ANALYSIS OF THE FACTORS AFFECTING THE FINANCIAL PERFORMANCE OF INSURANCE COMPANIES LISTED ON THE PALESTINE STOCK EXCHANGE

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A R T I C L E I N F O

A B S T R A C T

The objective of this study was to investigate the factors affecting the financial performance of insurance companies in Palestine. The entire study population was targeted at 7 insurance companies listed on the Palestine Exchange for the period between 2010 and 2019. The researchers used multiple linear regression analysis to create two models that represent the financial performance; the study adopted two models for measuring financial performance, the first model measuring financial performance by return on assets, and the other measuring financial performance by return on equity. The results showed a positive and statistically significant impact on the solvency margin, the state's legal system, the size of the board of directors, and the size of the company on the return on assets. There is a negative, statistically significant impact on each of the claims loss ratios, the dependence on the four major auditing firms, and the ownership of board members on the return on assets. The reliability of reinsurance and the audit committee did not show a statistically significant effect on the return on assets. The results showed a positive, statistically significant impact of the solvency margin and company size on the return on equity. The results indicate a negative, statistically significant impact of both the claims loss ratio and the Audit Committee on the return on equity. Reinsurance dependent, dependence on the four major auditing companies, the state's legal system, the size of the board of directors, and the ownership of board members have no significant effect on the return on equity. The study recommends that insurance companies in Palestine should comply with the required margin of money, which was set by the Palestinian Capital Market Authority at 150%.

INTRODUCTION

Insurance companies play an important role in economic growth, as insurance companies facilitate various economic transactions in the country by transferring risks and providing compensation. These companies provide financial security in the country (Cudiamat & Siy, 2017), as they enhance local and foreign investment opportunities, which positively affects the economic growth of the country.

The insurance services provided by insurance companies for the benefit of other businesses, whether companies or individuals, help them to continue working and achieve profits by transferring some of the risks to insurance companies. In this sense, the developed insurance industry is an important factor for economic development because it works to reduce the material risks faced by the various economic sectors; this is because it helps companies to continue their operations without worrying about the occurrence of unusual events that limit their production capacity (Mogro & Barrezueta, 2019).

Insurance refers to procedures, systems, or businesses whereby financial protection (or financial compensation) for life, property, health, etc. is compensated for unforeseen events that can occur such as death, loss, damage or illness, involving regular premium payments during a certain period Against policies that guarantee this protection (Johny, Purwoko, & Merawaty, 2021).

On the other hand, the term insurance can be defined by two schools of thought: transfer School and pooling school: According to transfer School "Insurance is a device for reducing uncertainty of one party, called the insured, by transferring certain risks to another party; called the insured, which offers a repair, at least in part, of the economic losses incurred by the insured. pooling school: According to the pooling school "the essence of insurance is to eliminate the uncertainty or risk of loss for an individual by bringing together a large number of similarly exposed individuals", insurance works On the principle of risk pooling where people contribute to a mutual fund in the form of premiums and where the lucky ones who do not incur a loss help the unlucky who suffer a loss during a specified insurance period (Deyganto & Alemu, 2019).

Importance of the Study
The utmost importance of this study stems from the fact that it helps in analysis factors that affecting the performance of Palestinian insurance companies, which helps in identifying the strengths and weaknesses within these companies in terms of: insurance factors, institutional factors, and governance factors, by providing information Sufficient performance of the company from which internal bodies (company management) benefit from, in addition to external bodies benefiting from financial analysis data such as: auditors, in the analytical tests, and any other party of rational economic decision-makers.

Problem of the Study
Many studies have focused on the factors affecting the financial performance of insurance companies, many areas have been studied by many researchers, but there are still many unresolved issues in the previous literature. The reason for this literary gap is that each country has a different economic, financial and political structure. Similarly, from one time period to another, very few studies were found that examined factors affecting the financial performance of insurance companies by addressing more than one axis, for example, the extent to which insurance industry factors and governance factors affect the financial performance of insurance companies were not studied. Insurance in Palestine. Also, previous literature did not address institutional factors and their impact on the performance of financial insurance companies. This study attempts to answer the following questions:

First main question: What is the extent of the impact of insurance industry factors on the financial performance of insurance companies listed on the Palestine Stock Exchange?

Sub-questions
- What is the extent of the impact of the solvency margin of the insurance company on its financial performance?
- What is the extent of the impact of the insurance company's claims loss ratio on its financial performance?
- What is the extent of the impact of the reinsurance reliability of the insurance company on its financial performance?

Second main question: What is the extent of the impact of institutional factors on the financial performance of insurance companies listed on the Palestine Stock Exchange?

Sub-questions
- What is the extent of the impact of relying on the Big Four to audit the accounts of the insurance company on its financial performance?
- What is the extent of the impact of the state's legal system on the financial performance of insurance companies?

Third main question: What is the extent of the impact of governance factors on the financial performance of insurance companies listed on the Palestine Exchange?

Sub-questions
- What is the extent of the impact of the size of the insurance company's board of directors on its financial performance?
- What is the extent of the impact of the ownership of the board of directors of the insurance company on its financial performance?
- What is the extent of the impact of the existence of the audit committee emanating from the board of directors of the insurance company on its financial performance?

Limitations of the Study
It is related to the theoretical and practical frameworks of the study: the study was limited to the financial ratios and dummy independent variables distributed over three groups, the insurance industry factors, institutional factors, and governance factors (which were mentioned only within the theoretical and practical frameworks). It included a total of eleven percentage points among all independent, dependent, and control factors, for which the researcher had sufficient financial data to calculate.

THEORETICAL FRAMEWORK

The Theories
Institutional Theory
Institutional theory revived in 1977, (Meyer & Rowan, 1977) identified the foundations of institutional theory when discussing the environment of formal institutional structures, and (DiMaggio & Pawell, 1983) explained the existence of an impact of the common legal environment in the form of the behavior and structure of institutions in addition to the impact of the institution on the social environment and political decisions. Scott (2008) reported that institutional theory looks at the environment influencing the institution such as the political, legal and social environment, and defines institutional theory as "a widely accepted theoretical position that emphasizes rationality, similarity, and legitimacy myths." Institutional Theory This study is based on the institutional theory, because it studies the impact of the state's legal environment on the financial performance of insurance companies.

Legitimacy Theory
Suchman (1995) defines legitimacy as a generalized perception or assumption that the actions of an entity are desirable, appropriate, or appropriate within a socially constructed system of rules, values, beliefs, and definitions. In other words, legitimacy is the process by which an organization justifies its right to exist for a peer or superior system (Mousa & Hassan, 2015). Legitimacy relies heavily on subjective and collective assessments of powerful stakeholders resulting in a better understanding of legitimacy as socially constructed (Dube & Maroun, 2017). Organizational legitimacy is defined as "a condition, which exists when the value system of an entity is identical with the value system of the larger social system of which the entity is a part. When there is a discrepancy, actual or potential between the two value systems, there is a threat to the entity's legitimacy," "legitimacy theory indicates that when there is a discrepancy between company actions and societal expectations, management uses disclosure methods such as annual reports in order to help alleviate societal concerns or, more precisely, what they consider to be societal concerns (Lanis & Richardson, 2012).

