientific Specialization Variable:**

Table (3.5) Distribution of Sample Members According to Scientific Specialization

Specialization	**Frequency**	**Percentage**
Accounting	36	32.7%
Business Administration	24	21.8%
Economics	9	8.2%
Insurance	23	20.9%
Other	18	16.4%
Total	110	100%

Source: Prepared by the researcher from field study data, 2023.

Table (3.5) shows the distribution of the sample members according to scientific specialization. It indicates that 32.7% specialize in accounting, 21.8% in business administration, 8.2% in economics, 20.9% in insurance, and 16.4% in other fields. It can be concluded that the sample consists mostly of accountants, business administrators, and insurance specialists, as depicted in the graph below.

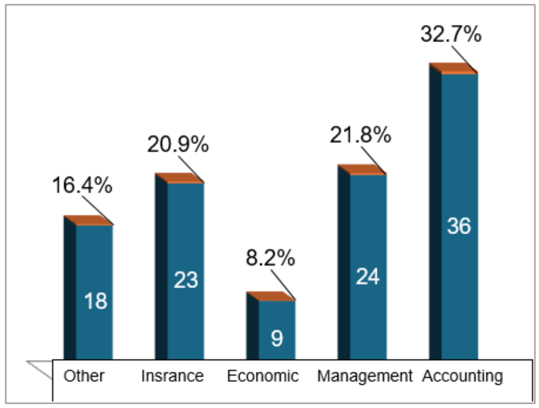

Figure (3.3) Distribution of Sample Members According to Scientific Specialization

4. Educational Qualification Variable:

Table (3.6) Distribution of Sample Members According to Educational Qualification

Educational Qualification	Frequency	Percentage
Bachelor's Degree	46	41.8%
Postgraduate Diploma	12	10.9%
Master's Degree	42	38.2%
PhD	8	7.3%
Other	2	1.8%
Total	110	100%

Source: Prepared by the researcher from field study data, 2023.

Table (4/2) shows the distribution of the sample members according to their educational qualifications. It indicates that 41.8% hold a bachelor's degree, 10.9% a postgraduate diploma, 38.2% a master's degree, 7.3% a PhD, and 1.8% hold other qualifications. The researcher notes that the sample consists mainly of individuals with a bachelor's or master's degree, as shown in the graph below.

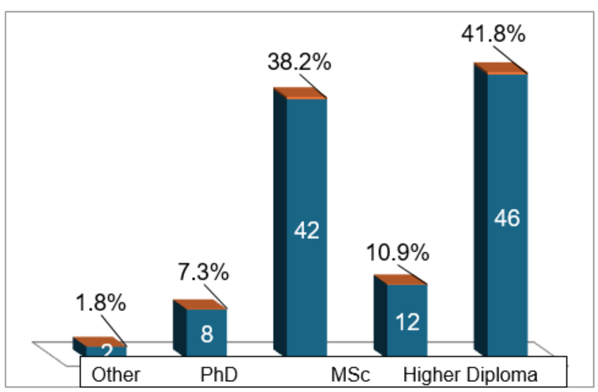

Figure (3.4) Distribution of Sample Members According to Educational Qualification

Source: Prepared by the researcher from the field study data, 2023.

5/ Professional Qualification Variable

Table (3.7) shows the distribution of the sample members according to the professional qualification:

Qualification	Frequency	Percent	Valid Percent	1.5%
Chartered Accountants Fellowship	1	0.9%	1.5%	3.1%
Insurance Fellowship	1	0.9%	1.5%	6.2%
Professional Insurance Certificate	2	1.8%	3.1%	16.9%
Higher Diploma in Insurance	7	6.4%	10.8%	100.0%
Others	54	49.1%	83.1%	
Total	65	59.1%	100.0%	
System	45	40.9%		

Source: Prepared by the researcher from the field study data, 2023.

Table (3.8) Distribution of sample members according to the job title variable:

Job Title	Frequency	Percentage
Board Member	2	
General Manager	1	
Assistant Technical Manager		
Assistant Financial Manager		
Internal Audit Manager		
Internal Auditor		
Other		
Total	110	%100

Source: Prepared by the researcher from the field study data, 2023.

The table (3.8) shows the distribution of the sample members according to job title, where the study sample consisted of 28 employees, representing 46.7%. Department heads accounted for 8 individuals (13.3%), department managers 9 individuals (15%), and other positions 15 individuals (25%). Most of the sample members were employees. The following table (3.9) shows this distribution.

