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The Role of Regulatory Compliance in Shaping Risk Management Practices in Kuwaiti Insurance Companies

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Abstract

The paper examines the issues construed by the insurance organizations in the State of Kuwait, through changing the policies and regulations. It also shows the hazard of non-compliance and how that could affect risk management strategies. This research is conducted via a survey-based methodology where structured questionnaires are used to shed light on the interplay of regulatory requirements with the implementation and success of risk management strategies in the insurance sector of Kuwait. Data has confirmed the expected, indicating the correlation between the level of regulatory query strictness and business awareness of the risks. Moreover, the paper indicates a direct positive impact of robust regulation and risk management measures. Thus, the research shows that strong regulatory environment matters a lot in optimal risk management. Finally, this research provides knowledge to the subject literature that accentuates the fact that the role of regulatory measures upon which the companies can use in developing organizational behavior is more paramount than risk management decisions. The research fits well, since it emphasizes the role of knowing how the regulating stringency and risk management processes are linked, which is usually in a rapidly changing regulatory landscape. While insurance companies in Kuwait become more innovative and invent the new ways of complying to the oversight agencies to use good governance and sound risk management strategies, the insights mentioned above become crucial.

Keywords: Regulatory Compliance, Policy Holder Protection, Insurance Sector, Risk Management, Solvency, Insurance Premium

1. Introduction

1.1 Background

Due to the changing landscape, regulatory framework must also be modified regularly to ensure that these changes are comprehensively kept in note. Many companies are found involved in purchasing insurance policies to mitigate risks and safeguard their assets, due to which assessment of regulatory compliance of these insurance companies becomes important (Darwazeh et al., 2024). There are many regulatory frameworks that come in the context of insurance companies and several modifications are made on a regular basis to keep them informed and in the best shape. In Kuwait, the major focus of regulatory platform is to ensure that policyholders remain safeguarded, along with fair competition and financial stability maintenance. Due to this reason, regulatory environment must focus on transparency, risk management and solvency (Alam et al., 2022). The insurance sector of Kuwait is controlled and governed by Kuwait Capital Markets Authority (CMA) and the Insurance Regulatory Unit (IRU), that aims to ensure a secure and sound insurance market.

The development of regulations is considered critical and following them is considered more important. However, the assessment of risks in current regulation is also considered important along with modifications (Kinyar, 2020). A well-regulated insurance sector helps the economy to grow and attracts a lot of investors from both the local and international markets. The contribution of the insurance industry in economy of Kuwait can be found in figure below:

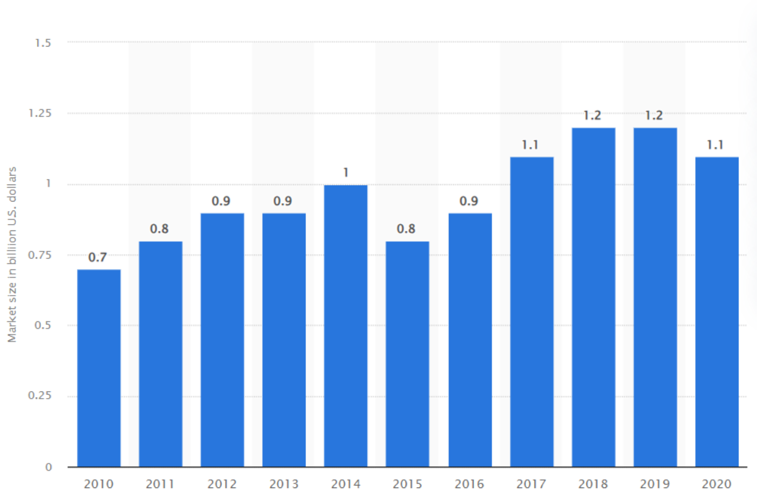

Figure 1. Value of the insurance market in Kuwait from 2010 to 2020 (in billion U.S. dollars)

The figure above indicates that insurance industry of Kuwait has remained stable between 0.7-1.2 billion US$ between 2010-2020. This means that contribution has remained constant in the last 4 years. Between 1.1-1.2 billion US$. To improve this financial performance, regulatory compliance must be improved so that organizations can improve their performance (Al Ben Ali, 2020). Hence, this investigation works on the following problem statement.