Agency Theory
The beginnings of agency theory go back to Smith (1776) when he posed the problem of separating ownership and management at work. Agency In cases where one individual called the agent is engaged by another individual called the owner (principle) to act on his behalf on a fixed remuneration, both persons are assumed to be the beneficiary, and motivated by financial and non-financial factors, incentive problems may arise , especially in light of information uncertainty and inconsistency (Birjandi, Hakemi, & Sadeghi, 2015). Osho and Ayorinde (2018) clarified the principal-agent relationship as a contract under which one or more (principal) principles engage another agent (the agent) to perform some service on their behalf, which includes giving some decision-making power to the agent. While the intent of both parties in an agency relationship is to act in the interest of the owner (principle), information asymmetry and greed tempt management to pursue personal goals rather than those of the owner (principle), this conflict of interest or mismatch of goals between management and shareholders is described as Agency problem. This theory helps in implementing various governance mechanisms to control the work of agents in companies (Panda & Leepsa, 2017).

Panda and Leepsa (2017) classified the agency problem into three types, the first type is between the owners (principles) and agents (agents), which arises due to the asymmetry of information and the variance in risk-sharing situations, the second type of conflict occurs between the major and small shareholders, and it arises Because the major owners make decisions in their favor at the expense of the minor shareholders. The third type of agency problem occurs between owners and creditors. This conflict occurs when owners make more risky investment decisions against the will of the creditors.

Stakeholder Theory
Stakeholder theory has been found to be a particularly useful viewpoint for addressing some of the important issues in business from an international perspective. It provides an opportunity to reinterpret a variety of concepts, models, and phenomena across different disciplines. Stakeholders are typically defined as individuals, groups, and organizations that have an interest in a company's operations and results and on which a company depends to achieve its goals, and include employees, managers, shareholders, financiers, customers, and suppliers (Harrison, Freeman, & Sá de Abreu, 2015). In other words, stakeholders are defined as any group or individual that can influence or be affected by a company's achievement of its objectives or performance (Miles, 2017).

The Variables Definitions
Solvency Margin
The concept solvency margin appeared in the 1970s in Europe. Until then, the only condition that a life insurance company had to fulfill was that after distribution of the surplus, if any, the value of its assets should not be less than the value of its liabilities. Instead, it was stipulated that the value of assets should exceed the value of liabilities by a certain margin. This margin was known as the solvency margin (Gour & Gupta, 2012). In general, solvency is a measure of a company's long-term financial ability. It refers to the company's ability to meet its long-term financial obligations. While solvency is of interest to various stakeholders in the organization, it is of paramount importance to both investors and creditors (Morara & Sibindi, 2021). A creditworthy and concessional company is one that is in a position to pay current and subsequent claims as they become due (going case), the higher the solvency margin, and the greater the level of confidence of creditors, investors, existing customers and potential customers (Morara & Sibindi, 2021). Solvency margin has been under study and development since the early 2000s and has come to be called Solvency II which is currently one of the most complex

insurance systems in the world. It is built on the principles of market consistency and integrating strong risk management and governance within insurance companies. For businesses with long-term guarantees. The previous solvency margin system, in force since the 1970s and which has come to be known as first solvency, was not risk sensitive and a number of key risks, including market, credit and operational risks, were not explicitly considered in the capital requirements (Rae, Barrett, Brooks, Chotai, & Pelkiewicz, 2018).

Claims Loss Ratio

Claims are amounts payable. Also known as claims loss ratio, the claims ratio is measured by the number of claims in a period divided by the total premiums earned for the same period. As part of insurance operations is liquidity risk management and it is necessary to have a thorough understanding of the proportion of claims incurred, if the value is higher than expected or established standards, then further investigation is required to find out the reason for this and it is important to check whether there is a threat of insurance fraud, if The ratio was lower than expected and may indicate unrelated products or difficulties in claiming, which may affect customer satisfaction, and obviously requires further investigation (Olalekan, 2018). In other words, claims are the ratio of total losses incurred "paid and reserved" in claims plus adjustment expenses divided by total premiums earned. For insurance companies (Berhe & Kaur, 2017).

Reinsurance

In this modern era, risk conscious individuals and organizations with a high level of risk seek adequate protection against the negative consequences that may arise due to the presence of risks. The insurance company also seeks, in order to reduce its heavy liabilities, to transfer part of the burden of risk to other institutions, namely, reinsurance companies (Adekunle & Stephen, 2017). In other words, reinsurance is one of the ways in which insurance companies effectively transfer parts of their risks arising from insurance claims. It is clear that reinsurance brings benefits not only to the reinsurance company, but also to the insurance company (Huang, Ouyang, Tang, & Zhou, 2018). Reinsurance has many benefits. First, low volatility in underwriting results will protect insurance companies from unexpected large losses and reduce the capital required to support the business, since capital has a cost, the use of reinsurance may reduce the average cost of capital and increase the value of the company. Second, with reinsurance insurers can insure more risk with the same amount of capital, thus spreading their overheads over a broader base of business. Third, improved solvency may help reduce the traditional underinvestment problem and improve the financial quality of insurance companies. As a result, policyholders will not demand these high-risk compensation, which may lead to lower insurance rates. Fourth, because reinsurance premiums are tax-deductible, using reinsurance may improve the profitability of insurance companies. Finally, by accessing the expertise of reinsurers, insurers may achieve a better understanding of assumed risks and ensure more accurate risk assessments (Lei, 2019).

Big4

Audit firms provide reasonable assurance of the correctness of financial statements to investors. It is a formal external oversight mechanism that can provide institutional legitimacy. The auditor's report will be more important in countries where legal systems are weak, the company's external auditor can have an impact on the quantity and quality of financial and non-financial statements. Large and international audit firms require more compliance with international accounting and auditing standards, as audit firms follow in their procedures and implement the control aspects required by international auditing standards, providing better quality auditing and auditing than local firms. They can usually advise on disclosing more information, these companies are usually larger than local companies. Rahman, Meah, and Chaudhory (2019) indicated that the size of the audit firm is an influencing factor on the financial performance of companies.

Legal System

The political and legal environment and economic growth have a relationship with each other. A stable political environment is important for the insurance industry to develop and thrive. Likewise, a country experiencing political instability hampers economic growth and creates an uncertain environment for investment (Pant & Bahadur KC, 2019). The institutional framework and political stability of the state are important in a number of economic areas, including the insurance industry. It is clear that legal rules are important to this sector, based on the contractual obligations assumed by both parties and the insurance industry is expected to develop further if the insured persons feel protected by the legal system and law enforcement. Moreover, the integrity of this legal environment depends on the political context, for example, controlling corruption can significantly affect confidence in the insurance system in general, due to short or long-term private engagements. Using the average of six indicators to measure voice and accountability, political stability, government effectiveness, organizational quality, rule of law, and control of corruption (Mare, Dragos, Dragota, & Muresan, 2016).

