

EFFECT OF BOARD ATTRIBUTES ON FINANCIAL PERFORMANCE OF QUOTED INSURANCE COMPANIES IN NIGERIA

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Abstract

The study examined the effects of corporate governance on financial performance of Nigeria listed insurance companies. It specifically examined the impact of board structure, director's equity interest and board activism on financial performance variables such as Return on Equity, Return on Asset and Tobin's Q. The study utilized secondary data obtained from Annual Audited Report, NSE Fact Book and NAICOM Fact Book of fifteen (15) selected quoted insurance companies. The sampled firms have been in existence for the period 2004-2017. The data collected were analyzed using panel data regression technique. The result revealed that board structure, director's equity interest and board activism had positive impact on performance. The study concluded that there is a positive correlation between corporate governance variables and financial performance of Nigerian insurance companies. The appropriate application of these corporate governance variables ensures good performance. The study recommended that insurance companies in the country should put in place a monitoring mechanism to identify the most accurate board structure that will help to sustain improved performance at all time and work out modalities to constantly review appropriate proportion of director's equity interest in relation to the total outstanding shares of the company. The relevant authorities should also ensure improved level of board activism in the industry by establishing relevant regulations with strict enforcement.

Keywords: Corporate governance, Insurance, Performance, Nigeria Stock Exchange

Introduction

The fall of major corporate entities like Johnson Matthey Bankers', Enron Corporation, WorldCom among others actually brought to fore the discussion of corporate governance in the corporate world. According to Garuba and Otomewo, (2015) the fundamental cause of corporate failure and non performance is poor management and more generally feeble internal governance by the board and management. Indeed, the fundamental cause of bank failure and to a large extent, the non performance of insurance companies in Nigeria was attributed to poor management (Araoye & Ajayi, 2015). This put into front burner the need to lay more emphasis on corporate governance of many entities operating in Nigeria. Sarbanes Oxley Act was enacted and introduced by USA Government in

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2002 after the Enron scandal. This Act has encouraged companies to develop ethical and financial standards in order to avoid sanctions stipulated therein.

Corporate governance is regarded as a system of financial and other controls in an organisation which stipulate the relationship between the Board of Directors, Senior management and the shareholders. OECD (1999) states that corporate governance is of immense importance because of the checks and balances it builds into the running of a corporate organisation. Corporate failure arising from the weak internal control is associated with a company which had been operating without corporate governance is therefore prevented from imminent collapse. Corporate governance is viewed by many authors in a different ways. However, the most widely used was that of OECD (1999). This undertook a broad and all encompassing definition of corporate governance and regards it as a system by which businesses are directed and controlled.

Insurance companies play important role in the financial conglomerates and as a result adding a further dimension to sound Corporate Governance in the insurance sector with emphasis on overall risk management across the organization. Insurance is said to play a vital role in a well functioning economy (Pritchett, Schmit, Doeringhaus and Atheam, 1996). The perception of the public towards the credibility of insurance companies is not encouraging in Nigeria (Chukulozie, 2007). The insurance companies among all other financial intermediaries are strategic and socially significant in the economy. However, their performance has not been outstanding (Isimoya, 2014). Sanya (2018) described Nigeria's insurance market penetration index is 0.4% representing one of the lowest in Africa when compared with 16.9% and 2.9% penetration for South Africa and Kenya respectively. Prisca (2017) affirms that Nigeria could only rank 5th in Africa in terms of insurance adoption, penetration and acceptance after South Africa, Morocco, Egypt and Kenya. Nigeria is generally believed to have the largest insurance market in Africa with a population of approximately 170 million. Obaremi (2007) reported that the weakness in the Nigeria Insurance sector meant that a large percentage of the risk that should be underwritten by them is insured outside the country. Many of the multinational companies like oil and gas companies in the country are more comfortable having their risk carried by foreign insurers. It is also believed that the reason for poor penetration of insurance in the country is due to insurers delay in settling claims which is also a governance issue.

