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Corporate Governance: Impact on Enterprise Risk Management in Nigeria Insurance Industry

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Abstract

The main purpose of the study was to determine relationship between Corporate Governance and Enterprise Risk Management in Nigeria Insurance Industry. This study was guided by agency theory, the stakeholder theory, the stewardship theory and the ERM framework. The study used descriptive cross-sectional survey design. Primary data was collected from top management staff members of 27 selected non-life insurance companies in Lagos state through a structured questionnaire. A survey was carried out on 189 respondents but 141 retrieved copies of the question were found valid and used for the analysis of this study. Data collected was analysed by the use of descriptive and inferential statistics. The results revealed Internal Control System significantly influences ERM practices in Nigeria insurance companies (R^2 = 0.508, $F_{(1,139)}$= 46.234, p = 0.000);There is a significant relationship between Organisation Transparency and ERM practices in Nigerian non-life insurance (r = 0.707, p = 0.006); and Board Independence does not significantly affect ERM practices in Nigeria insurance companies (R^2 = 0.004, $F_{(1,139)}$ = 0.543, p = 0.679).based on the findings, the study therefore recommends that policy makers in insurance companies should integrate enterprise risk management practices across all functions and business units for the purpose of addressing risks before they even occur. It also recommended that appropriate and transparent internal control system

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should be adopted in reducing insurance firms' exposure to risk, cost of operations thereby facilitating an improvement in their overall performance.

Keywords: *Corporate Governance, Enterprise Risk Management, Internal Control System, Insurance and Risk Management*

Introduction

In view of the global dynamic economy, Enterprise Risk Management (ERM) is imperative for the survival of every organisation. ERM involves identifying, assessing, managing and monitoring an organisation's opportunities and threats. ERM is more important for insurance companies based on the fact that managing risk is their core function and as a consequence, insurers seem to be increasingly becoming more interested in ERM.

Insurers need to embrace ERM in order to remain competitive in their business. To entrench the ERM philosophy in insurance industry in Nigeria, the National Insurance Commission (NAICOM) issued and released 'Guidelines for developing risk management framework for insurers and reinsurers in Nigeria' in 2012 (Ayeleso, 2012; Onyeka, 2012). The guideline, which is operative from July 2012, requires all insurers and reinsurers to establish a process for identifying, assessing, controlling, mitigating and monitoring all material risks which must be developed in the light of the company's risk management philosophy, set of shared beliefs, attitudes, values, culture and operating style. The guideline is used for conducting on-going assessment of the risk management systems of all insurers and reinsurers in Nigeria.

In the past, risk management was rarely undertaken in a systematic and integrated manner across the firms. Insurers have always practice some forms of risk management, implicitly or explicitly (Meulbroek, 2002). Traditional risk management views risk as a series of single elements, not related to others, where individual risk are categorised and managed separately (Wolf, 2008). The holistic approach to managing organisation's risks differs substantially from historical practice, as typical firm's tends to aggregate risk (holistic risk management), rather

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than isolating them (traditional risk management) (Wolf, 2008). The holistic approach, often referred to as enterprise risk management (ERM), engages risks across a variety of levels in the organisation; thus focusing on both opportunity and threat.

Globally, regulators (including NAICOM) are increasingly focusing on ERM due to the global financial crisis and corporate scandals where Banks and Insurance companies were among the most highly hit by the crises and are still suffering from the shock (Sanusi, 2010). For example, the Nigerian stock market lost approximately 70 percent of its stock value between 2008 and 2009. Subsequently, the market capitalization continued to experience an annual decline of about 17.42 percent (Security and Exchange Commission [SEC], 2012). The NSE insurance index also witnessed a drop by 2.11% in 2014, 4.70% in 2015 and 11.44% in 2016. Consequently, studies have cited inefficiencies in risk management as the prime cause of poor firms' performance in Nigeria insurance sector (IMF& World Bank 2013). In addition several financial institutions in the last few years have become bankrupt, not merely because of risk management, but also because of failures of monitoring systems and weak internal control due to weak board of directors and ineffective top management (CBN, 2011).