Board Size

The size of the Board of Directors refers to the total number of board members of any company, and determining the ideal size of the board of directors for companies is very important because the number and quality of directors in the company determine and affect the performance of the Board of Directors and thus the performance of the company (Azutoru, Obinne, & Chinelo, 2017). The size of the Board of Directors is quantitative in relation to the number of components (board size) and has resulted in conflicting evidence about the effectiveness of governance: for some large councils allow for a more effective integration of opinions, experiences, skills and contacts and therefore have a positive relationship, and for others

the mark is negative because as the size of members increases, coordination becomes more difficult and this increases the strength of the CEO (Anderloni, Moro, & Tanda, 2020).

Ownership of Board Members
The Board of Directors is responsible for maintaining assets in order to facilitate the completion of administrative work and contribute to high efficiency (Dakhlallh, Rashid, Abdullah, & Dakhlallh, 2019), has proposed several internal and external governance mechanisms that, such as board formation, internal ownership or council ownership and external ownership as a means of controlling agency disputes and reducing agency costs. Many accounting theories, including agency theory and consolidation theory highlight the critical role of internal ownership or ownership of board members, suggest that such types of board ownership can serve as a double-edged sword in terms of their impact on agency costs and company performance. The ownership of board members can reduce agency conflicts as a result of aligning interests between board members and owners. However, higher levels of board ownership can create a state of agency conflict by encouraging controlling shareholders to act opportunistically to confiscate wealth from other shareholders (Habtoor, 2021).

Audit Committee
The Audit Committee can be defined as "a select number of board members whose duties include helping auditors remain independent of management," the majority of audit committees are board members who are not members of the company's executive management (Dakhlallh, Rashid, Abdullah, & Al Shehab, 2020). The Audit Committee makes a significant contribution to the Company as part of the application of corporate governance principles in the form of high-quality internal supervision of the company to preserve the rights of shareholders and corporate stakeholders. The audit committee's duties are closely linked to the review of the risks faced by the Company, as well as compliance with regulations, the Audit Committee must participate in the appointment of external auditors, taking into account risks, including the potential for inadequate scrutiny and non-independent external auditors and/or the performance of external auditors who do not meet Standards (Sofia & Avianti, 2019). The chairman of the audit committee must be independent and must have appropriate financial experience (Sankhla, 2021).

Company Size
Company size can be measured in different ways such as total assets, stock market value, average sales level and sales amount (Djunid & Amelia, 2018). As well (Qoyum, Setyono, & Qizam, 2017) says the size of the company is displayed through total assets, total sales, average total sales and average total assets.

Return on Assets
Return on assets is the percentage of profitability that provides the amount of profit a company can make from its assets. In other words, RoA measures the efficiency of the company's management in making profits from its economic resources or assets on its balance sheet. The company's net income reflects the amount of profit the company makes. To increase return on assets, companies must be able to improve the position and growth of dividend-generating assets (Puspitasari, Sudiyatno, Hartoto, & Widati, 2021).

Return on Equity
ROE is part of the profitability ratios that must be known to management in its capital management. Roe is the ratio for measuring net income after tax with private capital. This ratio demonstrates the efficiency of private capital use, the higher the position of the company's owners, and vice versa, roe is the ratio used to assess the extent to which the company uses its resources to be able to provide a return on equity (Junaeni, 2017).

LITERATURE REVIEW
Insurance Industry Factors
Koc (2016) aimed to identify factors affecting the performance of ISE-listed insurance companies represented by the return on net assets (ROA), and used Panel data analysis to study the eight-year period between 2008 and 2015. It concluded that there was a positive correlation between the performance of insurance companies and the number of their agents, the profit-to-premium ratio earned and the financial assets of the investment profit, while a negative correlation between the performance of insurance companies and the loss ratio was identified. While (Ishtiaq & Siddiqui, 2019) focus on Factors affecting the financial performance of Pakistan's life insurance sector, potential internal and external factors including liquidity, net premiums, premium growth, underwriting risk and debt to equity, insurance leverage, concrete, equity capital, capital surplus, GDP, inflation and market share were used to assess their impact, while the sector's return on assets (ROA) was used as a performance appraisal indicator for years from 2008-2017 from nine insurance companies on Life. The results were analyzed using panel data to form a normal micro-square slope model and use the generalized moment method to estimate the results. Its results showed that tangible, market share, net premiums, insurance leverage and GDP had no D or negative impact on the financial performance of PSC, while other independent variables such as liquidity, underwriting risk, and debt to equity, equity capital, surplus capital and inflation had a positive and significant statistical impact.

Abebe and Abera (2019) examined the financial performance determinants of insurance companies in Ethiopia from 2010 to 2015. Profitability ratios were used as a means of measuring financial performance; return on assets (ROA) and return on equity (ROE). The panel data study was used by 9 insurance companies for 6 years. To determine financial performance determinants, the researcher used the normal ols method. The result of the estimate showed that capital

adequacy, liquidity, size, age, loss and leverage were the main determinants of financial performance. Mazviona, Dube, and Sakahuhwa (2017) focused his study on factors affecting the performance of insurance companies in Zimbabwe. The researcher used secondary data from 20 short-term insurance companies. The data for the period 2010-2014. Analysis of multiple factors and linear regression models was used to identify and determine the impact of performance factors. One of its results is that the ratio of expenses, the proportion of claims and the size of the company adversely affect the performance of insurance companies. Leverage and liquidity positively affect performance. It recommended that insurance companies introduce mechanisms that reduce operational costs such as automated systems.

Deyganto and Alemu (2019), aimed to identify factors affecting the financial performance of insurance companies operating in Ethiopia. The researchers used a causal research design with a mixed research approach that targeted the study's target community of 17 insurance companies operating in Ethiopia, and the researchers selected 6 public insurance companies with audited financial data for 10 years from 2008 to 2018. Collected through a review of financial statements and published and unpublished materials, the results of the study show that premium growth, solvency ratio, GDP growth rate and inflation rate have a statistically significant impact on the financial performance of insurance companies, while reliance on reinsurance, company size and interest rate have no significant impact on the financial performance of the insurance company. Johny, Purwoko, and Merawaty (2021) to analyze the simultaneous and partial impact of total insurance premiums, claim reserve, premium reserve and payment of claims on return on assets, the sample included 10 insurance companies listed on the Indonesian Stock Exchange, the data was processed using version 9 of Eviews, the results of which were that total premiums had a positive and significant impact on return on assets, reserve claims having a negative impact and indicative of return on assets, for allocations a positive but insignificant effect on return on assets and claims payments It has a negative impact on return on assets.

