

DO ENTERPRISE RISK MANAGEMENT AND GOOD CORPORATE GOVERNANCE AFFECT THE PERFORMANCE OF INSURANCE COMPANIES IN ASEAN-5 COUNTRIES?

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ABSTRACT

This study aims to analyze the influence of Enterprise Risk Management (ERM) and Good Corporate Governance (GCG) on the performance and profitability of companies among 30 insurance companies in the ASEAN-5 countries during the period of 2018-2022. The Panel Data Regression method is utilized to analyze data obtained from financial reports and corporate sustainability reports. The results of the analysis indicate that the simultaneous implementation of ERM and GCG does not have a significant positive influence on the financial performance of insurance companies, measured by indicators such as Return on Assets (ROA), Return on Equity (ROE), Loss Ratio, Combine Ratio, and Tobins Q. It is noteworthy that some individual parameters show a positive influence on company performance. This suggests that ERM and GCG play a crucial role in enhancing performance and profitability in the context of insurance companies in the ASEAN region during the research period.

KEYWORDS ERM, Governance, Company Performance, Firm Value, Profitability, Public Company, Insurance Company.



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INTRODUCTION

Increasing global connectedness and changes in the business environment have encouraged public insurance companies to focus more on holistic risk management. Enterprise Risk Management (ERM) has become an important foundation in helping companies identify, assess, and manage emerging risks, both from internal and external sources (Malik et al., 2020). Furthermore, attention to aspects of Good Corporate Governance is increasing along with the response to demands and regulations of society, as well as efforts to create long-term corporate value (Shakri, Yong, Xiang, 2022). The failure to pay claims experienced by several

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life insurance companies, especially in Indonesia, is an example of ineffective corporate governance and incomplete risk management implementation.

Enterprise Risk Management (ERM) has become an important foundation in helping companies to identify, assess and manage emerging risks, both from internal and external sources. Attention to aspects of Enterprise Risk Management is increasing in response to the demands of society at large and the fulfillment of regulatory compliance, as well as efforts to create long-term corporate value. A comprehensive risk management approach can help organizations deliver better performance, based on an analysis of international literature on ERM (Hanggraeni, 2014). It is believed that the implementation and advancement of ERM systems will lower the direct and indirect costs of financial distress, earnings volatility, and unfavorable surprises in financial markets. Businesses that have progressed in ERM implementation perform better in terms of financial performance and market assessment. Further testing supports the hypothesis that a good ERM system reduces risk exposure and improves performance, indicating that there is no short-term deterioration between ERM and performance (Florio & Leoni, 2017) (Malik et al., 2020). ERM implementation also helps insurance companies manage risks more effectively, comprehensively, and collectively by promoting and optimizing the choice of hedging instruments. This reduces stock return volatility and increases operating profit per unit of risk as indicated by ROA against the ratio of return volatility, cost of capital, and firm value. (Bohnert, Gatzert, Hoyt, & Lechner, 2019; Eckles, Hoyt, & Miller, 2014).

Conversely, insurers that have adopted ERM experience a decrease in solvency which may make them more financially vulnerable in the event of unforeseen shocks. The study also found that firm-specific attributes such as leverage, ROA, Combine Ratio, and business type significantly increase the solvency of EU insurers, but firm size and age have little effect. Insurance companies that have implemented ERM tend to be larger and more diversified companies with better performance and leverage. Finally, market demand plays an important role in ERM implementation and insurance solvency (Nguyen & Vo, 2020). The challenge of interpreting the relationship between ERM and firm performance as a direct relationship or solely as a result of risk reduction is one of the factors contributing to the lack of empirical data. Other studies have found that the level of performance or financial stability does not increase with the use of standards such as COSO II or ISO 31000. (Otero González et al., 2020).

