

Risk Management on the Bases of Corporate Governance-“A Study in the Jordanian Insurance Sector”

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Abstract: *Economic collapses, accompanied by financial crisis and the rising number of failures and bankruptcies of many banks and insurance companies, all raised the concern of corporates and regional and international organizations in suggesting the adoption of corporate governance as a solution. Corporate governance is implemented by the stakeholders to supervise and manage risks and to assure that monitoring standards are enough to avoid these risks and minimize their effects, consequently, this will lead to achieve the required goals and raise the corporate value, which makes us wonder, about the nature and components of risk management on the bases of Corporate Governance. This research answered this question by focusing on the duties of these parts (management council, auditing committee, internal and external auditors and the actuarial specialist) in risk management, and testing their role in some of the Jordanian insurance corporates. Results show that there is a full understanding by all parts, but this understanding differs from one part to another, and to support this understanding, it is important to be committed to the principals and rules of the corporate governance, to reform laws associated with the duties of all parts, and hold sustainable training courses about the bases and roles of corporate governance in risk management at all levels.*

Keywords: Corporate Governance, Risk Management, Management Council, Actuarial Specialist, Internal Auditor and External Auditor

1. Introduction

Corporate governance is considered to be one of the most important means used to control risk management mechanism along with all its related issues to minimize its effects as well as the condition of uncertainty in the “decisions making” by those who are responsible of risk management. The only way to achieve their goal is to apply the principles of corporate governance presented in: transparency, questionability, responsibility, justice and independency manner (Shehadeh, 2012), by an independent management assigned to follow up and monitor the policies and procedures related to the entire risk management of the corporate (all the corporate operations). This management will be questioned about achieving the corporate goals and assuring both shareholders and stakeholders that risks the corporate is facing are completely understood by their representatives and the management council.

In order to guarantee that we have to encourage applying the principals of the corporate governance by finding parties to insure its implementation on the bases of the corporate success credited standards. These standards were set by the international union for insurance control through external parties (external auditor, actuarial specialist) and internal parties (management council, committee of auditing and internal control, internal auditor) (IAIS, 2009), and if all these parties played their roles in a correct manner and independency, taking into consideration rights of shareholders, they will have an active role in risk management in the corporate, and guaranteeing the corporate capability for the insurance holders and beneficiaries, the researcher will focus on the role of each

part of the insurance corporates risk management by using research methodology.

2. Problem of the Research

Current international economy is facing uncertainty and instability condition, this makes insurance sector's supervisors and monitors in many countries – Jordan is included – focus on playing a more effective and important role in revising and articulating insurance sector's regulations, laws and by – laws which 14 publishes in an attempt to protect the rights of the documents' owners and to keep sustainability and the efficiency of insurance activity. Substantial arguments took place about the ineffective role of the corporate management councils, weakening the monitoring procedures it caused in these companies and the rising of risk effects, consequently, the interest in corporate governance and its role in applying risk management practically to minimize risk effects, direct it towards enhancing corporate performance, attract the investors and to develop and improve the competition extent in insurance sector.

Due to the clear importance of governance, four guidebooks have been issued regarding the bases of governance in Jordan: The guidebook of Governance for Amman Stock market registered share holding corporates, issued in 2007, the guidebook of corporate governance of banks in Jordan, issued in 2008, the guidebook of small and medium corporate governance rules, issued in 2012 and the guidebook of corporate governance instructions for insurance corporates, issued in 2006.

The instructions determined set of relations between management council, executive administration, shareholders and other stakeholders.

Therefore,, the research problem can be summarized in an unclear vision of risk management operations at all levels of the organization, organization parts, duties of each part and methods of coordination between them to support decision making.

In order to clarify the research problem, this research will attempt answering the study's questions:

- 1) What is meant by risk management in insurance corporates? Can this style of management be one of the corporate governance goals?
- 2) Who can handle the risk management in insurance corporates?