Governance in insurance has developed in different directions but there is a common thread running through it: conflicting incentives of managers, shareholders and insuring public, which may be more severe in insurances because of the nature of the business and the high exposure in their capital structure as a risk bearing organization. While financial firms share some common governance and risk management problems with non-financial ones, they suffer from specific governance problems that make it harder for traditional governance structures to restrain executives' risk taking (Becht, Bolton &Röell, 201 &Mehran et al., 2011).

Corporate governance is large and rich but significant gaps still exist in our understanding of the risk management function and how it relates to governance structures. As Tufano (1996) argues, our knowledge of corporate risk management is very limited because firms' disclosure is limited. There are different reasons that explain the difficulties in addressing appropriately this challenge for risk management in insurance company, the biggest limitation being data availability due to scarce company disclosure. Finding that risk taking correlates with specific governance and risk management structures is an

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important first step in our understanding because it shows, for example, that risk management is neither redundant nor merely put in place to please supervisors but lacking real power to restrain executives.

Weak corporate governance has been blamed as one of the factors that causes major failure in risk management and as a contributing factor to the collapse of many firms. This is likely to be because of the poor understanding of corporate governance application by many directors, management, internal and external auditors, and risk managers (Sobel and Reding, 2004). Specifically, Hussein (2011) affirmed that inadequate risk management by executives and boardsof directors were responsible for the credit market collapse and resulting financial crisis.

Corporate governance failures and new legislation have emphasized the importance of enterprise risk management (ERM) in preventing fraudulent reporting. Risk management is expected to be a key concern of board members to enhance corporate governance in any organisation. Enterprise Risk Management (ERM) was introduced as a new mechanism in predicting risks and helping firms achieve their goals (Arena, Arnaboldi, &Azzone, 2011). This new technique manages risks through an enterprise wide strategy, top-down approach and most importantly, it is driven by the need for firms to manage risks effectively in order to sustain operations and achieve business objectives (Frigo& Anderson, 2011; Meulbroek, 2002). It therefore requires directors, senior management, risk owners, internal auditors, and external auditors to know that ERM and governance processes must evolve and be aligned continuously (Sobel&Reding, 2004).

Moreover, most available studies conducted in this regard appear to have been focused more on the banking and manufacturing industry. Very few that were carried out in the insurance industry were not in the context of Nigeria. Hence, this study is to examine the relationship between corporate governance and ERM in Nigerian Insurance Industry.

Literature Review

Risk is the potential for uncontrolled loss of something of value. Values (such as physical health, social status, emotional well - being, or financial wealth) can be gain or loss when taking risk resulting from a given action or inaction, foreseen or unforeseen (planned or not planned). Risk can also be defined as the international interaction with uncertainty. Uncertainty is a potential,

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unpredictable and uncontrollable outcome; risk is an aspect of action taken in spite of uncertainty.

Risk perception is the subjected judgment people make about the severity and probability of a risk, and may vary from person to person. Any human endeavor carries some risk, but some are much riskier than others. A risk is not an uncertainty (where neither the probability nor the mode of occurrence is known) a peril (cause of loss) or a hazard (something that make the occurrence of a peril more likely or more severe). Risk is an intrinsic part of doing business, as firms must be willing to take on a fair amount of risk in other to provide added value to shareholders. To successfully do so, one must strike an optimal balance between growth and return objectives and the associated risks and apply resources efficiently and effectively in pursuit of those goals (Sobel&Reding, 2004). That is where risk management comes in.