In the aftermath of the global financial crisis, scholars often suggest that deficiencies in financial governance procedures of institutions were partly responsible for the severity of the crisis. (Beltratti & Stulz, 2012; Diamond & Rajan, 2009; Liu et al., 2023; Basel Committee on Banking Supervision, 2010; Wang et al., 2022). Therefore, measuring corporate governance (CG) is critical to the field of study, and researchers use specific determinants or create indices to broadly assess business governance. Then, for real-world use, CG metrics are examined to identify the governance components that have the greatest impact on business value or profitability. (Shakri et al., 2022). Some studies focus on internal and external governance systems to determine whether corporate governance increases or decreases systemic risk. However, in another study based on a sample of listed

Chinese banks, the empirical analysis found an insignificant negative correlation between the percentage of female directors as part of governance and systemic risk. (Lee et al., 2023).

This study contributes to the existing literature by providing empirical evidence on the effect of Enterprise Risk Management (ERM) on firm performance and profitability in the context of insurance companies in the ASEAN region. It adds to the understanding of how effective risk management practices can improve firm performance and value. This study also investigates the effect of Good Corporate Governance (GCG) on firm performance and firm value in insurance companies. While the findings suggest that GCG may not have a significant impact on these aspects during the study period, it highlights the importance of further exploring the role of governance mechanisms in the insurance industry. Overall, this study makes a significant contribution to the theoretical understanding and practical implications of risk management and governance practices in the insurance sector, thus informing policy makers, practitioners, and researchers in improving firm performance and value.

By using Eviews software version 12 with panel data regression method, the relationship between independent and dependent variables is analyzed. This study emphasizes the analysis of the influence of the two main independent variables, namely ERM and GCG on the dependent variable in the form of Firm Performance (Value and Profitability) in Public Insurance Companies from 5 ASEAN countries, namely Indonesia listed on the Stock Exchange according to the IDX website, Malaysia, Singapore, Thailand, and the Philippines between 2018 - 2022. Meanwhile, previous studies only analyzed one specific variable related to ERM or GCG separately for general companies both in Indonesia and abroad, and no one specifically analyzed the effect of these variables on Insurance Companies. Based on the points described above, this study aims to determine the effect of ERM and GCG on Company Performance and Company Value in insurance companies.

Literature Review

According to agency theory, the appointment of independent outside directors is an important board task to achieve the goal of shareholder value. The concept of agency theory explains the relationship between the owner of capital (principal) and the executor (agent). This theory was first introduced by Jensen and Meckling in 1976 who defined an agency relationship as a contract between one party (the principal) and another party (the agent) to perform work on behalf of the principal. Agency theory is a framework that examines the relationship between principals (shareholders) and agents (managers) in the company. Based on agency theory, it is assumed that managers may act in their own interests rather than in the best interests of the shareholders. This can lead to misalignment of objectives between the two parties. To mitigate this risk, corporate risk management plays an important role in aligning the interests of managers with those of shareholders. Good corporate governance will run smoothly if all members of the organization contribute to improving the quality of the company. (Amrie Firmansyah, 2021)

A well-governed company is essential to ensure that managers act in the best interests of shareholders. Therefore, the implementation of effective governance

mechanisms, such as independent board oversight and transparency of corporate reporting, can reduce agency costs and improve overall risk management practices. (Pande & Ansari, 2014). Enterprise Risk Management (ERM) is a holistic approach to managing the risks faced by an organization, including financial, operational, strategic, and reputational risks. ERM aims to ensure that the organization can achieve its goals by managing risks effectively and efficiently. (Quon et al., 2012). Based on other research, it is stated that for regulators and insurance life in Taiwan, studying the relationship between investment risk, underwriting risk, and capital is very important because risk management in the insurance industry has become a very important factor. (Hu & Yu, 2014).