1.2 Problem Statement

Even though regulatory framework of Kuwait is considered solid, challenges are faced by insurance companies in completely complying with them. For example, risk management in insurance companies is a challenge, because there are both hidden and non-hidden risks that organizations need to comply with. Addressing hidden risks is a big challenge, because often the organizations' risk management strategies are found misaligned when complying with hidden risks. According to the research of Dim et al., (2023), most of the times issues are found in misalignment between actual risk management practices and regulatory expectations being implemented by insurance companies of Kuwait. Most of the time, this misalignment is seen because of changes in global dynamics, market changing conditions, or limitations in insurance companies' capabilities to address regulatory changes.

Most of the insurance companies of Kuwait face the issue of meeting demands of evolving regulatory frameworks. This is because of several amendments and modifications in policies with respect to financial market conditions, emerging financial risks, or international standards (Masood et al., 2020). Failure to comply with regulatory modifications and risk management practices have shown to negatively influence insurance sector stability, compromise policyholders' protection and decrease confidence of investors. Furthermore, due to the changing landscape of insurance policies and laws, the organizations are facing issues in regulatory compliance and shaping their practices accordingly (Mikhaylov, 2023). This research therefore presents guidance and impact of not complying with regulatory frameworks in shaping risk management practices and its impact on risk management strategies implementation in insurance sector of Kuwait.

Since most of the organizations are facing issues in regulatory compliance, they are unable to ensure implementation of risk management strategies that would sustain them. According to research, ensuring that challenges with regulatory compliance are appropriately resolved, the organizations must ensure that proactive risk identification, continuous adaption to industry changes and mitigation strategies are kept on top priority (Bananuka, & Nkundabanyanga, 2023). Hence, this study not only identifies the impact of regulatory compliance in risk management, but it also provides recommendations specifically to insurance companies in dealing with risk management strategies in future.

1.3 Research Aims and Objectives

This research aims to investigate the role of regulatory compliance in shaping risk management practices in insurance companies of Kuwait. For this purpose, the following objectives are deployed:

1. To identify the impact of stringency in regulatory requirements on implementation and effectiveness of risk management strategies in compliance with regulations in insurance sector.
2. To investigate the impact of changes in regulatory requirements on implementation and effectiveness of risk management strategies in compliance with regulations in insurance sector.
3. To recommend best practices related to regulatory compliance in insurance sector of Kuwait.

1.4 Research Questions

The research is based on the following research questions for this investigation:

1. What is the impact of stringency in regulatory requirements on implementation and effectiveness of risk management strategies in compliance with regulations in the insurance sector?
2. What is the impact of changes in regulatory requirements on implementation and effectiveness of risk management strategies in compliance with regulations in the insurance sector?
3. What are the best practices related to regulatory compliance in insurance sector of Kuwait?

1.5 Significance

This investigation produces many significant findings in the context of insurance sector of Kuwait. For example, this investigation identifies whether organizations in insurance sector of Kuwait are meeting regulatory compliance or not. Based on that, several recommendations are presented for them to comply with, that directly address loopholes in their strategies and weaknesses (Abdallah, 2020). Based on recommendations and results of this investigation, the organizations of the insurance sector would be able to ensure policyholder protection because of weaknesses identification in their strategies. The organizations currently suffering from stakeholder protection would be able to improve their stakeholder satisfaction, hence elevating their performance in the insurance sector. When organizations comply with regulations both the local and foreign investors would be interested in investing in these organizations, hence resulting in improved financial performance.

