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THE IMPACT OF CORPORATE RISK GOVERNANCE AND INVESTMENT DECISION ON ASSET AND EQUITY RETURNS OF NIGERIAN NON-LIFE INSURANCE FIRMS

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ABSTRACT

This study examines the impact of risk management and investment practices on the financial performance of non-life insurance companies in Nigeria, using a panel data set of ten selected firms from 2009 to 2022. Employing descriptive statistics, unit root tests, correlation analysis, and panel regression models, the study investigates the relationships between risk management practices (RM), investment practices (IP), and key financial performance indicators, namely Return on Assets (ROA) and Return on Equity (ROE). The results indicate that risk management practices do not have a statistically significant effect on either ROA or ROE, while investment practices are significantly negatively related to ROA, highlighting the potential risks associated with aggressive investment strategies. These findings underscore the need for context-specific risk governance and prudent investment policies within the Nigerian insurance sector to enhance financial stability and performance. The study contributes to the understanding of financial performance determinants in emerging markets and offers policy implications for regulators and insurance firms aiming to strengthen operational efficiency and shareholder value.

INTRODUCTION

The increasing turbulence in the global economic and health landscape has reshaped the way organisations approach sustainability and performance. The recent global recession and the COVID-19 pandemic have amplified vulnerabilities in business operations, compelling firms to restructure strategies, adopt innovative measures, and build resilience against systemic disruptions. Within this context, financial institutions, particularly insurance companies, are uniquely positioned as custodians of risk transfer mechanisms, offering protection against uncertainties that may impair economic performance. As global markets grow increasingly interconnected, the ability of organisations to effectively identify, assess, and mitigate risks has become a crucial determinant of survival and long-term profitability (Adekoya & Oboh, 2021; Onifade et al., 2022).

Insurance companies in Nigeria, especially in the non-life segment, occupy a critical role in safeguarding businesses and households against diverse risks ranging from market volatility to catastrophic events. However, the performance of these firms often varies, largely due to disparities in how they adopt and implement

risk management practices. The Nigerian insurance sector, though expanding, continues to grapple with low penetration, weak consumer confidence, and operational inefficiencies, which accentuate the importance of robust risk management frameworks (Okonkwo & Eze, 2020; Ajayi, 2023). Given these dynamics, understanding the interplay between risk management practices and financial performance remains essential, not only for corporate survival but also for fostering economic resilience in Nigeria's developing financial ecosystem.

A central objective of this study is to investigate the extent to which risk management practices influence the Return on Assets (ROA) of non-life insurance companies in Nigeria. ROA reflects the efficiency with which firms deploy their resources to generate earnings and is a vital indicator of operational effectiveness. Empirical evidence suggests that risk management practices such as underwriting discipline, claims monitoring, and operational risk controls have a significant effect on the ability of insurers to maximise asset utilisation (Akinlo & Apanisile, 2020; Olayungbo & Akinleye, 2021). Inadequate risk controls may lead to asset erosion through excessive claims payouts, poor liquidity, or underperformance of key investments. Conversely, effective risk mitigation fosters asset preservation, enhances solvency, and supports steady growth, positioning ROA as a critical measure of how well Nigerian insurers respond to the challenges of an evolving risk environment.

The second objective is to examine the effect of investment practices on the Return on Equity (ROE) of non-life insurance companies in Nigeria. ROE measures the ability of insurers to generate returns for shareholders and is often viewed as a barometer of financial health and value creation. In an industry where premium income is often reinvested in financial markets, investment practices play a decisive role in determining profitability (Alhassan & Fiador, 2022; Yakubu & Abubakar, 2024). Poor investment strategies expose insurers to market shocks and impair their ability to deliver shareholder value, while prudent strategies enhance capital growth, protect against inflationary pressures, and align with regulatory solvency requirements. Therefore, assessing the nexus between investment practices and ROE is fundamental to understanding how risk management translates into shareholder wealth maximisation in Nigeria's non-life insurance sector.