Effective corporate risk management and good corporate governance are important factors that can realize this has a significant impact on the performance and value of insurance companies. (Alqudah et al., 2020) (Ramli, 2019). Research has shown that effective corporate risk management practices can have a positive impact on various insurance company performance indicators, such as return on assets, return on equity, loss ratio, and combine ratio (Bohnert et al., 2018). The implementation of good corporate governance plays an important role in shaping the overall performance and value of the company. These practices help align managerial risk-taking behavior with the strategic direction of the company, leading to improved company performance. (Bohnert et al., 2018).

Strong corporate governance ensures the protection of minority shareholders' interests and helps maintain transparency and accountability within the organization. This increases stakeholder and investor confidence, which in turn increases the value of the company as measured by Tobin's Q. By integrating risk management efforts and implementing good corporate governance practices, insurance companies can improve their financial performance, mitigate risks effectively, and increase overall firm value (Vittal, 1998). Utilizing company performance to describe the results of publicly listed insurance companies in Indonesia in managing company assets. ERM is positively correlated with company development. Effective ERM implementation can create financial conditions, operational and strategic performance. (Gordon, Loeb, and Tseng 2009).

These findings highlight the importance of implementing effective enterprise risk management and good corporate governance practices for insurance companies to achieve better performance and increase firm value. (Ghazali, 2020). Implementing ERM and GCG can significantly improve the performance and value of insurance companies. By integrating risk management efforts and good implementation of corporate governance practices, insurance companies can improve their financial performance, mitigate risks effectively, and increase overall company value as measured by metrics such as return on assets, return on equity, loss ratio, combined ratio, and Tobin's Q. Based on these studies, there are several insurance companies' financial performance. Based on these studies, the following are some hypotheses related to ERM:

H1.1 : There is a Positive Effect of ERM (Enterprise Risk Management) on Profitability (ROA, ROE) of Public Insurance Companies

H1.2 : There is a Positive Effect of ERM (Enterprise Risk Management) on the

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Value (Tobin's Q) of Public Insurance Companies

H1.3 : There is a Positive Effect of ERM (Enterprise Risk Management) on Loss Ratio & Combine Ratio of Public Insurance Companies

Good Corporate Governance (GCG) is a system directed at ensuring the controlled operation of a company in a transparent, accountable, responsive, and fair manner (Peng et al., 2021). GCG aims to protect the interests of all company stakeholders, such as shareholders, employees, customers, suppliers, and society at large (Siddiqui et al., 2023). Corporate Governance provides a fundamental value framework for an organization's culture that ensures efficient corporate functioning based on strong ethical values and principles. According to a study by Badriyah et al, corporate governance indirectly affects firm performance through the presence of a risk management committee in Indonesia. In addition, research by Rashid et al (Ramli, 2019) shows that effective corporate governance plays a role in aligning the interests of minority shareholders in insurance companies (Vittal, 1998). In contrast, a study by Ghazali suggests that corporate governance variables may not be statistically significant in interpreting firm performance in Malaysia. Corporate governance runs smoothly when all organizations contribute to maintaining the quality and standards of the company (Amrie Firmansyah, 2021). These agents are tasked with executing decisions in generating fluctuating value. This results in a conflict of uncertainty in holding shares (company executives). Factors that affect agency problems are seen from the perspective of conflicts between different objectives of owners and agents, mismatches in making adverse decisions, incentives in the form of personal gain. The main focus of this agency theory is the relationship between the owner of capital and the executor, which results in different objectives. This stems from conflicting interests, incompatible decisions, and breaches of confidentiality. Based on this research, the following hypotheses are related to GCG:

H2 : Positive Effect of Governance in Increasing the Profitability of Insurance Companies (ROA, ROE), Loss Ratio, Combine Ratio and Tobin's Q.

All variables and their relationships are shown in the research framework below.