3. Importance of the Research

Most of insurance sector's assets are owned by insurance policy holders which represents an important portfolio, a good investment financing source, not to forget the main goal of these corporates which is offering security for individuals and for the different economic corporates against risks they may face, and invest these savings in guaranteed investment ventures so as to offer them the required financing to keep their commitments towards them.

It is getting more important because in this sector, there are 28 licensed working insurance corporates inside Jordan, with total capitals of (295.7) million JD and (718.8) million JD in assets, in addition to total of investments (473.9) million JD by the end of 2013 (Insurance Commission of Jordan, 2013), this makes it important to take the needed precautions and necessary procedures to manage and decrease the organized and unorganized risks, according to the best international practices that are committed to apply the principals of the corporate governance that is commanded to the management councils of the insurance corporates, the internal and external auditors, the auditing committee and the actuarial specialist, so they can achieve their goals in protecting and securing the insurance holders, and the other parts dealing with the corporate and the corporate itself, which requires the raise of risk awareness associated with achieving these goals and strategies, monitor the commitment of the corporate in risk management policy and all risk limits and the procedures to deal with and measure these risks, evaluate, clarify and govern such risks. This helps corporate to determine and implement insurance policies, (Insurance share subscription, pricing, reinsurance, compensations, keeping limits in addition to the investment policies).

4. Objectives of Research

The research aims to achieve the following objectives:

- 1) Clarify the definition of risk management in the insurance corporates and its relation with the corporate governance.
- 2) Set all the parts that may help in limiting, measuring, testing and evaluating risk management.
- 3) Controlling the commitment of management councils, internal and external auditors, auditing committees and

actuarial specialist for the requirements of corporate governance on the risk management in insurance corporates.

- 4) Evaluate negative and positive sides of the practical applications of risk management and present proposals that can help in raising efficiency of risk management in the Jordanian insurance corporates.

4.1 Research Hypotheses

This research attempts testing the main hypothesis along with sub hypotheses as follow:

H1: There is an understanding of the term risk management by the responsible parts to apply corporate governance principles in the Jordanian insurance corporates.

H1.1- There is a big role of management council in the risk management of the Jordanian insurance corporates.

H1.2 There is a big role of auditing committees in the risk management of the Jordanian insurance corporates.

H1.3 There is a big role of internal auditor in the risk management of the Jordanian insurance corporates.

H1.4 There is a big role of the external auditor in the risk management of the Jordanian insurance corporates.

H1.5 There is a big role of the actuarial specialist in the risk management of the Jordanian insurance corporates.

4.2 Previous studies

One of the most important studies in this context is (Shawawrah, 2009) entitled "Governance rules and evaluating its role in encounter and preventing corruption in the Jordanian general shareholding corporates".

The aim of the study is to find what is meant by corporate governance, its principles, rules, goals and means, evaluating its role in minimizing fighting corruption within corporates and minimizing contradiction in inputs objectives of the Jordanian general shareholding corporates. Results show that being committed to apply the principles of the corporate governance is an economic and social need which definitely leads to counter corruption. (Zier, 2006) Study entitled "a suggested strategy to improve the activity of the governance in the Jordanian financial sector".

The study aims to present a suggested strategy to improve the activity of the governance in the Jordanian financial sector by reporting. The study leads to the fact that there is shortage in the annual reports of banks which are shown by being not committed to report the corporate governance. Also there are no obligatory directions in the case of not committing to report the corporate governance in the annual report of the registered corporates in Amman stock market, especially in the financial sector.

(al-Mashhadani, 2012) Study entitled "auditing the corporate governance using the credited auditing standards, and showing the role of the corporate governance through determining the different principles and suitable rules to manage corporates showing the auditing modern directions especially what is associated with determining the standards of auditing the corporate governance on the bases of the known auditing standards. The study concluded that

corporate governance is known now as an important issue worldwide, under the current changes in which the private corporates play a big influencing role.

