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MEASURING IMPACT OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF THE NIGERIAN INSURANCE COMPANY

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Abstract

This study examines the impact of corporate governance on the performance of the Nigerian insurance company. It examines the relationship that exists between corporate governance and performance in the insurance company. Two Corporate Governance (CG) mechanisms (board size, board composition) and one insurance performance measure; return on equity (ROE) was used as the independent and dependent variables of three sampled Nigerian listed insurance firms between 2002 and 2008. Two hypotheses were formulated. The sampling technique adopted is the Simple Random Sampling; that is, all the companies were given equal chance to be chosen. Data was administered through the financial statements, annual reports and the journals present and information was extracted from these already prepared reports and journals. The technique for data analysis employed for this study is multiple regression analysis. Using OLS as a method of estimation, the results however could not provide significant impact of the two CG mechanisms (board size, board composition) on ROE. The result also show no significant evidence to support the idea that board size, and board composition help promote insurance firm performance in Nigeria. The study recommends that board size should not be regulated by (NICOM), board composition should comprise Minority Shareholders.

Keywords: corporate governance, performance, board size, board composition, returns on equity, annual reports

INTRODUCTION

The term Corporate Governance has become common in commercial sector. In spite of this, the concept is largely misunderstood. In the main, corporate governance has to do with the manner in which organizations, particularly limited liability companies (LLCs), are managed and the nature of accountability corporate managers are expected to render to corporate governance has been in existence since the foundation of the joint-stock company. Much of this concern focused on the separation of ownership from control. Adam Smith (1776) expresses unease over separation of ownership and control; and subsequently explored by Ross (1973) and Davis et al. (1997). After the collapse of Enron and the corporate scandals that occurred in October 2001 till the present day, the investor's confidence in the market has shaken and that's why many institutional investors, business publications, board of directors and government regulators have all encouraged firms to focus on corporate governance from different fields including; economics, finance, law, management, accounting, and insurance. However, recent discussion and interest in corporate governance started from issues relating to financial crises and high profile corporate scandals. The most recent of such scandal is the Vivendi and the Parmalat scandals in Europe. Globalization and technological advancement also provide challenges for corporate governance structure.

Insurance businesses are divided mainly into Non-life and Life insurance. The primary objective of insurance is to provide protection from identifiable risks that may arise in a particular point in time. The sector is a very key part of the financial sector in the developed markets the insurance sector accounts for a significant portion of the Gross Domestic Product (GDP). The insurance industry is classified as a financial service business that is surrounded in complexity due to the nature of the business, a key success factor in the insurance business is to create continuous trust and confidence in policyholders and customers. The benefit of good corporate governance practices is to facilitate effective firms' management in the current global and dynamic environment.

The weakness of corporate governance is perhaps the most important factor blamed for the Nigerian insurance company's stagnant nature in terms of operation. Other contributory factors include: concentration of ownership and control of few individuals, lack of accountability, differences between the board and management giving rise to board squabbles and most importantly, failure of board and management in their responsibilities.

In addition, lack of trust that most Nigerians have on the insurance businesses due to absence of transparency and accountability, couple with insignificant contribution that the insurance company has been making toward gross domestic product, there exists serious doubt if the code of Corporate Governance reform by the Nigerian Stock Exchange and The insurance regulatory institution in Nigeria, National Insurance Commission (NICOM) can be able to overcome problems facing insurance businesses.

The major objective of this study is to evaluate the measurement of corporate governance on the performance of insurance company in Nigeria. It examines the relationship that exists between corporate governance and performance in the insurance company. Other specific objectives are;

i. To explore the relationship that exists between corporate governance and insurance company growth in Nigeria.
ii. To ascertain the impact of board size on the performance of insurance companies in Nigeria.
iii. To encourage the insurance company to be alert as to the value and benefit of good corporate governance and best practice.