Daare (2016) investigate the factors that determine the profitability of insurance companies in India for eight insurance companies for the period 2006-2016 dealing with eight variables, and concluded that the company's size, liquidity and inflation are statistically significant factors that determine the profitability of insurance companies in India. The study recommended that insurance managers pay close attention to current asset management and current responsibility to maintain optimal liquidity status while inflation is also important from external variables. Kaya (2015) investigate the financial performance analysis of insurance companies traded on the Istanbul Stock Exchange (BIST) from the end of 2014 through the Grey Relationship Analysis Method (GRA), for the period 2010-2014 in terms of capital adequacy ratios, liquidity ratios, operating ratios, and profitability ratios. Tarsono, Ardheta, and Amriyani (2019) analyzed the impact of net premium growth, claim ratio and risk-based capital on the financial performance of insurance companies, and the study community was an insurance company listed on the Indonesian Stock Exchange from 2014-2018, with a sample size of 17 life insurance companies. The study concluded that there was no impact on net premium growth and claim ratio on financial performance, risk-based capital having a negative impact on the financial performance of life insurance, namely the return on assets, the three ratios of net premium growth, claims ratio and risk-based capital affect the financial performance of life insurance companies represented by the return on assets.

Institutional Factors

Rahman, Meah, and Chaudhory (2019) focused on detecting the impact of audit characteristics on the company's performance, using the quality of external audit (BIG4), the frequency of audit committee meetings and the size of the audit committee as models of audit characteristics and the company's performance is measured by return on assets, profit margin and earnings per share. During 2013-2017 to see the impact of audit characteristics on the company's performance. The researcher used multiple regression analysis, and one of its findings is that the quality of external audit (BIG4) and the size of the audit committee are positively related to the company's performance, as well as a negative relationship between the audit committee meeting and the company's performance. Recommended that the regulatory authority and the audit committee review the frequency of audit committee meetings to make them more effective to ensure better company performance. Farouk and Hassan (2014) was concerned with the impact of quality audit on the financial performance of nigeria-listed companies. The study used the descriptive approach. The data was obtained from published annual reports and accounts and notes on the financial statements of the four companies representing the study sample. Results have shown that the size of the auditor and the independence of the auditor have significant impacts on the financial performance of cement companies listed in Nigeria. However, the auditor's independence has a greater impact than the auditor's size on financial performance.

On the other hand, (Dragos, Mare, Dragota, Dragos, & Muresan, 2017) investigated the impact of institutional factors on life insurance demand in 32 European countries found that the demand for life insurance is differently influenced by institutional indicators from the global governance indicators database, in emerging and transitional markets compared to developed markets. He noted that the sound legal environment in developed countries, so that the level of the rule of law was very homogeneous and high, made it irrelevance to the demand for life insurance. For developing countries, the enforceability of contracts, the independence of justice and the efficiency of time in the judicial process positively affect citizens' decision to purchase life insurance contracts.

Governance Factors

Ebere, Ibannichuka, and Ogbonna (2016) investigated the corporate governance system with the aim of identifying the relationship between board size, board composition, earnings per share (EPS) and return on assets (ROA) of Nigeria-listed insurance companies for the period 2008-2015, data was collected from 14 insurance companies and analyzed and the researcher used Pearson link and multiple regression analysis, and the results of which are that the size and composition of the Board of Directors contribute significantly to the financial performance of insurance companies in Nigeria.

The relationship between corporate governance mechanisms and the performance of insurance companies in Pakistan was studied, data were collected from 12-year annual reports for the period 2007-2018, and the results indicated that the composition of the Board of Directors, the concentration of ownership, and executive compensation are the most influential internal corporate governance on the performance of insurance companies, the composition of the Board of Directors and executive wages is linked to a negative relationship with all performance measures, but the concentration of ownership has a significantly positive impact on the performance of insurance companies in Pakistan, as well as the size and age of variables Positive control over all performance measures while adversely affecting all performance metrics (Junaid, Xue, Syed, Ziaullah, & Riffat, 2020).

Previous studies have not taken into account the specificity of the Palestinian economy in general and the insurance sector in Palestine in particular, in addition to the lack of literature dealing with the impact of institutional factors on the financial performance of companies, especially insurance companies. In this article, an analysis of factors that are likely to have an impact on the financial performance of insurance companies in Palestine will be addressed taking into account the specificity of Palestine's economic and legal situation.

METHODOLOGY

The study follows the descriptive analytical approach to identifying the impact of insurance industry factors, institutional and corporate governance factors on the financial performance of insurance companies. The sample included 7 insurance companies listed in the Palestine inch as shown in table (4.1), based on companies still operating according to the last year of the analysis period (2010-2019). With regard to data collection, the study relies on published data on the Palestine Stock Exchange as a primary source of information collection on variables, while the World Bank's Global Governance Indicators (WGI) website is used to collect indicators of legal system variables, as well as the Palestinian Capital Market Authority to obtain a solvency margin variable.

Variables
Dependent & Independent Variables
Table 1. Independent and dependent variables

Variables	Measurement		Expected effect	References
Independent variables				
Insurance industry factors				
solvency margin	Available capital/required capital ratio	SM	+	(Deyganto & Alemu, 2019)
Claims Loss Ratio	Claims incurred / premiums earned	CIR	-	(Abebe & Abera, 2019)
Reinsurance dependent	Total reinsurance premiums/total written premiums	REIN	-	(Deyganto & Alemu, 2019)
institutional factors				
Big 4	Big 4 is 1, not Big 4 is 0	BIG4	-/+	(Nwoye, Anichebe, & Osegbue, 2021)
Legal system	It is an average of the following set of six: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rules of Law and Control of Corruption. According to the Global Governance Indicators website	LEGAL	-/+	(Mare, Dragos, Dragota, & Muresan, 2016)
Corporate Governance Factors				
Board size	Decimal logarithm of the number of board members	BSIZE	-/+	(Ebere, Ibanichuka, & Ogbonna, 2016)
Ownership of board members	Non-shareholder board members/total number of board members	BOWNERSHIP	-/+	
Audit Committee	Exist Audit Committee 1, no Audit Committee 0	AUDITCOMM	-/+	
Control variables				
Company size	Decimal logotherm of total assets	SIZE	+	(Djunid & Amelia, 2018)
Independent variables: Financial performance				
Return on assets	net profit before tax/total assets	ROA		(Mazviona, Dube, & Sakahuhwa, 2017)
Return on equity	net profit before tax/total equity	ROE		(Batool & Sahi, 2019)

Models

Two equations used in this research represented the financial performance of companies, as follow:

Financial performance measured by ROA model:

$$ROA = B\alpha + B1SM + B2CIR + B3REIN + B4BIG4 + B5LEGAL + B6BSIZE + B7BOWNERSHIP + B8AUDITCOMM + B9SIZE + e$$

Financial performance measured by ROE model:

ROE=Bα+B1SM+B2CIR+B3REIN+B4BIG4+B5LEGAL+B6BSIZE+B7BOWNERSHIP+ B8AUDITCOMM+B9SIZE + e

Hypotheses

Model 1 Hypotheses

H01: There is no statistically significant effect of insurance industry factors on financial performance as measured by return on assets in insurance companies listed in Inch Palestine, Sub- hypotheses were:

H01.1: There is no statistically significant effect of the solvency margin on ROA.