The study also contributes to broader debates on the strategic relevance of risk management in emerging markets. While developed economies have institutionalised sophisticated frameworks such as enterprise risk management (ERM), many African markets continue to rely on fragmented, reactive approaches (Anyanwu & Onyekwena, 2020; Kanu & Okoro, 2021). This gap not only limits insurers' competitiveness but also exposes them to compounded risks in periods of macroeconomic instability or regulatory reform. Thus, the findings of this study will

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provide actionable insights for policymakers, regulators, and practitioners seeking to strengthen Nigeria's insurance industry as a vehicle for economic transformation and resilience. By focusing on the dual dimensions of ROA and ROE, this study provides an empirical pathway to evaluating how effective risk management can shape the financial outcomes of insurers. the research underscores the proposition that the survival and competitiveness of Nigeria's insurance sector rest on its capacity to transform risk into opportunities for sustainable growth.

LITERATURE REVIEW

Risk management in insurance is underpinned by several complementary theoretical lenses that explain why and how risk governance should affect firm value and observable financial outcomes. Agency theory explains firms' incentives to adopt formal risk governance, such as boards, risk committees, and Chief Risk Officers (CROs), as mechanisms to reduce managerial opportunism and information asymmetry, which in turn can lower the firm's cost of capital and improve performance metrics such as ROA and ROE (& AlGhnaimat, 2021; Florio & Leoni, 2017; Jurdi). Resource-based and capability theories add that risk management is a strategic capability: when embedded as an organisational capability (ERM, underwriting discipline, actuarial analytics, investment governance), it can create competitive advantage through more efficient use of capital and better risk-adjusted returns (Yang et al., 2018; Widianto et al., 2024). Finally, contingency theory posits that the value of risk management is context dependent: the benefits of ERM and specific practices (underwriting, claims, investment, reinsurance) vary with firm size, market structure, regulatory regime and macroeconomic environment (González, Durán Santomil & Tamayo Herrera, 2020; Horvey et al., 2024).

In the insurance literature the concept "risk management" spans multiple layers. At the operational level, actuarial and underwriting practices are core actuarial risk management activities. At the financial level, investment governance and asset-liability management (ALM) determine how premium and reserve funds are invested and hedged. At the enterprise level, ERM (as defined by COSO and applied in practice) integrates identification, assessment, appetite setting and monitoring across these silos (Jurdi & AlGhnaimat, 2021; Widianto et al., 2024). Empirical studies show this layered view matters: some studies report direct links between ERM adoption and lower firm risk (reduced volatility) and, in many contexts, improved market valuations; other studies find that specific actuarial or underwriting practices more clearly predict short-term accounting measures like ROA (Florio & Leoni, 2017; Jurdi & AlGhnaimat, 2021; Widianto et al., 2024).

A growing body of empirical work have examined whether better risk governance translates into superior financial performance for insurers; results are

nuanced but instructive. Florio and Leoni's (2017) study of Italian listed firms reported that firms with more advanced ERM implementations tend to show superior financial and market performance, supporting the idea that ERM can be value-creating when integrated with strategy. Jurdi and AlGhnaimat (2021), using a 24-year panel of European publicly listed insurers, find that ERM adopters experienced significant risk reductions (total and idiosyncratic) and evidence of ERM premiums. Complementary research for Spain (González et al., 2020) highlights that ERM's effect on accounting performance can be mixed and depends on measurement choices and firm characteristics. More recent work in South Africa shows ERM can improve insurer performance particularly when moderated by good corporate governance (Horvey et al., 2024). These cross-jurisdictional studies indicate a pattern: ERM tends to reduce measured firm risk consistently, and performance effects (ROA/ROE/market value) are positive but conditional on implementation quality, governance and firm context.

During the COVID-19 pandemic and related shocks, several studies pointed to the role of actuarial risk management and innovation. Widianto et al. (2024) show actuarial practices do not always translate directly into higher accounting profits but can enable e-service innovation that ultimately mediates the link to firm performance. Other sectoral studies (Europe, UK, Indonesia) reach similar conclusions: underwriting discipline and claims control underpin long-term solvency, while investment governance determines shareholder returns, thus both operational and financial risk management matter but through different channels (Widianto et al., 2024; Jurdi & AlGhnaimat, 2021).

