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Impact of Risk Management on the Growth of Insurance Business in Nigeria

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ABSTRACT
This study examines the impact of risk management on the growth of insurance business in Nigeria. The study employed the use of field survey that is cross-sectional. The study used primary data with the aid of a structured questionnaire as instrument used in collecting the data. The population of the study comprises of 19 top insurance companies in Jos metropolis of Plateau State. The data was analyzed and run in the computer through the Statistical Package for Social Sciences (SPSS) version 26 and Statistical tool of Multiple Linear Regression used in testing the two research hypotheses stated to ascertain the relationship between the explanatory (predictor) variables and the outcome (criterion) variable. Findings revealed that risk identification has significant impact on the growth of insurance business in Nigeria ($\beta = 0.641$, $t = 3.297$, $p<0.05$) and risk mitigation has significant impact on the growth of insurance business in Nigeria ($\beta = 0.738$, $t = 6.594$, $p<0.05$). It was recommended that Insurance companies should develop a comprehensive risk management program that addresses the specific risk they face and establishes clear procedures for risk identification, risk mitigation and risk monitoring.

Keywords: Risk, Risk Management, Growth of Insurance, Risk Identification, Risk Mitigation.

1.INTRODUCTION

Risk management is an element of corporate governance that is becoming an essential part for the success and survival of almost every organization, and it becomes more importantly domineering for the insurance companies where managing risk is their main and primary functions on daily basis. It is an important discipline in business especially the insurance business. Recently, businesses put great emphasis on risk management as this determines their survival and business performance. Insurance companies are in the risk business and as such cover various types of risks for individuals, businesses and companies. It becomes imperative that insurance companies manage their risk exposure and conduct proper analysis to avoid losses due to the compensation claims made by the insured. Gyawali and Thapa (2024) observes that most insurance companies cover insurable risks without carrying out proper analysis of the expected claims from clients and without putting in place a mechanism of identifying appropriate risk reduction methods. Poor management of risk, by insurance companies, leads to accumulation of claims from the clients hence leading to increased losses

and hence poor financial performance (Andreeva, 2021). Risk management activities are affected by the risk behaviour of managers (Rauniyar *et al.* 2023)

A robust risk management framework can help organizations to reduce their exposure to risks, and enhance their financial performance (Chairani, & Siregar, 2021). Moreover, it is argued that the selection of particular risk tools tends to be associated with the firm's calculative culture – the measurable attitudes that senior decision makers display towards the use of risk management models. While some risk functions focus on extensive risk measurement and risk-based performance management, others focus instead on qualitative discourse and the mobilization of expert opinions about emerging risk issues (Mikes and Kaplan, 2014).

Insurance companies borrow heavily from the risk management process (Huang *et al.* 2022). Kiochos (1997), the risk management process involves four steps: identifying potential losses, evaluating potential losses, selecting appropriate risk management techniques for treating loss exposures and implementing and administering the risk management program. Sun and Yin (2020), agrees that risk management is the human activity which integrates recognition of risk, risk assessment, developing strategies to manage it and mitigation of risk using managerial resources. Generally, a proper risk management process enables a firm to reduce its risk exposure and prepare for survival after any unexpected crisis. An essential everyday task of any insurance company is proper risk management to avoid financial losses and liquidation. Dambra and Balzarotti (2020) suggested that preventing losses through precautionary measures is a key element in reducing risks and consequently, a key driver of growth for insurance companies.