H01.2: There is no statistically significant effect of the claim loss ratio on ROA.

H01.3: There is no statistically significant impact of reinsurance dependence on ROA.

H02: There is no statistically significant effect of institutional factors on financial performance as measured by return on assets in insurance companies listed in Inch Palestine, Sub- hypotheses were:

H02.1: There is no statistically significant effect of Big 4 on ROA.

H02.2: There is no statistically significant effect of legal system on ROA.

H03: There is no statistically significant effect of Corporate Governance Factors on financial performance as measured by return on assets in insurance companies listed in Inch Palestine, Sub- hypotheses were:

H03.1: There is no statistically significant effect of Board size on ROA.

H03.2: There is no statistically significant effect of Ownership of board members on ROA.

H03.3: There is no statistically significant impact of Audit Committee on ROA.

Model 2 Hypotheses

H01: There is no statistically significant effect of insurance industry factors on financial performance as measured by return on equity in insurance companies listed in Inch Palestine, Sub- hypotheses were:

H01.1: There is no statistically significant effect of the solvency margin on ROE.

H01.2: There is no statistically significant effect of the claim loss ratio on ROE.

H01.3: There is no statistically significant impact of reinsurance dependence on ROE.

H02: There is no statistically significant effect of institutional factors on financial performance as measured by return on equity in insurance companies listed in Inch Palestine, Sub- hypotheses were:

H02.1: There is no statistically significant effect of Big 4 on ROE.

H02.2: There is no statistically significant effect of legal system on ROE.

H03: There is no statistically significant effect of Corporate Governance Factors on financial performance as measured by return on equity in insurance companies listed in Inch Palestine, Sub- hypotheses were:

H03.1: There is no statistically significant effect of Board size on ROE.

H03.2: There is no statistically significant effect of Ownership of board members on ROE.

H03.3: There is no statistically significant impact of Audit Committee on ROE.

DATA ANALYSIS

Descriptive Statistics

Table 2. Descriptive statistics of ratio variables

	ROA	ROE	SM	CIR	REIN	LEGAL	BSIZE	SIZE
Mean	0.0373	0.051	1.6136	0.6351	0.1255	0.3345	0.9091	7.6815
Median	0.0348	0.1259	1.595	0.65	0.1048	0.3336	0.9031	7.6864
Maximum	0.1414	0.4901	3.33	0.88	0.3008	0.3589	1.0414	8.2695
Minimum	-0.1091	-2.452	0.33	0.26	0.0396	0.3101	0.699	7.0386
Std. Deviation	0.0416	0.4399	0.6209	0.108	0.0621	0.0166	0.0992	0.273
No. of observation	70	70	70	70	70	70	70	70

The table 2 shows that the average return on assets was 0.0373, with values ranging from (-0.109-0.141), average return on equity (0.051) and values ranged from (-2.452-0.490), and average solvency margin (1.6144) Its values ranged from (0.33-3.33), averaged claims loss (0.635) and values ranged from (0.26-0.88), average reliance on reinsurance (0.126) and values ranged from (0.0396-0.3008), The average legal system of the state (0.335) ranged in value from (0.3101-0.3589), the average size of the Board of Directors (0.909) and its values ranged from (0.699-1.0) 41), also averaged the ownership of board members (0.3324) and its value ranged from (0-1), the average size of the company (7.6815) and its value ranged from (7.0386-8.2695).

Table 3 shows the independent-quality variables that take the values of 0 and 1: the big four audit companies and the audit committee of the insurance companies in question, which have been calculated from their financial lists, showing the numbers and percentages of each of these independent variables.

Table 3. Descriptive statistics of dummy variables

variables	Category	No.	%
BIG4	(not big 4) 0	18	25.70%
	(big 4)1	52	74.30%
	Sum	70	100.00%
AUDITCOMM	(The absence of an audit committee) 0	13	18.60%
	(audit committee exist) 1	57	81.40%
	المجموع	70	100.00%

Unit Root Test

In order to test the stillness of the CT time series data used in the search, Four types of unit root tests were used: Levin-Lin-Chu, Lim-Bassaran-Shin Im, Pesaran and Shin W-stat, Fisher-Chi Square-ADF test, Fisher-Chi Square-ADF test, fisher-chi Square-PP test, all of which are parameter tests that assume that all-time series are cross-sectionally independent except for the last test as it is non-teacher (Hsiao, 2014), all of these tests are based on a zero hypothesis examination that provides for the presence of the unit root of the single series in all sections (Cross-sections) and that the data of the CT series are not static, and these tests will be used at the original level of series (Level) and at the first difference (First Difference), and table 4 shows the results of these tests:

Table 4. Unit Root Test

Variable	Test	Level		First Difference	
		Statistic	Prob.	Statistic	Prob.
ROA	Levin-Lin-Chu	-3.6494	0.0001	-6.6102	0.0000
	Im, Pesaran and Shin W-stat	-1.6855	0.0460	-2.5781	0.0050
	Fisher-Chi Square-ADF	24.8247	0.0363	35.1103	0.0014
	Fisher-Chi Square-PP	54.4640	0.0000	76.5581	0.0000
ROE	Levin-Lin-Chu	-3.3969	0.0003	-6.9411	0.0000
	Im, Pesaran and Shin W-stat	-1.2815	0.1000	-2.9805	0.0014
	Fisher-Chi Square-ADF	21.6950	0.0851	37.4430	0.0006
	Fisher-Chi Square-PP	47.0663	0.0000	84.6838	0.0000
SM	Levin-Lin-Chu	-3.4643	0.0003	-5.5937	0.0000
	Im, Pesaran and Shin W-stat	-0.8764	0.1904	-0.5930	0.2766
	Fisher-Chi Square-ADF	19.5547	0.1448	22.0967	0.0766
	Fisher-Chi Square-PP	32.9299	0.0029	46.1509	0.0000
CIR	Levin-Lin-Chu	-4.2969	0.0000	-8.0996	0.0000
	Im, Pesaran and Shin W-stat	-2.5097	0.0060	-4.5092	0.0000
	Fisher-Chi Square-ADF	32.8306	0.0030	47.2937	0.0000
	Fisher-Chi Square-PP	64.1746	0.0000	76.4233	0.0000
REIN	Levin-Lin-Chu	-3.6074	0.0002	-8.1162	0.0000
	Im, Pesaran and Shin W-stat	-1.2426	0.1070	-3.4893	0.0002
	Fisher-Chi Square-ADF	22.3675	0.0714	42.1663	0.0001
	Fisher-Chi Square-PP	42.3035	0.0001	86.6944	0.0000
BIG4	Levin-Lin-Chu	-1.6103	0.0537	-4.1886	0.0000
	Im, Pesaran and Shin W-stat	-0.6956	0.2433	-0.7830	0.2168
	Fisher-Chi Square-ADF	3.4047	0.1823	5.9615	0.0508
	Fisher-Chi Square-PP	10.0270	0.0066	5.4618	0.0652
LEGAL	Levin-Lin-Chu	-5.3542	0.0000	-7.3997	0.0000
	Im, Pesaran and Shin W-stat	-3.1347	0.0009	-3.5487	0.0002
	Fisher-Chi Square-ADF	38.0266	0.0005	43.0633	0.0001
	Fisher-Chi Square-PP	37.4467	0.0006	75.6868	0.0000
BSIZE	Levin-Lin-Chu	-2.5591	0.0052	-2.2907	0.0110
	Im, Pesaran and Shin W-stat	-0.5289	0.2984	-1.3738	0.0848
	Fisher-Chi Square-ADF	14.1205	0.1676	21.2023	0.0475
	Fisher-Chi Square-PP	9.8711	0.4519	35.2133	0.0004