Risk management is an effective technique for minimizing undesirable effects of risks and optimizing the benefits of risky situations (Essinger& Rosen, 1991). Chapman and Ward (1997) describe the aim of risk management as process enhancement that is established through systematic identification, evaluation and mitigation of project risks. According to these definitions risk management is defined as measures that are taken to decrease the potential risky consequences of specific phenomenon namely price variation, accidents, political hazards, disruption in supply of raw material, economic development, etc. Such risks represent a wide spectrum of company's risks that are dealt with by various specialists. In other word, effective risk management deals with market risks that the company is facing and tries to take advantage of business opportunities that these risks might have. It is an effective tool of contending with external market threats that are out of management control and result in reduction of profit variances (AliBaba&VazirZanjani, 2009).

The tools and facilities that management uses to face external market threats are financial hedging, insurance contracts, management controls systems, transportation of resources and careful decisions that are made to improve company's profitability. All of the aforementioned movements are made to reduce adversity of situations that the company might face.

Currently to cover the market risks, companies do risk management through derivatives via using insurance coverage and through examining integrative risk management approaches. In addition, in comparison with past risk management motivations, and historical financial obligations, there is higher tendency to risk

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management now. Indeed, it is obvious that company's accountability depends to its ability to utilize the new opportunities that are derived from changes in environment. Risk management has emerged as a new paradigm for managing the portfolio of risks that face organizations, and policy makers continue to focus on mechanisms to improve corporate governance and risk management.

Enterprise Risk Management

Committee of Sponsoring Organization of the Tradeway Commission (COSO) (2004), define ERM as a process affected by an entity's, board of directors, management and other personnel, applied in strategy setting and across the enterprise, design to identify potential events that may affect the organization entity's and manage risk to be within it risk appetite, to provide reasonable assurance regarding the achievement of entity objectives. ERM is also a cultural approach that guides the organization to opportunity taking and uncertainty reduction. By adopting, ERM, users are able to identify any potential incidents that may affect the organization and known the risk appetite of an organization. ERM is clearly different from traditional risk management. The concept of ERM has gained an attraction of the modern corporate managers as a holistic and an effective approach to managing a wider range of risk factors facing by business firms. Prior to the emergence of the concept of ERM, the organizations used to adopt a traditional silo based risk management where the risk factors were assessed and responded on an individual basis. In general, companies hardly publish any comprehensive information about their existing risk management system or plans.

Enterprise risk management (ERM) was developed because the traditional form of risk management did not produce effective results (Lam, 2000). ERM is clearly different from TRM, Yazid et al (2012) assert that TRM treats and manages risk in "silos" whereas ERM integrates all types of risk faced by the companies concerned.

Corporate Governance

The term 'corporate governance' is uniquely complex and multi-faceted. It has been looked at and defined variously by different scholars and practitioners. In the words of Jayashree (2006), "Corporate Governance when used in the context of business organization is a system of making directors accountable to shareholders for effective management of the companies in the best interest of

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the company and the shareholders along with concern for ethics and values. It is the management of companies through the board of directors that hinges on complete transparency, integrity and accountability of management."

Oyejide and Soyibo (2001) view corporate governance from two perspectives viz: a narrow one in which it is viewed merely as being concerned with the structures within which a corporate entity or enterprise receives its basic orientation and direction; and, a broad perspective in which it is regarded as being the heart of both a market and democratic society. Lemo (2010) states that corporate governance is a body of the rules of the game by which companies are managed and supervised by the board of directors in order to protect the interest and financial stakes of shareholders that are far removed from the management of the firm. Mensah (2003) views corporate governance as an institutional arrangement which provides the discipline and checks over excesses of controlling managers.

From these definitions, it can be deduced that corporate governance is a system by which organizations are managed and controlled. It targets transparency and accountability in an organization's processes with the aim of fulfilling responsibilities to shareholders, employees, consumers and the community it resides.

Risk Management and Corporate Governance.