Various stakeholders burden their organizations to effectively manage their risks in enhancing their growth across such risk management initiatives. Banks (2004) argues that some risks can be retained as part of the fundamental business operations and actively managed to create value for stakeholders, while others should be transferred elsewhere, as long as it is cost effective to do so. Azeem *et al.* (2021), some risks present opportunities through which the firm can acquire comparative advantage, and hence enable it to expand and improved their growth. Commonly, review of the literature on risk management seems to suggest that better risk management practices result in improved growth of the firm. By linking risk management and growth, insurance firms can more effectively and efficiently understand the value of implementing a risk management framework revealed an existence of a positive relationship between the maturity of a firm's risk management framework and performance. Al Zaidanin and Al Zaidanin (2021) studied the impact of credit risk management on the financial performance of United Arab Emirates commercial banks; DSunday and Ejabu (2020) conducted a study on Liquidity Risk Management and Financial Performance: Are Consumer Goods Companies Involved?, Fadun and Oye (2020) studied mpacts of Operational Risk Management on Financial Performance: A Case of Commercial Banks in Nigeria, Sathyamoorthi *et a*l. (2020) and Mwanzia (2021) studied the effect of risk management on financial performance of commercial banks in Kenya. This showed evidence that risk management is considered significantly important to the operations of firms. These studies have explored risk management on other companies but few have been conducted on insurance companies in Nigeria. Hence, this study looks at the relationship between the various risk management practices adopted by the insurance companies in Nigeria and their growth aimed at addressing the challenge of ever emerging risks within the sector. It is an attempt to critically examine the various practices through which insurance companies manage the various types of risks that they face in enhancing their growth. The study, therefore, sought to fill the gap in

knowledge about the impact of risk management using its components of risk identification and risk mitigation in promoting the growth of insurance companies in Nigeria.

Research Questions

i. What is the impact of risk identification on the growth of insurance businesses in Nigeria?
ii. To what extend does risk mitigation impacted the growth of insurance businesses in Nigeria?
iii.

Objectives Of the Study

The main of objective of the study is to examine the impact of risk management on the growth of insurance business in Nigeria. The specific objectives are as follows:

i. To determine the impact of risk identification on the growth of insurance business in Nigeria.
ii. To examine the impact of risk assessment on the growth of insurance companies in Nigeria.
iii.

Research Hypotheses

H_{O1}: Risk identification has no significant impact on the growth of insurance business in Nigeria

H_{O2}: Risk mitigation has no significant impact on the growth of insurance business in Nigeria.

2. 0 LITERATURE REVIEW

2.1 CONCEPTUAL REVIEW

2.1.1 Concept of Risk Management

According to Dorfman (2005), Risk management is the logical development and carrying out of a plan to deal with potential losses in order to manage individual's and organization's exposure to loss and to protect its assets. Risk management, defined as "the act of discovering, analyzing, assessing, monitoring, controlling, or minimizing risks that might lead to profit maximization and financial performance of an organization" (Abideen & Saleem, 2011), is critical to an industry's sustainability. Risk management aids in the reduction, monitoring, and control of the likelihood of bad events, as well as the realization of opportunities arising from risk exposure resulting from an unexpected outcome and use of available resources (Wenk, 2005). Because all of an organization, including insurance companies, involve risk, it is important to note that in the process of mitigating risk, it is necessary to communicate and consult with interested parties, monitor and analyze risk, and implement measures to ensure that additional treatment is not required (Risk Management ISO, 2009).

Risk management encompasses all processes to include not just risks connected with potential and accidental losses, but also operational, reputational, financial, cyber, credit, underwriting, and market risks that could prevent a company from meeting its objectives. For better performance and profitability, these risk management components are critical in every firm (Gatzert, Schmit & Kolb, 2016; Banks, 2008). Many firms are now realizing that risks must be managed rather than avoided because they are an unavoidable part of doing business. Risks lead to opportunity, which leads to value, which leads to money for shareholders. Effective risk management can help to create shareholder value by attracting money and increasing returns through value-based management (Thornton, 2004). As a result, insurance businesses must employ good and high-quality measures in order to properly control operational risk. Existing research has demonstrated the importance of risk management in the survival of enterprises,

which organizations cannot overlook in order to accomplish their stated goal of improved performance.

2.1.1 Risk Identification

During risk identification, a risk manager must determine the potential threats and opportunities that could occur. Three aspects are central to identifying a potential event: who (the affected stakeholders), when (at what point in the product life-cycle), and what (its impact) (Oehmen et al., 2014: Akram and Pilbeam, 2015). Willumsen et al. (2017) argued that risk identification should be based on the value perceptions of the relevant stakeholders, which determine the relevant impact categories. There are multiple, interrelated perspectives and levels to risk management in a product development organization. Potential risks include technical risks at the operational level, project risks, portfolio risks, and enterprise risks. A risk at one level may cause risks at another level, so it is important to identify the connections between these (Schulte and Hallstedt, 2018). The consequences of all eventually affect fundamental objectives such as profitability, market share, reputation, and legal liability.