Effectiveness in regulatory compliance would also increase by indication of most common loopholes in organizational strategies, hence elevating their compliance with the regulatory framework. Additionally, this research serves as an important one for Kuwaiti Capital Markets Authority (CMA) because it will help them in identification of weaknesses in existing regulations and indication of areas that need refinement (Gulrez, 2021). The findings of this investigation will help the organizations in improving their competitiveness by understanding how regulatory compliance results in better risk management practices. They would be able to bring up a change plan that is associated with market changes and industrial landscapes.

2. Literature Review

2.1 Introduction

Risk management practices in the insurance sector depend significantly on regulatory compliance, which is most visible in Kuwait. On the contrary, the financial risks and uncertainties that are inherent in insurance make compliance an essential requirement to ensure stability, protect stakeholders, and maintain the population’s trust. This study will therefore seek to explain the intricacy of regulation compliance and risk management in the Kuwait insurance sector, which, after explaining the theoretical background, will critically analyze the literature, identify gaps that need to be filled, and provide a comprehensive review of the current knowledge in the field.

2.2 Theoretical Review

One of the most important stages of studying the nexus between regulations and risk management in the field of insurance in Kuwait is the identification of the theories that are based on the development of such practices. Theoretical frameworks serve as a theoretical foundation for the understanding of the dynamics of regulatory regimes and their effect on risk mitigative mechanisms. As such, concepts of agency theory, stakeholder theory, and institutional theory may have critical implications, pointing to how compliance influences company behavior and decision-making process of insurers in Kuwait.

2.2.1 Agency Theory

According to agency theory, the leader provides power to the workers to take decisions in his absence and ensure that work schedules remain intact. In terms of the Kuwaiti insurance companies, the regulators act as principals that determine the rules and standards while the company executives and managers are agents that implement these regulations and manage risks competently (Elamir, 2020). The standards and guidelines are set up by the regulatory bodies in Kuwait to regulate the insurance industry and ensure the protection of the policyholders, financial stability and the welfare of the public interest (Mohd Zain et al., 2021). In accordance with the agency theory, regulatory compliance functions as an instrument that agents (insurance companies) use to show that they are following the expectations of principals (regulatory authorities).

As agents, insurance companies must handle different risks associated with operations. These include financial risks, underwriting risks, and market risks. In terms of agency theory, the implementation of risk management best practices becomes a mechanism by which the agents communicate their willingness to comply with regulatory masters’ expectations. Agents try to ensure alignment of risk management strategies with regulatory requirements in the hope of eliminating potential conflicts of interest and convincing regulators of their commitment to the general interest (Addi et al., 2021). However, agency theory does recognize agency costs and the possibility of principal-agent problems. In the realm of insurance, this may be seen in conflicts of interest between profit maximization and regulatory requirements. Such disputes can be avoided by having efficient regulatory supervision and monitoring bodies (Ahmed et al., 2021). Insurance companies are supervised by regulators, who act as watchdogs from the outside, ensuring that insurance companies meet the required standards and that they fulfill their obligations towards policyholders and other stakeholders.

Agency theory can serve as a broad theoretical lens to explain how regulatory compliance impacts risk management practices in Kuwait insurance firms. Future investigations may consider specific aspects of agency costs and conflicts in this context and, how regulatory reforms affect the decisions of insurance agents, the influence of technological change on the results of agents' actions.

2.2.2 Stakeholder Theory

Studying the regulatory compliance and the risk management strategies used by Kuwaiti insurance firms backed up by the stakeholder theory presents a paradigm based on needs and demands of diverse stakeholders. Stakeholder theory emphasizes the need to satisfy the needs of all stakeholders including the regulatory authorities, policyholders, investors, and general population (Alhammadi, 2024). This process of doing things gives an idea about the way the insurance companies function in Kuwait calling upon the regulations to the advantage of all stakeholders. In accordance with the stakeholder theory, organizations deal with the interests of both internal and external stakeholders as well as achieve the optimal balance between them (Abduljamed, & Alfraih, 2020). The main stakeholders in the insurance industry are regulatory authorities, policyholders, shareholders, workers, and society. The theory shows how these stakeholders interlink and how to maintain the balance between their conflicting interests, leading to the implementation of sustainable and ethical business practices.