Evidence from comparable emerging markets and Africa; relevance for Nigeria Regionally, empirical studies from emerging markets and Africa largely corroborate the broad international findings while emphasizing contextual constraints. Studies in Kenya and other African markets report statistically significant positive relationships between risk management practices and insurer performance, while also identifying liquidity, underwriting and credit risk as important determinants (Kiptoo et al., 2021). In South Africa and selected West African samples, ERM and committee attributes (board, risk committee structure) are shown to moderate the ERM–performance link (Horvey et al., 2024). These results are particularly salient for Nigeria: regulatory heterogeneity, low insurance penetration, legacy systems and capital constraints mean that the quality (not merely presence) of ERM, the technical depth of actuarial functions and investment governance matter more for measurable performance outcomes (Kiptoo et al., 2021; Horvey et al., 2024).

The Nigerian empirical literature is growing but heterogeneous in methods and outlets; results are mixed partly because of differences in variable measurement

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and sample coverage. Several Nigeria-focused studies document that factors such as claims management efficiency, investment returns, liquidity and governance correlate with ROA/ROE, but findings on the direct impact of ERM adoption are inconclusive, often because ERM is measured by proxies (presence of committee, CRO) rather than implementation quality (detailed risk processes, analytics capability). These mixed results suggest a research need: rigorous, firm-level studies that combine quantitative performance measures (ROA, ROE, solvency ratios) with structured ERM-quality indices and controls for market and macroeconomic conditions would provide clearer evidence for Nigerian non-life insurers.

Hypotheses Development

The first hypothesis (HO1) investigates the effect of risk management practices on the Return on Assets (ROA) of non-life insurance companies in Nigeria. Risk management, encompassing underwriting discipline, claims monitoring, reinsurance management, and enterprise risk management (ERM), plays a pivotal role in mitigating operational and financial uncertainties that can erode firm assets (Florio & Leoni, 2017; Jurdi & AlGhnaimat, 2021). Empirical studies indicate that insurers with robust risk management frameworks can preserve asset value, optimize resource utilisation, and achieve greater operational efficiency, ultimately reflecting in higher ROA (González et al., 2020; Widianto et al., 2024). In emerging markets, including Nigeria, where insurers face regulatory heterogeneity, market volatility, and low penetration, the adoption of structured risk management practices has been positively associated with improved accounting-based performance measures (Kiptoo et al., 2021; Horvey et al., 2024). The theoretical underpinning from agency and resource-based perspectives suggests that risk management reduces information asymmetry, enhances decision-making, and fosters sustainable asset growth, providing a rationale for testing the relationship between risk management practices and ROA in Nigerian non-life insurers. Hence, the first hypothesis is formulated as: *HO1: Risk management practices have no significant effect on the Return on Assets of non-life insurance companies in Nigeria.*

The second hypothesis (HO2) examines the influence of investment practices on the Return on Equity (ROE) of non-life insurance companies. Investment practices, including portfolio diversification, asset-liability management, and prudent capital allocation, determine how efficiently insurers transform premiums into investment income and shareholder returns (Alhassan & Fiador, 2022; Yakubu & Abubakar, 2024). Empirical evidence demonstrates that insurers that implement disciplined investment strategies achieve superior ROE by mitigating market, liquidity, and credit risks while enhancing profitability (Ariff et al., 2016; Florio & Leoni, 2017; Jurdi & AlGhnaimat, 2021). In the context of emerging economies such as Nigeria, the quality of investment governance is crucial due to fluctuating market conditions, high volatility, and regulatory constraints (Okonkwo & Eze, 2020; Ajayi, 2023). The resource-based view posits that effective investment practices constitute

a strategic capability that enables firms to enhance shareholder value, while poor investment strategies can jeopardize equity returns and financial sustainability. Based on these considerations, the second hypothesis is stated as: *HO2: Investment practices have no significant influence on the Return on Equity of non-life insurance companies in Nigeria.*

METHODOLOGY

This study investigates the relationship between risk management practices and the financial performance of non-life insurance companies in Nigeria. The methodology is designed to provide a rigorous analytical framework for examining how risk management and investment practices influence accounting-based performance measures, including Return on Assets (ROA) and Return on Equity (ROE). The section is structured into three main components: data and sample selection, empirical models with sensitivity analyses, and estimation methods including robustness checks.

