How Board Size and Board Independence Affect Insurance Companies' Performance

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Abstract
In the last two decades, corporate governance has had its "shining era of research", especially in developed countries, where good management, transparency, and reaching the investors' basis meant a huge deal for big corporations. Without reducing the importance of the subject, such issues have reached the developing countries a bit later in time, and investigation on the matter has been not so extensive, especially due to the lack of proper legal framework and real data. Yet corporate governance is reaching an interest lately in emerging markets, like Albania which aspires to be in the Union, and due to the "new normality" in the management style, which requires a re-adjustment of business structures. This paper attempts to determine the role that board size and board independence as corporate governance variables have in a company's performance, measured by the board of directors' characteristics. Even though at a very initial stage of its development, the insurance industry in Albania has applied certain corporate governance structures, mainly because insurance companies are part of international groups. As the insurance industry is integrated into the wider financial services and nowadays is getting more important in the local service-based financial market, understanding the factors affecting its profitability becomes important too. The results of this study show that there is a negative relationship between board size and corporate performance, while there is a positive relationship between board independence and corporate performance.

Keywords: Corporate governance; insurance industry; board size; board independence; corporate performance;

JEL Classification: G34; G52;

DOI: http://doi.org/10.24818/ejis.2023.05

1. Introduction

Having as a major goal the maximization of shareholder wealth, most companies today are monitoring closely their performance and are concentrated on those factors that mostly involve an increase in their overall profitability. Using the traditional performance measures of return on assets (ROA) and return on equity (ROE) insurance companies are also interested to know which factors affect their performance. Their welldoing goes beyond the firm's profitability and shareholders' wealth, as insurance companies act simultaneously as custodians and managers of people's funds in their role to intermediate and cover the risk of losses. As one of the important factors, the governance of the insurance companies has come to affect their profitability as well. As such, further research has been provided to include them in the traditional models of performance including micro and macro factors.

Received: 22 September 2022; Revised: 9 March 2023; Accepted: 15 May 2023

Through this research, we focus on the companies in the insurance industry in Albania and we examine the influence on the insurance companies' profitability of two dimensions of corporate governance board structure, that is, board size and the independence of the board members. Especially, the composition of the board of directors is one of the most interesting subjects within corporate governance studies, as this affects board decision-making processes, the way the board performs its functions and roles, the effectiveness of the board, and consequently the firm's financial performance.

Traditionally, most corporate governance studies investigate factors such as the share of insiders on the board, or board size. Monitoring is one of the basic activities of corporate governance related to the board of directors. As an additional element, board size can also be a significant predictor of performance, so its influence on the performance of insurance companies is explored.

Therefore, this research paper is intended to explore the following research question:

RQ1: How does the board size affect a firm's performance?

RQ2: How does board independence affect a firm's performance?

The data used in the study involve financial data from 9 insurance companies (life and non-life) for the years 2013-2017 and by using panel data and running the regression models in SPSS, we present some interesting results for the Albanian insurance companies. Empirical results show that ROA is negatively related to board size and positively related to board independence. ROA is a better measurement of managerial performance and can be explained by certain firm-specific factors at a level of 60%. ROA is negatively affected by firm size. To conclude there are steps to be followed by insurance companies in Albania that consist of better management of their assets and more efficient managerial practices to ensure continuity and profitability for the future.

In continuance, it is presented a detailed session on the literature review, the data and the model, and finally the results and conclusions.

2. Literature Review and Theoretical Context

2.1 The proper way to measure and determine profitability

The term profitability is considered the ability to maintain the profit of a business organization. The insurance company's high profitability points out successful management and it is the performance indicator that investors are mostly interested in. The increase in profitability of businesses contributes to economic growth because profit is what determines the decision of the companies about investments and savings. The cash flow position of companies is improved by a rise in profits and this way, it is possible to offer greater flexibility. Expanding investments in businesses improves productivity, competitiveness, and employment in an economy (Malik, 2011).

The ability of an insurance company to gain and administrate its resources in several different ways to develop a competitive advantage affects directly its business performance. A greater performance contributes to the economy at large. Generally, the performance of insurance companies can be estimated by measuring their profitability, which is a relative measure of success for a business, and it acts as a proxy of financial performance. The most common objective when managing an insurance company is to attain profit (Pavic, 2017).

Profit is what attracts investors and improves the level of solvency and this way the consumer's confidence becomes stronger. Without a steady level of profits, insurers cannot set objectives outside of their current base of clients and they will not be able to properly compete with other companies.