Under a stakeholder theory approach, regulatory compliance is a mechanism that the insurance companies use to fulfill their obligations to different stakeholders. Regulatory bodies provide standards and expectations that provide regimes of stability and integrity in regulation of the insurance industry (Yong, & Bakri, 2023). Implementing such regulations allows insurance companies to fulfill the demands of regulatory stakeholders and contribute to overall trust in the insurance industry. Stakeholder theory, in this regard, establishes a vast scope of risk that goes far beyond the scope of financial risk to include the welfare of all stakeholders. Risk management turns into a protective device for the interests of policyholders, shareholders, employees, and society (Al-Daffaie, 2023). Organizations that act as stewards for interests of stakeholders have to incorporate risk management strategies which should move past adherence to ensure encompassing security and worth creation.

In such a sense, stakeholder theory acknowledges the possibility of conflict of interests between various stakeholder groups. To continue, insurance companies need to strike this delicate balance through a reasonable, middle-ground approach, which also offers consideration for the issues of all parties involved in the conflict (Naili, & Lahrichi, 2022). That is why regulatory compliance turns into a common benefit for regulators and policyholders and becomes one more facet of the overall social responsibility forcing the insurance companies involved. Future studies investigating the interplay between the stakeholder theory, regulatory compliance, and risk management in Kuwaiti insurance firms should be able to analyze stakeholder views and variations in needs (Diab et al., 2022). For instance, it is possible to investigate whether policyholders perceive the impact of regulatory compliance on the protection they provide or how employees interpret risk management practices in terms of status and welfare. These close-up stakeholder relationships could also aid in developing a more holistic and socially responsible approach towards risk management.

2.2.3 Institutional Theory

Institutional theory can be used to dissect the mechanisms in which institutional pressures influence the organizational behavior of Kuwaiti insurance companies as they go about achieving compliance issues in addition to risk management practices. Institutional theory focuses on the effects of external structures, norms, and regulations to the practices of organizations (Abdelrehman et al., 2024). The Kuwait insurance industry also ought to understand how regulatory needs are institutionalized and how they impact the way risk management practices are formulated. Institutional theory is an explanation of how organizations follow norms, rules, and expectations prevalent in each situation to secure legitimacy or acceptance (Issac, & Igomu, 2024). The theory identifies not only coercive pressures – when organizations comply with regulations to avoid punishment – but also normative pressures, which is the practice when organizations fall in line with the norms of society. Institutional theory aids to explain why regulatory compliance and risk management practices have been institutionalized within the Kuwaiti insurance industry.

Regulatory compliance, from an institutional theory perspective, does not simply respond to external factors, but it follows an institutionalized behavior. The rules issued by the regulatory bodies eventually become the norm that the insurance companies must abide by and do not only for fear of punishment but rather to gain legitimation from regulators, policyholders and the public (Wada, & Dandago, 2023). In the institutional environment, compliance with regulations becomes a measure of organizational legitimacy. It is possible to argue that the risk management practices in Kuwaiti insurance companies embrace both coercive and normative institutional expectations. Risk management measures are adopted by organizations not only in compliance with regulatory requirements but also to address societal expectations to conduct business responsibly and ethically (Murrar, & Barakat, 2021). Institutional theory focuses on the societal norms and expectations that form the basis of the risk management practices which are adopted by insurance companies.

Institutional theory suggests the term isomorphism, where organizations in the same field share similar structure and practice, as well as homogenization, where industries approach identical practice. From the perspective of Kuwaiti insurance companies, regulatory performance is one of the most influential factors that promote isomorphic changes in risk management practices throughout the industry. Organizations do their best to mimic each other in their reactions towards regulatory actions, resulting in some sort of homogenization of risk management practices (Jamali et al., 2024). Future research may therefore investigate the dynamics of the evolution of risk management practices across time in Kuwaiti insurance companies under pressure from institutional forces. Undertaking such a study into the process of isomorphism and the level of homogenization in risk management strategies within the industry can help shed light on the workings of institutional forces. Furthermore, analyzing the impact made by institutional entrepreneurs who can influence regulations and norms in the institutional context is also important.