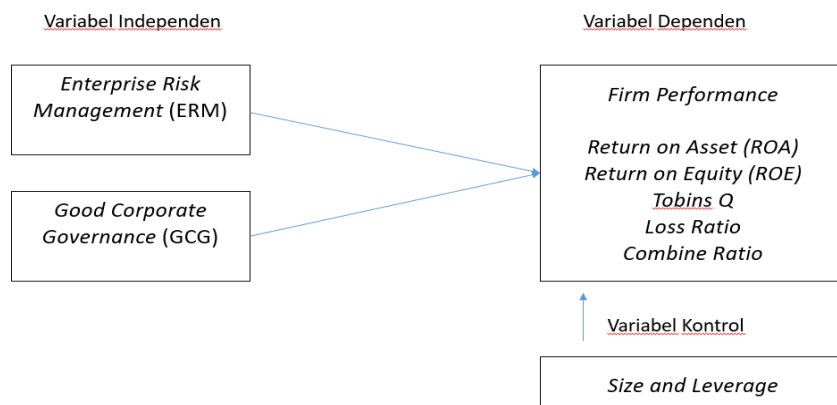


Figure 1: Research Framework Chart

RESEARCH METHOD

Sample Selection

For this study, we used the annual reports of publicly listed insurance companies from five Southeast Asian countries as the main data source. These reports are widely recognized as a comprehensive and reliable source of information on insurance companies, often used in research on insurance efficiency. We collected data over a five-year period, ranging from 2018 to 2022. Our sample consists of a total of 30 insurance companies, spread across the following countries: Indonesia (17 companies), Malaysia (6 companies), Singapore (3 companies), Thailand (3 companies), and the Philippines (1 company). It is important to note that this research relies on secondary data collection methods. Secondary data refers to information that has been previously collected and processed by other researchers and then published. With a total number of observations of 150.

To ensure data reliability and validity, we conducted data testing using Eviews version 12 software. This study uses panel data regression analysis, providing a rigorous methodological framework for analyzing the relationship between independent and dependent variables.

Empirical Model

To test the hypotheses, we use a panel data regression approach stratified by firm, while controlling for firm-specific factors. Our dependent variable, firm performance, is alternately proxied by accounting and market performance measures, following the methodology outlined by Baxter et al. (2013).

For accounting performance measures, we choose *return on assets* (ROA) and *return on Equity* (ROE) ratios, which are defined as operating income divided by total assets and equity. Meanwhile, for market performance measures, we choose Tobin's Q (Q) ratio, which is calculated as the market value of equity plus the book value of liabilities divided by the book value of assets (Gordon et al., 2009; Hoyt & Liebenberg, 2011; McShane et al., 2011). A higher Q indicates a more favorable assessment of the company by financial markets. Specifically for the performance of insurance companies we chose Loss Ratio and Combine Ratio, which are defined as the sum of losses and expenses divided by total premiums.

These performance measures offer different viewpoints in terms of the subject of valuation; ROA, ROE, *Loss Ratio* and *Combine Ratio* reflect company performance, while Q reflects financial market perceptions. In addition, they capture different time frames, with ROA, ROE, *Loss Ratio* and *Combine Ratio* representing historical performance and Q reflecting future investor expectations.

Based on the hypothesis, the research model can be formulated as follows:

- 1) $ROA = \alpha_0 + \alpha_1 AdvERMit + \alpha_2 BODSizeit + \alpha_3 BODInit + \alpha_4 zBODMeetit + \alpha_5 Sizeit + \alpha_6 Levit + \epsilon it \dots$
- 2) $ROE = \alpha_0 + \alpha_1 AdvERMit + \alpha_2 BODSizeit + \alpha_3 BODInit + \alpha_4 zBODMeetit + \alpha_5 Sizeit + \alpha_6 Levit + \epsilon it \dots$
- 3) $Loss\ Ratio = \alpha_0 + \alpha_1 AdvERMit + \alpha_2 BODSizeit + \alpha_3 BODInit + \alpha_5 Sizeit + \alpha_4 zBODMeetit + \alpha_6 Levit + \epsilon it \dots$