Most studies that have been carried out in the area of corporate governance and performance of corporate entities have been predominantly from the developed countries which may not directly apply in Nigeria's circumstance as a developing nation. Prowse (1997), Oman (2001), Goswani (2001) and Malherbe and Segal (2001), recognised the paucity of studies in the area of financial intermediaries (Banks and insurance). The review of studies on corporate governance of insurance companies since this assertion was long made, revealed that very scanty studies were carried out on this field. This is not still encouraging with regards to developing countries and especially in Nigeria when compared with developed nations, hence the need for this study.

In general, this study investigates the relationship between corporate governance as reflected in board activities and corporate financial performance of Nigerian insurance companies. The study specifically examined the effect of board structure, directors' equity interest and Board Activism on the performance of insurance companies in Nigeria.

Literature Review

Review of Corporate Governance Concepts

Different scholars and practitioners have defined corporate governance in different ways. Nevertheless, their studies concluded in the same direction on the meaning of corporate governance. The study of Coleman and Nicholas – Biekpe (2006) explain the term corporate governance to be the connection that exists between corporate entity and shareholders or an association that connects business organisation with the whole society. OECD (1999) sees it as a system by which organisations are directed and managed. With this definition, there is a clear specification for competencies and responsibilities that exist within the organisational structure. Sheleifer and Vishny (1997) and Vives (2002) however confirm the general approach that look at the corporate governance as the way in which providers of capital control the managers so as to ensure judicious use of their fund in such a way that will generate adequate return on their investment. Arun and Turner's (2002) study also support the general agreement of the broad view of Corporate Governance because of the unique nature of banking businesses that also require adequate government regular intervention that should control the activities and action of the management of banks. Berle and Means (1932), ground breaking work could be regarded as the origin of the corporate governance. Their study noticed that contemporary large organisations could operate in such manner where ownership and control is separated.

Board of Directors

The board of directors is one of devices through which shareholders can exercise influence on the behaviour of managers to ensure that the company is run in their interest (Hemalin & Weisbach 2003). The monitoring role of the board of directors is compromised in duality functions when a CEO controls the board fully or partly. The result of this is expected to have a negative effect on a firms overall corporate governance level. When the board is dominated by members of the management team, the effective monitoring and control is hindered.

The Concept of Insurance

It is imperative to note that there is no single definition for the term insurance. It is given different definition by diverse researchers depending on the angle from which they see it. According to Tyagi and Tyagi (2007) insurance is a contract between two parties by which one party in consideration of a price paid to him, adequate to the risk, becomes a security to the other by ensuring that he does not suffer loss, damage or prejudice in the happening of uncertain events. Maps of World Finance (2014) states that insurance is what facilitates reimbursement during crisis or disaster. Economy Watch (2014) affirms that insurance is an instrument to be precise, a hedging instrument utilized as a precautionary measure against future contingent losses.

Theoretical Review

This study identified four relevant theories including: agency theory, stewardship theory, resource dependency theory and stakeholder theory. These theories are based on governance structure and reporting practices that affect the performance of organizations.

The Agency Theory

The agency theory of corporate governance was developed by Jensen and Meckling in 1976. The theory sees shareholders as the principal and management as their agents. Corporate governance focused on separation of ownership and control which results in principal-agent problems arising from

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the dispersed ownership in the modern corporation (Berle & Means 1932). They confirm that agents will, nevertheless, act with realistic self interest. For instance, as employee directors of a company, they will like to maximize their monetary reward, job stability and other perks, and will do no more than seek to pacify the shareholders. Nevertheless, they need to be monitored and controlled to ensure that their principal's best interests are served. This theory is the basis for most of today's corporate governance activity and is the anchor of this study.