2.3 Critical Literature Review

A critical review of the relevant literature shows knowledge related to how regulatory compliance affects risk management practices in Kuwait’s insurance industry. Research may focus on the regulatory frameworks adopted by the Kuwaiti government and regulatory bodies and how these frameworks impact the risk identification, assessment, and mitigation strategies formulated in the insurance companies (Hazaea et al., 2023). Besides, literature may analyze the efficiency of regulatory compliance in establishing a risk consciousness and governance culture. Stringency and changes in regulatory requirements have a great impact on the implementation of risk management practices within organizations and their effectiveness (Dahdal et al., 2021). The critical review considers the impact of the rapidly changing regulatory environment on the risk management practices in organizations and the interrelationship between regulatory pressure and strength of the prevention measures.

The stringency of regulatory requirements can also be considered an important factor that contributes to the design and implementation of risk management strategies by organizations. Organizations are compelled to adopt total risk management frameworks that are designed in accordance with the specific parameters that regulatory agencies require. As the stringency rises, additional organizations are forced to buy superior risk assessment tools, governance models, and compliance surveillance structures (Elamir, 2020). It is not only such compliance but the proactive approach that is associated with adopting the strictest regulations. Stringent regulatory requirements force organizations to invest in both financial and human resources towards the establishment of efficient risk management frameworks. The obligation to abide by certain regulatory requirements forces organizations to spend on training, technology, and knowledge, so that risk management tactics are not just on paper but implemented in daily practices (Mohd Zain et al., 2021). But it must be observed that with strictness may indeed come challenges, for instance, resource limitations since organizations could be unable to meet the rising demands, which may affect successful implementation.

The success of risk management strategy is dependent on the ability of an organization to adapt to changes in the regulatory environment. Regulatory needs are fluid and require adaptability to change the risk management structure depending on the circumstances. Ongoing regulation changes require a proactive position where organizations get inclined to be flexible as a part of their risk management frameworks (Addi et al., 2021). Although adaptability is very important, rapid and recurrent changes in the regulatory needs pose a challenge to our organizations in the issue of implementation and effectiveness. The sudden changes may create compliance gaps that could introduce unplanned risks to the organizations that may be caught unprepared (Alhammadi, 2024). Balancing adaptation and stability become a central challenge, especially in industries prone to frequent changes in regulatory activity. Organizations require ways to remain up-to-date, adaptable, and resilient in the face of a rapidly changing regulatory framework. The effectiveness of risk management strategies is complementary in nature with regards to regulatory compliance. Organizations that consider compliance as part and parcel of their risk management culture would come up with better and more enduring risk frameworks. Compliance moves beyond just a check-the-box exercise and becomes a strategic imperative that helps to increase the overall resilience and competitiveness of the organization.

2.4 Literature Gap

In the abundance of information, there still are gaps in the literature worth looking into. These gaps may include the specific challenges of the Kuwaiti insurance companies in achieving compliance between regulation and operation efficiency, technological progress concerning compliance and risk management, and the dynamic regulation framework that evolves because of emerging global risks. Outlining these gaps is important in terms of guiding subsequent research efforts and improving our knowledge of the topic.

2.5 Summary

To conclude, the literature review on regulatory compliance in forming risk management practices in Kuwaiti insurance companies is a complex investigation. Theoretical frameworks serve as the conceptual basis, critical reviews shed light on existing practices, and identifying literature gaps points out the directions in which future research should go.

3. Research Methodology

3.1 Research Philosophy

This study takes a positive research philosophy that suits the quantitative nature of the methodology. Positivism places the accent on objectivity, measure, and empirical observations and experiments. It contends that reality has its own existence and can be objectively investigated through scientific approach.