Most of the studies on the relationship between risk management and corporate governance indicate a strong and very weak relationship. However, many of the scholars agree that corporate governance ensures reliability of financial reporting, involves an audit committee with the existence of a code of corporate governance. They also agree that it is influenced by the board size and the separation of powers between the board chairman and the chief executive officer (CEO) (Duke and Kankpang, 2011). The OECD Corporate Governance Committee already completed several papers on risk management in the context of its work on Corporate Governance and the Financial Crisis during 2009-10. Since then, additional work has been conducted in various areas (including the Financial Stability Board), to a large degree focused on financial institutions, and boards are reported to have increased their focus on risk in the last few years. Overall, however, the conclusions from the OECD's 2010 review.

Recently, Venuti and Alfiero (2016) who examined the effect of public ownership on risk taking with respect to privately held Insurance companies

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discovered that publicly traded insurance companies with more concentrated ownership are less risky than the corresponding privately held companies. Maruhun, Abdullah, Atan and Yusuf (2018) who conducted a study to identify corporate governance characteristics that influence ERM implementation among Shariah-compliant firms Malaysia, discovered that board size and board expertise have strong influence on ERM implementation. Pere and Obah (2018) in addition found that Board Size and Audit Committee have significant impact on profit before tax of insurance companies in Nigeria. Tai, Lai and Yang (2018) also found out that board of directors, especially the audit committee, played important role in firm's hedging decisions.
Finally, Salaudeen, Atoyebi, and Oyegbile (2018) who evaluated the relationship between ERM and performance of consumer goods companies in Nigeria Stock exchange found that the relationship between the presence of risk management committee, financial expertise, board size and performance was significantly positive.

Corporate Governance and the Nigeria Insurance Industry.
The Nigerian Insurance Industry has been controlled by regulations prior to this time. Of this, the recapitalization programme seems to have had the most effect. Recapitalizations of the sector have been carried out in 2003 and 2005 while that of 2005 was concluded in 2007. They were directed at flushing out operators with weak dubious financial bases from the financial sector and to galvanize these institutions into assuming the challenge of transforming the insurance industry, thereby improving her contribution to the economic growth of the nation. After the 2007 recapitalization, the industry was left with 49 insurance companies, and 3 reinsurance companies (NAICOM, 2007). Najjar (2012) is of the view that any governance principle adopted by the insurance industry should be flexible enough to take into account the variety of insurers within its purview because each insurance company tailors its corporate governance procedures according to its own circumstances. An effective corporate governance framework will impose appropriate standards to recognize and protect the rights, relationships and interests of all interested parties in the insurance firm such as the stakeholders. It would prevent the abuse of self-serving conduct along with imprudent and high risk behaviour, thereby resolving the conflict of interests between managers, board of directors, employees, shareholders and the policyholders. Najjar (2012) and Young

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(2003) hold that the board of directors is the focal point of the corporate governance system. It should ultimately be held accountable and responsible for the actions of the insurer which would promote prudent behaviour in the insurer. On an additional note, the International Association of Insurance Supervisors (IAIS) (2004) emphasizes that directors, independent or not, in any insurance company should:

i. Set out their responsibilities in accepting and following the regulations and principles of corporate governance and conduct an annual self-assessment aimed at evaluating and addressing their strengths and weaknesses.
ii. Establish a charter to specify the code of business conduct and ethics and the means to attain them.
iii. Supervise prudently the managers and executive officers to make sure that they adhere to the policies and strategies mentioned in the firm's charter.
iv. Conduct regular meetings with the managers and executives.
v. Establish committees with specific responsibilities such as compensation, audit and risk management committee; and
vi. Ensure fair treatment to all policy holders and employees, guaranteeing the sharing of information and disclosure between them in a transparent manner. However, these responsibilities are not fixed, but may be changed from one insurance company to another.

Other dimensions of corporate governance in insurance firms concern employee and manager relations and internal control and auditing. In the words of Najjar (2012), all insurers should conduct themselves in a fair and ethical manner in accordance to the code of business conduct and ethics established by the board of directors. Mustafa, Osmani,Elmazi,Tosumi and Aliu (2009) maintain that every insurance company should maintain accurate and verifiable records of all the transactions made, such as premium register, premium ledger, premium report, claim register, claim report, general ledger, income statement and statement of financial position. They should audit their accounts and financial reports annually by their internal audit committee and an external legal audit firm. The audit firm should report directly to the Central Bank of Nigeria (CBN) if any fraudulent actions are committed by the insurer. The actions of all bodies

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involved in the insurance process will be subject to the code of corporate governance for the Nigerian insurance industry.