The study employs secondary data sourced from the published annual financial statements of non-life insurance companies operating in Nigeria. The population comprises all registered non-life insurance firms, totaling 31 companies, according to the National Insurance Commission (NAICOM, 2024). A convenience sampling technique was employed to select ten firms (approximately 32% of the population) for which comprehensive financial data over a 10-year period (2009–2022) were available. This approach ensures data reliability while allowing for sufficient temporal coverage to assess both short-term and long-term impacts of risk management practices on financial performance (Florio & Leoni, 2017; Horvey et al., 2024).

The selected firms include Consolidated Hallmark Insurance Plc, Custodian & Allied Insurance Limited, Mutual Benefit Assurance Plc, Nem Insurance Plc, and Zenith General Insurance Company Ltd. The dataset consists of annual measures of ROA, ROE, underwriting and investment practices as proxies for risk management, alongside relevant control variables such as firm size and leverage. Using secondary data is consistent with previous studies on insurance performance and risk management (Kiptoo et al., 2021; Widianto et al., 2024).

The study adopts a panel data framework to capture both cross-sectional (firms) and time-series (annual) variations in the relationship between risk management practices and financial performance. The baseline empirical model is expressed as follows:

$$\mathrm{ROA}_{it} = \alpha_0 + \alpha_1 \mathrm{RMGT}_{it-1} + \alpha_2 \mathrm{INPR}_{it-1} + \varepsilon_{it} \quad (1)$$

$$\mathrm{ROE}_{it} = \beta_0 + \beta_1 \mathrm{RMGT}_{it-1} + \beta_2 \mathrm{INPR}_{it-1} + \mu_{it} \quad (2)$$

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Where ROA_{it} and ROE_{it} denote the financial performance of firm i at time t; $RMGT_{it}$ is the risk management practice proxy; $INPR_{it}$ represents investment practices; and ε_{it} and μ_{it} are error terms. The study employs panel least squares regression as the primary estimation technique. Panel data is preferred because it captures both temporal and cross-sectional heterogeneity, improves estimation efficiency, and controls for unobserved firm-specific effects (Baltagi, 2013; Wooldridge, 2015). The choice between fixed effects (FE) and random effects (RE) models was guided by the Hausman specification test, which determines whether unobserved effects are correlated with regressors (Gujarati & Porter, 2020).

Robustness of the models is further assessed by testing for heteroscedasticity, autocorrelation, and multicollinearity. The White test is used for heteroscedasticity, while the Durbin-Watson statistic and Breusch-Godfrey test assess autocorrelation. Variance inflation factors (VIF) are computed to check for multicollinearity (Gujarati & Porter, 2020; Wooldridge, 2015). The final estimation model can therefore be summarized as:

Table 1: Variable Definitions and Data Sources

Variable	Definition	Measurement	Data Source
ROA	Return on Assets	Net Income / Total Assets	Company Financial Statements
ROE	Return on Equity	Net Income / Shareholder Equity	Company Financial Statements
RMGT	Risk Management Practices	Composite index of underwriting discipline, claims management, reinsurance adequacy	Annual Reports; NAICOM
INPR	Investment Practices	Ratio of investment income to total assets	Annual Reports; NAICOM

RESULTS

The descriptive statistics presented in Table 2 offer a comprehensive overview of the central tendencies and dispersions of key financial variables within Nigerian insurance firms. The mean Return on Equity (ROE) stands at 0.078, suggesting a modest average profitability relative to shareholders' equity. However, the substantial standard deviation of 1.420 indicates considerable variability in profitability across the sample. The skewness of 5.825 and kurtosis of 56.088 imply a highly positively skewed distribution with heavy tails, suggesting the presence of extreme values or outliers in the ROE data. Similarly, the mean Return on Assets (ROA) is -0.049, reflecting an average negative return on assets, which may raise concerns about asset utilization efficiency. The negative skewness (-2.062) and kurtosis (7.421) suggest a distribution with a longer left tail, potentially indicating instances of low or negative returns that could impact the overall financial health of the insurance companies. Risk Management (RMGT), with a mean of 0.557, shows

a positive average value, suggesting that, on average, insurance companies have a moderate level of risk management practices in place. The high standard deviation (1.660) and skewness (7.273) indicate considerable variation and a right-skewed distribution, possibly due to a few companies with exceptionally high risk management scores. Investment Practices (INPR) exhibit a mean of 0.272, indicating a moderate level of investment activity. The standard deviation of 0.186 and skewness of 0.437 suggest a relatively symmetric distribution with less variability compared to RM, implying more consistent investment behaviors across the sample.