- 4) Combine Ratio = $\alpha_0 + \alpha_1 \text{AdvERMit} + \alpha_2 \text{BODSizeit} + \alpha_3 \text{BODInit} + \alpha_5 \text{Sizeit} + \alpha_4 \text{zBODMeetit} + \alpha_6 \text{Levit} + \epsilon_{it} \dots$
- 5) Tobin's Q = $\alpha_0 + \alpha_1 \text{AdvERMit} + \alpha_2 \text{BODSizeit} + \alpha_3 \text{BODInit} + \alpha_5 \text{Sizeit} + \alpha_4 \text{zBODMeetit} + \alpha_6 \text{Levit} + \epsilon_{it} \dots$

RESULT AND DISCUSSION

Descriptive Statistical Analysis

This research is focused on insurance companies that are publicly listed on the stock exchange for the insurance industry and have implemented ERM and GCG over a 5-year period (2018 - 2022). Observations from this study were taken from Publicly Listed Insurance Companies from 5 ASEAN Countries (Malaysia, Indonesia, Philippines, Thailand, and Singapore) from 2018 to 2022.

This analysis describes the average value (Mean), maximum value (Max), minimum value (Min), and standard deviation of each variable. The results of the descriptive statistical analysis are as follows:

Multicollinearity occurs when there is a high correlation between the

Variable	Mean	Maximum	Minimum	Std. Dev.
ADVERM	0.551020	1.000000	0.000000	0.499091
BODIND	0.294014	0.500000	0.170000	0.101945
BODMEET	2.863946	3.000000	2.000000	0.344018
BODSIZE	2.965986	3.000000	2.000000	0.181884
COMBINE_RATIO	0.984898	2.600000	0.440000	0.283864
COSO_ISO	0.693878	1.000000	0.000000	0.462457
CRO	0.061224	1.000000	0.000000	0.240561
LEVERAGE	0.614700	0.969447	0.049910	0.227791
LOSS_RATIO_BENE FIT_RATIO	0.596735	1.320000	0.140000	0.212781
RAMETHODE	0.897959	1.000000	0.000000	0.303737
RAFREQ	0.394558	1.000000	0.000000	0.490426
RISK_MATURITY	0.231293	1.000000	0.000000	0.423101
RISKCOM	0.965986	1.000000	0.000000	0.181884
ROA	2.240748	7.700000	-1.980.000	3.268417
ROE	5.531905	24.00000	-7.750.000	9.496974
SIZE	179.010.00 0.000	1.291.673.390. 000.000	66.704.562.9 25.480	215.123.746. 173.036
TOBIN_S_Q	1.100952	5.400000	0.200000	0.921490

independent variables. The presence or absence of multicollinearity can be identified through the Variance Inflation Factor (VIF). This test is used to determine whether the data is perfectly correlated between the independent variables. Multicollinearity analysis testing is using VIF analysis. The VIF value is said to not occur autocorrelation when it has a score of 1-10 From the test results no Multicollinearity was found. Furthermore, the heteroscedasticity test is carried out using Glejser analysis. If the significance value > 0.05, it can be stated that the data does not occur symptoms of heteroscedasticity. The data generated by Eviews 12

software produces the following results:

Classical assumption test results

<i>Multicollinearity Test</i>					
Variable	ROA	ROE	TOBIN'S Q	LOSS RATIO	COMBINE RATIO
	VIF	VIF	VIF	VIF	VIF
Adverm	3.660954	3.660954	3.622595	3.660954	3.660954
Cro	1.622066	1.622066	1.586750	1.622066	1.622066
Riskcom	1.445869	1.445869	1.453076	1.445869	1.445869
Rafreq	2.526286	2.526286	2.467381	2.526286	2.526286
Ramethode	2.045537	2.045537	2.042956	2.045537	2.045537
Coso_Iso	1.967686	1.967686	1.954066	1.967686	1.967686
Bodsize	1.512326	1.512326	1.512533	1.512326	1.512326
Bodmeet	1.284292	1.284292	1.288645	1.284292	1.284292
Size	1.463816	1.463816	1.470347	1.463816	1.463816
Leverage	1.290243	1.290243	1.311748	1.290243	1.290243
Bodind	1.469402	1.469402	1.490604	1.469402	1.469402
<i>Heteroskedasticity Test</i>					
	ROA	ROE	TOBIN'S Q	LOSS RATIO	COMBINE RATIO
Adverm	0.1279	0.1563	0.5306	0.5549	0.9592
Cro	0.1371	0.4737	0.4073	0.8662	0.7956
Riskcom	0.5246	0.1011	0.1304	0.1008	0.0637
Rafreq	0.2346	0.6183	0.943	0.8237	0.5641
Ramethode	0.2906	0.6132	0.3662	0.0284	0.5541
Coso_Iso	0.0896	0.2517	0.1455	0.4088	0.1178
Bodsize	0.1131	0.18	0.8311	0.0951	0.3897
Bodmeet	0.1109	0.2186	0.4392	0.8469	0.7555
Size	0.5524	0.5049	0.1759	0.326	0.2266
Leverage	0.5427	0.8279	0.0903	0.0536	0.9897
Bodind	0.1144	0.0521	0.2757	0.1142	0.601

Regression Estimation Results

Based on the results of panel data regression testing, 3 equations of the regression model are obtained for each dependent variable. The regressions obtained are Common Effect regression, Fixed Effect regression, and Random Effect regression.

The following are the results of the panel data regression analysis:

Panel regression results for ERM

Variable	ROA		ROE		TOBIN'S Q		LOSS RATIO		COMBINE RATIO	
	Coeff	p-value	Coeff	p-value	coeff	p-value	coeff	p-value	Coeff	P-value
<i>Independent Variable</i>										
Adverm	-0.633062	0.4270	-2.295223	0.2372	0.031042	0.9066	-0.078462	0.3974	-0.029163	0.8078
Cro	-0.071347	0.9504	0.517738	0.8401	-0.334936	0.3572	-0.115959	0.4757	-0.050470	0.7850
Riskcom	1.747235	0.2571	4.885223	0.1482	0.494732	0.2829	-0.117592	0.6033	0.009646	0.9695
Rafreq	-0.145714	0.8388	0.238102	0.8839	-0.198236	0.3729	0.009613	0.9217	0.012026	0.9160
Ramethode	2.755666	0.0013	8.638931	0.0004	0.548614	0.0945	0.078681	0.3629	0.100594	0.3965
Coso_Iso	0.837295	0.2227	1.963586	0.2030	0.264446	0.2085	0.064832	0.5091	-0.066098	0.5515
Bodsize	9.203302	0.0000	27.12977	0.0000	0.213761	0.6487	-0.240587	0.0047	-0.493276	0.0002
Bodmeet	-0.882421	0.2423	-1.793668	0.2853	-0.096258	0.6742	-0.001768	0.9870	0.139754	0.2542
Size	0.260246	0.0438	0.602116	0.0388	0.095954	0.0167	0.037931	0.0369	-0.013080	0.5264
Leverage	-3.847413	0.0002	-9.779771	0.0001	-1.262203	0.0004	-0.091361	0.4111	-0.142516	0.3356
Bodind	-0.237248	0.9306	2.588966	0.6672	-0.457503	0.5820	-0.229380	0.5630	-0.033240	0.9404
R-Squared (%)	0.678		0.615		0.257		0.196		0.185	
Sample Period	2019-2023									

Based on the results of hypothesis testing in the table, it can be seen that AdvERM on ROA and ROE shows a negative direction, with the correlation value of AdvERM on ROA and ROE > 0.05, indicating that AdvERM is not significant to ROA and ROE. These results indicate that Hypothesis H1.1 is not proven. The results of this analysis are in accordance with previous research conducted by Otero González, L., Durán Santomil, P., & Tamayo Herrera, A. (2020), which also found that ERM implementation has no relationship that can affect company performance.