Oehmen et al. (2006) identified nine types of interdependencies between risks in product development portfolios: technology, budget, objectives and requirements, infrastructure and equipment, skillset and human resources, process and schedule, supplier, legal and regulatory, and finally market and customer. Risks often result from uncertainties about critical events or factors that affect the performance of a product development project. Uncertainties can be known or unknown (Oehmen and Seering, 2011). Sicotte and Bourgault (2008) identified four relevant types of uncertainty: technical and project uncertainty, market uncertainty, fuzziness, and complexity. Tegeltija et al. (2016) classified the (potential) problems in product development into two categories: (1) “tame problems” that are caused by aleatory uncertainty (such as daily disturbances), and (2) “wicked problems” that are caused by epistemic uncertainty (such as unclear requirements). Keizer et al. (2005) identified 12 categories of risks: (1) commercial viability risks; (2) competitor risks; (3) consumer acceptance and marketing risks; (4) public acceptance risks; (5) intellectual property risks; (6) manufacturing technology risks; (7) organization and project management risks; (8) product family and brand positioning risks; (9) product technology risks; (10) screening and appraisal risks; (11) supply chain and sourcing risks; and (12) trade customer risks.

2.1.2 Risk Mitigation

After determining which potential risks are critical, the risk manager must decide which risk mitigation actions to pursue in order to treat the risk. Although mitigation strategies have been categorized as transfer, reduce, and avoid, this view has been criticized (Hubbard, 2009) because a multitude of implicit and explicit mitigation strategies exists. These include preventive, reactive, responsive and adaptive, decision-making strategies, resilience strategies, and product design strategies, such as modular design. The choice of development process itself can also serve as a risk reducing strategy, since different types of product development processes reduce different types of risks. Bassler et al. (2011) analyzed the extent to which four product development approaches address risk, i.e. the waterfall model, spiral development, design for six sigma, and lean product development. To this end, they studied how those approaches include the four principles of risk-driven design, which are (i) identifying and quantifying risks; (ii) making risk-based decisions; (iii) reducing risks; and (iv) creating resilient product development systems. Cooper and More (1979) described the benefits of dividing a product development process into modules; in particular, they claimed that a modular approach reduces risk by spending money and resources incrementally and by resolving key uncertainties before beginning the next module. Within a product development

process, set based design pursues multiple concepts and delays concept selection until better information about each concept's performance is available (Sobek et al., 1999; Camarda et al., 2019). Pich et al. (2002) described the process of "vicarious selection" as "the process of introducing multiple new products into an unknown market and seeing which ones succeed."

Lenfle (2011) identified two common strategies for dealing with risk in development projects with high uncertainty: learning through trial and error and parallel development. She concluded that parallel development involves cross-project learnings and combinations and iteration of the solution space. Learning through trial and error or prototyping is a common risk reduction technique in product development projects. Risk reduction through prototyping usually considers technical feasibility, desirability and functional testing (Den Ouden, 2012). Hsiao et al. (2016) developed a risk mitigation taxonomy with eight categories of purposes and four categories of embodiments. Tang and Zimmerman (2009) described the Boeing supply chain, the actions that Boeing took in response to problems, and the preventive actions that they could have used to avoid or reduce risks. Kayis et al. (2007) formulated the risk mitigation decision as an optimization problem that determines which risks should be mitigated subject to a budget constraint. A minimum cost-to-risk ratio first rule generated the best solutions in their experiments. Goswami and Tiwari (2014) formulated the problem of concept design selection as a risk mitigation decision that affects the likelihood of meeting targets for cost-effectiveness, reliability, and delivery time. Shah et al. (2012) used risk (expected costs due to failures) and value (performance) as criteria in a multi-attribute decision-making approach for selecting a manufacturing process during product development.

Aven (2013) suggested robust decision making and adaptive risk analysis as strategies to manage risks with deep uncertainty (mentioned in Section 3). Cox (2012) reviewed ten decision-making tools that support risk mitigation under deep uncertainty and discussed how to use multiple models to make robust risk management decisions. The selection of mitigation strategy as described above, must be balanced. Oehmen and Rebentisch (2010) identified the challenges of balancing the "cost of risks" and the "costs of risk mitigation" and deciding on an acceptable ratio of risk to return. In some cases, there may be insufficient time, money, personnel, or other resources to mitigate all of the important risks. In some cases, there may be multiple risk mitigation alternatives with different costs and impact; some may prevent a potential problem, and others may put in place resources and plans needed for contingency actions (which may never be used). Risk management in product development can benefit from tailoring the mitigation according to the contextual factors, type of innovation, type of uncertainty faced and the appropriate mitigation strategies (Oehmen et al., 2014; Škec et al., 2012; ISO, 2018; Grubisic et al., 2011).