Code of Corporate Governance for the Nigeria Insurance Industry.

There are various corporate governance codes in Nigeria such as: - Security and Exchange Commission (SEC) code of corporate governance 2003 - Central Bank of Nigeria (CBN) code of corporate governance 2006 - Pension Commission (PENCOM) code 2008 and National Insurance Commission (NAICOM) code 2009 Idornigie (2010) acknowledges that each of the codes of corporate governance contains the basic elements of corporate governance which are:

i. Composition of Board of Directors
ii. Independent directors
iii. Multiple directorship
iv. Board of directors committee
v. Accountability and transparent reporting; and
vi. Mandatory and self-regulatory requirements of the provisions of the codes.

These similarities notwithstanding, there exist certain disparities between codes of different years such as the maximum composition of board members; the number of board directorship, duties and responsibilities of board members; the extent of accountability and reporting; and the regulatory mechanisms for checking the excesses of the industry participants (SEC 2003; CBN 2006; PENCOM 2008 and NAICOM 2009). These disparities need to be harmonized for effective enforcement of corporate governance codes in the Nigerian insurance industry.

Research Hypotheses

The following research hypotheses are formulated to answer the questions relating to the nexus between Corporate Governance and Enterprise Risk Management (ERM)

Ho1: Internal Control System does not significantly influence ERM practices in Nigeria insurance companies.

Ho2: There is no significant relationship between organization transparency and ERM practices in Nigeria insurance companies.

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Ho3: Board independence does not significantly affect ERM practices in Nigeria insurance companies.

Analysis and Discussion of Results

Overall, 141 copies of the questionnaire which were dully filled were used for the collection of data for this study. Before using the data, it was subjected to inferential analysis. Normality test and **collinearity tests were** conducted to ensure that the data do not violate assumption of regression analysis.

a. **Normality Tests of the Study Variables:** The normality of data distribution was assessed by examining the variables' skewness and kurtosis (Kline, 2005). A variable with an absolute skew-index value greater than 3.0 is extremely skewed while a kurtosis index greater than 8.0 is an extreme kurtosis (Kline, 2005). Cunningham (2008) stated that an index smaller than an absolute value of 2.0 for skewness and an absolute value of 7.0 for kurtosis is the least violation of the assumption of normality. The results of the normality test of the dependent and independent variables in table below indicated skewness and kurtosis fall with the acceptable range as shown. The highest value for skewness is 1.197 (Risk Assessment) while the highest for Kurtosis is 4.046 (Internal Environment). This implies that the assumption of normality was satisfied. Therefore, the data were found to be suitable for inferential analysis.

Normality test

	N	**Mean**	**Std. Deviation**	**Skewness**		**Kurtosis**	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Internal Control Systems	141	2.7801	.51206	-.380	.347	-.428	.681
Organization Transparency	141	2.8652	.41505	-.299	.347	-.334	.681
Board Independence	141	2.3333	.40528	.531	.347	-.667	.681
Event Identification	141	2.6489	.55084	.592	.347	.230	.681
Risk Assessment	141	2.3404	.62647	1.197	.347	1.103	.681
Risk Response	141	2.6064	.57988	-.261	.347	-.052	.681

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Control Activities	141	2.6170	.50231	-1.035	.347	.414	.681
Information and Communication	141	2.5426	.54003	-.932	.347	.021	.681
Monitoring	141	2.6277	.41004	-.761	.347	-.327	.681
Internal Environment	141	2.6809	.42254	-1.688	.347	4.046	.681
Objective Setting	141	2.4255	.64250	-.930	.347	-.126	.681