The research objectives are guided by the following questions:

i. Is there any relationship existing between corporate governance and insurance company's growth?
ii. What is the impact of board size on the performance of insurance companies in Nigeria?
iii. How does corporate governance alert insurance companies on the importance of codes of best practices?

Moreover, good corporate governance is necessitated by the need for accountability due to deregulation and lesser governmental control. Recently, Nigeria has initiated pillars of corporate governance by sponsoring a number of legislative, economic and financial reforms which seek to promote transparency, accountability and the rule of law in the nation's economy. Consequently, corporate governance is relevant in insurance companies, as it promotes accountability, enhances transparency of operations, improves firm's profitability, protects stakeholders' interest by aligning their interest with that of the managers, and facilitates growth of the insurance industry.

LITERATURE REVIEW

Corporate governance has become an important issue which has received wide attention of government, firms, law makers, shareholders and researchers for more than three centuries. The literature provides some forms of meaning on corporate governance which include words like: manage governance, regulate and control. This means that there could be different meaning to corporate governance depending on the person defining it. Consequently, corporate governance models can be flawed because scholars may develop their own scopes and concepts about the subject. For example, Cadbury Committee (1992) emphasises that corporate governance entails how companies ought to be run, directed and controlled. From financier perspective, Shleifer and Vishny (1997) view corporate governance as tool which ensures that suppliers of finance to corporations get a return on their investment. Metrick and Ishii (2002) also describe corporate governance from the perspective of the investor as, both the promise to repay a fair return on capital invested and the commitment to operate a firm efficiently with a given investment. For Mayer (1997), corporate governance is concerned with ways of aligning interests of investors and managers to ensure that firms are run for the benefit of investors. Likewise, corporate governance is concerned with the relationship between internal governance tools of corporations and society's conception of the scope of corporate accountability (Deakin and Hughes, 1997). Oyejide and Soyibo (2001) view corporate governance as the relationship of the enterprise to shareholders; or in the wider sense, as the relationship of the enterprise to society as a whole. According to Denis and McConnell (2003), corporate governance aims at reducing conflicts of interest, short-sightedness of writing costless perfect contracts and monitoring of controlling interest of the firm, the absence of which firm value is decreased. Consequently, corporate governance entails set of rules which controls relationship between a firm management, shareholders and stakeholders (Ching et al., 2006). However, firm level governance may be more important in developing markets with weaker institutions because it helps to distinguish among firms (Metrick and Ishii, 2002). This implies that corporate governance centres on how the organisation relates with other stake holders within an environment; and its impact on the collective welfare of society. Basically, there are two main traditional approaches to the study of corporate governance: institutional and functional.

An institutional approach to corporate governance focuses on the appraisal of the existing institutions to maximise efficiency of services offered and improve governance generally. This approach views institutions in the light of regulatory, legal and financial frameworks which binds the governance system. On the other hand, the functional approach considers how different institutional framework function, subject to individual institution peculiar features. The functional approach to corporate governance is flexible, as it provides for examining of other possibilities. This implies that corporate governance issue is complex. However, it is relevant to consider influence of corporate governance theoretical perspective to facilitate better understanding of firms' governance.

Overview of Insurance Business

Igbojekwe (2006) defines insurance as the identification of a purchaser of an insurance contract against losses which may arise from the occurrence of specified type of events after the payment of a consideration called premium. Furthermore, Nigerian Accounting Standard Board, (1997) identifies the two classes of insurance business, General and Life. General insurance business referred to as non-life business, it proved protection against losses, which may result from occurrence of specified events within specific periods. Life assurance business is also referred to as long-term business. It is an insurance business in which the benefits due to the policy holder become payable on the attainment of a stipulate age, of death or on the occurrence of a specified event. A company may elect to carry-on any of the insurance business specified above, while companies undertaking the two together is referred to as a composite insurance company.