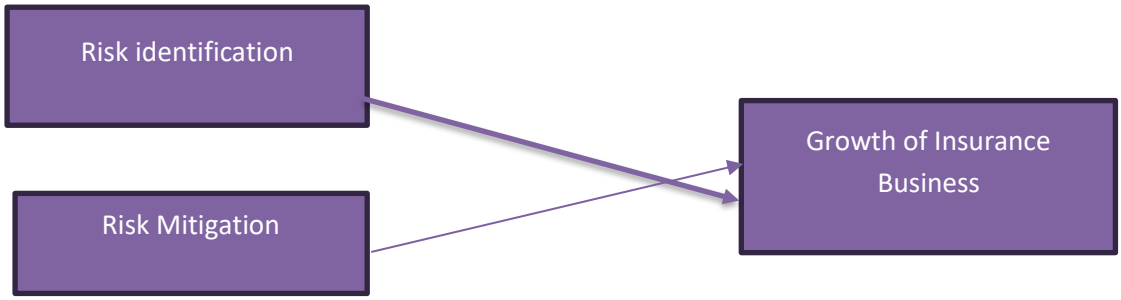

Figure 1: Theoretical/Conceptual Model
Source: Developed from Theoretical/conceptual review.

2.2 THEORETICAL REVIEW

2.2.1 Theory of Optimal Capital Structure

The study is anchored on the theory of optimal capital structure. According to the optimal capital structure theory, there is an optimal, finite debt equity ratio, resulting from a trade-off between the expected value of bankruptcy costs and the tax savings associated with the deductibility of interest payments (Kim, 1976). Bankruptcy occurs when the fixed obligations to creditors cannot be met. There are direct and indirect costs related to bankruptcy. Direct costs include legal, accounting and trustee fees as well as the possible denial of income tax carryovers and carrybacks. Indirect costs relate to opportunity costs resulting from disruptions of firm-supplier relationships that are associated with the transfer of ownership or control (Barker, 1976). Warner (1977) and Weiss (1990) give evidence of financial distress and state underline the significance of bankruptcy costs to a business. Allen and Santomero (1996) suggest that the cost of bankruptcy is more important in regulated industries where large losses may lead to license or charter withdrawal and the loss of a monopoly position. This theory offers a significant rationale as to why firms would be engaged in risk management. Stulz (1996) provides further evidence by suggesting that the expected present value of bankruptcy costs will be reflected in a firm's current market value if shareholders view bankruptcy as a real possibility. The theory further states that a risk management program eliminates the risk of bankruptcy effectively and reduces such costs to zero, thus increasing the value of insurance firms.

2.3 EMPIRICIAL REVIEW

Isaac, *et.al.* (2021) examined the relationship between risk management and the financial performance of insurance firms in Kenya over the period 2013–2020. The data was collected from 51 Insurance firms licensed to operate in Kenya as of 31 December 2020. Regression analysis was used and the results showed that risk management significantly affects the financial performance of insurance firms. In particular, the results indicate that credit risk negatively and significantly affects financial performance. The results suggest that firms with a higher proportion of non-performing receivables than total receivables perform poorly. Insurance firms should therefore put in place credit management strategies to ensure receivables are collected within the stipulated time to avoid cases of non-performing receivables and thus improve performance. The results also showed that market risk management positively and significantly affects financial performance. The findings imply that sound investment decisions result in an increase in investment income, which in turn increases financial performance. Insurance firms should therefore ensure proper management of their investments to boost performance. The findings also indicate that operational risk management positively and significantly affects financial performance. The findings suggest that proper management of firms' operations results in reduced operating costs, which in turn result in an increase in net premiums and positively impact the performance of a firm. Insurance firms should thus implement proper operations management strategies to reduce costs and enhance financial performance. The results also indicate that liquidity risk management positively and significantly affects financial performance. The results imply that proper liquidity management ensures an increase in the proportion of current assets to current liabilities and in turn enhances the performance of a firm. Firms should thus ensure there is sufficient liquidity to discharge obligations when due to enhanced performance. This study demonstrates that risk management

significantly affects the performance of insurance firms. The study recommended that directors and other stakeholders should put in place proper risk management strategies to boost financial performance.