Financial ratios are more suitable to compare performance between different companies. Return on assets (ROA) and return on equity (ROE) are the best measures of companies' performance. For an insurance company, ROA measures the ability of the management to generate income by utilizing the assets of the company (Himmelberg, 1999). It is a proper ratio that indicates the profitability of an insurance company. If ROA increases at a steady pace, then we can conclude that the profitability of the company is being improved. ROE is a financial ratio used to compare the amount of profit a company has earned, related to the total amount of shareholder equity invested. The fact that the management is very effective at utilizing the capital of shareholders is indicated by a higher level of ROE (Malik, 2011).

There are previous studies in the literature that tend to analyze the determinants of the performance of an insurance company. The factors that affect the financial performance of insurance and reinsurance companies operating in Bermuda have been examined by (Adams & Buckle, 2003). They extracted data for the years 1993 to 1997. As a result of their study, leverage, type of company, and underwriting risk are the determinants that significantly and positively influence financial performance.

Kozak (2011) analyzed 25 general insurance companies in Poland, from the years 2002 to 2009. The author specified the factors, using a regression model. Growth of the market share of the companies with foreign ownership, reduction of motor insurance, growth of gross written premiums, an increase of other classes of insurance, gross domestic product (GDP) growth, and operating costs reduction have been determined to have a positive impact on insurance companies' performance. Different from this, a wide range of insurance services affects profitability negatively.

During the period 2002 to 2007, Almajali et al. (2012) performed a study to determine the factors that affect the performance of insurance companies in Jordan. The independent variables were: leverage, age, liquidity, management competence index, and size, whilst the dependent variable was ROA. The results of the regression analysis established that liquidity, size of the company, leverage, and management competence index have a positive effect on the performance of insurance companies in Jordan.

Some other results suggest that there is no significant relationship between ROA and the age of an insurance company. Burca & Batrinca (2014) operated a study in the Romanian insurance market, for the period of 2008-2012 that analyzed the factors that affect the financial performance of 21 insurance companies. The independent variables used for this study were: company size, number of years of operating in the Romanian market, financial leverage in insurance, growth of gross written premiums, equity, total market share, diversification, underwriting risk, investment ratio, reinsurance dependence, retained risk ratio, solvency margin, and growth of GDP per capita. ROA was used as the dependent variable. The authors concluded that the major determinants of ROA in the Romanian insurance market are financial leverage in insurance, company size, growth of gross written premiums, underwriting risk, risk retention ratio, and solvency margin.

2.2 The relationship between profitability and economic growth

The profitability of the insurance sector is a key consideration in how insurance companies can help to stimulate the entire economy. The main issue of the authors who study the profitability of the insurance companies is to underline its importance to:

- new insurance companies, thus they can properly know how to determine their goals as a new player in the market;
- existing insurance companies, so they can keep on strengthening their financial indicators;
- academics, therefore can become even more curious to search for the right determinants behind this matter.

New concerns about the profitability of insurance companies have been raised since the 2008 financial crisis, because of the decrease in interest rates. It is true that after the financial crisis, the profitability in developed and developing countries was affected deeply. Also, persistently low rates have deteriorated even further on profits by reducing interest receivables faster than interest expenditures. This is why now is the time for the management of insurance companies to make profitability its top priority (Usman, 2011).

There is a direct positive relationship between profitability and financial stability. Insurance companies that are more profitable can easily increase their core capital and therefore become more stable. The probability of failure is lowered when an insurance company is more profitable.

2.3 The history and market of insurance companies in Albania

The insurance market holds the most important place in the development of the non-banking financial market in Albania. This type of development of the insurance market, compared to other non-banking financial markets, has been noted not only in Albania but also in most other European countries due to the character and dynamics of this market.

The insurance market in Albania has started quite late compared to other developing countries. Prior research back the existence of the insurance market since before the Second World War. In 1944, foreign insurance companies, mostly English, French and Italian companies, helped create a well-respected structure for the insurance market in Albania. Initially, their insurance activity was concentrated in the top cities of Albania and included services such as accident insurance, life insurance, and natural disaster insurance (Bejtja, 2018).

After the Second World War, with the establishment of the communist regime, Albania became a centralized economy. This influenced the insurance system, thus reflecting the policies of the communist government in its structure. From 1948 to 1965, there were some new forms of insurance that began to emerge in Albania, such as passenger insurance; property insurance, life insurance; insurance of agricultural and livestock crops; insurance of household items; compulsory insurance of imports, etc.