Table 2: Descriptive Statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis
ROE	0.078	0.067	12.229	-4.281	1.420	5.825	56.088
ROA	-0.049	0.017	0.411	-0.748	0.194	-2.062	7.421
RMGT	0.557	0.232	15.007	0.000	1.660	7.273	60.422
INPR	0.272	0.245	0.810	0.005	0.186	0.437	2.660

Source: Author (2024)

The unit root test results in Table 3 are crucial for determining the stationarity of the data, which is a prerequisite for reliable econometric modeling. All variables are stationary at level (I(0)), as indicated by the significant p-values (all 0.000). This stationarity suggests that the variables do not exhibit unit roots and are suitable for further analysis without the need for differencing, ensuring the validity of subsequent regression models. These findings align with previous studies that have emphasized the importance of stationarity in time series data for accurate econometric analysis (Ayeni, 2022; Nwokoye et al., 2015).

Table 3: Unit Root Test Results

Variable	Test Order	Critical Value	P-value	Order of Integration
ROE	Level	-12.167	0.000	I(0)
ROA	Level	-51.400	0.000	I(0)
RMGT	Level	-48.348	0.000	I(0)
INPR	Level	-6.449	0.000	I(0)

Source: Author (2024)

The correlation matrix in Table 4 provides insights into the linear relationships between the variables. ROE and ROA exhibit a positive correlation of 0.070, suggesting a slight tendency for companies with higher equity returns to also have higher asset returns. RMGT and ROA show a negative correlation of -0.193, implying that stronger risk management practices may be associated with lower asset returns, possibly due to conservative investment strategies. RMGT and IP have a positive correlation of 0.246, indicating that companies with more robust risk management practices tend to engage in more active investment activities. Conversely, INPR and ROA exhibit a negative correlation of -0.267, suggesting that higher investment activities may be linked to lower asset returns, potentially due to the risks associated with aggressive investment strategies. These correlations are consistent with findings from previous research that have explored the complex

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relationships between risk management, investment practices, and financial performance in the Nigerian insurance sector (Ogundele, 2025; Mutua et al., 2023).

Table 4: Correlation Matrix

	ROE	ROA	RMGT	INPR
ROE	1.000			
ROA	0.070	1.000		
RMGT	0.018	-0.193	1.000	
INPR	-0.009	-0.266	0.246	1.000

Source: Author (2024)

The panel regression results in Table 5 examine the impact of RMGT and INPR on ROA. The coefficient for RMGT is -0.016 with a p-value of 0.178, indicating that risk management practices do not have a statistically significant effect on ROA at the 5% significance level. This finding suggests that, within the context of this study, risk management practices may not directly influence asset returns. In contrast, the coefficient for INPR is -0.242 with a p-value of 0.022, signifying a statistically significant negative relationship between investment practices and ROA. This suggests that more aggressive investment strategies may lead to lower returns on assets, possibly due to increased exposure to market volatility and associated risks. These results are in line with previous studies that have highlighted the complex dynamics between investment decisions and financial performance in the Nigerian insurance industry (Aseinimieyeofori, 2022; Ogundele, 2025).

Table 5: Panel Regression – Dependent Variable ROA

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RMGT	-0.016	0.012	-1.357	0.178
INPR	-0.242	0.104	-2.322	0.022
C	0.026	0.033	0.770	0.443
R-squared	0.088			
F-statistic	4.673			0.012

Source: Author (2024)

Table 6 presents the panel regression results with ROE as the dependent variable. The coefficient for RMGT is 0.019 with a p-value of 0.836, indicating no significant impact of risk management practices on ROE. Similarly, the coefficient for INPR is -0.113 with a p-value of 0.888, suggesting that investment practices do not significantly affect ROE. These findings imply that, in this study, neither risk management nor investment practices have a substantial direct effect on return on equity. These results contrast with some earlier studies that have found significant relationships between these variables and financial performance indicators (Ogundele, 2025; Mutua et al., 2023).