The Stewardship Theory

This was developed by Donaldson and Davis in 1991 out of their seminar work in 1976 with regards to corporate governance. The theory holds that, because people can be trusted to act in the public good in general and the interest of their shareholders in particular, it becomes reasonable in creating management and authority structures. This is because they provide unified command and facilitate autonomous decision making, enable companies to act (and react) quickly and decisively to market opportunities. According to this theory, managers represented by the board of directors are considered a good stewardship that will actually act in the best interest of owners. Donaldson and Davis (1991), observe a strong connection between managers and good firm performance thereby protecting and optimizing the shareholders value. It is expected that acting in the best interest of the owner will lead to firm success.

Resource Dependency Theory

This theory was developed in 1973 by Pfeffer with the objective of emphasizing the important role played by the board of directors in providing access to resources that would enhance the company's performance and protect it against externalities. Resource dependence role expect directors to bring resources such as expertise, information among others that will reduce uncertainty. The theory, favours the appointment of directors to multiple boards since they can gather information and network in various ways that will grant success to the firm (Hillman & Dalziel, 2000).

Stakeholders Theory

This was developed by Freeman in 1984 with belief that accountability should be made to the stakeholders instead of only shareholders. "The firm" is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities. The purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services. World Business Council for Sustainable Development (1999) identified stakeholders as the representative from labour organization, academia, church, indigenous people, government, non-government organization, customers/consumers, communities, employees, legislators and human right groups. The focus of board of director has shifted from just shareholders to a broader view that encompasses other stakeholders interest (Smallman 2004).

Empirical Review

Corporate Governance and Firms Performance

The argument of Berle and Means (1932) on corporate governance formed the foundation for further studies by various researchers on the trend of corporate governance. Their study revealed the possibility of creating a separation of control between the managers who run the large size corporations and the owners who are the provider of capital. This observation of a departure and separation of ownership and control gave rise to a situation where emphasis is now focusing on the behavioural aspect and topical theory of the firm.



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Wiwahttanakantang (2000) studied the effectiveness of corporate governance mechanisms on corporate performance using ROA and Tobin's Q concluded that Tobin's Q has a relationship with good corporate governance in Western systems. Limpaphayom and Connelly (2004) studied the connection between corporate governance and market performance as measured by Tobin's Q, and concluded that Tobin's Q has a relationship with good corporate governance in Western systems. The study of Brown and Caylor (2004) found a positive association between return on equity (ROE) and corporate governance. Evans, Evans and Loh (2002) suggested that if a firm's Tobin's Q is greater than 1, it means that investors will have a positive outlook for the firm's growth opportunities adopted by the firm. However, a ratio below 1 show that the firm has negative growth potentials and the investors should not invest or reinvest in the same stock of assets. Uwuigbe (2011) used content analysis to confirm that there is a positive relationship between disclosure firms and financial performance. The study further affirms that there was 69% compliance to the code of corporate governance among the 21 sample banks in Nigeria. The study of Garuba and Otomewo (2015) also confirm a positive relationship between corporate governance and bank performance in Nigeria.

Board of Directors' Characteristics

It has been observed that the features of the board of directors are vital in the determination of intended corporate disclosure (Beasley, 1996; Davidson et al., 1996; Soobaroyen & Mahadeo, 2012; Allegrini & Greco, 2013). This section therefore reviewed the empirical literature in relation to board activities which include board structure, Director's equity interest, audit committee and board activism.

Board Composition and Firm Performance

The board structure in relation to outside directors was planned to solve the agency problem (Weisbach, 1988). However, empirical studies on this revealed mixed findings, while some studies reveal positive association between board composition and performance of firms (Ogus, 1994; Pearce & Zahra 1992; Vafeas, 1999), others find negative relationship for ROE, ROA and Tobin's Q (Weisbach, 1988; Mehran 1995; Daily & Ellstrand, 1996; Rosenstein & Wyatt 1997; Klein 1998; Weir & Laing 2001 and Bhagat & Bolton, 2005). Daily and Dalton (1992) find a weak relationship between board composition or leadership and firm financial performance. This is also supported in the study by Hermalin and Weisbach (1999) and Bhagat and Black (2002). However, Brickley, Coles and Terry (1994) find a positive connection between the proportion of outside directors and the stock market reaction to poison pill adoptions. Duc and Tri Minh (2014) study revealed a positive relationship between duality of CEO and performance. In the same vein, Flavinus (2015) regards corporate governance as the main driver of firm's performance with positive association between the governance variables and performance.