During this period in Albania, the only insurance institute that existed was the State Institute of Savings and Insurance, an institute that was dealing with collecting the savings of the citizens, the few savings they had, and the provision of cooperatives and export-import enterprises. In 1949, this institute was initially created with the function of collecting savings, and later in 1953, it obtained the functions of an insurance company. During this time, there were no banks to provide any other services or insurance companies that could cover the events of various risks. Later, in 1991, with the establishment of democracy were also created the first two financial institutions: were the Savings Bank and the Insurance

Institute (INSIG), thus the State Institute of Savings and Insurance did not continue to exist anymore (Sherifi, 2015).

2.4 Prior research on insurance companies in Albania and an overview of their current situation

The insurance market in Albania, in relation to other countries, is a modest market focused on compulsory insurance. The Albanian insurance market is the poorest in the Balkan and Albanians lack the culture of voluntary insurance for life and wealth. This market is so far maintained mainly by compulsory motor vehicle insurance. Albania has an insurance density of only 35 euros per inhabitant, while the average of the European Union countries is 2,154 euros per inhabitant. Croatia has had the greatest development in this region in the last couple of years.

In Albania, insurance penetration in GDP is only 0.6%, while in Central and Eastern Europe it is 2.5%, while in the EU it goes to 7.6%. Over 60% of insurance premiums are compulsory insurance and SIGAL UNIQA is the only company that has over 50% of its voluntary insurance premiums in its portfolio. Albanians do not yet have a general culture to knock on the door of the insurance company voluntarily (Imeraj, 2013).

The Albanian insurance market is often accused of lack of competition and in fact, there is not much space for competition in compulsory insurance competition. In this case, there are only prime risks and administrative costs that are almost always equal. So, the whole market applies pretty much the same price. The person who has had more damage pays more and the one who hasn’t had that much damage pays less. Experts suggest that this lack of competition is not only triggered by the insurance companies themselves, but also by the state authorities. Insuring life, home, and properties will make one an independent person. Having all kinds of insurance diminishes the necessity to use personal connections to get the service one deserves. If one is in need of medical services and has insurance, he/she will definitely get the right treatment in a much shorter period of time (Zyka, 2010).

Previous research (Kripa & Ajasllari, 2016) was conducted to study the correlation between the profitability of insurance companies measured by ROA and all the micro and macro factors affecting it. According to the researchers, the size of the company and volume of capital have a positive correlation with the profitability of insurance companies. A greater volume of capital enables companies to seize and reach opportunities and effectively react to changes. Liabilities have a strong negative correlation with profitability. Fixed assets have a weak but negative correlation with profitability and analysis shows that increasing fixed assets brings a decline in profitability. Liquidity has a negative correlation with profitability. Growth Rate is shown to be positively correlated to ROA.

2.5 Corporate Governance variables as determinants of profitability

2.5.1 Board Size

The size of the board of directors has been a subject of interest, as part of the corporate governance factors. When considering board size, there will always be a compromise between a higher level of knowledge or monitoring capacity and disadvantages that come from the coordination. Even though a larger board size is more able to make a high-quality decision process, they will eventually experience problems with coordination and communication which will cause a decline in effectiveness and later the company's performance.

Just as the results from studies between gender diversity and performance, the relationship between board size and performance is also not settled and totally clear. There are studies

that suggest a positive connection between board size and performance (Khan, 2017), just as there are other studies that do not find any connection (Alshetwi, 2017). However, most studies conclude on a negative connection between board size and corporate performance. These studies support the idea that higher performance is connected to boards that have a lower number of members.

Many studies have found that boards with a higher number of members will put more time into negotiating and compromising between their members. This way, their decisions will have lower risk and will take into consideration everyone's opinion. In such situations, boards make a decision after a lot of compromising among them (Cravens & Wallace, 2002) compared to outcomes of decision-making, based on different structures of boards. Since larger groups tend to do more thought-out decisions and have a more diversified range of opinions, they were less likely to accept bad projects. At the same time, they were also less likely to accept good projects (Sah & Stiglitz, 1988).