BOWNERSHIP	Levin-Lin-Chu	-1.4091	0.0794	-2.8678	**0.0021**
	Im, Pesaran and Shin W-stat	-0.6456	0.2593	-2.2513	**0.0122**
	Fisher-Chi Square-ADF	15.1496	0.2334	27.8856	**0.0057**
	Fisher-Chi Square-PP	24.7325	0.0161	54.4649	**0.0000**
AUDITCOMM	Levin-Lin-Chu	-2.1061	0.0176	-1.8041	**0.0356**
	Im, Pesaran and Shin W-stat	-0.4811	0.3152	0.2297	**0.5908**
	Fisher-Chi Square-ADF	7.8033	0.2529	3.8192	**0.7011**
	Fisher-Chi Square-PP	7.1369	0.3084	18.9549	**0.0042**
SIZE	Levin-Lin-Chu	-3.6494	0.0001	-6.6102	**0.0000**
	Im, Pesaran and Shin W-stat	-1.6855	0.0460	-2.5781	**0.0050**
	Fisher-Chi Square-ADF	24.8247	0.0363	35.1103	**0.0014**
	Fisher-Chi Square-PP	**54.4640**	**0.0000**	**76.5581**	**0.0000**

It is noted from the results of the unit root tests in the previous table that most of the studied CT time series are stable at the original level level where the statistical significance level values are below the 0.05 level for most of the tests used, indicating the rejection of the zero hypothesis that the unit root exists, It is also clear that all studied CT time series are stable at first difference, where statistical significance level values are below 0.05 for most tests used in all variables, It also refers to the rejection of the zero hypothesis that the root of the unit exists, and therefore concludes that the CT time series used in this research can be self-related and first-class integrated (Integrated of order 1) I(1)."

Panel Cointegration Test

In order to examine the possibility of an complementary relationship between the study variables used in the research, The combined simultaneous integration test of ct time series called Kao Residual Cointegration Test (Hsiao, 2014), where the zero hypothesis of this test states that the trumpet chain does not remain silent and that there is no common integration relationship between variables, and the rejection of the zero hypothesis in this test indicates that the study variables grow at the same pace in the long term, indicating the existence of a common integration relationship between variables. A long-term balance relationship that binds variables together, and Table 5 shows the results of the joint simultaneous integration test of CT time series by the two equations of the study:

Table 5. Panel Cointegration Test

Variables in Equation	t-statistic	Prob.
Model 1: ROA, SM, CIR, REIN, BIG4, LEGAL, BSIZE, BOWNER, AUDITCOMM, SIZE	-4.896	0
Model 2: ROE, SM, CIR, REIN, BIG4, LEGAL, BSIZE, BOWNER, AUDITCOMM, SIZE	-3.6351	0.0001

The results of the CT integration test note that the level of indication for the simultaneous joint integration of CT time series is less than 0.05 for the first and second study models, and therefore the zero hypothesis that the trumpet sequence does not remain silent and that there is no common integration relationship between the variables, and therefore concludes that the boki sequence is static and stable for the two equations of the study, indicating a long-term common integration relationship between the model variables of the study proposed by the researcher.

Multicollinearity Test
Table 6. Multicollinearity Test Probability

Correlation	ROA	ROE	SM	CIR	REIN	BIG4	LEGAL	BSIZE	BOWNER	AUDITCOMM
Probability										
ROA	1									

ROE	0.7498	1								
	0	-----								
SM	0.505	0.3909	1							
	0	0.0008	-----							
CIR	-0.205	-0.1485	-0.087	1						
	0.0887	0.2199	0.474	-----						
REIN	0.1475	0.0083	0.4094	0.0359	1					
	0.223	0.9459	0.0004	0.768	-----					
BIG4	0.0746	-0.0826	0.1742	0.1471	0.1891	1				
	0.5392	0.4967	0.1493	0.2243	0.1168	-----				
LEGAL	0.0918	-0.0118	0.0241	-0.1415	0.0418	0.0185	1			
	0.4497	0.9228	0.8431	0.2427	0.7309	0.8792	-----			
BSIZE	0.1296	-0.133	0.1086	0.1321	0.0937	0.6875	0.0241	1		
	0.2851	0.2723	0.3706	0.2756	0.4403	0	0.8429	-----		
BOWNER	0.0288	0.0125	0.0239	-0.0334	-0.1941	0.1274	-0.0547	-0.0639	1	
	0.8128	0.9184	0.8442	0.7839	0.1074	0.2931	0.6531	0.599	-----	

AUDITCOMM	0.2696	0.034	0.0588	0.0503	-0.0667	0.2233	-0.1372	0.2599	0.1008	1
	0.024	0.7797	0.6288	0.6792	0.583	0.0631	0.2575	0.0298	0.4063	-----
SIZE	0.3137	0.388	0.3489	0.2822	0.4616	0.0567	-0.2007	-0.0662	-0.2336	0.1566
	0.0082	0.0009	0.0031	0.0179	0.0001	0.6411	0.0958	0.586	0.0517	0.1955

The table 6 shows that there are no statistically function links between most independent variables, The highest correlation between independent variables (0.69) between board size (BSIZE) and big four audit companies (BIG4) was statistically lower at 0.05 (statistical indication level less than 0.05), followed by the Association between Total Assets (SIZE) and Rein dependency factor of 0.46, a statistical function at 0.05, Followed by the ratio between solvency margin (SM) and rein dependency at 0.41, which is statistically lower at 0.05, The correlation between total assets (SIZE), solvency margin (SM) and claims loss ratio (CIR) was 0.35 and 0.28 respectively, a statistical function at 0.05, and the auditcomm link factor and board size (BSIZE) were statistically at 0.05.

Variance inflation factors (VIF) Test

To ensure that there is no linear bonding problem, VIF transactions have been calculated for all independent variables that appear in the table 7, as it is clear that all contrast inflation coefficients are less than 10, indicating that the estimated study models are free of linear bonding problem (Gujarati & Porter, 2009).