Director Equity Interest and Corporate Governance Disclosure

The value of director ownership interest could be seen from the vital role that the board of directors plays concerning corporate governance disclosure policies (Jensen & Meckling, 1976; Eng & Mak, 2003; Chalevas, 2011). The agency theory point of view revealed that the association that exists between director ownership interest and voluntary corporate disclosure is not definite (Haniffa & Hudaib, 2006). It was argued that if director equity interest is not sufficient, it may not motivate and will reduce their incentive to improve performance. Many previous studies on director equity interest validate a negative connection between director ownership and corporate governance disclosure. Eng and Mak (2003), show that lower equity ownership is related with a high level of disclosure among

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Singaporean listed companies. Furthermore, Samaha, Dahawy, Hussainey and Stapleton (2012), confirm that there is no positive relationship between directors' equity interest and voluntary corporate disclosure.

Board Activism and Firm Performance

The board meeting frequency is a major means of measuring the effectiveness of a board. How regular the board members meet to discuss diverse issues confronting a firm could go a long way in ensuring its performance (Vafeas, 1999 and Carcello, et al. 2002). In general, board meetings are regarded as assets that results in diligence of the board (Conger, Finegold & Lawler, 1998). Previous studies examine the impact of board meetings on performance by looking at the frequency or number of board meetings on firm performance, (Vafeas, 1999; Beasley et al., 2000; Carcello et al., 2002). This study uses the same approach and measures board activism (BACT) by the number of board meetings held by the board within the financial year. Hard-working and efficient boards improve the level of oversight, resulting in better organization performance.

Methodology

Population of the Study

The population for this study consisted of thirty five (35) insurance companies listed on the floor of Nigeria Stock Exchange. The sampling frame comprised of insurance companies that are in existence and listed on the floor of Nigeria Stock Exchange as at December 2017. Purposive sampling technique was used in selecting the fifteen (15) out of these thirty five (35) listed insurance companies. The choice of this sampling technique is as a result of the need to choose firms existing on the Nigeria Stock Exchange during the period under review (2004-2017).

Data Collection Methods

The data used for the study was mainly secondary data derived from the audited financial statements of the 15 sampled insurance companies listed in the Nigerian Stock Exchange (NSE) during the fourteen years period of 2004 to 2017. This study in addition utilized other materials especially the National Insurance Commission (NAICOM) and the Nigerian Stock Exchange Fact Book (2017). Annual reports for years 2004 to 2017 of the 15 sampled insurance companies were obtained from the corporate offices and websites of concerned insurance companies.

Model Specification

The study used adapted econometric model of Miyajima, Omi, and Saito (2003) and in addition to accounting performance measurement of ROE and ROA, the study was also able to measure the firm's performance through market driven financial performance indicator of Tobin's Q which was not available in a very few studies of corporate governance in Nigeria insurance industry .