Most studies on this relationship resulted that boards with a lower number of members are more likely to result in greater performance for their company, mostly because they eliminate communication and poor decision-making (Shakir, 2007). The problem with large boards is mostly free riders, who make the internal decision process much slower. Many studies suggest that large boards are less efficient because they have greater difficulties in solving agency problems among their members (Naveen & Coles, 2008) found a U- shaped relationship, which means that either very small or very large boards are the most effective.

Larger boards make fewer extreme decisions, which leads to having less variable performance. On the other hand, smaller boards are more likely to have extreme short-term profits and losses. Larger boards have the ability to make more thought-out decisions, but they constantly lack performance. It is true that smaller boards may experience higher losses, but the excessive gains in the future will eventually compensate for the losses. Considering what has been said so far, medium-sized boards are not the solution (Htay, 2011). Instead of representing the best of both worlds, they actually suffer from all the disadvantages. They are not able to make efficient decisions, have a slower pace of adjustment to new situations, and tend to unreasonably lean toward riskier scenarios. Thus, we conclude that small boards are more likely to achieve a higher level of performance.

2.5.2 Board Independence

Board independence is measured as the ratio of non-executive directors on the board divided by the total number of directors on the board. Board independence is quite examined as a variable that affects the performance of a company. There are mixed results in this relationship. Most studies conclude that boards which consist of a larger number of outside directors are more efficient (Adams, 2010; Agrawal & Knoeber, 1996). However, there exist other studies that have not found any connection to this relationship (Hermalin & Weisbach, 1991; Hamid, 1995).

A higher level of board independence, meaning a board that consists mostly of outsiders, affecting a higher level of performance is mostly explained by agency theory. This theory explains the behavior of an individual who is more willing to serve his or her self-interest first (Conyon & Lerong, 2012). Such individuals tend to take advantage of their power and will make decisions that will benefit them and not the company’s owners. A superior board member should be led by integrity and an open mind (Rashid, 2015), which based on the agency theory are mostly related to independent directors. Outside directors are more favorable because they have more independence from the management of the firm (Dalton

et al., 1999). A disadvantage of outside directors is that they may have less information on the company and may encounter more difficulties in obtaining information because management can feel reluctant into sharing certain parts of the business (Harris & Raviv, 2005).

To turn this disadvantage into an advantage for the company, Reiter (2003) suggests that independent directors should be given all the useful and updated information. A higher representation of independent directors on boards will lead to more effective results and the management's activities will be monitored more objectively. Companies search for board structures that can provide them with higher accountability and transparency. Such a structure is a board mostly consisting of outsiders.

One of the functions of the board of directors is to procure and properly allocate resources. All the processes related to this function will directly affect performance. Managers have the responsibility to make decisions, by representing the best interest of shareholders. There are many theories and research on the ways that managers can use resources in order to gain higher levels of profitability (Wallison, 2006). One of the reasons why an outside director is able to perform better is that they also possess outside professional abilities and knowledge, becoming this way an extremely valuable human capital who can challenge competition.

In addition to that, outside board members are going to be more careful about their actions because they give much importance to their reputation. In a conclusion, a board that is mostly consisted of independent members will contribute more to the company's performance because they have a larger range of knowledge, and experience and tend to be more ethical while they make decisions.

Referring to the above, it is obvious that researchers have extensively tested the factors that affect firms' profitability, as well as they, have seen the corporate governance variables' relationship with performance. Their results help us on defining what could we expect in our research too. Additionally, while there have been studies referring to the factors of performance of insurance companies in Albania, to the authors' knowledge there haven't been any extensive studies defining the effect of corporate governance variables on the companies' performance. As such the next challenge is to define data and methodology and explore this relationship.

3. Methodology

The goal is to analyze the factors of performance in insurance companies, as well as to separately define the impact of board size and board independence on corporate performance. The analysis is conducted using the multiple regression model in SPSS. The sample consists of the nine insurance companies that offer non-life and life insurance in Albania operating from the period 2013-2017. The data has been obtained from the financial statements (Balance sheet and Profit & Loss account) of these insurance companies and publications of yearly Reports that are published by the Financial Supervisory Authority (AMF). Data regarding the Board of Directors are manually collected from the declaration of the companies to the National Business (Register) Centre.

The hypothesis to be tested are as follows:

Hypothesis 0: the performance of insurance companies (measured by ROA or ROE) is not affected by corporate governance variables such as board size and board independence.

Hypothesis 1: the performance of insurance companies (measures by ROA or ROE) is affected by corporate governance variables such as board size and board independence.