In another study (rational, 2013) entitled “ the role of corporate governance parties in improving the financial performance of the insurance corporates, it aims to know the role of corporate governance parties in improving the financial performance of the insurance corporates in Algeria .Results of the study show that the corporate governance is an effective tool to monitor the insurance corporates, and the management council is considered to be the most important part because it can monitor the management of the corporate from inside, supervise it and evaluate it, and also the decisions the management council takes can influence the performance of any corporate.

In a study conducted by (Eling & Marek, 2009)entitled “Corporate Governance and Risk Taking: Evidence from the U.K and German Insurance Markets” it analyzed the effect of factors associated with the corporate governance (compensation, ownership structure and monitoring) risk management in the European insurance companies. It showed the relationship between corporate governance and standing risks by using the structural formula modelingStructuralequationmodeling.In addition, the study assured that corporate governance influences risk management in the insurance corporates.

(Spira & Page, 2006)entitled “Risk Management Reinvention of internal control and the changing role of internal audit”, it examines the nature of the internal control job on the bases of corporate governance whileconcentrating on self-organizing method for the procedures as part of the control sources and corporate governance policies. It shows the development of report requirements of the corporate governance that offer a suitable chance to determine the related risks and the new role of the internal auditor to minimize these risks.

In another study by (Bansal & Bansal, 2014) “ Corporate Governance and Risk Management in Insurance Sector: A review of literature” , the study aimed to raise the knowledge and understanding of corporate governance specially after the international crisis 2008 which caused the international economic recession and to know the strategies of the governance and risk management in the insurance sector worldwide by presenting the previous writings about the corporate governance which became an obligatory though real practices in the insurance corporates, results show a big difference in applying the principles of the corporate governance according to the nature of insurance industry, management council members, stakeholders and risks of the corporate, and each corporate follows a different method depending on the directional laws and principals, the behavior rules and social responsibility.

A study conducted by (Najjar, 2012)“The Impact of Corporate Governance on the Insurance Firms performance in Bahrain”; the study aims to know the effect of the corporate governance on the Bahraini insurance corporates performance and its role in minimizing the costs of organization. The study sample consists of 10 Bahraini

registered corporates between the years (2005-2010). Results showed that applying the corporate Governance by the management council and the auditing committees influences the performance of the corporate through the ownership account, which assures the importance of the corporate governance on the corporate and the economy as a whole on the long run.

5. Theoretical Frame

5.1 Risk Management definition on the bases of Corporate Governance

Risk management is defined by some of the insurance writers(George, 1998) as the chain of connected procedures and functions related to dealing and controlling risks, , preventing their occurrence, reducing the losses caused by risks in a way that suits the goals of the corporate and achieving the balance between the different connected interests, while some others see risk management(pritchett, 1999) as the decision making operation by which the organization and the individual can reduce the negative results of the risk, so risk management works on reducing the costs related to risks, and it can be defined as the scientific entrance to deal with the risks by expecting their losses and designing and implementing some procedures to reduce the losses or the financial effect on the losses to the minimum (Hamza, 2004).

We conclude that the operation of risk management is a comprehensive task on the firm level that leads to apply risk management in an integral way.In addition to the ability of understanding the mutual relations between all kinds of risks in the corporate where we cannot evaluate the results of the risk separately from the other risks of any company's work, and also improve the organization economic actions by improving the risk management. This definition should not be dealt with as negative (danger) but to look at it in a positive way i.e. the danger is considered the key of driving the organization activities and that the corporate governance is considered a strategic response by the organization against the risk, so every corporate should have a suitable written policy to manage the risks to the volume of the work and the nature of its activities, this policy should determine the risks as soon as possible, measure, evaluate, report , include them and to assure the efficiency the policy should:

- a) Cover all the operations of the corporate and determine clear measurements and limits to all kinds of risks, and the procedures to deal with them, it is a must to assure that all the employees are of full awareness of them at their management level
- b) Monitor the corporate commitment of using risk management policy on the bases of risk limits.
- c) Corporate should follow some procedures to guarantee the reception of information in the correct timing by decision makers regarding any mistakes and steps needed to solve these over takings and to follow up its implementation.
- d) Constant evaluation for the procedures and policies of risk management and its limits, under the problem dangers that may appear the corporate strategy and the market development.

