

The Effect of Corporate Governance on Financial Stability and Solvency Margin for Insurance Companies in Jordan

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Abstract : This study aimed at investigating the effect of well-designed corporate governance system on the financial stability of insurance companies listed in ASE. Further, this study provides a comprehensive model for evaluating and analyzing insurance companies' financial position and prospective for comparing the degree of corporate governance application provisions among Jordanian insurance companies. In order to achieve the goals of the study, a whole population that consist of (27) listed insurance companies was introduced through the variables of (board of director, audit committee, internal and external auditor, board and management ownership and block holder's identities). Statistical methods were used with alternative techniques by (SPSS); where descriptive statistical techniques such as means, standard deviations were used to describe the variables, while (F) test and ANOVA analysis of variance were used to test the hypotheses of the study. The study revealed the existence of significant effect of corporate governance variables except local companies that are not listed in ASE on financial stability within control variables especially debt ratio (leverage), where it's also showed that concentration in motor third party doesn't have significant effect on insurance companies' financial stability during study period. Moreover, the study concludes that Global financial crisis affect the investment side of insurance companies with insignificant effect on the technical side. Finally, some recommendations were presented such as enhancing the laws and regulation that help the appropriate application of corporate governance, and work on activating the transparency in the disclosures of the financial statements and focusing on supporting the technical provisions for the companies, rather than focusing only on profit side.

Keywords : corporate governance, financial stability and solvency margin, insurance companies, Jordan

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