Table (3.9) shows the distribution of the sample members according to the job title variable:

Job Title	Frequency	Percent	Valid Percent	Cumulative Percent
Board Member	2	1.8%	2.0%	2.0%
General Manager	1	0.9%	1.0%	3.0%
Assistant Technical Manager	7	6.4%	7.0%	10.0%
Assistant Financial Manager	6	5.5%	6.0%	16.0%
Internal Audit Manager	4	3.6%	4.0%	20.0%
Internal Auditor	2	1.8%	2.0%	22.0%
Others	78	70.9%	78.0%	100.0%
Total	100	90.9%	100.0%	
System	10	9.1%		
Total	110	100.0%		

Three: Data Analysis

This chapter includes the analysis of the basic data of the study to understand the tendencies in the responses of the study sample regarding the different axes of the study through:

1. The frequency distribution of the sample members' responses to the study statements.
2. Descriptive statistical analysis of the study statements.

Table (3.10): Frequencies and percentages for the independent variable "governance"

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Trend
The company enforces a law that accurately regulates procedures	0	3	11	23	73	Agreement
	0%	2.7%	10.0%	20.9%	66.4%	
The systems clarify the tasks and duties of each employee	0	5	8	34	63	Agreement
	0%	4.5%	7.3%	30.9%	57.3%	
The employee's right to claim their rights is guaranteed by law	0	7	15	30	58	Agreement
	0%	6.4%	13.6%	27.3%	52.7%	
The systems are applied to everyone without exception	3	10	18	26	53	Agreement
	2.7%	9.1%	16.4%	23.6%	48.2%	
The supervisory authority is completely honest	0	9	17	31	53	Agreement
	0%	8.2%	15.5%	28.2%	48.2%	
Total	0.5%	6.2%	12.6%	26.2%	54.5%	100%

Source: Prepared by the researcher from the field study data, 2023.

The above table shows the percentages and frequencies for the governance variable, specifically the dimension of fairness or justice. The overall percentages of the study sample's responses were: 45.5% strongly agree, 26.2% agree, meaning that 81% of the study sample agrees with the fairness principle statements. Only 0.5% strongly disagree and 6.2% disagree, totaling about 7% who do not agree. Meanwhile, 12% were neutral. The table results indicate that the respondents generally agree with the fairness principle, and the trend column reflects this direction.

Table (3.11): Descriptive statistics for the independent variable "governance"

Statements	Mean	Mode	Standard Deviation	Result Based on Average
The company enforces a law that accurately regulates procedures	4.51	5	0.7870	Strong Agreement
The systems clarify the tasks and duties of each employee	4.41	5	0.816	Strong Agreement
The employee's right to claim their rights is guaranteed by law	4.26	5	0.925	Strong Agreement
The systems are applied to everyone without exception	4.05	5	1.124	Agreement
The supervisory authority is completely honest	4.16	5	0.972	Agreement

Source: Prepared by the researcher from the field study data, 2023.

The table shows the descriptive statistics for the governance variable related to fairness or justice. The means are approximately between 4 and 5 for all statements, and the mode is 5, with non-homogeneous standard deviations. The descriptive statistics confirm that the sample members generally agree with the fairness principle statements, and the results column indicates the general direction of the respondents' views.

Table (3.12) Descriptive Statistics for the Independent Variable Governance

Statements	Mean	Mode	Standard Deviation	Result by Average
The systems in place are characterized by clarity	4.40	5	0.911	Strongly Agree
Problems in the company are resolved with complete clarity	4.05	5	1.095	Agree
All those subject to the laws are clearly informed of these laws	4.22	5	0.961	Strongly Agree
Company employees have the right to access all decisions related to them	4.17	5	1.039	Agree
A clear explanation of the company's law is provided	4.30	5	0.982	Strongly Agree

Source: Prepared by the researcher from the field study data 2023

The table (3.12) illustrates the descriptive statistics for the statements of the governance variable in the dimension of the principle of transparency. The mean scores were around 4 and 5 for almost all statements, with the mode being 5, and with heterogeneous standard deviations. According to the descriptive statistics of the variable statements and based on the five-point Likert scale weights for the options clarified previously in the key table - A - the numbers (4 and 5) indicate agreement or strong agreement. This confirms that the opinions of the sample individuals regarding the statements of the principle of transparency reflect agreement in both forms. The column titled "Result" provides an indication of the general direction of the respondents' opinions.