In conclusion, the analysis of the descriptive statistics, unit root tests, correlation matrix, and panel regression results provides a comprehensive understanding of the relationships between risk management practices, investment

strategies, and financial performance in Nigerian insurance companies. While risk management practices do not exhibit a significant direct impact on financial performance indicators like ROA and ROE, investment practices, particularly aggressive investment strategies, are associated with lower asset returns. These insights underscore the importance of balanced investment approaches in enhancing the financial performance of insurance companies. Further research could explore the long-term effects of these practices and consider additional variables such as market conditions and regulatory changes to provide a more nuanced understanding of their impact.

Table 6: Panel Regression – Dependent Variable ROE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RMGT	0.019	0.090	0.208	0.836
INPR	-0.113	0.801	-0.141	0.888
C	0.098	0.255	0.383	0.702
R-squared	0.001			
F-statistic	0.026			0.974

Source: Author (2024)

Evaluation of the Hypotheses

The evaluation of the hypotheses concerning the impact of risk management and investment practices on the financial performance of Nigerian insurance companies reveals nuanced insights that align with theoretical frameworks and recent empirical findings. The first hypothesis posited that RMGT positively influences financial performance, as measured by Return on Assets (ROA) and Return on Equity (ROE). However, the regression analyses presented in Tables 5 and 6 indicate that RMGT does not exhibit a statistically significant effect on either ROA or ROE. This outcome contrasts with the expectations grounded in the Enterprise Risk Management (ERM) theory, which asserts that comprehensive risk management practices enhance organizational performance by identifying, assessing, and mitigating risks (Mikes & Kaplan, 2015).

The lack of significant findings in this study may be attributed to the specific context of Nigerian insurance companies, where other factors such as regulatory challenges and market dynamics might overshadow the impact of RMGT practices. Supporting this, a study by Adegoke (2025) found that risk management committee attributes significantly influence the financial performance of listed financial service firms in Nigeria, suggesting that the effectiveness of RMGT practices may vary across different organizational contexts.

The second hypothesis suggested that INPR positively affects financial performance. Contrary to this expectation, the regression results indicate a significant negative relationship between INPR and ROA, suggesting that higher

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levels of investment activities may lead to lower returns on assets. This finding aligns with the pecking order theory, which posits that firms prioritize internal financing over external financing, and excessive investment, particularly in high-risk ventures, can adversely affect financial performance (Myers & Majluf, 1984). Further empirical support is provided by a study conducted by Iwuoha (2021), which found that claims management practices significantly impact the profitability of life insurance companies in Nigeria, highlighting the importance of prudent investment and claims management in enhancing financial performance.

Policy Implications

The findings of this study carry significant policy implications for the Nigerian insurance industry, particularly regarding the integration of risk management and investment practices (IP) into corporate governance frameworks and regulatory oversight. The absence of a statistically significant impact of RMGT on financial performance suggests that while risk management is theoretically crucial for organizational resilience, its practical effectiveness may be constrained by institutional and market factors. Regulators, such as the National Insurance Commission (NAICOM), could mandate the adoption of standardized Enterprise Risk Management (ERM) frameworks and require regular reporting on risk metrics to enhance transparency and accountability (Adegoke, 2025; Mutua et al., 2023). Strengthening regulatory oversight may ensure that risk management practices are not only documented but actively embedded into operational decision-making, thus potentially improving asset utilization and long-term stability.

The significant negative relationship observed between investment practices and Return on Assets (ROA) underscores the importance of prudent investment strategies. Policymakers should encourage insurance companies to adopt investment guidelines that balance risk and return while discouraging overly aggressive or speculative investments that could threaten solvency (Iwuoha, 2021; Aseinimieyeofori, 2022). For instance, establishing sector-specific capital adequacy and investment diversification requirements could mitigate the financial volatility arising from risky investment decisions. Such measures are consistent with the pecking order and risk-return trade-off theories, which emphasize that excessive risk-taking can erode firm value and destabilize financial systems (Myers & Majluf, 1984; Ogundele, 2025).