Table 7. Variance inflation factors (VIF) Test

Variables	Variance inflation factors
SM	1.3670
CIR	1.2071
REIN	1.5424
BIG4	2.1637
LEGAL	1.0962
BSIZE	2.2201
BOWNER	1.2456
AUDITCOMM	1.2037
SIZE	1.8549

The Durban-Watson autocorrelation test

Table 8. The Durban-Watson autocorrelation Test

Model	d-statistic	dU	Null Hypothesis	Decision for Null Hypothesis
Panel Model 1	1.7741	1.91	No Autocorrelation	**Rejection if d < dU**
Panel Model 2	1.6474			

Number of explanatory variables excluding the constant (k= 9)
Number of included observations (n=70)

Through the results of the Derben-Watson test, it is clear that the value of the Derben-Watson test statistic (d=1.7741) for the first equation and (d=1.6474) for the second equation, both smaller than the great scheduling value (dU=) 1.910) At the indication level of 0.05, the zero hypothesis that there is no self-association between the boundaries of the trumpet sequence is rejected, thus concluding that there is a problem of the self-bonding of the trumpet matrix in the two equations of the study.

To ensure that there is no heteroskedasticity problem for the Residuals matrix, the White's General Heteroscedasticity Test will be used to test the zero hypothesis that the contrast of the error boundaries is all equal or homogeneous (Gujarati & Porter, 2009), table 9 shows the results of this test on the two study models based on the results of the estimate using the micro-box method:

Table 9. Heterogeneity Test

Model	White's test statistic(n* R2)	Degrees of Freedom	Tabulated Chi-Square
Panel Model 1	30.065=0.4295*70	9	**16.919**
Panel Model 2	26.495=0.3785*70		

Number of the Regressors excluding the constant (k= 9)
Number of included observations (n=70)

Through the results of the contrast homogeneity test, it is clear that the test value (30.065) of the first equation and (26.495) of the second equation, both greater than the table value (Chi-square=16.919) at the indication level 0.05, is therefore rejected the zero hypothesis that the difference in the boundaries of the error is all equal, thus concluding that the problem of inequality in the two equations of the study is rejected.

In order to solve the problems of self-association and heterogeneity of variability, the two equations of the study will be re-estimated by a special method of Estimated Generalized Least Squares (EGLS) or Feasible Generalized Least

Squares (FGLS), as suggested by Hsiao (2014), which adjusts the standard error matrix of capacities in the manner of the usual micro-squares (Gujarati & Porter, 2009) and (Greene, 2018).

Hausman Random Effects Test
Table 10. Hausman random effects test

Model	Test Type	Chi-Sq. Statistic	d.f.	Prob.
Panel Model 1	Period random	3.7371	8	0.88
Panel Model 2	Period random	11.1332	8	0.1943

It is clear from the results of the Haussmann random impact model test that the level of test indication for the first equation (0.88) and the second equation (0.1943), both of which are greater than the 0.05 indication level, and accordingly the zero hypothesis that the random impact model is the best and most appropriate for data analysis is accepted, The random impact model will therefore be used to estimate the two equations of the study as the random impact of the period random and the impact for ct units is cross-section. Fixed) because the number of CT units studied (insurance companies) is small and is lower than the number of independent variables to be studied their impact on the dependent variable (Gujarati & Porter, 2009).

Normality of Residuals Test
Table 11. Normality of Residuals Test

Sample	Jarque-Bera Statistic	P-Value
Panel Model 1	5.0927	**0.0783**
Panel Model 2	**209.319**	**0**

From the results of table 11, it is noted that the level of indication of the natural distribution of the Residuals chain to offset the first regression model is equal to 0.0783, which is greater than 0.05, which indicates the acceptance of the zero hypothesis that assumes that the trumpets are naturally distributed to the first study model, The value of the level of indication of the natural distribution of the trumpet chain to offset the second study model was 0.000, which is less than 0.05, which indicates the rejection of the zero hypothesis that the trumpets are naturally distributed for the second study model, Based on the central end theory and considering that the size of the study sample is large (at least 5 views per independent variable by Bentler and Chou (1987), the emergence of the problem of the natural distribution of the trumpet sequence here does not affect the results of the study, especially since the level of test indication (Jarque-Bera) becomes 0.236 after the deletion of three abnormal values from the trumpet chain (Gujarati & Porter, 2009).

Regression Analysis
Model 1 Regression Analysis

Dependent Variable: ROA
Method: Panel EGLS (Period random effects)
Sample: 2010 2019 , Periods included: 10 , Cross-sections included: 7
Total panel (balanced) observations: 70
White period standard errors & covariance (d.f. corrected)

Variable	Dependent Variable: ROA			
	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.069409	0.495872	-2.156625	0.0355
SM	0.026795	0.011504	2.329245	0.0236
CIR	-0.103195	0.048344	-2.134576	0.0374
REIN	0.106544	0.141647	0.752180	0.4552
BIG4	-0.036687	0.013045	-2.812300	0.0068
LEGAL	0.464623	0.214546	2.165607	0.0348
BSIZE	0.149580	0.052973	2.823698	0.0066
BOWNER	-0.038594	0.013337	-2.893798	0.0055
AUDITCOMM	0.011378	0.012943	0.879047	0.3833
SIZE	0.111315	0.052129	2.135373	0.0373
R^2=0.571 Adj.R^2= 0.452 F-statistic=4.791 Prob.= 0.000				

Regression analysis of model 1 shows the results of the estimate of the first regression equivalency model using ROA as a dependent variable and as a measure of financial performance, and notes from the table results that there is a positive and statistically significant impact on financial performance as measured by return on assets for each solvency margin, legal system, board size and company size, and notes that there is a negative and statistically significant impact on financial performance as measured by return on assets for each claim loss ratio, The big four audit companies and the ownership of the board members, and the results did not show a statistically significant impact on both the audit committee and the reinsurance of financial performance as measured by the return on assets. The calculated F value (4.791) and the prob.=0.000 level, which is below the level of 0.05, This indicates the appropriateness of the regression model used and proposed in measuring the impact on financial performance as measured by return on assets (ROA), and

the value of the selection factor (0.571R2=) indicating the interpretive capacity of the estimated study model, i.e. the independent variables studied and used in the assessment of the study model are all responsible for interpreting 57.1% of the change in financial performance as measured by the return on assets.