Olaiya, *et.al.* (2021) examined the effect of Risk Mitigation on Profitability of Insurance Industries in Nigeria. Risk management plays a critical part in every organization 's profit maximization through risk cost minimization for wise protection, which cannot be overstated. Risk mitigation (rmt), risk monitoring (rmn), risk management environment, procedure, and policies (epp), and risk measurement (rme) in relation to the profitability of the insurance industry in Nigeria were randomly selected from a well structured 5-point Likert scale questionnaire ranging from '5 strongly agree' to '4 agree', '3 undecided' to '1 strongly disagree'. Using the StataSE 14 statistical software, one hundred and twenty (120) questionnaires were recovered from respondents, accounting for 83 percent of the total questionnaires sent using the multiple regression statistical methodology. Risk reduction and risk monitoring have a considerable impact on the profitability of insurance companies in Nigeria, according to the findings. As a result, it concluded that risk mitigation and monitoring are important factors in determining industry profitability, and those insurance regulators should work to ensure that risk identification, assessment, measurement, and control mechanisms are implemented in accordance with best global practices in order to avoid financial crises and improve insurance performance.

Sathyamoorthi et al. (2020) examined the impact of financial risk management practices on the financial performance of commercial banks in Botswana. The study used Return on Assets and Return on Equity to measure financial performance. Inflation, Interest rates, total debt to total assets, total debt to total equity, total equity to total assets and loan deposit ratios were used as proxies for financial risk management. The research population was all the 10 commercial banks in Botswana and the study covered a period of 8 years from 2011 to 2018. This descriptive study sourced monthly secondary data from Bank of Botswana Financial Statistics database. Descriptive statistics, correlation and regression analyses were applied to analyze the data. The results from regression analysis showed that interest rates had a negative and significant impact on return on assets and on return on equity. On the other hand, total debt to total assets showed a negative and insignificant effect on return on assets. However, total debt to total assets, revealed a positive and insignificant effect on return on equity. The loan deposit ratio indicated a negative and significant impact on return on assets and on return on equity. Findings suggest that banks should strike a proper balance between financial risk management practices and financial performance by engaging in appropriate market, credit, and liquidity risk management practices that will ensure safety for their banks and yield positive profits.

Sunday and Ejabu (2020) examined the effect of liquidity risk management on the financial performance of consumer goods companies. It was aimed at establishing the extent of concern of consumer goods companies in the management of their liquid cash, cash defensive intervals, long term debts, and quick ratios, for the purpose of turning around their financial performance. Data were obtained from the annual reports and accounts of studied companies and were converted to liquidity measurement parameters. Analyses were done using multiple regression analysis methods and findings show that long term debts, quick ratios, and cash defensive intervals have a significant effect on EPS and ROA, while cash ratio and long-term debts affect ROCE only. Specifically, it was empirically established that there exists a significant relationship between liquidity risk management and the financial performance of consumer goods companies. Findings further reveal that companies' non-concerned attitude to liquidity risk management affects the financial performance of consumer goods companies significantly.

The study recommends that consumer goods companies should incorporate a clear liquidity risk management approach in their strategic policy framework and communicate the same to all functional units.

Torbira (2018) empirically investigated the impact of insurance risk management through the window of claims payment on the growth in the output level of Gross Domestic Product in Nigeria. Claims payment-economic growth model patterned after multivariate regression, causality and dynamic model of linear formation were estimated and analyzed. The analysis reveals that, in the long run, insurance claims paid on fire, Accident, motor vehicle, employers' liability and marine policies significantly impact on the output level of Gross Domestic Product in Nigeria. Indemnification successes ginger up the productive quality of existing stock of capital and ensure the continuity of businesses in the economy thereby boosting output performance. The author recommends improved insurance awareness, patronage and prompt claims payments. Keywords: Risk Management, Economic Growth, Nigeria.