This study makes use of different governance and performance proxies. Therefore, the econometric model of Miyajima et al. (2003) was accordingly modified to establish the association between insurance performance and corporate governance of insurance in Nigeria are stated as follows:

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Model 1

$$ROE_{it} = f(BOS_{it}, DEI_{it}, BACT_{it}) \dots\dots\dots (1)$$

$$ROE_{it} = b_0 + b_1BOS_{it} + b_2DEI_{it} + b_4BACT_{it} + e_{it} \dots\dots\dots (2)$$

Model 2

$$ROA_{it} = f(BOS_{it}, DEI_{it}, BACT_{it}) \dots\dots\dots (3)$$

$$ROA_{it} = b_0 + b_1BOS_{it} + b_2DEI_{it} + b_4BACT_{it} + e_{it} \dots\dots\dots (4)$$

Model 3

$$TQ_{it} = f(BOS_{it}, DEI_{it}, BACT_{it}) \dots\dots\dots (5)$$

$$TQ_{it} = b_0 + b_1BOS_{it} + b_2DEI_{it} + b_4BACT_{it} + e_{it} \dots\dots\dots (6)$$

Where:

Dependent variables

ROE = Return on Equity

ROA = Return on Asset

TQ = Tobin's Q

Independent variables

BOS = Board Structure

DEI = Directors' Equity Interest

BACT = Board Activism

e_{it} = Error Term

The a priori expectation is such that: $BOS_{it}, DEI_{it}, CGDI_{it}$, and $BACT_{it} > 0$.

The variables used in the model are described and measured below:

ROA = Return On Asset. This is measured as the ratio of Earning Before Interest and Tax (EBIT) to Total Asset.

ROE = Return on Equity. This is measured as the ratio of Earning Before Interest and Tax (EBIT) to Ordinary Shares.

Tobin's Q = Market Value of Equity + Total Debt/Total Assets

BOS = Proportion of outside directors sitting on the board.

DEI = Directors ordinary shares as a percentage of total outstanding shares of the firm

BACT = Number of board meetings held during a financial year

Data Analysis Method

Panel data

Panel data methodology was adopted in the analysis of the relationship between corporate governance and financial performance of the quoted insurance in Nigeria. The panel data provides a major means of longitudinal analysis of data from different sources and time series. It is used to detect and measure the effects that may not be observed if only cross section or time series data are used. The use of panel data also takes care of heterogeneity in estimation process.

Result and Discussion

Descriptive Analyses

This section presents summary of the descriptive characteristics of all variables used in the study. Statistics reported under this section include mean, standard deviation, minimum and maximum of the pooled observations of all variables across unit and time period i.e 15 insurance companies over 14 years period spanning 2004 to 2017. Summary of the descriptive statistics is presented in table 1



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TABLE 1: Descriptive Statistics

VARIABLES	N	Minimum	Maximum	Mean	Std. Deviation
ROE	210	-1.4100	2.3212	0.2792	0.4539
ROA	210	-0.7913	1.0990	0.7088	0.1596
TOBINS Q	210	0.4400	4.6367	1.0620	0.7015
BOS	210	0.4000	0.9000	0.7203	0.1139
DEI	210	0.0008	0.4620	0.2251	0.1281
BACT	210	0.7500	1.0000	0.9353	0.1092

Source: Author's computation from annual reports of insurance (2018)

The three models in table 1 revealed average board composition of non executive directors of about 72% which was above the average of 60% requirements suggested by NAICOM code of corporate governance. This is a good indicator because board structure in relation to outside directors was expected to resolve the agency problem (Weisbach, 1988). The average director's equity interest in the entity was 22.51% with standard deviation of 12.8%. The code of corporate governance also required that board of director of listed companies meet at least 4 times in any financial year. The board meeting as represented by board activism recorded mean value of 93.53% and standard deviation of 10.92% while its minimum and maximum figure was 75% and 100% respectively.

	ROE	ROA	TQ	BOS	DEI	BACT
ROE	1.0000					
ROA	0.8620	1.0000				
TQ	0.0983	0.0987	1.0000			
BOS	0.0784	0.0445	0.0630	1.0000		
DEI	-0.0683	-0.0359	0.0023	0.0354	1.0000	
BACT	0.0280	-0.0348	0.0567	-0.0017	-0.0603	1.0000

Correlation Analysis

Table 2: Pearson Correlation Matrix

Source: Author's Computation (2018)

Table 2 revealed the direction of relationship between variables employed in the study. The result of the analysis revealed the simultaneous direction of movement between pairs of variables. Though the

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Table 3: Hausman Test

	Chi-square stat	Probability
Model 1	17.67	0.0006
Model 2	22.36	0.0000
Model 3	33.23	0.0000

reported statistic does not connote causal-effect relationship, however the statistics revealed how the pooled observations of variables move together over time.