Corporate should also put the required internal arrangements to manage and control all the risks in all the corporate operations. Risk management is considered a main part of corporate governance that can be defined (IRDA, 2009) as "set of laws and bylaws and decisions that aim to achieve the quality and the specialty by choosing the suitable and effective ways to achieve the goals and plans of the organization", in other words it is the procedures used by the representatives of the project owner or the stakeholders to have a full control on the risks the project may face. The risk management cannot implement its work except through cooperating with the bases and the parts of governance by some procedures used by the representatives of the stakeholders to provide supervision on the risks and managing them, and control the organization risks and assure that the control restrictions are enough to avoid these risks and this will cause to participate directly in achieving the goals and keeping the values of the organization (Organisation for Economic Co-operation and Development (OECD), 2014), taking to consideration that the performance of the governance activities is the responsibility of the stakeholders in the organization to achieve the efficiency. We might ask: who are the parties that will participate in risk management on the bases of corporate governance? The next paragraph will answer that:

5.2 Parts of organization responsible for the management on the bases of corporate governance principals

A- The internal parts:

First: Management council

Management council is considered to be one of the monitoring parties inside the corporate and, it also supervises and evaluates the work. The council can design the incentive contracts to connect the salaries with the performance, we can see that strong management council participates in determining the most important principal of corporate governance because it represents top of the governance frame and the main function that is played in minimizing the costs that can be corporate strategy and offers suitable incentives and monitor behavior of the management and corrects its performance so that corporate value will rise. Management council is considered achieved by separating the ownership and the authority of decision making, from another side we find that the management council of the corporate plays an important role in determining the strategic goals of the corporate and deciding the general strategies and policies that control the work, the decisions of the management council has a big influence on any corporate performance. From the organizational side and because of the quantity of duties implemented by the management council it forms specialized committees, each committee takes a certain mission, of the governance committee as follow:

- a) Determine strategic goals and the required procedures of the corporate to supervise and evaluate the implementation of these goals and procedures, and to revise these goals and evaluate the commitment of applying that annually or through the year if required.
- b) Accepting organizational frame of the corporate and deciding the systems and internal directions to determine the tasks of the executive department of corporate and its

authority as well, and in a way that guarantees achieving the administrative and financial control on the work of the corporate.

- c) Have procedures in place to guarantee the commitment of corporate to laws, bylaws, directions, decisions and any other related laws.
- d) Guaranteeing that there is a management system that suits the size of work and the nature of the corporate activities and covers all the operations and finding an effective mechanism to guarantee the steady evaluation of the risk management policy.
- e) Taking the required procedures to report any information related to the corporate financial possession and provides the stakeholders with this information in the correct time.
- f) Put a work plan to implement the principals of the corporate governance mentioned in these directions and other laws and revise it and evaluate its implementation in an annual manner.

Committee of Sponsoring Organizations of the Tread way Commission (COSO) indicated that management council should monitor risks that surround the monitoring system in the corporate, members of the management council should follow two law standards, first is measuring the core duty that requires working with high faith and loyalty and be aware of all the cases of the organization and attending the meetings regularly and have a full belief that working with the corporate is worthy (COSO, 2011), and the standard of loyalty duty that requires to avoid using their possessions to collect personal benefits and work for the best of the organization and to be trusty in their work practice, the management council can find an administration or a committee to handle the risk management, its responsibility includes (NACD, 2000) :

- a) Analyze all the risks related to activities of the project, for example credit risks, market liquidity and bank operations.
- b) Improve methodologies of measurement and accuracy for each kind of risks.
- c) Determine risk ceilings and register the exception cases of risk management policy
- d) Provide management council and the higher executive administration with information about risk assembly in the organization.
- e) To achieve corporate mission this department should be with the other available departments in the organization.