Table (3.13) Percentages and Frequencies for the Independent Variable Governance

Statements	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Direction**
There are specific criteria for rewards in the company	1	11	16	19	63	Agree
	0.9%	10.0%	14.5%	17.3%	57.3%	
Penalties are commensurate with the size of the violation	3	9	23	22	53	Agree
	2.7%	8.2%	20.9%	20.0%	48.2%	
Established mechanisms for computing apply to everyone without discrimination	2	4	19	22	63	Agree
	1.8%	3.6%	17.3%	20.0%	57.3%	
The management is provided with comprehensive reports of the accountability policies followed by the departments	2	6	21	24	57	Agree
	1.8%	5.5%	19.1%	21.8%	51.8%	
Crises and problems in the company are minimized to the utmost extent	1	3	31	20	55	
	0.9%	2.7%	28.2%	18.2%	50.0%	

Total	1.6%	6%	20%	19.5%	52.9%	100%

The table (3.13) above illustrates the percentages and frequencies for the statements of the governance variable in the dimension of the principle of accountability. The total percentages of the responses from the study sample to its statements are as follows: Strongly Agree (52.9%), Agree (19.5%). This indicates that 72% of the study sample agrees with the statement (principle of accountability). The percentage for Strongly Disagree is (1.6%) and for Disagree is (6%), which means about 8% is the total percentage of those who disagree with what was stated regarding the (principle of accountability). The neutral percentage is (20%). The summary of the results in the table for the governance variable in the dimension of the principle of accountability indicates agreement with what was stated in its statements, and the column titled "Direction" shows the general direction of the respondents' opinions.

Source: Prepared by the researcher from the field study data 2023

Table (3.14) Descriptive Statistics for the Independent Variable Governance

Statements	**Mean**	**Mode**	**Standard Deviation**	**Result by Average**
There are specific criteria for rewards in the company	4.20	5	1.082	Agree
Penalties are commensurate with the size of the violation	4.03	5	1.129	Agree
Established mechanisms for computing apply to everyone without discrimination	4.27	5	0.995	Strongly Agree
The management is provided with comprehensive reports of the accountability policies followed by the departments	4.16	5	1.036	Agree
Crises and problems in the company are minimized to the utmost extent	4.14	5	0.981	Agree

Source: Prepared by the researcher from the field study data 2023

The table (3.14) illustrates the descriptive statistics for the statements of the governance variable in the dimension of the principle of accountability. The mean scores were around 4 and 5 for almost all statements, with the mode being 5, and with heterogeneous standard deviations. According to the descriptive statistics of the variable statements and based on the five-point Likert scale weights for the options clarified pr3.14eviously in the key table - A - the numbers (4 and 5) indicate agreement or strong agreement. This confirms that the opinions of the sample individuals regarding the statements of the principle of accountability reflect agreement in both forms. The column titled "Result" provides an indication of the general direction of the respondents' opinions.

Table (3.15) Percentages and Frequencies for the Independent Variable Governance

Statements	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Direction**
Various mechanisms for stakeholder participation in the company's policies and decisions	1	6	17	19	67	Agree
	0.9%	5.5%	15.5%	17.3%	60.9%	

The company involves representatives from different units in development plans	0	6	18	28	58	Agree
	0.0%	5.5%	16.4%	25.5%	52.7%	
Different management levels genuinely participate in meetings	0	7	17	22	64	Agree
	0.0%	6.4%	15.5%	20.0%	58.2%	
The company maintains employees' rights to defend their legal rights	3	4	28	20	55	Agree
	2.7%	3.6%	25.5%	18.2%	50.0%	
External entities are involved in establishing accountability rules in the company	3	23	21	20	43	
	2.7%	20.9%	19.1%	18.2%	39.1%	
Total	1.3%	8.4%	18.4%	19.8%	52.1%	100%

The table (3.15) above illustrates the percentages and frequencies for the statements of the governance variable in the dimension of the principle of participation. The total percentages of the responses from the study sample to its statements are as follows: Strongly Agree (52.1%), Agree (19.8%). This indicates that 72% of the study sample agrees with the statements of the principle of participation. The percentage for Strongly Disagree is (1.3%) and for Disagree is (8.4%), which means about 10% is the total percentage of those who disagree with what was stated regarding the (principle of participation). The neutral percentage is (18%). The summary of the results in the table for the governance variable in the dimension of the principle of participation indicates agreement with what was stated in its statements, as the researcher noted a low occurrence of the Strongly Disagree option, and the column titled "Direction" shows the general direction of the respondents' opinions.