AdvERM to Tobin's Q shows a positive direction, with a correlation value of AdvERM to Tobin's Q > 0.05, indicating that AdvERM is not significant to Tobin's Q. These results indicate that Hypothesis H1.2 is appropriate. These results are consistent with previous research by Jiyeon Yun, who found that ERM improves firm performance with insurance companies.

AdvERM to Loss Ratio and Combine Ratio shows a negative direction, with the correlation value of AdvERM to Loss Ratio and Combine Ratio > 0.05, indicating that AdvERM is not significant to Loss Ratio and Combine Ratio. These results indicate that Hypothesis H1.3 is not appropriate. These results are in line with previous research by Quon, T. K., Zeghal, D., & Maingot, M. (2012), which states that ERM has no significant effect on company business performance.

Based on the data studied, several factors affect the results obtained, including the companies studied did not clearly communicate the implementation of risk management in financial reports and other publicity documents such as sustainability reports. The implementation of risk management that is siloed and not comprehensive affects the company's performance.

Panel regression results for GCG

Variable	ROA		ROE		TOBIN'S Q		LOSS RATIO		COMBINE RATIO	
	Coeff	P-value	Coeff	P-value	coeff	P-value	coeff	P-value	Coeff	P-value
<i>Independent Variable</i>										
Adverm	-0.633062	0.4270	-2.295223	0.2372	0.031042	0.9066	-0.078462	0.3974	-0.029163	0.8078
Cro	-0.071347	0.9504	0.517738	0.8401	-0.334936	0.3572	-0.115959	0.4757	-0.050470	0.7850
Riskcom	1.747235	0.2571	4.885223	0.1482	0.494732	0.2829	-0.117592	0.6033	0.009646	0.9695
Rafreq	-0.145714	0.8388	0.238102	0.8839	-0.198236	0.3729	0.009613	0.9217	0.012026	0.9160
Ramethode	2.755666	0.0013	8.638931	0.0004	0.548614	0.0945	0.078681	0.3629	0.100594	0.3965
Coso_Iso	0.837295	0.2227	1.963586	0.2030	0.264446	0.2085	0.064832	0.5091	-0.066098	0.5515
Bodsize	9.203302	0.0000	27.12977	0.0000	0.213761	0.6487	-0.240587	0.0047	-0.493276	0.0002
Bodmeet	-0.882421	0.2423	-1.793668	0.2853	-0.096258	0.6742	-0.001768	0.9870	0.139754	0.2542
Size	0.260246	0.0438	0.602116	0.0388	0.095954	0.0167	0.037931	0.0369	-0.013080	0.5264
Leverage	-3.847413	0.0002	-9.779771	0.0001	-1.262203	0.0004	-0.091361	0.4111	-0.142516	0.3356
Bodind	-0.237248	0.9306	2.588966	0.6672	-0.457503	0.5820	-0.229380	0.5630	-0.033240	0.9404
R-Squared (%)	0.678		0.615		0.257		0.196		0.185	
Sample Period	2019-2023									

BODSize to ROA shows a positive direction, with a correlation value of BODSize to ROA <0.05 , indicating that BODSize is significant to ROA. These results are consistent with previous research by Wiendy Indriati, who found that the Board of Commissioners and audit committee have a positive impact on financial performance. These results indicate that the role of the BOD, in this case including the Board of Directors and the Board of Commissioners, especially in terms of *size* or number, has a significant positive effect on the company's financial performance in the form of ROA.

BODSize to ROE shows a positive direction, with a correlation value of BODSize to ROE <0.05 , indicating that BODSize is significant to ROE. These results are consistent with previous research by Searat Ali, Nazim Hussain, Jamshed Iqbal, which states that corporate governance is positively correlated with the risk of bankruptcy of financial institutions.