However, the poor performance of insurance in Nigeria stemmed from several years of non-claims payments by underwriting firms, Agabi,(2009). This tradition of defaulting in claims translated to some bad publicity of the industry and consequently, confidence in the industry eroded significantly. Because of the confidence crisis of the industry, Nigerians no longer considered insuring a necessity. In fact, it became a pariah industry and insurance stocks were dreaded on the floor of the Nigeria Stock Exchange (NSE).

The Impact of Board Composition on Firm's Performance

The composition of board members is also proposed to help reduce the agency problem (Weisbach, 1988; Hermalin and Weisbach, 1991). A positive relationship is expected between firm performance and the proportion of outside directors sitting on the board. Unlike inside directors, outside directors are better able to challenge the CEOs. It is perhaps in recognition of the role of outside directors that in the UK a minimum of three outside directors is required on the board; in the US, the regulation requires that they constitute at least two-thirds of the board (Bhagat and Black, 2001). Empirical evidence has grown but the results are very conflicting. Studies by Weisbach (1988), Mehran (1995) and Pinteris (2002) have produced evidence in support of a positive role for outside directors on firm performance. John and Senbet (1998) in a survey of corporate governance reported that the work of Fosberg (1989) was in support of this positive role. Other works have reported no evidence of a significant relationship between firm performance and the proportion of outside directors on the board (Bhagat and Black, 1999, 2000; Hermalin and Weisbach, 1991; Yermack, 1996; and Metrick and Ishii, 2002). In fact Weir and Laing (2001) reported a negative relationship. John and Senbet (1998) stress the role of committee structure as a means of increasing the independence of the board. They refer to the work of Klein (1998) and argue for the need to set up specialized committees on audit, remuneration and appointment. Unlike the preceding argument in support of board structures,

Laing and Weir (1999) play down their importance, stressing instead the importance of business experience and entrepreneurship. According to them, firms managed by dynamic CEOs tend to perform better than other categories of firms. On the assumption that foreign firms are managed by more experienced CEOs, Estrin et al. (2001) test whether foreign firms perform better than domestic ones in Bulgaria, Romania and Poland. Using panel data for the three countries for the period 1994–1998, they find that irrespective of the estimation technique, foreign firms perform better than private domestic firms. They attribute this finding to the possibility that foreign firms might have some superior knowledge, which leads them to be more efficient. A common theme running through the two studies is the important role that the experience and skills of chief executives could play as a means for improving firm performance. By analyzing 75 fraud and 75 non-fraud firms, Beasely (1996) find that no-fraud firms have boards with significantly higher percentages of outside members than fraud firms.

THEORETICAL FRAMEWORK

Agency Theory

The Agency Theory was borne with Jensen and Meckling in 1976. This theory defines the relationships in which one party delegates the responsibility of running the firm to another party. McColgan (2001) gave a very broader view of agency theory and corporate governance. The major interest of his research was to cover the area that where the interests of managers diverge from those of the interests of shareholders. He kept in view the agency relationship and the agency cost which arises from these relationships. He extended the work of Jensen and Meckling (1976) who defined the agency relationship as a type of contract in which the principal keep the agent to carry out the services of the firm on his behalf. This theory further discusses the relationship that exists between the shareholders and board of directors. This explains the separation of ownership and control between the governing bodies. Here, the shareholders who are supposedly the owners of the firm/ business are deemed to be the principal while the boards of directors are deemed the work agents to the owners. Therefore, they have to perform their duties in order to report the owners who have employed them. With reference to (Clarke, 2004), it highlights relationship between the principals (e.g. shareholders), the agents (e.g. company executives) and the managers. The theory advocates that shareholders (who are the owners or principals of the company) hire agents to perform work; but, the principals delegate the running of the business to directors or managers (who are the shareholder's agents).

The agency problem arises due to the different interest and the conflict between the ownership and control as principal delegate some decision making authority to the agent. Jensen and Meckling (1976) argued that this delegation authority reduces the value maximizing decisions taking by the manager in the firm.