Two models are used for the realization of this study; one considering as dependent variable ROA and the other one considering ROE.

The equation for Return on Assets (ROA) is estimated as follows:

$$ROA_{i,t} = \alpha + \beta 1SF_{i,t} + \beta 2LE_{i,t} + \beta 3LR_{i,t} + \beta 4TA_{i,t} + \beta 5GR_{i,t} + \beta 6BS_{i,t} + \beta 7BI_{i,t} + \varepsilon_{i,t}.$$

The equation for Return on Equity (ROE) is estimated as follows:

$$ROE_{i,t} = \alpha + \beta 1SF_{i,t} + \beta 2LE_{i,t} + \beta 3LR_{i,t} + \beta 4TA_{i,t} + \beta 5GR_{i,t} + \beta 6BS_{i,t} + \beta 7BI_{i,t} + \varepsilon_{i,t}.$$

Where:

$ROA_{i,t}$: the profitability in insurance company i at time t (dependent variable).
$ROE_{i,t}$: the profitability in insurance company i at time t (dependent variable).
SF: Size of Firm = natural logarithm of total assets
LE: Leverage = total debt/ total equity
LR: Loss Ratio = Net Claims/ Net Premiums
TA: Tangibility of Assets = Fixed assets/ Total assets.
GR: Growth Rate = % of the change in total assets
BS: Board Size = number of persons on the Board of Directors
BI: Board Independency = Board Outsiders/ Board Size
β1… β8: coefficient of independent variables
ε is error term.
i is for insurance companies 1 to 9.

The limitations of this model rely on two matters: macroeconomic factors are excluded and the model is not exhaustive of the firm-specific factors that might affect the performance of the companies.

4. Results

Below in Tables 1, 2, and 3 are presented the results of the first regression model for ROA. Running the first regression in SPSS with dependent variable the ROA, results in ***Table 1*** and ***Table 2*** show that the model is statistically significant, independent variables can explain the dependent variable at a level of 60% and the model does not suffer from multicollinearity or autocorrelation.

Table 1. Model Summary for ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.777[a]	0.604	0.493	0.026003108418808	1.928
a. Predictors: (Constant), Board Independence, Loss Ratio, Growth Rate, LEVERAGE, TANGIBILITY OF ASSETS, Board Size, FIRM SIZE					
b. Dependent Variable: ROA					

Table 2. ANOVA Table for Model Summary for ROA

		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.026	7	0.004	5.442	.001[b]
	Residual	0.017	25	0.001		
	Total	0.043	32			
a. Dependent Variable: ROA						
b. Predictors: (Constant), Board Independence, Loss Ratio, Growth Rate, LEVERAGE, TANGIBILITY OF ASSETS, Board Size, FIRM SIZE						

Considering ROA as a measure that manages to capture better and in a broader form the companies' performance, the results in ***Table 3*** show that it is affected negatively by firm size and positively by the loss ratio. While larger firms might be considered more efficient, the effort to manage them requires expertise and professionalism. It seems that the Albanian know-how is still at its early stages as it concerns the increased efficiency and better management of their assets. Companies are in a growing stage, but their increased size has not come to increase their managerial efficiency and boost their return on assets.

As it concerns the loss ratio, there is a positive relationship with ROA, which is not what was expected as a matter of fact and we need to make a further investigation on the matter. The b-coefficient affecting the ROA in ***Table 3*** is of very small economic significance. An initial reason for this controversy might be the fact of increased sales, which are captured by net premiums which increase ROA, while the level of net claims doesn't affect the returns at all, as such this small ratio is not giving the expected effect to ROA.

Table 3. Coefficients for Model Summary for ROA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.001	0.013		0.053	0.958
	FIRM SIZE	**-0.005**	0.002	-1.034	-3.109	**0.005**
	LEVERAGE	0.013	0.005	0.579	2.499	**0.019**
	Loss Ratio	**0.006**	0.002	0.577	3.327	**0.003**
	TANGIBILITY OF ASSETS	-0.030	0.020	-0.290	-1.489	0.149
	Growth Rate	0.000	0.000	-0.101	-0.763	0.453
	Board Size	**-0.014**	0.004	-0.950	-3.488	**0.002**
	Board Independence	**0.295**	0.063	2.068	4.698	**0.000**
a. Dependent Variable: ROA						

Additionally, regarding our main hypothesis for the corporate governance variables, the results in ***Table 3*** show that both board size and board independence affect the companies' ROA. The larger the board size the more negatively ROA will be affected, while the higher the independence of board members the more positively ROA will be affected.