Based on the results of the above tests, it shows that the role of BOD, which in this case includes the Board of Directors and the Board of Commissioners, especially in terms of Size or the number of administrators, has a significant positive effect on the company's financial performance in the form of ROA and ROE.

BODInd to ROE shows a positive direction, with a correlation value of BODInd to ROE > 0.05 , indicating that BODInd is not significant to ROE. These results are consistent with previous research by Wiendy Indriati, who found that independent commissioners and audit committees have a positive impact on financial performance, while managerial ownership has a negative impact on financial performance.

BODSize on Tobin's Q shows a positive direction, with the correlation value of BODSize on Tobin's Q > 0.05 , indicating that BODSize is not significant to

Tobin's Q. These results are consistent with previous research by Faiza Siddiqui, Kong YuSheng, Kayhan Tajeddini, who found a positive relationship between governance and company performance.

BODMeet on Combine ratio shows a positive direction, these results are in accordance with previous research by Wiendy Indriati, who found that the independent board of commissioners and audit committee have a positive impact on financial performance. Meanwhile, BODMeet, BODInd on ROA shows a negative direction, with a correlation value > 0.05 , indicating that BODMeet and BODInd are not significant to ROA. These results are in line with previous research by Andrey Zagorchev, which states that better governance is negatively related to taking excessive risks and is related to the performance of US financial institutions.

BODMeet to ROE and BODMeet, BODInd to Tobin's Q show a negative direction, with a correlation value > 0.05 , indicating that BODMeet is not significant to ROE and BODMeet and BODInd are not significant to Tobin's Q. These results are in line with previous research by Andrey Zagorchev, which states that better governance is negatively related to excessive risk taking and positively related to the performance of US financial institutions. These results are in line with previous research by Andrey Zagorchev, which states that better governance is negatively related to taking excessive risks and positively related to the performance of US financial institutions.

BODSize, BODMeet and BOD Ind on Loss ratio show negative direction, while BODSize and BODInd on Combine Ratio show negative direction. These results are consistent with previous research by Putri Eka Setyaningrum and Fidiana, who found that managerial ownership does not affect firm value, while institutional ownership and independent board of commissioners have a positive impact on firm value.

Based on the analysis of each governance parameter above, it can be concluded that the implementation of governance partially has a positive impact on the financial performance of insurance companies. The size and composition of the BOD is proven to have a significant positive effect on ROA and ROE which can encourage an increase in the company's financial performance. Companies that have sufficient BOD size and composition can improve the company's financial performance.

CONCLUSION

This study analyzes the influence of Enterprise Risk Management (ERM) and Good Corporate Governance (GCG), aiming to determine the role of these two aspects in improving company performance to increase value and profitability in publicly listed insurance companies in 5 ASEAN countries, with measurements on ROA, ROE, Tobin's Q, Loss Ratio, and Combine Ratio specifically in the insurance industry.

This study utilizes independent variables such as Enterprise Risk Management, which consists of several variables including Risk Maturity, appointment of Chief Risk Officer (CRO), availability of Risk Committee, Frequency of Routine Risk Evaluation, Method of Risk Evaluation, and

implementation of COSO/ISO in enterprise risk management. Independent variables related to Good Corporate Governance include the size of the Board of Directors and the Board of Commissioners (BOD Size), the number of BOD and BOC meetings (BOD Meet), and the number of independent BOD and BOC members (BOD Ind).

Some test parameters show positive results where the analysis proves that insurance companies have implemented ERM and GCG mainly based on regulations and best practices determined by their regulators. Some test parameters show negative and insignificant results on the company's financial performance. This is more due to the limited information related to ERM and GCG implementation that is not openly communicated in company documents. Therefore, it is recommended for companies to ensure transparency in ERM and GCG implementation, which will provide more confidence in supporting company performance.

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