Himmelberg, Hubbard and Palia. (1999), argued Jenson and Meckling (1976) by saying that principal agent problem are not similar in all firms rather they are different in different firms, different industries and also in different cultures. Himmelberg et al. (1999) said that Jenson original theory "nexus of contract' suggest the same. McColgan (2001) agreeing with the authors said that agency problem can be reduces by the help of effective corporate governance mechanism which can be important in reducing the agency cost and the ownership problems in the firms. The governance should be design according to the firm environment as one general mechanism can be more important for some firms and less important for other firms.

Thus, agency problems can arise when one parts (the 'principals') contracts with another part (the 'agents') to make decisions on behalf of the principals. Agency problems may occur as agents can hide information and manage firms' in their own interest; for example, as in the cases of Adelphia, Enron, WorldCom and Parmalat.

Stewardship Theory

Stewardship theory states that managers are motivated by a desire to achieve and gain intrinsic satisfaction by performing challenging tasks; hence, their motivation transcends mere monetary considerations. Stewardship theory recognizes the need for executives to act more autonomously to maximize the shareholders returns. Here, the managers are more concerned with the interest of the shareholders than their own personal interest, hence, eradicating the problem of sub-optimization, because this relationship is based on trust. Consequently, managers require authority and desire recognition from fellow colleagues and superiors to effectively perform their tasks. Hence, shareholders must authorize the appropriate empowering governance structure, tools, authority and information to facilitate managers' dependency, built on trust, to take decisions that would minimize their liability while achieving firm's objectives (Donaldson and Dave, 1991). Unlike agency theory, stewardship theory emphasizes the role of top management as stewards because they are expected to integrate their goals as part of the organization.

Stakeholders Theory

This theory postulates that managers in organizations have a network of relationships to serve; this include employees, shareholders, suppliers, business partners and contractors. The theory was developed by Freeman (1984). This theory is set to protect the interest of stakeholders. Stakeholder theory proposes the representation of various interest groups on the organization's board to ensure consensus building, avoid conflicts, and harmonize efforts to achieve organizational objectives (Donaldson and Preston, 1995).

The shareholder model of corporate governance relies on the assumption that shareholders are morally and legally entitled to direct the corporation since their ownership investment is an extension of their natural right to own private property.

Berle and Means (1932) point out that the notion the shareholders govern the corporation is largely a fiction: "Typically, executives have the greatest power." Etzioni (1998) questions whether "executives can and should be made more accountable and responsive to some groups other than themselves, and which groups this should include."

Etzioni (682) supports the stakeholder view. He accepts the moral legitimacy of the claim that shareholders have certain rights and entitlements because of their investment, but he maintains that "the same basic claim should be extended to all those who invest in the corporation." This includes: employees (especially those who worked for a corporation for many years and loyally); the community (to the extent special investments are made that specifically benefit that corporation); creditors (especially large, long-term ones); and, under some conditions, clients.

A prominent critic of stakeholder theory is Goodpaster (1991) who argues that a multi-fiduciary stakeholder approach fails to recognize that the "relationship between management and stockholders is ethically different in kind from the relationship between management and other parties (like employees, suppliers, customers, etc.)" Goodpaster contends that managers have many non-fiduciary duties to various stakeholders but their fiduciary duties are only to shareholders.

Boatright (1994) suggests that the shareholder-management relation is not "ethically different" and there is no reason in principle to adopt the distinction between fiduciary and non-fiduciary duties and the distinction between shareholders and other constituencies. He states that: "Many of the fiduciary duties of officers and directors are owed not to shareholders but to the corporation as an entity with interests of its own, which can, on occasion, conflict with those of shareholders.