Source: Authors (2020)

b. Multicollinearity

To test whether multicollinearity would pose a serious challenge to the study, tests based on Variance Inflation Factor (VIF) and their reciprocal tolerances were conducted. The results of the tests are presented**: Multicollinearity Test Results**

Variables	Tolerance	VIF	REMARK
Internal Control Systems	0.541	1.849	No multicollinearity
Organization Transparency	0.527	1.896	No multicollinearity
Board Independence	0.966	1.035	No multicollinearity
Aggregate Mean Score	**0.678**	**1.59333**	No multicollinearity

Dependent Variable: ERM Practices

Source: Survey Data (2020) Authors

Table above shows that the VIF for Internal Control Systems = 1.849, Organization Transparency =1.896,Board Independence = 1.035. Table 4.4 shows that the variables have a VIF that is less than 10 and tolerance value more than 0.1 ruling out the possibility of multicollinearity. The aggregate mean score for tolerance = 0.678and VIF = 1.593. All the predictor variables had a VIF of less than 10. The explanatory variables were not highly correlated and could not pose a serious problem. The data is thus suitable for hypotheses testing using regression analysis.

Hypothesis Testing

Correlation and regression analysis were used to test the stated hypotheses with the aid of Statistical Package for Social Sciences (SPSS), at 0.05 level of significance.

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Decision Rule

In correlation analysis, the coefficient of correlation (r), a statistical tool that is used to measure the relationship between variables which is always between 0 and 1. Zero (0) indicates that there is no relationship between the variables while 1 indicates that there is a perfect relationship between the variables. To test whether the coefficient of correlation (r)is statistically significant or not, the p-value (*sig*.) of the result is compared with the level of significance used for the study. A low p-value (<0.05) indicates that the independent variable has a significant effect on the dependent variable, there by rejecting the null hypothesis (H_0) while the alternative hypothesis (H_1) is accepted. Conversely, a larger (insignificant) p-value (>0.05) indicates that the independent variable does not have an effect on the dependent variable, there by accepting the null hypothesis (H_0)while the alternative hypothesis (H_1) is rejected.

In regression analysis, the coefficient of determination (R^2), a statistical tool that is used to measure the level of effect or the contribution an independent variable has on a dependent variable. R^2 is always between 0% and 100%. 0% indicates that the independent variable explains none of the variability in the dependent variable; while 100% indicates that all the success recorded in the dependent variable is contributed by or accounted for by the independent variable. To test whether the R^2 is statistically significant or not, the p-value (*sig*.) of the result is compared with the level of significance used for the study. A low p-value (<0.05) indicates that the independent variable has a significant effect on the dependent variable, there by rejecting the null hypothesis (H_0) while the alternative hypothesis (H_1) is accepted. Conversely, a larger (insignificant) p-value (>0.05) indicates that the independent variable does not have an effect on the dependent variable, there by accepting the null hypothesis (H_0) while the alternative hypothesis (H_1) is rejected.

Hypothesis 1

Internal Control System does not significantly influence ERM practices in Nigerian insurance companies. Simple regression analysis was used to test this hypothesis

Independent variable (X) = Internal Control System
Dependent variable (Y) = ERM practices

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Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.713[a]	.508	.497	.28030
a. Predictors: (Constant), Internal Control System				

The model summary above shows the extent to which Internal Control System influence ERM practices. Coefficient of determination ($R^2 = 0.508$) shows that 50.8% of the variance recorded in ERM practices is accounted for by Internal Control System. The result is statistically significant because the p-value for the result (0.000) is less than the level of significance (0.05) used for the study.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.223	1	13.223	46.234	.000[b]
	Residual	39.754	139	0.286		
	Total	52.977	140			
a. Dependent Variable: ERM						
b. Predictors: (Constant), Internal Control Systems						

Table presents the results of ANOVA (overall model significance) of regression test which revealed that Internal Control System has a significant effect on ERM practices of nonlife insurance companies. This can be explained by the F-value (46.234) and p-value (0.000) which is statistically significant at 95% confidence interval. Hence, the result posited that the sampled non-life insurance firms' Internal Control System does not significantly influence ERM practices in Nigerian insurance companies.