Table (3.16) Descriptive Statistics for the Independent Variable: Governance

Statements	**Mean**	**Mode**	**Standard Deviation**	**Result by Mean**
Various mechanisms for stakeholder participation in company policies and decisions	4.32	5	0.986	Strongly Agree
The company involves representatives from different units in development plans	4.25	5	0.923	Strongly Agree
Different management levels genuinely participate in meetings	4.30	5	0.954	Strongly Agree
The company upholds employees' rights to defend their legal rights	4.09	5	1.071	Agree
External parties are involved in establishing accountability rules within the company	3.70	5	1.260	Agree

The table (3.16) illustrates the descriptive statistics for the statements of the governance variable, specifically regarding the principle of participation, where the means are around (4 and 5) for almost all statements, and the mode is (5), with large and homogeneous standard deviations. Based on the values of the descriptive statistics of the variable's statements and the five-point Likert scale for the weights of options, as previously outlined in Table A, the numbers (4 and 5) indicate agreement or strong agreement. This confirms that the opinions of the sample individuals regarding the statements (principle of participation) are in agreement, both in strong and regular terms, while the column labeled "Result" provides an indication of the overall direction of the respondents' opinions.

Table (3.17) Percentages and Frequencies for the Independent Variable: Governance

Statements	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Direction**
All employees understand their roles accurately	2	3	12	26	67	Agree
Periodic meetings are held to discuss workflow	2	9	14	27	58	Agree
There is a standard performance evaluation system in the company	2	7	18	22	61	Agree
Job responsibilities in the company are legally defined	5	3	17	27	58	Agree
There are periodic reports on employee performance in the company	3	1	7	34	65	
	2.5%	4.2%	12.4%	24.7%	56.2%	
Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Direction
All employees understand their roles accurately	2	3	12	26	67	Agree
Periodic meetings are held to discuss workflow	2	9	14	27	58	Agree
There is a standard performance evaluation system in the company	2	7	18	22	61	Agree
Job responsibilities in the company are legally defined	5	3	17	27	58	Agree

Source: Prepared by the researcher from field study data 2023

Table (3.17) above shows the percentages and frequencies for the statements of the governance variable regarding the principle of evaluation. The total percentages of responses from the study sample are as follows: strongly agree (56.2%), and agree (24.7%). This means that 81% of the sample individuals agree with the statements about the principle of evaluation. The percentage of those who strongly disagree is (2.5%), and those who disagree is (4.2%), indicating that approximately 7% are the total percentage of individuals who do not agree with what was stated about the (principle of evaluation). The neutral respondents account for (12%). The summary of the results from the table for the governance variable concerning the principle of evaluation indicates agreement with the statements, and the column labeled "Direction" illustrates the overall trend of the respondents' opinions.

Table (3.18) Descriptive Statistics for the Independent Variable: Governance

Statements	Mean	Mode	Standard Deviation	Result by Mean
All employees understand their roles accurately	4.39	5	0.920	Strongly Agree
Periodic meetings are held to discuss workflow	4.18	5	1.060	Agree
There is a standard performance evaluation system in the company	4.21	5	1.050	Strongly Agree
Job responsibilities in the company are legally defined	4.18	5	1.085	Agree
There are periodic reports on employee performance in the company	4.43	5	0.872	Strongly Agree

Source: Prepared by the researcher from field study data 2023

Table (3.18) illustrates the descriptive statistics for the statements of the governance variable concerning the principle of evaluation, where the means are around (4 and 5) for nearly all statements, and the mode is also (5), with non-homogeneous standard deviations. Based on the values of the descriptive statistics of the variable's statements and the five-point Likert scale for the weights of options, as previously outlined in Table A, the numbers (4 and 5) indicate agreement or strong agreement. This confirms that the opinions of the sample individuals regarding the statements (principle of evaluation) are in agreement, both in strong and regular terms, while the column labeled "Result" provides an indication of the overall direction of the respondents' opinions.