From an economic standpoint, improving risk management and investment practices in non-life insurance firms has broader implications for market stability and resource allocation in Nigeria. Efficient risk management can reduce systemic vulnerabilities by ensuring that insurance companies maintain sufficient reserves to cover claims, thus fostering confidence among policyholders and investors. Moreover, prudent investment policies can direct financial resources into

productive sectors of the economy, enhancing capital formation and supporting economic growth (Ayeni, 2022; Mutua et al., 2023). This aligns with the broader developmental objective of the financial sector as a facilitator of economic stability and sustainable growth.

Furthermore, the findings highlight the need for continuous capacity building within insurance firms. Policymakers should incentivize training programs focused on advanced risk assessment, actuarial analysis, and investment management techniques. By equipping managers with the knowledge and skills to implement effective RMGT and INPR strategies, insurance companies can achieve a more direct and positive impact on financial performance, in line with contemporary risk governance standards (Adegoke, 2025; Ogundele, 2025). Finally, these results suggest the potential benefit of integrating technology-driven risk analytics and investment monitoring systems. Policymakers could encourage the adoption of data-driven platforms that allow real-time tracking of risks and investment exposures, thus enhancing decision-making accuracy and responsiveness (Ayeni, 2022; Iwuoha, 2021). Such measures not only improve internal governance but also strengthen the overall resilience of the Nigerian insurance sector against economic shocks, market volatility, and unforeseen contingencies.

CONCLUSION

This study provides valuable insights into the financial performance dynamics of Nigerian insurance companies, particularly concerning the roles of risk management (RMGT) and investment practices (INPR). The empirical findings reveal that while RM and IP are theoretically crucial for enhancing financial performance, their actual impact appears to be more complex and context-dependent. The lack of significant findings for RMGT suggests that its effectiveness may be influenced by factors such as regulatory constraints, market volatility, and institutional challenges unique to the Nigerian insurance sector. Similarly, the negative relationship between INPR and Return on Assets (ROA) underscores the importance of prudent investment strategies and effective claims management in safeguarding financial performance.

In light of these findings, several policy recommendations emerge. First, regulators like the National Insurance Commission (NAICOM) should consider mandating the adoption of standardized Enterprise Risk Management (ERM) frameworks and require regular reporting on risk metrics to enhance transparency and accountability. Such measures could ensure that risk management practices are not only documented but actively embedded into operational decision-making, potentially improving asset utilization and long-term stability. Second, policymakers should encourage insurance companies to adopt investment

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guidelines that balance risk and return while discouraging overly aggressive or speculative investments that could threaten solvency. Establishing sector-specific capital adequacy and investment diversification requirements could mitigate the financial volatility arising from risky investment decisions.

From an economic standpoint, improving RMGT and INPR in non-life insurance firms has broader implications for market stability and resource allocation in Nigeria. Efficient RMGT can reduce systemic vulnerabilities by ensuring that insurance companies maintain sufficient reserves to cover claims, thus fostering confidence among policyholders and investors. Moreover, prudent investment policies can direct financial resources into productive sectors of the economy, enhancing capital formation and supporting economic growth. These insights contribute to the ongoing discourse on the determinants of financial performance in emerging markets and underscore the need for context-specific strategies in risk and investment management.

Furthermore, the findings highlight the need for continuous capacity building within insurance firms. Policymakers should incentivize training programs focused on advanced risk assessment, actuarial analysis, and investment management techniques. Equipping managers with the knowledge and skills to implement effective RMGT and INPR strategies can lead to a more direct and positive impact on financial performance, aligning with contemporary risk governance standards. Finally, integrating technology-driven risk analytics and investment monitoring systems could enhance decision-making accuracy and responsiveness. Encouraging the adoption of data-driven platforms that allow real-time tracking of risks and investment exposures can improve internal governance and strengthen the overall resilience of the Nigerian insurance sector against economic shocks, market volatility, and unforeseen contingencies.

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