Second: Internal auditing

The internal revision was defined as an independent job inside the organization that aims to serve it by testing and evaluating the various activities and represents. Internal auditing goal is helping the organization members to execute their responsibilities effectively and the term "internal" for this kind of revision came because it is part of the internal management of the organization. The role of revision differs from a corporate to another because determining the techniques of the internal revision refers to the corporate itself and not determined by professional laws as it in the external revision. Internal auditing is considered one of the main keys of the governance, this made the institute of Internal Auditors develop standards and job behavior standards to face the new environmental changes took place

a result of the financial collapses all over the world. Felix & Maletta (1996) see that management asks the internal auditor to help in providing them with the assurance of the following:

- a) Determine and monitor the risks actively and efficiently.
- b) Control the organizational operations in an efficient, active and influential way.
- c) The efficiency of the organizational operations in the corporate.

In the guide book of the corporate governance of the banks in Jordan, it is assured that the main responsibility of the internal auditing management should deal with the risks by revising at least the financial reporting operations and their complying to the internal bank policies and standards, and the international procedures and laws and the related directions (Insurance Commission of Jordan, 2013).

Third: Auditing Committee

With reference to paragraph (B) article 45 and paragraph (B) article 108 of regulating the insurance work Act (33) year 1999 and its amendment, management council of the Insurance committee declared that management council of the corporate should assemble an auditing committee consists of the president and two members and one of them should have an experience in auditing or financing. The reliabilities of the auditing committee and its missions should be clarified to help the committee in achieving its work and that includes (Insurance Commission of Jordan, 2013):

- a) Submitting recommendations to management council to choose external auditor to be voted on by the general assembly.
- b) Monitor how comprehensive the external auditing systems of the corporate are.
- c) Revise the incoming notes and reports of insurance committee, external auditor, and internal auditor and follow up with the taken procedures and actions.
- d) Insure the accuracy of the financial information and the accounting and monitoring actions and its safety by the internal auditor before providing it to the management council of the corporate.
- e) Assure the corporate commitment to the laws, bylaws, directions and decisions of the corporate.
- f) Attend all the meetings held with the external and the internal auditor, and the actuarial specialist once a year at least and without the presence of any member of the executive administration.

This shows that the presence of an auditing committee that has effective reliabilities, has the right to practice its monitoring role on the internal and external auditing, and following up their reports to assure the organization management is executing what these reports have of results and recommendation. The role of the auditing committee on the bases of corporate governance is to help management council to execute its supervising responsibility and insure the integration of the financial reports, and the corporate commitment to the organizational laws and to assure the independency of the internal and external auditors (Tysiac, 2012).

B- External Aspects

First: External Auditor

It is the revision made by an independent person from outside the corporate to test the accounting information that is located to the external auditor to give an accepted creditability to users of these information (shareholders, investors, re-insurers), it plays an effective role in the success of corporate governance as it minimizes or ends the contradictions between the shareholders and the management and it eliminates differences in the information included in financial lists, external auditor gives trust and creditability to the information by certifying the financial lists made by the corporate after revising them to assure the correctness of the provided information, the external auditor makes detailed reports attached to the financial lists, and this revision extends to the actuarial specialist reports (Boubakri, 2011).

Requirement of corporate governance requires the cooperation between corporate management and external auditor and should be described as being transparent for the exchange of information and the independency of the auditor and take his opinion seriously when the corporate locates weaknesses, and for the procedures of guaranteeing the independency of the auditor to protect the interests of the previous stakeholders which is influenced by the corporate performance, that means employees of the auditing office should comply to the monitoring standards on the performance quality, experience and efficiency.

All the operations of the auditing office should comply with the good supervision in all its levels and put a determined policy for recruiting in the auditing office and raise the capabilities through sustainable educational procedures and programs. The external auditor understands the internal auditing actions to reach an initial evaluation for the kind of these procedures and its suitability to risks it is facing. Thus, testing the internal monitoring by the external auditor determines how far he is convinced in the monitoring risks and levels (al-Tamim, 2006).