Source: Author's Computation (2018)

Table 3 reveals a chi-square value of 17.67, 22.36, and 33.23 for models 1, 2 and 3 respectively alongside probability values of 0.0006, 0.0000 and 0.0000. Thus the Hausman test for models 1, 2 and 3 revealed that there is enough evidence to reject the null hypothesis of no substantial difference between the fixed effect and random effect estimates in favour of the alternative hypothesis that there is a substantial difference between fixed effect and random effect estimates. Rejection of the null hypothesis implies that error component model (random effect estimator) is not appropriate because the random effects are probably correlated with one or more regressors. Hence the most reliable (most consistent and efficient) estimators for the study are the fixed effect estimations presented in tables 4.2, 4.3 and 4.4

Variable	Coefficient	Standard Error	-Test Values	Probability
C	147.6245	81.41452	3.19	0.028
BOS	.1802135	.4342556	0.31	0.004*
DEI	-.3925655	.3489501	-2.38	0.372
BACT	1.3456972	.3604159	2.23	0.032*

Table 4 Fixed Effect Parameter Estimates Model 1

Series: ROE, BOS, DEI, CGDI, AUDCOM, BACT

R-square= 0.7621, Adjusted R-square= 0.5675, F-statistics= 2.43, Prob(F-stat)= 0.0000

*Significant at 5%

Source: Author's Computation (2018)

Table 4 presents result of the two-way fixed effect estimation for model 1. Result revealed that board structure and board activism exert positive impact on performance of insurance companies measured in terms of return on equity with reported coefficient of 0.1802135, 1.3456972 and probability value of 0.004 and 0.032 respectively. The impact of director's equity interest in terms of return on equity

Table 5: Fixed Effect Parameter Estimate Model 2

Series: ROA BOS DEI CGDI AUDCOM BACT

Variable	Coefficient	Standard Error	T-Test Values	Probability
C	77.39587	21.65315	2.14	0.005
BOS	-.2476199	.1809546	-1.05	0.104
DEI	.0608051	.2156455	0.24	0.009*
BACT	.5199645	.3387955	2.61	0.005*

R-square= 0.7102, Adjusted R-square= 0.6706, F-statistics= 4.45, Prob(F-stat)= 0.0000

*significant at 5%

Source: Author's Computation (2018)

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remains negative at coefficient value of -0.3925655 and probability figure of 0.372. The result revealed that the influence of board structure and board activism is significant.

Coefficient estimates reported in table 5 for board structure (BOS), Directors equity interest (DEI) and board activism (BACT) stood at -0.2476199, 0.0608051 and 0.5199645 alongside probability values of 0.104, 0.009 and 0.005 respectively. The result revealed that board structure exert insignificant negative impact on the performance of selected insurance companies measured in term of return on asset, while director's equity interest and board activism exert significant positive impact on their return on asset.

Variable	Coefficient	Standard Error	T-Test Values	Probability
C	74.34541	58.14153	1.27	0.016
BOS	.6549883	.3463854	3.04	0.030*
DEI	.0349160	.4714961	0.26	0.862
BACT	.2064755	.2556342	0.72	0.236

Table 6 Fixed Effect Parameter Estimate Model 3

Series: TQ BOS DEI CGDIAUDCOM BACT

R-square= 0.6217, Adjusted R-square= 0.5271, F-statistics= 10.22, Prob(F-stat)= 0.0000

**significant at 5%*

Source: Author's Computation (2018)

From table 4.6, coefficient estimates of 0.6549883, 0.0349160, 0.2064755 was reported for board structure, director's equity interest and board activism. The result revealed that all the explanatory variables used to proxy corporate governance positively influence performance of insurance companies measured in terms of Tobin's Q. As reported in table 4.3 the impact of board structure and audit committee on performance of insurance companies measured in terms of Tobin's Q tends to be statistically significant.