Model 2 Regression Analysis

Dependent Variable: ROE				
Method: Panel EGLS (Period random effects)				
Sample: 2010 2019 , Periods included: 10 , Cross-sections included: 7				
Total panel (balanced) observations: 70				
White cross-section standard errors & covariance (d.f. corrected)				
Variable	Dependent Variable: ROE			
	Coefficient	Std. Error	t-Statistic	Prob.
C	-10.162260	2.172096	-4.678553	0.000000
SM	0.253006	0.092418	2.737636	0.008400
CIR	-0.926265	0.261648	-3.540123	0.000800
REIN	-0.924052	1.247308	-0.740837	0.462000
BIG4	-0.238229	0.302386	-0.787831	0.434200
LEGAL	2.309334	2.528019	0.913495	0.365000
BSIZE	0.602263	0.521700	1.154425	0.253400
BOWNER	-0.303591	0.348703	-0.870629	0.387800
AUDITCOMM	-0.103913	0.040502	-2.565649	0.013100
SIZE	1.243480	0.236898	5.249011	0.000000
R^2=0.490 Adj.R^2= 0.348 F-statistic=3.461 Prob.= 0.000				

Regression analysis of model *2* shows the results of the estimate of the second regression equivalency model using the return on equity as a dependent variable and as a measure of financial performance. The table results show that there is a statistically positive and significant impact on financial performance as measured by return on equity for both the solvency margin (SM) and the size of the company, and notes that there is a negative and statistically significant impact on financial performance as measured by the return on the property rights of both the loss of claims, and the Audit Committee, There is a statistically significant impact on both reinsurance, reliability on large audit companies, the legal system, the size of the Board of Directors, and the ownership of board members on financial performance as measured by the return on property rights. The calculated F value (3.461) and the level of statistical significance (Prob.=0.000), which is below the level of 0.05, This indicates the appropriateness of the regression model used and proposed in measuring the impact on financial performance as measured by roe, and the value of the selection factor (0.490R2=) indicating the interpretive capacity of the estimated study model, i.e. the independent variables studied and used in the assessment of the study model are all responsible for interpreting 49% of the change in financial performance measured return on property rights.

Table 12. Factors affecting performance measured by ROA

Variables	effect	Studies agree with result	Studies do not agree with result
Insurance industry factors			
Solvency margin	Positive	(Deyganto & Alemu, 2019)	-
Claims Loss Ratio	Negative	(Shawar & Siddiqui, 2019)	-
Reinsurance dependent	No effect	(MASC, MMSKB, & SK, 2021)	(Kočović, Paunović, & Jovović, 2014)
Institutional factors			
Big 4	Negative	(Gallery, Cooper , & Sweeting, 2008)	(Alzharani, Ahmad, & Aljaaidi, 2011)
Legal system	Positive	(Dragos, Mare, Dragota, Dragos, & Muresan, 2017)	-
Governance factors			
Board size	Positive	(Ibrahim, Ouma, & Koshal, 2019)	(Azutoru, Obinne, & Chinelo, 2017)
Ownership of board members	Negative	(Hsu & Petchsakulwong, 2010)	(ALQIREM, ABU AFIFA, SALEH, & HANIAH, 2020)
Audit Committee	No effect	(ADEMOLA, MOSES, & UCHEAGWU, 2016)	(Ebun, 2019)
Control variable			
Company size	Positive	(Berteji & Hammami, 2016)	-

Table 13. Factors affecting performance measured by ROE

Variables	effect	Studies agree with result	Studies do not agree with result
Insurance industry factors			
Solvency margin	Positive	(Deyganto & Alemu, 2019)	-
Claims Loss Ratio	Negative	(Shawar & Siddiqui, 2019)	-
Reinsurance dependent	No effect	(MASC, MMSKB, & SK, 2021)	(Kočović, Paunović, & Jovović, 2014)
Institutional factors			
Big 4	No effect	(Alzharani, Ahmad, & Aljaaidi, 2011)	(Gallery, Cooper , & Sweeting, 2008)
Legal system	No effect	-	(Dragos, Mare, Dragota, Dragos, & Muresan, 2017)
Governance factors			
Board size	No effect	(Azutoru, Obinne, & Chinelo, 2017)	(Ibrahim, Ouma, & Koshal, 2019)
Ownership of board members	No effect	(ALQIREM, ABU AFIFA, SALEH, & HANIAH, 2020)	(Hsu & Petchsakulwong, 2010)
Audit Committee	Negative	(Ebun, 2019)	(ADEMOLA, MOSES, & UCHEAGWU, 2016)
Control variable			
Company size	Positive	(Berteji & Hammami, 2016)	-

CONCLUSIONS

According to the final results achieved through the application of panel data analysis techniques, the factors affecting financial performance in the Palestinian insurance market, as illustrated by the two models of the study, are: solvency margin and claim loss ratio. In terms of solvency margin, there is a statistically significant positive impact on financial performance, as the financial stability of the insurance company is an important criterion for potential customers. A good margin of solvency also gives greater confidence to both current and potential clients, creditors, investors and supervisors. The loss of claims reflects the potential impact of claims incurred on the return on net assets, in the event of claims that have a negative impact on the financial performance of insurance companies. It is an important risk that affects the financial performance of insurance companies. With regard to reinsurance, there is no significant impact of reinsurance on the financial performance of insurance companies, despite their role in distributing risks, possibly because of the low participation rate of the reinsurance providers, possibly resulting from the small percentage of premiums waived by Palestinian insurance companies for the benefit of the reinsurance providers.

For the institutional factors group, according to the first study model, the results show that each of the four largest audit companies and the state's legal system are factors affecting financial performance as measured by return on assets. For the big four audit companies, they have a statistically significant negative impact on the financial performance of Palestinian insurance companies. Perhaps the negative impact of the big four audit firms on return on assets, due to the many risks facing the insurance industry that require hedging to be taken into account, may be that the big four audit firms have a greater commitment than local audit firms to international flour and accounting standards, which require hedging and adequate allocation. Furthermore, there is a statistically significant positive impact of the legal system on financial performance, given the insurance industry's association with both judicial claims and political and security stability. The second study model shows that there is no statistically significant impact on the financial performance of each of the big four audit companies and the legal system as measured by the return on equity.

For the range of governance factors, the results of the first model analysis of the study revealed a statistically significant impact on both the size of the Board of Directors and the ownership of board members. In terms of board size, it means that the company's financial performance improves when the board size increases. There is a statistically significant negative impact on financial performance by the proportion of non-shareholder board members, consistent with the Agency's theory. The problem of conflicts of interest between the fundamentals and agents, there is no impact of the Audit Committee on the return on assets. The results of the analysis of the second model of the study show a significant negative impact on the return on property rights used as a measure of financial performance. The negative impact may be due to the poor experience of members of the Audit Committee of Palestinian insurance companies. Furthermore, the results did not show a statistically significant impact on the size of the Board and the ownership of council members on the return on property rights. As for the controlling factors, the results according to the two study models show a statistically significant positive impact on the size of the company with both the return on assets and the return on equity.

RECOMMENDATIONS

Based on the results above, the researchers recommend the following:
- The need for Palestinian insurance companies to pay attention to the required solvency margin set by the Palestinian Capital Market Authority of 150%, because of their positive and significant impact on the financial performance of insurance companies.
- Palestinian insurance companies should take into account the careful management of claims, which are the largest payments in insurance companies, and a careful study of the risks when underwriting insurance policies.

- The need to take into account the continuous development and modernization of legislation related to the insurance sector for its positive role in the financial performance of insurance companies by the relevant authorities.
- It is essential that insurance companies take into account the interest in corporate governance, such as increasing the number of board members, because of the impact on the diversity of experiences and ideas and the strengthening of oversight in the company. Moreover, interest in raising the efficiency of insurance audit committees.

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