Second: Actuarial Specialist

Actuarial Specialist is defined as the person who gathers between understanding and comprehending the theories and applications in mathematics, statistics, economy and financial science and uses this in measuring future risks and suggests the solutions to all problems that take place. (Townsend, 2014). He is a very high skilled specialized person who is aware of all the operations of the insurance corporates, including the development, pricing, managing the products, determining the volume of reserves the corporates should keep to face the financial obligations, and designing and evaluating the financial credibility plans and programs to achieve the strategic goals besides marketing and rivaling analysis to the corporates files and manage their risks (Brickley, 2000).

And for that crucial role of the actuarial specialist the insurance corporates in Jordan need to provide the insurance committee with a certificate from the actuarial specialist annually that includes correctness of the final financial information of the corporate, and it is also credited by the International Association of Insurance Supervisors (IASI) as

an effective and prime element in applying corporate governance in insurance corporates and included in the administrative structure who is responsible for monitoring and supervision operations and determine the nature of relation with the other related parts involved in applying governance by putting a clear definition to the roles and responsibilities of every part and also arrange an official connection between them. Also assure the independency of the actuarial specialist job all the related parties in the insurance corporate, he is the responsible person in front of the management council and the supervising committees for the reports and applications presented, and the results of given analysis and studies, and he is an important link to assure the transparency of some complicated technical sides in calculating the risks and compensations that might be a source of cheating and manipulation by the management of the corporate (Reichert & Rodney, 2009).

In summary, missions and responsibilities of the actuarial specialist to help the management council to supervise are as follow:

- a) Involve the actuarial specialist in the preparation of financial reports and consider his opinion.
- b) To cooperate with internal and external auditors in revision operations and reports.
- c) Revising and evaluating internal auditing and provide the management council with the regular reports about the performance of the internal auditing.
- d) Determine the approximate calculations like (technical allocations, keeping limits, re-insurance) and include them with the reports.
- e) Revising the evaluations of the direct requirements and the technical allocations, and make sure they fulfill the corporate obligations.

6. The Practical Side

Study Methodology, collecting information and analyzing tools:

The qualitative analysis methodology was used in this study by counting on the books and magazines in its theoretical aspect and in its practical aspect it depended on survey tool to collect the required information. This survey consists of five main dimensions to measure the role of five parts in risk management; it was distributed on each of the members (management council, auditing committees, internal and external auditors and actuarial specialist) of all the Jordanian insurance corporates. Some statistical methods were used to analyze the results like means, standard deviation and "T" test for one sample.

Population and study sample:

Population consists of all the active Jordanian insurance corporates (28 companies) general and life insurance. 90 questionnaire were distributed on a random sample of the parties involved (management councils, auditing committees, internal and external auditors and the actuarial specialists), 70 were collected back which constitutes research sample. The following is sample's characteristics.

Table 1

Variables	Categories	Frequency	Percentage
Job possession	Management council member	22	31.43 %
	Internal auditor	25	35.71 %
	Auditing committee member	12	17.14 %
	External auditor	8	11.43 %
	Actuarial specialist	3	4.29 %
Educational level	Bachelor degree	48	68.57 %
	Masters	15	21.43 %
	PhD	7	10.00 %
Specialization	Financial science	19	27.14 %
	Accounting	22	31.43 %
	Business administration	24	34.29 %
	Other specializations	5	7.14 %
Years of experience	1-5	23	32.86 %
	6-10	15	21.43 %
	11-15	12	17.14 %
	15 and above	20	28.57 %

- Table (1) shows that job position included five categories, the biggest was the internal auditors (25), management council members (22), members of the auditing committee (12), external auditors (8) and actuarial specialists (3)
- Also shows that the concentration was in the Bachelor degree category for the educational level variable, with 68.6 %, then the masters 21.4 % and the PhD 10 %
- The most frequent specializations were accounting, banking and financial science and business administration, and there were some other specializations like IT and economy all collected under the category other specializations.
- From the table we see also that most of the members in the sample were of (1-5) years experience 23 persons represent 32.9 % and the least category was (11-15) years and that is 17 %