Transaction Cost Theory

Williamson (1988) shows that TCT can be applied to the study of corporate governance and corporate finance. Interestingly, this approach examines individual investment projects and distinguishes among them in terms of their asset specificity characteristics. In this connection, examples of non-specific assets usually refer to redeployable projects, such as investment in general purpose, mobile equipment. On the other hand, examples of specific assets usually consist of non-redeployable projects, such as market and product development expenses.

RESEARCH METHODOLOGY

This research was directed towards the activities of insurance companies in Nigeria. It was specifically directed towards corporate governance activities in, AIICO Insurance Company, Industrial and General Insurance Company, Leadway Assurance Company.

Study Population

The study geographically covers the republic of Nigeria and it concerns its research with the insurance industry with the sum total of 58 in Nigeria. The study has to be limited to Nigeria and the effect of this topic 'measurement of corporate governance in Nigeria insurance company' to Nigeria insurance companies. Most of these insurance companies have their headquarters in Lagos Nigeria, so this research being a secondary source of data, is restricted to their reports on corporate governance from their website.

Sampling Frame

The frame is a number of selected insurance companies from the entire population of 58, so the frame for the purpose of this study is 3 (three) insurance companies. Therefore, their corporate governance system is the main concern. Also, the study makes use of comparison between years that is, 2002 – 2008.

Sampling Method and Sampling Size

The sampling technique adopted is *Simple Random Sampling;* that is, all the companies were given equal chance to be chosen, in which those with detailed information on Corporate Governance were selected. The sample size is specifically three (3) from the entire population.

Sources of Data

The data used in this research work are secondary data derived from annual reports of the insurance companies that is; IGI annual report of 2006, detailed information from the AIICO Insurance Company website and that of Leadway Assurance Company.

Also with reference to some released journal such as; International Journal of Learning & Development (IJLD), Secondary financial and market data available in the Nigerian Stock Exchange fact book and the financial statements, International Journal of Academic Research in Economics and Management Sciences.

Data Collection and Description

This study makes use of *ex-post facto* research design since it is based on past events in form of post mortem in view of the nature and purpose of the study. Similarly an attempt was made to explain the population of the study which comprises all listed Insurance firms in the Nigerian Stock Exchange.

Method of Administration

The data was administered by going through the financial statements, annual reports and the journals present and information was extracted from these already prepared reports and journals.

Method of Data Analysis

For the purpose of this study, an Ex-post Facto research design is adopted. This research design attempts to explore cause and affect relationships where causes already exist and cannot be manipulated. It uses what already exists and looks backward to explain why. The

Annual Financial Reports of the Insurance firms involved and the Nigerian Stock Exchange Facts books are used to evaluate the vital indicators of performance of the Insurance firms under study. In view of the use of secondary data and the research design (i.e. Ex-post Factor) is thought justified.

The study introduces the use of variables i.e.; Dependent variables and Independent variables

- Dependent Variables: The dependent variable for this study is the insurance firm performance; it employs one financial ratio; Return on Equity (ROE) to determine the performance, ROE was chosen out of other performance variables because Insurance firms recapitalization requirements by the regulator, that is insurance firms makes a huge use of capital.

- Independent Variables: The independent variable for this study is Corporate Governance. The mechanisms for determining Corporate Governance are: Board Size (BSIZE), Board Composition (BCOMP). These was chosen to ensure the availability of comparable data from 2002-2008, and easy accessibility to annual reports and accounts.

- Control Variable: SZE= this is the size of the insurance firms measured by the value of its asset base. For the regression analysis, we take the log of the assets because the values are widely spread; the essence of the control variables is to give recognition to the fact that the performance of a firm and for that matter listed insurance firms may be influenced by several factors.

Estimation of Firm Performance Variables and Corporate Governance Variables

The measurement of the variables used in the study is discussed below:

(1) Firm performance variables (Dependent variable) comprise one Variable

Firm Performance Variable

Variable	Description/Measured
ROE-Return on Equity	Is generally used as a measure of Profitability. The ratio relates the profit after to total equity shares in issue

(2) Corporate Governance Variables (Independent Variable)

Corporate Governance Variables

Variable	Description/Measured
BSIZE = Board Size	Has been captured as the number of directors on the board. It is measured by the number of directors (both executive and non-executive) serving on the board.
BCOMP= Board composition	The board composition is the ratio of outside directors to total number of directors (i.e. number of outside directors divided by total number of directors).