Table (3.19) Percentages and Frequencies for the Risk Management Variable

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Direction
The biggest challenge facing insurance companies is the risk of losing customer trust	0	4	7	50	49	Agree
	.0%	3.6%	6.4%	45.5%	44.5%	
The company's ability to set a fair and adequate price is compromised	0	7	16	39	48	Agree
	.0%	6.4%	14.5%	35.5%	43.6%	
Risk management in the company reports to executive management	3	11	24	25	47	
	2.7%	10.0%	21.8%	22.7%	42.7%	
The risk committee consists of the board and executive management	4	17	33	15	41	Direction Agree
	3.6%	15.5%	30.0%	13.6%	37.3%	
The risk management process requires continuity and follow-up	2	4	12	32	60	Agree
	1.8%	3.6%	10.9%	29.1%	54.5%	
Total	1.6%	7.8%	16.7%	29.3%	%1.6	**100%**

Source: Prepared by the researcher from field study data 2023

Table (3.19) above shows the percentages and frequencies for the statements of the dependent variable: risk management. The total percentages of responses from the study sample are as follows: strongly agree (44.6%), and agree (29.3%). This means that 74% of the study sample individuals agree with the statements regarding (risk management). The percentage of those who strongly disagree is (1.6%), and those who disagree is (7.8%), indicating that only about 9% are the percentage of individuals who do not agree with what was stated regarding (risk management). The neutral respondents account for (17%). The summary of the results from the table for the risk management variable indicates agreement with its statements, as the researcher observed the absence of the option of strongly disagreeing in some statements, while the column labeled "Direction" clarifies this.

Table (3.20) Descriptive Statistics for the Risk Management Variable

Statements	Mean	Mode	Standard Deviation	Result by Mean
The biggest challenge facing insurance companies is the risk of losing customer trust	4.31	4	0.751	Strongly Agree
The company's ability to set a fair and adequate price is compromised	4.16	5	0.904	Agree
Risk management in the company reports to executive management	3.93	5	1.139	Agree
The risk committee consists of the board and executive management	3.65	5	1.230	Agree
The risk management process requires continuity and follow-up	4.31	5	0.936	Strongly Agree

Source: Prepared by the researcher from field study data 2023

Table (3.20) illustrates the descriptive statistics for the statements of the dependent variable: risk management, where the means are around (4 and 5) for almost all statements, and the modes are also (4 and 5), with non-homogeneous standard deviations. Based on the values of the descriptive statistics of the variable's statements and the five-point Likert scale for the weights of options, as previously outlined in Table A, the numbers (4 and 5) indicate agreement or strong agreement. This confirms that the opinions of the sample individuals regarding the statements (risk management) are in agreement, both in strong and regular terms, while the column labeled "Result" provides an indication of the overall direction of the respondents' opinions.

Three: Hypothesis Testing

This section is a fundamental basis on which scientific studies rely in general and the current study in particular. Through it, we obtain the final result of the study on which the study hypotheses are built.

To test the study hypotheses, the researcher relied on simple linear regression (Simple Linear Regression), which is a study of the joint distribution of the independent variable measured without error, known as the independent variable (Independent Variable), denoted by the symbol (Strategic Shift: x), while the other takes values that depend on the values of the independent variable and is called the dependent variable (Dependent Variable), denoted by the symbol (Risk Management: y).

Through the outputs of the regression and simple linear correlation tables, measurements are made considering several factors, of which some will be indicated to facilitate understanding for the reader, such as:

1. The significance of the relationship or correlation through the abbreviation (sig), by comparing the calculated value of (t) with the tabulated one without showing its value, where the level of significance is (sig < 0.05).

2. The calculation of the correlation coefficient (R) to measure the strength and direction of the relationship between the two variables.

3. The calculation of the coefficient of determination (R^2) to measure the responsibility of the independent variable in the change that occurs to the dependent variable.

4. The value of (t) hypothesizes the null hypothesis (no statistically significant relationship), and the alternative hypothesis is accepted if (sig < 0.05), while the null hypothesis is accepted if (sig > 0.05).

The researcher aims to understand the relationships and effects between the variables through the hypothesis as follows:

Main Hypothesis:

There is a statistically significant relationship between governance and risk management.