7. Results and Discussion

The answers of questionnaire

For the purpose of having a quantitative analysis of the information we used means and standard deviation to recognize the role of management council members, auditing committee, internal, external auditors and the actuarial specialists in risk management also to reveal which of the activities these parts are committed or not committed to and to locate which of them is more involved in risk management as follow:

Table 2: Roles of responsible parties in risk management:

Research dimension	means	standard deviation	Percentage	order
Role of management council members	3.58	0.141	86 %	1
Role of auditing committees	3.52	0.274	84 %	2
Role of internal auditor	3.32	0.380	77 %	3
Role of external auditor	3.29	0.389	76 %	4
Role of actuarial specialist	3.26	0.418	75 %	5

- The percentages were calculated on the bases of the maximum value of the answer standards (3)
- The average for the dimension related to the role of the members of the management council in risk management was 2.58 that is 86 % and this is a very high percentage

and can be an indicator that management council handles risk management in the first place.

- The auditing committees came second with an means of (3.52) and that is 84 %
- The internal auditor came third with an means of (3.32) and 77 %
- The external auditor came fourth with an means of (3.29) and 71 %
- The actuarial specialist came last with an means of (3.26) and 71 %
- We notice that all the means for all axes were over (3) and that reflects the interest of the responsible party to apply the corporate governance to management the risks in the corporate.

Third: Hypotheses testing

Main hypothesis

H1: Risk management term is fully understood by all the parties of the corporate governance in the Jordanian insurance corporates, and for testing the main hypothesis a comparison will be made between the means that we got from the questionnaire answers, and the means of the tool with (3) as a value depending on the members' answers distributed on Likert Scale, by using "T" test and (SPSS) program, we can get the result shown in table (3).

Table 3: Results of testing the main hypothesis

Result	"T" Value	means	Standard deviation	Statistically Significance
Accept	17.65	3.39	0.38	0.000

From the above table we conclude that the means for the answers of the sample to all the items related to recognizing the term risk management was (3.39) with a standard deviation of (0.38), and this is a high percentage compared to measuring tool means, and this is explained as a proof of understanding the term risk management by the parties who are responsible for applying the corporate governance in Jordan. And "T" calculated value was (17.65) which is higher than the table value, and that means there are statistically significant differences at 1 (0.05) and that is because of the understanding to the term risk management by the parties applying the corporate governance, we accept the hypothesis

First sub hypothesis:

There is a big role played by the management council in risk management inside the Jordanian insurance corporates. Results of test "T" show differences between a sample and a constant value. The calculated value of "T" was (15.83) which is greater than its table value (1.98) and that means there are differences at (0.05) and that refers to the presence of the role of the management council in risk management, the significant level for this axis was less than (0.05), so we can say that the sample members agree on the importance of the role of this axis.

Table 4: Results of testing the main hypothesis

Result	"T" Value	means	Standard deviation	Significance level
Accept	15.83	3.58	0.14	0.000

Second Sub hypothesis

It associates with the role of the auditing committees in risk management among Jordanian insurance corporates, Results of test "T" show differences between a sample and a constant value. The calculated value of "T" was (21.13) which is greater than its table value (1.98) and that means there are differences at (0.05) and that refers to the presence of the role of the auditing committees in risk management, the value 0.05 for this axis was less than (0.05), so we can say that the sample members agree on the importance of the role of this axis.

Table 5: Results of testing the main hypothesis

Result	"T" Value	means	Standard deviation	Significance level
Accept	21.13	3.52	0.27	0.000

Third Sub hypothesis

Results of test "T" show differences between a sample and a constant value. The calculated value of "T" was (25.56) which is greater than its table value (1.98) and that means there are differences at (0.05) and that refers to the presence of the role of the internal auditor in risk management, value for this axis was less than (0.05), we can say that the sample members agree on the importance of the role of this axis.