S/N	Objectives	Performance Measurement	Coefficient	Probability Value	Nature of Association and Empirical Support
1.	Examine relationship between Board Structure and performance	ROE	1802135	0.004*	Positive, agreed with Pearce & Zahra (1992), Vafeas (1999), while Forsberg (1989) disagreed
		ROA	0.2476199	0.104	
		TOBIN S Q	6549883	0.030*	

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2.	Evaluate effect of director's equity interest on performance	ROE	0.3925655	0.372	Positive Connection, agreed with McConnell & Serveas (1990); Yu (2003) but disagreed with Yau and Emmanuel (2013)
		ROA	0.0608051	0.009*	
		TOBIN S Q	0.0349160	0.862	
3.	Examine the relationship between board activism and performance	ROE	.3456972	0.032*	Positive correlation, agreed with Conger <i>et al.</i> (1998) and Vafeas, (1999). Xie <i>et al.</i> (2003) found no connection.
		ROA	0.5199645	0.005*	
		TOBIN S Q	0.2064755	0.236	

Table 4.7 Summary of Findings

*Correlation is significant at 5% level of significance

Source: Author's Computation (2018)

R-square statistics reported for estimations presented in table 4.2, 4.3, and 4.4 stood at 0.7621; 0.7106; and 0.6217 respectively. These statistics revealed that about 76%, 71%, and 62% of the systematic variations in return on equity, return on asset and Tobin's Q as measures of performance can be explained by variation in board structure, director's equity interest and board activism. In the same vein the reported probability values of F-statistics testing the joint significance of the explanatory variables included in the estimated models revealed that board structure, director's equity interest and board activism jointly and significantly influence performance of insurance companies measured in terms of return on equity, return on asset, and Tobin's Q.

It is necessary to emphasise that the reported coefficient estimates revealed that the financial performance of the sampled insurance companies' measured in terms of return on equity in model 1 tends to respond by 0.1802135 and 1.3456972 for every unit increase in BOS and BACT. This suggest that any changes in favour of these variables has the capacity to trigger higher financial performance in terms of return on equity while the negative coefficient of -0.3925655 for DEI has the capacity to reduce the performance accordingly. Model 2 revealed that return on equity increases by 0.0608051 and 0.5199645 for every unit increase in DEI and BACT respectively while it reduces by -0.2476199 for BOS. This shows that an increase in number of director's equity interest and number of board meeting held by directors of the sampled insurance companies will lead to improved performance in terms of return on asset. However, an increase in the number of outside directors will result in decrease in performance measured by return on asset. The model 3 also revealed Tobin's Q of 0.6549883, 0.0349160 and 0.2064755 for unit increase in BOS, DEI and BACT respectively. It means that a unit increase in the governance variables of BOS, DEI and BACT will result in higher Tobin's Q accordingly.

Conclusion and Recommendation

The study concluded that there is a correlation between corporate governance variables and financial performance of Nigerian insurance companies.

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The result revealed positive relationship between board structure, director's equity interest and board activism on performance. This finding is in alliance with the agency theory which is the anchor theory of this study. The theory states that when a board is more diligent in performing its duties, its success and the level of its supervision and firm performance are enhanced. The positive relationship between board structure and performance is also in line with resource dependence theory that favours the appointment of directors to multiple boards since they can gather information and network in various ways that will grant success to the firm (Hillman & Dalziel, 2000). In the same vein, the result of board structure and performance further agreed with stakeholder's theory because the purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services. The board structure of some organizations consists of divergent stakeholders with different beneficial skills. The stewardship theory supports the result obtained for directors' equity interest and performance. It is expected that acting in the best interest of the owner will lead to firm success (Donaldson & Davis, 1991).