Table (3.21): Relationship Between Governance and Risk Management

Statistical Measure	Value	Level of Significance	Significance
Spearman Correlation Coefficient (R)	0.484	0.000	Statistically significant
Coefficient of Determination (R^2)	0.234	0.000	Statistically significant
Calculated Value of (F)	33.061	0.000	Statistically significant
Regression Coefficient (B)	0.491	0.000	Statistically significant
Calculated Value of (T)	5.750	0.000	Significance

Source: Prepared by the researcher from field study data, 2023

The table (3.21) illustrates the relationship between governance and risk management, where the value of the Spearman correlation coefficient was (0.484), indicating a statistically significant positive correlation. The coefficient of determination (R^2) was (0.234), which is the percentage explained by governance in risk management. The results indicate that the regression coefficient (B) is stable at (0.491) with a significance level of (0.000), statistically significant at the significance level of (0.05). The calculated value of (T) was (5.750) with a significance level of (0.000), also statistically significant at the significance level of (0.05). Based on the above results, the researcher concluded that there is a statistically significant relationship between governance and risk management, meaning that governance has a positive effect on risk management, thus confirming the hypothesis stating that there is a statistically significant relationship between governance and risk management.

First Hypothesis:

Table (3.22): Relationship Between Governance and Risk Management

Relationship between governance (the dimension of fairness or justice) and risk management

Significance	Level of Significance	Value	Statistical Measure
Not statistically significant	0.000	0.405	Spearman Correlation Coefficient (R)
		0.164	Coefficient of Determination (R^2)
		21.206	Calculated Value of (F)
Not statistically significant	0.000	0.388	Regression Coefficient (B)
		4.605	Calculated Value of (T)

Source: Prepared by the researcher from field study data, 2023.

The table (3.22) illustrates the relationship between the independent variable (governance as the dimension of fairness or justice) and the dependent variable (risk management), where the value of the Spearman correlation coefficient was (0.405), indicating a statistically significant positive correlation. The coefficient of determination (R^2) was (0.164), meaning that the principle of fairness or justice alone contributes 16.4% to risk management. The results indicate that the regression coefficient (B) is stable at (0.388) with a significance level of (0.000), statistically significant at the significance level of (0.05). The calculated value of (T) was (4.605) with a significance level of (0.000), which is also statistically significant at the significance level of (0.05). Based on the above results, the researcher concluded that there is a statistically significant relationship between the principle of fairness or justice and risk management, meaning that the principle of fairness or justice has a positive effect on risk management, thus confirming the hypothesis that there is a statistically significant relationship between the principle of fairness or justice and risk management.

Second Hypothesis:

Table (3.23): Relationship Between Governance and Risk Management

Relationship between governance (the dimension of transparency) and risk management.			
Significance	**Level of Significance**	**Value**	**Statistical Measure**
Statistically significant	0.000	0.329	Spearman Correlation Coefficient (R)
		0.108	Coefficient of Determination (R^2)
		13.095	Calculated Value of (F)
Statistically significant	0.000	0.278	Regression Coefficient (B)
		3.619	Calculated Value of (T)

Source: Prepared by the researcher from field study data, 2023.

The table (3.23) illustrates the relationship between the independent variable (governance as the dimension of transparency) and the dependent variable (risk management), where the value of the Spearman correlation coefficient was (0.329), indicating a statistically significant positive correlation. The coefficient of determination (R^2) was (0.108), meaning that the principle of transparency contributes 10.8% to risk management. The results indicate that the regression coefficient (B) is stable at (0.278) with a significance level of (0.000), statistically significant at the significance level of (0.05). The calculated value of (T) was (3.619) with a significance level of (0.000), which is also statistically significant at the significance level of (0.05). Based on the above results, the researcher concluded that there is a statistically significant relationship between the principle of transparency and risk management, meaning that transparency will positively reflect on risk management, thus confirming the hypothesis that there is a statistically significant relationship between the principle of transparency and risk management.

Third Hypothesis:

Table (3.24): Relationship Between Governance and Risk Management

Relationship between governance (the dimension of accountability) and risk .management			
Significance	**Level Significance**	**Value**	**Statistical Measure**
Statistically significant	0.000	0.411	Spearman Correlation Coefficient (R)
		0.169	Coefficient of Determination (R^2)
		21.937	Calculated Value of (F)
Statistically significant	0.000	0.357	Regression Coefficient (B)
		4.684	Calculated Value of (T)

Source: Prepared by the researcher from field study data, 2023.