The regression model developed for this hypothesis is statistically significant because the calculated F ratio of 46.234($F_{1,139}$= 46.234)is greater than the tabulated F ratio value of 3.00.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.940	.241		3.893	.000
	Internal Control System	.695	.102	.713	6.814	.000

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a. Dependent Variable: ERM Practices

Regression model:

$Y= \beta_0 + \beta_1 X_1$

ERM Practices = 0.940 + 0.695Internal Control System

Table presents the results of regression coefficients revealed that at 95% confidence level, Internal Control System (β = .695, t = 6.814, p = 0.000) is statistically significant as its p-value is less than 0.05 and the t-value greater than 1.96. The result signifies that a unit change in Internal Control System will result to a 0.695 unit in ERM Practices.

Given these results, this study can conclude that Internal Control System does not significantly influence ERM practices in Nigerian insurance companies. On the strength of this result (R^2 = 0.508, $F_{(1,139)}$.= 46.234, p= 0.000), this study reject the null hypothesis.

Discussion

Null hypothesis is not accepted; this suggests that Internal Control System significantly influences ERM practices in Nigerian insurance companies.

Hypothesis 2

There is no significant relationship between Organisation Transparencyand ERM practices in Nigerian insurance companies.

Correlations

		Organization Transparency	**ERM**
Organization Transparency	Pearson Correlation	1	.707
	Sig. (2-tailed)		.006
	N	141	141
ERM	Pearson Correlation	.707	1
	Sig. (2-tailed)	.006	
	N	141	141

The Pearson Product Moment Correlation Analysis result above shows that there is a significant high positive relationship between ERM Practices_and Organization Transparency(r = 0.707). The relationship is significantly significant because the p-value (p = 0.006) of the result is less than the level of significance used for the study (0.05).

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Decision

Null hypothesis is rejected while the alternative hypothesis is accepted. This implies that there is a significant relationship between Organisation Transparency and ERM practices in Nigerian non-life insurance companies.

Hypothesis 3

Board Independence does not significantly affect ERM practices in Nigerian insurance companies.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.062[a]	.004	-.018	.39878
a. Predictors: (Constant), Board Independence				

The model summary above shows the extent to which Board Independence affect ERM practices in Nigerian insurance companies. Coefficient of determination ($R^2 = 0.004$) shows that 0.4% of the variance recorded in ERM practices is accounted for by Board Independence. The result is not statistically significant because the p-value for the result (0.679) is greater than the level of significance (0.05) used for the study.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.028	1	0.028	0.543	.679[b]
	Residual	7.156	139	0.051		
	Total	7.184	140			
a. Dependent Variable: ERM						
b. Predictors: (Constant), Internal Control Systems						

The results of ANOVA (overall model significance) of regression test which revealed that Board Independence does not significantly affect ERM practices in Nigerian insurance companies. This can be explained by the F-value (0.543) and p-value (0.679) which is statistically insignificant at 95% confidence

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interval. Hence, the result posited that Board Independence does not significantly affect ERM practices in Nigerian insurance companies.
The regression model developed for this hypothesis is statistically insignificant because the calculated F ratio of 0.543($F_{1,139}$= 0.543)is less than the tabulated F ratio value of 3.00.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.694	.324		8.302	.000
	Board Independence	-.048	.115	-.062	-.416	.679

a. Dependent Variable: ERM practices

Regression model:
$Y= \beta_0 + \beta_1 X_1$
ERM practices = $\beta_0 + \beta_1$Board Independence
Table presents the results of regression coefficient revealed that at 95% confidence level, Board Independence (β = - 0.048, t = - 0.416, p = 0.679) is statistically insignificant as its p-value is greater than 0.05 and the t-value less than 1.96.
Given these results, this study can conclude that Board Independence does not significantly affect ERM practices in Nigerian insurance companies. On the strength of this result ($R^2 = 0.004$, $F_{(1,139)} = 0.543$, p = 0.679), this study accept the null hypothesis.