Owolabi, *et.al*. (2017) assessed the impact of risk management on the profitability of insurance company. The study‟s specific objectives were: To study the extent insurance companies adopted risk management practices; "to examine the effect of risk management on the profitability of insurance companies"; "to critically determine challenges mitigating risk management practices in insurance firms" and "to study the extent insurance companies adopted risk management practices". The research adopted a descriptive survey design. A total of 60 respondents who were selected through simple random sampling techniques participated in the study. Null hypotheses were tested using Simple Linear Regression, and Pearson Correlation coefficient, with Statistical Analysis System (SAS 9.2). Findings revealed that the financial risk management practices have impact on the profitability of insurance firm. The study established that operational risk management practices have positive influence on the profitability of insurance firm. The study also revealed that there is a significant relationship between strategic risk management practices and the profitability of insurance company. The study recommended that the management of insurance companies should set up savvy measures for convenient risk identification and viable risk relief in order to guarantee that their financial related execution is not affected contrarily.

3. METHODLOGY

This study employed a field survey design that is cross-sectional in nature to examine the effect of the predictor variables and financial reporting quality. This enables the collection of data for both the dependent and the independent variable at the same point in time**.** The population of the study comprise of 19 insurance companies in Jos Plateau State. This includes 10 top insurance companies and other companies within the Jos metropolis. Because of the small nature of the population, the study used census suggesting all the population adopted as the sample size.

The instrument for collecting primary data for this research was questionnaire which requires to rate the opinions of respondents on some specified categories on five-point Likert scales. The questionnaires were validated using content and face validity and the reliability test shows Cronbach alpha of 0.82 for risk identification, 0.94 for risk mitigation ana growth of insurance shows 0.89 each having 5 items. Multiple linear regression was used to analyzed the data so collected to test the rate of change in the independent variables (risk identification, risk mitigation) on the dependent variable (growth of insurance business).

Model Specification

$GINSB = \beta_0 + \beta_1 RI + \beta_2 RM + e$
Where:
GINSB= Growth of Insurance Business
RI= Risk Identification
RM= Risk Mitigation
β_0 = Constant
e = error term for the Model that is, the difference between the observed value and the predicted value of growth of insurance business.

4. 0 RESULT/INTERPREATION AND DISCUSSION OF RESULTS

4.1 RESULTS

4.2.1 Normality

The study employed the use of Kolmogorov-Smirnov and Shapiro-Wilk test to confirm that the data meet the assumption of normality.

Table 1

Kolmogorov-Smirnov and Shapiro-Wilk Tests

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Growth of insurance	.694	19	.483	.593	19	.292
Risk identification	.532	19	.322	.692	19	.309
Risk mitigation	.932	19	.593	.502	19	.482

Source: SPSS Output

From the result on table 1, both tests are non-significant ($p>0.05$). The data therefore, meets the assumption of normality.

4.2.2 Multicollinearity

To screen for multicollinearity, Variance Inflation Factor (VIF) and tolerance level were examined through regression results from the SPSS

Table 2

Multi-collinearity

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Risk identification	.682	1.204
	Risk mitigation	.592	1.246

a. Dependent Variable: Growth of insurance

Source: SPSS Output

From table 2, it is clearly seen that the VIF and the tolerance values do not exceed 5 and are not less than 10 respectively. The independent variables are therefore correlated.

4.2.3 Descriptive Statistics

Table 3:

Descriptive Statistics for the Study Variables

	Minimum	Maximum	Mean	Std. Deviation
Risk Identification	1.75	5.00	3.7105	1.00783
Risk Mitigation	1.50	4.50	3.5789	.88212

Growth of Insurance Business	2.33	4.67	3.6316	.73615

The descriptive statistics for the study variables are presented in table 3. The results indicate that the mean score of the latent variables range between 3.57 and 3.80 on a 5- point Likert scale, while the standard deviation ranges between 0.52 and 1.00. The standard deviations are small relative to their respective means, implying that the statistical mean provides a good fit of the observed data (Field, 2009) and the data from which the sample was drawn is a true reflection of the population.