The table (3.24) illustrates the relationship between the independent variable (governance as the dimension of accountability) and the dependent variable (risk management), where the value of the Spearman correlation coefficient was (0.411), indicating a statistically significant positive correlation. The coefficient of determination (R^2) was (0.169), meaning that 16.9% is the percentage explained by the principle of accountability in risk management. The results indicate that the regression coefficient (B) is stable at (0.357) with a significance level of (0.000), statistically significant at the significance level of (0.05). The calculated value of (T) was (4.684) with a significance level of (0.000), which is also statistically significant at the significance level of (0.05). Based on the above results, the researcher concluded that there is a statistically significant relationship between the principle of accountability and risk management, meaning that excellence in the principle of accountability positively reflects on risk management, thus confirming the hypothesis that there is a statistically significant relationship between the principle of accountability and risk management.

Hypothesis Four:

Table (3.25): The Relationship Between Governance and Risk Management

العلاقة بين الحوكمة بُعد مبدأ المشاركة وإدارة المخاطر			
Significance	**Significance Level**	**Value**	**Statistical Measure**
Statistically Significant	0.003	0.435	Spearman Correlation Coefficient (R)
		0.189	Coefficient of Determination (R^2)
		25.137	Calculated Value (F)

Statistically Significant	0.003	0.375	Regression Coefficient (B)
		5.014	Calculated Value (T)

Source: Prepared by the researcher from field study data, 2023.

Table (3.25) illustrates the relationship between the independent variable of governance (Participation Principle) and the dependent variable of risk management, where the Spearman correlation coefficient value is (0.435). This result indicates a significant positive correlation. The coefficient of determination (R^2) is (0.189), meaning that the Participation Principle contributes 19% to risk management. The results also indicate the significance of the regression coefficient (B), which is (0.375), with a significance level of (0.000), making it statistically significant at a significance level of (0.05). The calculated value (T) is (5.014) with a significance level of (0.000), which is also statistically significant at a significance level of (0.05). Based on the above results, the researcher concludes that there is a significant relationship between the Participation Principle and risk management, indicating that good participation will have a positive impact on risk management. This supports the hypothesis that there is a statistically significant relationship between the Participation Principle and risk management.

Hypothesis Five:

Table (3.26): The Relationship Between Governance and Risk Management

The relationship between governance the evaluation principle dimension and risk management			
Significance	**Significance Level**	**Value**	**Statistical Measure**
Statistically Significant	0.000	0.513	Spearman Correlation Coefficient (R)
		0.264	Coefficient of Determination (R^2)
		38.665	Calculated Value (F)
Statistically Significant	0.000	0.439	Regression Coefficient (B)
		6.218	Calculated Value (T)

Source: Prepared by the researcher from field study data, 2023.

Table (3.26) illustrates the relationship between the independent variable of governance (Evaluation Principle) and the dependent variable of risk management, where the Spearman correlation coefficient value is (0.513). This result indicates a significant positive correlation. The coefficient of determination (R^2) is (0.264), meaning that 26.4% is the proportion explained by the Evaluation Principle in risk management. The results also indicate the significance of the regression coefficient (B), which is (0.439), with a significance level of (0.000), making it statistically significant at a significance level of (0.05). The calculated value (T) is (6.218) with a significance level of (0.000), which is also statistically significant at a significance level of (0.05). Based on the above results, the researcher concludes that there is a significant relationship between the Evaluation Principle and risk management, indicating that improvements in the Evaluation Principle will have a positive impact on risk management. This supports the hypothesis that there is a statistically significant relationship between the Evaluation Principle and risk management.

CONCLUSION:

Through this discussion, we aimed to address the research question: **What is the importance of applying corporate governance principles to risk management in insurance companies?**

The study revealed several findings and recommendations, including:

- Insurance companies use ratios to evaluate short-term risks: underwriting ratio, quick liquidity ratio, and claims ratio.
- To assess long-term risks, companies use two ratios: debt-to-equity ratio and ownership ratio.
- Internal risks in insurance companies include liquidity risks, credit risks, etc. Therefore, managers must properly identify and manage these risks.
- Corporate governance rules are not legal texts but rather guidelines for good corporate management according to global best practices.
- Insurance companies can benefit from governance principles through internal oversight, ensuring they avoid or mitigate potential issues, particularly regarding issuance decisions or claims settlements.
- Failure to implement governance principles exposes companies to risk management issues, as governance affects the final decision-making process in insurance operations.

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