Discussion
Null hypothesis is accepted; this therefore implies that Board Independence does not significantly affect ERM practices in Nigerian insurance companies.

Summary, conclusion and recommendations
The study discovered that there are 29 non-life insurance companies in Nigeria out of which 27 companies were selected. 189 management staff members of the organizations were purposively selected for the study because ERM structure aids top management to comprehend, communicate the risk elements and manage challenges in their areas of operation. The results depicts that

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majority of the respondents have adequate and relevant experience in the industry, and have spent considerable number of years in the industry.
This study was based on agency theory, the stakeholder theory, the stewardship theory and the ERM theory. Each of them provided framework on the relationship between corporate governance ERM in Nigerian insurance industry.
The Agency Theory was relevant to this study as it showed how board of directors, as agents of the shareholders, should ensure that the risks of the shareholders in the insurance industry are properly taken care of; Stakeholder Theory was relevant to the study as it show how different stakeholders are important in the company as the management board of directors ensures safeguard of all the stakeholders through implementation of strong corporate governance in a bid to effectively manage an enterprise risk; the Stewardship Theory was relevant to this study because it shows the relevance of managers as stewards in the quest to instil corporate governance in their institutions.

Conclusion

A risk management creates a framework for the board and organisation to think about its business activities, assess potential risk to its business model and then put in place means to mitigate those risks. Risk structure practices provide the hierarchical framework, which takes into consideration the manner in which ERM responsibilities and roles are allocated among persons and functions. It further gives the organizational structure, reporting interactions and establishments concerned with ERM which includes policies and procedures manuals that address ERM.
Risk structure of an organization has been regarded as a key factor in ERM adoption because it establishes ways in which risk management is planned in an institution, therefore, ERM structure aids top management to comprehend, communicate the risk elements and manage challenges in their areas of operation.
Based on the findings, internal control system significantly influences ERM practices in Nigerian insurance companies and here is a significant relationship between organization transparency and ERM practices in Nigerian non-life insurance companies. Nevertheless, board independence is yet to have significantly affect ERM practices in Nigerian insurance companies.
Corporate governance improves the ERM structure of insurance companies. With respect to the organization structure, key areas of duty are defined and

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responsibility established. Likewise, the task of power and duty clearly builds up limits of power and how much people and groups are approved to act to address issues, tackle issues and make the most of exhibited opportunities. Besides, individuals know how their activities interrelate and add to accomplishment of the organization's objectives.

This study contradicts the few studies that have found no statistically significant link between corporate governance and EMR practices. The study therefore, offers new insights on the potential of corporate governance issues making it reasonable for the executives in non-life insurance companies in Nigeria to comprehend, communicate risk factors as well as handle the challenges inherent in their operations. The eventual outcome is an improvement in their overall performance. The implication is that insurance firms with formal policies and ERM practices tend to have an edge over other firms that are yet to implement ERM practices.

Recommendations

Based on the aforementioned findings and conclusions, the following recommendations are consequently imperative;

a. Policy makers in insurance companies should integrate enterprise risk management practices across all functions and business units for the purpose of addressing risks before they even occur. Insurance companies operating in Nigeria should manage their risks holistically through enterprise risk management mechanisms instead of the silo way previously adopted.
b. Adoption of appropriate internal control system is key in reducing insurance firms' exposure to risk, cost in operations thereby facilitating an improvement in their overall performance.
c. Insurance firms need to adopt an approach that is transparent and effective in determining the root cause of risk so that each risk is identified right from the onset and the best cause of action is determined.
d. Insurance firms need to capitalize on personnel that act as risk identification champions and ensure that employees are trained on ERM.

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