Considering the results of the second regression for the dependent variable ROE, there are certain remarks to be done. According to ***Table 4***, the independent variable seems to be explained by the dependent variables at a level of 51%. ***Table 5*** shows though that the model is not statistically significant, and it suffers from autocorrelation. This is understandable because the net income as part of the numerator of the return on equity is directly affected by the loss ratio and the leverage. ***Table 6***, which contains the coefficients of the ROE model: Leverage, Board size, and board independence seem statistically significant in affecting ROE, but the other firm-specific factors are not statistically significant.

Table 4. Model Summary for ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.715[a]	0.511	0.348	0.077250238781990	2.301
a. Predictors: (Constant), Board Independence, Growth Rate, Loss Ratio, Board Size, FIRM SIZE, LEVERAGE, TANGIBILITY OF ASSETES					
b. Dependent Variable: ROE					

Table 5. ANOVA Table for Model Summary for ROE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.131	7	0.019	3.138	.020[b]
	Residual	0.125	21	0.006		
	Total	0.256	28			
a. Dependent Variable: ROE						
b. Predictors: (Constant), Board Independence, Growth Rate, Loss Ratio, Board Size, FIRM SIZE, LEVERAGE, TANGIBILITY OF ASSETES						

Table 6. Coefficients for Model Summary for ROE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.240	0.332		0.724	0.477
	FIRM SIZE	-0.025	0.012	-0.505	-1.984	0.060
	LEVERAGE	**0.051**	0.016	0.869	3.195	**0.004**
	Loss Ratio	0.010	0.005	0.423	2.019	0.056
	TANGIBILITY OF ASSETES	-0.112	0.078	-0.421	-1.432	0.167
	Growth Rate	-0.001	0.000	-0.175	-1.093	0.287
	Board Size	**-0.037**	0.012	-0.692	-3.117	**0.005**
	Board Independence	**0.731**	0.200	1.055	3.664	**0.001**
a. Dependent Variable: ROE						

It should be noted that both models have been run including both firm-specific and macroeconomic factors, but it seemed that macroeconomic factors had not a significant relationship with ROA and ROE and were reducing the significance of the models. In continuance, we concentrated on the firm-specific factors and attempted to define a model that explains the profitability factors of insurance companies. Our results, even though preliminary open a big discussion on the management forms of efficiency in those firms as well as on the real factors that affect their performance.

5. Conclusions

In conclusion, to maintain a solid financial market, insurance companies should perform as well as they can. This is why it is very important to understand and estimate what profitability for these firms means and how it is affected by various micro or macro parameters. This paper is an empirical framework that studies micro-specific parameters that affect the profitability of insurance companies in Albania measured by both ROA and ROE. The analysis made can be concluded as follows:

i. Based on the regression model built in this paper it can be concluded that roughly at a level of 60% independent variables explain the variation of profitability for insurance companies. Independent variables taken into consideration included: loss ratio, the tangibility of assets, firm size, firm growth, leverage, the board size, and board independence.
ii. It results that profitability measured by ROA with a confidence interval of 95% is explained by four microeconomic parameters; firm size, loss ratio, board size and board independence. These four specific parameters have a p-value lower than 0.05, indicating they are statistically significant for the regression model, but the Loss ratio seems of a lower economic significance.
iii. ROA is negatively and statistically significantly affected by Board Size.
iv. ROA is positively and statistically significantly affected by Board Independence.
v. Results of the model using ROE do not seem of statistical importance. This requires further investigation.

Comparing Albania to other countries where the same analysis is made by researchers regarding the insurance market profitability, there are similarities and differences. Regarding the macroeconomic factors: they resulted to have no impact on the profitability of insurance companies in Albania, while in some other countries a significant positive relationship was shown between economic growth and profitability. Parameters such as firm size and loss ratio were shown to be important in all cases studied, including also Albania. This happens because these ratios are bounded inevitably with profitability. It should be emphasized that comparison depends on some factors; which ratios are taken into consideration and what statistic test is performed to build the regression model.

Acknowledgment: The present study has been presented at the 14th International Conference "Economies of the Balkan and Eastern European Countries", EBEEC 2022, Florence, Italy (http://ebeec.ihu.gr/).
The authors would like to express their gratitude to Sara Mersini Msc. for her devotion to gathering data about the insurance industry.

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