Table 4:
Correlation

	1	2	3
Growth of Insurance Business	1		
Risk Identification	0.690**	1	
Risk Mitigation	0.535	0.095	1

**. Correlation is significant at the 0.01 level (2-tailed)

Table 4 reveals that risk identification correlate insurance growth of insurance business ($r=0.690$, $p\leq.01$). Risk mitigation and growth of insurance business are correlated ($r=0.535$, $p\leq01$). This shows there is a relationship between the independent variables and the dependent variable. Since the relationship is a bivariate correlation with two tailed tests, a regression analysis was conducted to test the significance relationship between the independent and the dependent variable.

TEST OF HYPOTHESES

Table 5:
Table of Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.967	.517		4.782	.000
	Risk Identification	.427	.322	.641	3.297	.000
	Risk Mitigation	.246	.335	.738	6.594	.000

a. Dependent Variable: Growth of Insurance Business

$R^2= 0.598$; Adjusted $R^2 = 0.548$; Std. Error of the Estimate = 0.89915

Hypothesis 1: Risk identification has no significant impact on the growth of insurance business in Nigeria. The result in table 5 indicate that the impact is positive and statistically significant ($\beta = 0.641$, $t = 3.297$, $p<0.05$), thus the null hypothesis is rejected and alternative hypothesis is accepted. This means that a positive change in risk identification is associated with growth of insurance business in the Nigerian insurance industry.

Hypothesis 2: Risk mitigation has no significant impact on the growth of insurance business in Nigeria. The result in table 5 indicate that the impact is positive and statistically significant ($\beta = 0.738$, $t = 6.594$, $p<0.05$), thus the null hypothesis is rejected and alternative hypothesis is accepted. This means that a positive change in risk mitigation is associated with growth of insurance business in the Nigerian insurance industry.

4. DISCUSSION OF FINDINGS

In the first hypothesis, the null hypothesis was rejected and the alternative hypothesis which is that "Risk identification has significant impact on the growth of insurance business in Nigeria" was accepted. This means that risk inspection is usually performed by managers, roles and responsibilities for risk identification are spelt out in clear terms, risk rating and collateral improves risk identification in the insurance companies thereby promoting their growth. It also helps in establishing standards enhances risk identification. This finding is in line with the result of Omasete (2014) who posits that risk identification was found to be the most significant in influencing the growth of insurance businesses.

For the second hypothesis, the null hypothesis was rejected and the alternative hypothesis which is that "Risk mitigation has significant impact on the growth of insurance business in Nigeria" was accepted. This shows that insurance companies set out mechanism for estimating potential losses at the time of entering into insurance contracts. They train insured parties on ways to avoid or minimize the chances of losses occurring, they set out mechanism for transferring certain risks to third parties e.g., through reinsurance/hedging and they set aside sufficient technical reserves to pay for claims thereby promoting the growth of insurance businesses in Nigeria. This result corroborates the findings of Omasete (2014) who opined that that risk identification was found to be the most significant in influencing the growth of insurance businesses and Olaiya, Arikewuyo, Shogunro and Yunusa (2021) who asserts that risk mitigation is an important factor in determining the growth of insurance industry profitability.

5. CONCLUSION AND RECOMMENDATIONS

The study found that risk identification has significant impact on the growth of insurance business in Nigeria. This is because risk inspection is usually performed by mangers, roles and responsibilities for risk identification are spelt out in clear terms. Another significant finding from the study was that risk mitigation has significant impact on the growth of insurance business in Nigeria. This suggest that insurance companies have mechanisms for estimating potential losses at the time of entering into insurance contracts. Therefore, the following recommendations are drawn from the findings and conclusion of the study;

i. Insurance companies should develop a comprehensive risk management program that addresses the specific risk they face and establishes clear procedures for risk identification.
ii. Insurance companies should implement robust internal controls and IT security measures to mitigate operational risks.

6. IMPLICATIONS OF FINDINGS

The study may prompt the National Insurance Commission (NAICOM) to emphasize its guidelines on enterprise risk management (ERM) and capital adequacy for insurance firms. Policymakers might push for the implementation of industry-wide risk assessment and control standards to improve transparency and reduce systemic risks. The findings support the **Theory of Optimal Capital Structure** which posits that firms strive to balance debt and equity to minimize the cost of capital and maximize firm value. Hence, the study shows that **risk management directly influences capital structure choices** in the insurance companies with better risk management that are more probable to implement an optimal mixture of debt and equity.

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