(3) ***Firm Control Variable***

Variable	Description/Measured
Size	The value of its asset base

Tools for Analysis

Multiple Regressions

The technique for data analysis employed for this study is multiple regression analysis. This study is carried out to ascertain the impact of certain variables: independent (BSIZE, BCOMP) over the dependent (Firm Performance). It is important to state that this study employs one financial ratio (ROE) to measure the firm's performance. The multiple regressions will be computed using SPSS analysis package and will be used to test the hypotheses of the study.

A simple model will be employed to estimate the combined effects of CG proxies on the determinant of Firm Performance (FP). Along the line of Klapper and Love (2002), Sanda et al (2005), Musa (2006), Hamid (2008) and Kajola (2008), the quality of CG could be estimated as a function of the firm's agency characteristics, which have been defined in this study as Board Size (Bsize), Board Composition (BCOMP). This is expressed as CG=f (BSIZE, BCOMP).

Also, FP can be estimated as a function of the one component of FP, namely Return on Equity (ROE). This is expressed as: FP=f (ROE)

Thus, FP= f (CG), which is by expansion becomes: FP=f (BSIZE, BCOMP)

The Ordinary Least Squares (OLS) regression that will be use to estimate the impact is as follows:

$$ROE = \beta 0 + \beta 1 BSIZE + \beta 2 BCOMP + €$$

Where:

ROE= Return on Equity

BSIZE=Board Size

BCOMP=Board Composition

β0 = is constant

β = the coefficient of the explanatory Variable (corporate governance mechanisms)

€=is the error term (Assumed to have zero mean and independent across time period).

ANALYSIS AND FINDINGS

The study makes use of multiple regressions to analyze and interpret the data with a view to provide stronger basis for the summary, conclusions and recommendations. The data used for the study was an average of three (3) insurance companies selected that is; AIICO, IGI and Leadway Insurance Company.

The analysis and interpretation of the data were presented in four stages, each stage for one objective and hypothesis. The regression result was used to evaluate the impact of two components of Corporate Governance mechanism i.e Board size (BSIZE), Board Composition (BCOMP), on the performance of Insurance firms in Nigeria using Return on Equity (ROE) as a proxy.

The study's sample is made up of three insurance firms, AIICO, IGI and Leadway. Data was collected from the company's annual reports and Nigerian Stock Exchange fact book for 7 years i.e. 2002-2008.

Data for Asset base are in logarithm form. Analysis and interpretation of data of the sample insurance firms are given below;

Table 1: Descriptive Statistics

	ROE%	BSIZE(NO)	BCOMP%
Mean	29.5829	8.4571	0.7409
Standard Deviation	28.1737	1.6479	0.1595
Count	70	70	70

The mean ROE of the sampled firms is about 30%. ROE is a measurement for evaluating the efficient use of resources by firms in producing earnings for its shareholders. A good ROE ranges between 13% and 15% (www.stock-market-investors.com) The average board size of the 3 insurance firms used in this study is 8, suggesting that Insurance firms have relatively moderate board sizes. With a maximum board size of ten (10) and deviation of 1.648 the implication is clear that insurance firms have relatively similar board sizes. This is essentially good for firm performance according to researchers such as Jensen (1993) and Lipton & Lorsch (1992) who argue that large board sizes are less effective for firm performance. The proportion of the outside directors sitting on the board is about 7. The result also indicates that 100% of the sampled firms have separate persons occupying the posts of the chief executive and the board chair. This suggests that avenue for agency problems emanating from conflict of interest are minimized.