Table 6: Results of testing the main hypothesis

Result	"T" Value	means	standard deviation	Significance level
Accept	25.56	3.32	0.38	0.000

Fourth Sub hypothesis

Results of test "T" show differences between a sample and a constant value. The calculated value of "T" was (22.5) which is greater than its table value (1.98) and that means there are differences at (0.05) and that refers to the presence of the role of the external auditor in risk management, the value for this axis was less than (0.05), we can say that the sample members agree on the importance of the role of this axis

Table 7: Results of testing the main hypothesis

Result	"T" Value	means	standard deviation	Significance level
Accept	22.5	3.29	0.39	0.000

Fifth Sub hypothesis

Results of test "T" show differences between a sample and a constant value. The calculated value of "T" was (20.17) which is greater than its table value (1.98) and that means there are differences at (0.05) and that refers to the presence of the role of the actuarial specialist in risk management, the value for this axis was less than (0.05), we can say that the sample members agree on the importance of the role of this axis.

Table 8: Results of testing the main hypothesis

Result	"T" Value	means	Standard deviation	Significance level
Accept	20.17	3.26	0.42	0.000

8. Conclusions and Recommendations

8.1 Conclusions

The research leads to the following conclusions:

- 1) The corporate governance is considered to be one of the major means in improving the performance of organizations by improving the risk management using the application of principals and bases and determining the parties and distributing responsibilities and liabilities between them to limit the risks.
- 2) There is an understanding by the responsible parties for their responsibilities of risk management, not for the shareholders only, but also for the insurance contracts holders, as they own the savings of the corporate and also towards other insurance dealers.
- 3) The management council is considered to be the most important part of the corporate governance because it is one of the internal monitoring parts and it monitors the management, supervises it and the decisions it makes are of big influence on its performance.
- 4) The integration between responsible parties for risk management leads to providing various systems for risk management and that leads the corporate to support its strategies and achieve its goals.
- 5) The monitoring tools differ with the organizations but they all agree in assuring the importance of the internal auditor's role as an effective task for the management, the auditing committee, and both the internal and external auditors, for that reason, it is important to re-engineer this task according to the modern international standards and equip it with qualified employees and raise its independency to performs its role in risk management.
- 6) The results show that the role of external auditor is weak and limited in testing the procedures of the internal auditor, and there is no mentioning of cooperation between him and the other parties.
- 7) The results also show that the role of actuarial specialist in risk management came in the last position in spite of his importance in the insurance corporates specially life insurance companies.
- 8) The results show the absence of ties between the actuarial specialist, the internal auditor and the external auditor regarding the issues related to their performance.
- 9) The absence of sustainable training programs for the auditors and the management council, and this leads to a misunderstanding to their role in risk management, and affects their ability to implement their job efficiently in a way that supports the corporate governance rule.

8.2 Recommendations

This study recommends the following:

- 1) It is important to determine the clear lines of responsibility and the ability to question, and get the maximum benefiting of the internal and external auditors, the auditing committee and the actuarial specialist, as they are practicing an important role of monitoring, recommendations of some specialized organizations can be used, like the recommendations of the International Association of Insurance Sector monitoring (IAIS).

- 2) Assure the independency of internal and external auditors and also actuarial specialist, by determining the recruiting and salary determining procedures.
- 3) Raise the capability of employees by holding sustainable training courses to be familiar with the organization, laws, bylaws, units and department obligations and responsibilities and raise their awareness of the corporate governance principles.
- 4) Commitment to the international standards in re-engineering the internal auditing profession in a way that supports its contribution in tracking, evaluating and analyzing the organizational risks and the related monitoring tools. And put standards to rule the relation with the actuarial specialist for auditing and revision operations.
- 5) It is important to hold specialized courses for the internal and external auditors and the actuarial specialist by the profession organizers to develop their skills in reinventing the ways and methods they use in order to support their role in minimizing the negative effect of the risks that may face the corporate work.
- 6) Support the role of the actuarial specialist in the questioning by putting the standards used in the actuarial work performance, and determine the regulations associated with his responsibilities in governance committees.

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