Empirically, the result of the study is in agreement with some of previous studies (Pearce & Zahra 1992; McConnell & Serveas 1990; Conger et al. 1998; and Vafeas, 1999). This study however disagreed with result of Yau and Emmanuel (2013), Forsberg (1989) and Xie et al. (2003).

The study recommended that insurance companies in the country should put in place evaluation mechanisms that would identify the most accurate board structure that would enhance performance at all times. Furthermore, there should be modalities to constantly review appropriate percentage or proportion of director's equity interest in relation to the total outstanding shares of the company. Lastly,

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Appendix I: Insurance and Average Measurement Variables

INSURANCE	Return on Equity	Return on Assets	Tobin's Q	BOS	DEI	BACT
AIICO	0.2348	0.0258	0.9934	0.6990	0.2260	0.8542
CONTINENTAL-RE	0.2936	0.7812	0.9867	0.6658	0.1002	0.7500
CORNERSTONE	0.4499	0.1171	1.4281	0.8425	0.1315	1.0000
GUINEA	0.0876	0.0229	1.3088	0.5635	0.2433	1.0000
LASACO	0.1791	0.0413	1.1300	0.6767	0.1848	1.0000
LAW UNION	0.1386	0.0237	1.0618	0.7694	0.3640	0.7500
LINKAGE	0.1283	0.0192	0.6292	0.5871	0.1374	0.9712
MUTUAL BENEFITS	0.2653	0.0473	1.0840	0.6908	0.1590	0.9792
NEM	0.2327	0.0684	0.8226	0.5700	0.2120	1.0000
NIGER	0.2263	0.0268	1.0688	0.6195	0.3088	1.0000
PRESTIGE	0.6666	0.1231	1.3453	0.8456	0.2589	1.0000
ROYAL EXCHANGE	0.1706	0.0223	1.0137	0.7571	0.3543	1.0000
STACO	0.8234	0.3606	1.5387	0.7604	0.2096	0.9375
STANDARD ALLIANCE	-0.0213	-0.0035	1.0440	0.7276	0.2413	0.7500
WAPIC	0.0285	0.0082	1.0902	0.7150	0.1468	1.0000

Source: Author's Computation, (2018)

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Appendix II
Study Population and Sample Selection

List of Insurance Companies	Selected Insurance
Composite Insurance Business (Life and Non Life)	
Acen insurance company plc	
Cornerstone insurance company plc	✓
Goldlink insurance plc	
Great Nigeria insurance plc	
Lasaco assurance plc	✓
Niger insurance company plc	✓
Standard alliance insurance plc	✓
Life Insurance Business	
Royal exchange assurance plc	✓
Unic insurance plc	
Re-Insurance Business	
Continental reinsurance plc	✓
General Insurance Business	
African Alliance Insurance Plc	
American international insurance company(AIICO)	✓
Baico Insurance plc	
Confidence insurance plc	

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Consolidated hallmark insurance plc	
Crusader insurance plc	
Custodian and allied insurance plc	
Equity assurance plc	
Guaranty trust assurance plc	
Guinea insurance plc	✓
Intercontinental west African Provision insurance company plc	✓
International energy insurance company plc	
Investment and allied insurance plc	
Law union and rock insurance plc	✓
Linkage assurance plc	✓
Mansard insurance plc	
Mutual benefits assurance plc	✓
Nem insurance company Nigeria plc	✓
Oasis insurance plc	
Prestige assurance company plc	✓
Regency alliance insurance plc	
Sovereign trust insurance plc	
Standard trust assurance plc	✓
Unity kapital assurance plc	
Universal insurance company plc	

Source: Author s Computation, (2018)