Board Size (BSIZE) and Return On Equity (ROE)

Table 2: Regression Analysis

Observation	R-square	F-stat	Sig
70	0.090	1.613	0.182
Variables	Coefficients	t-stat	P-value
Intercept	26.100	0.521	0.604
BSIZE(NO)	-0.664	-0.303	0.763
BCOMP%	43.542	1.797	0.077

The P.Value of BSIZE is (0.763) which is greater than Alpha (sig) (0.05) meaning that the impact of BSIZE on ROE is not up to significant level. Therefore BSIZE does not have a significant impact on ROE of sampled insurance firms in Nigeria.

Testing Hypothesis 1:

Reject H_0: If P.Value is less than alpha (sig.), otherwise, accept.

P.Value =0.763

Alpha (sig.) = 0.05

Since P.Value is not less than Alpha (sig.), H_0 is then accepted that is, *BSIZE does not have significant impact on ROE of sampled insurance firms in Nigeria.*

Board Composition (BCOMP) and Return On Equity (ROE)

P.Value of BCOMP is (0.077) which is greater than Alpha (sig) (0.05) meaning that the impact of BCOMP on ROE is not up to significant level. Therefore BCOMP does not have a significant impact on ROE of sampled insurance firms in Nigeria.

Testing Hypothesis 2:

Reject H_0: If P.Value is less than alpha (sig.), otherwise, accept.

P.Value =0.077

Alpha (sig.) = 0.05

Since P.Value is not less than Alpha (sig.), H_0 is then accepted that is, *BCOMP does not have significant impact on ROE of sampled insurance firms in Nigeria*.

On board composition, the impact of BCOMP on ROE is not up to significant level. This result contradicts earlier studies that show that the more outsiders are on a board, the more independent is the board and the better the performance of the firm. The argument is that boards of directors are more independent as the proportion of outside directors' increase. however, Agrawal and Knoeber (1996) point out that boards expanded for political expediency often result in too many outsiders on the board, which does not help performance.

SUMMARY, CONCLUSION AND RECOMMENDATION

Summary

The study aimed at examining the measurement of corporate governance (CG) on the performance of insurance companies in Nigeria. The study relied upon the available literature and relevant theories such as the instrumental stakeholder theory to determine measurement of CG such as board size, board composition, on the performance of insurance firms in Nigeria using return on equity (ROE) as performance proxy, in an attempts to test whether CG have any impact on ROE in the Nigerian Insurance Company. The study develop two hypotheses in other to test the impact of CG on ROE of sampled companies in Insurance Industry, and to test the impact for the whole industry data which go hand in hand with instrumental stakeholder theory. To be able to conduct the study the researcher determines the population of the study by subjecting the fifty eight (58) insurance firms in the industry to certain criteria. These criteria produce 3 companies which constitute the sample of the study. These companies include AIICO, IGI and Leadway Assurance Company. Data was collected from the annual reports of the sampled companies, NSE fact book. The data was analyzed using multiple regression analysis. Hypotheses testing, data interpretation and discussion of results enable the researcher to discover that: CG has no impact on ROE of insurance firms in the industry

Conclusion

After the careful exposition of this study, the conclusions reached were based on the interpretation of the variables that was used, that is; Board Size and Board composition. These conclusions are as follows;

- There is no significant impact of board size on ROE. This signifies that the lesser the number of directors, the better the performance of insurance firms in Nigeria.
- There is no significant impact of board composition on ROE. This indicates that non executive directors do not impact on the performance of insurance firms in Nigeria.

Recommendation

Board size of all Insurance firms should not be regulated by National Insurance Commission (NICOM) but ensure that the board of directors comprises professional people who are appointed by the company to direct and manage the business and its corporate resources for the benefits of resource owners.

The board composition should comprise Minority Shareholders, this will protect other stakeholders. NICOM should prevent person related by blood from the office of Chief executive officer and Chairman.

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