In this research, positivism guides the collection and analysis of primary quantitative data got through surveys. Surveys provide for the collection of numerical information in a systematic way which in its turn makes it possible to analyze the relations between variables and to reveal the patterns or trends within the insurance sector of Kuwait. The study seeks to offer objective explanations on how regulatory compliance shapes risk management, examining observable results and using empirical evidence to address the research queries.

3.2 Research Design

Qualitative research design is selected for its capacity to produce quantitative data that can be analyzed statistically. This approach is suitable for studying how responsible compliance affects risk management and insurance practices in Kuwait as it allows for the identification of variables and quantification of their relationships. This research design makes feasible the systematic investigation of the impact of regulatory requirements on risk management strategies through quantitative data collection via surveys. The quantitative approach allows for accurate measurement, analysis, identification of trends, patterns, and correlations. Also, quantitative research design ensures objectivity and reliability since findings are based on numerical data collected through standard methods, thus improving the validity and reliability of the study’s conclusions. Thus, quantitative research design is regarded as suitable for the realization of the research objectives and purposes in this study.

3.3 Research Approach

A deductive research approach is chosen because its hypothesis testing method is structured and systematic. This approach is started with a theoretical frame or existing theories and hypotheses and subsequently tests them using empirical evidence gathered by means of observation or experimentation. For the current investigation, deductive approach refers to the fact that it starts from already known theories or regulatory framework referring to insurance sector compliance and risk management. The researcher thus collects quantitative data via surveys for empirical testing of these theories and hypotheses to determine the extent in which regulatory compliance empowers risk management strategies in the insurance sector of Kuwait. To test and/or disprove known theories and formulate empirical evidence to buttress and refine theoretical concepts, this study adopts such a deductive approach. Hence, the deductive research approach is considered suitable to investigate the part played by regulatory compliance in shaping risk management practices in Kuwait's insurance sector.

3.4 Data Collection

Survey is the chosen data collection method due to its effectiveness in collecting quantitative data from a large sample size within a short time. Structured questionnaires are used in survey to obtain responses from participants systematically which leads to the quantification of attitudes, perceptions, and behaviors of regulatory compliance and risk management practices in the insurance sector of Kuwait. Surveys provide a standardized way of data collection implying consistency in the measurement of variables across respondents, in addition to offering anonymity to the participants, facilitating honest and candid expressions, thus increasing the validity of the obtained data. Furthermore, surveys provide an opportunity to use statistical analysis techniques to find patterns, trends and correlations in the data assisting the systematic exploration of research questions and objectives.

3.5 Population and Sampling

The population for this study consists of executives (managers) from insurance firms that operate in Kuwait. Executive roles such as a CEO, CFO, risk managers, compliance officers, and other top-level decision-makers take center stage as key players tasked with monitoring and ensuring the implementation of compliance and risk management practices in insurance companies. The views and experiences of those who implement regulatory requirements are necessary to interpret how risk management strategies respond to the regulatory requirements. Thus, insurance executives form the research population in this study.

A stratified random sampling was used to conduct this study. Stratified random sampling is the chosen method to ensure representativeness and diversity within the sample while at the same time keeping data collection efficient. This method involves dividing the executives from the insurance industry into homogeneous subsets or strata using relevant factors like organization size, professional experience, and role in the organization. The intention of this study is to have representatives from every sector of the insurance industry. This makes the findings representative and generalizable. In addition, random sampling means every director has a similar probability of being selected, decreasing the possibility of bias but increasing the reliability of study results. Hence, stratified random sampling is thought to be the best method of selecting a sample of executives from insurance companies in Kuwait for this research.

3.6 Data Analysis

The quantitative information provided by the surveys will be analyzed with the Statistical Package for the Social Sciences (SPSS). SPSS is powerful statistical software widely used for data processing in the practice of social sciences. It offers a broad spectrum of statistical methods and techniques, such as descriptive statistics, correlation analyses, regression analyses and hypothesis testing which are suitable for the analysis of survey data. By using SPSS, the relationships between the variables were examined, patterns and trends in the data were identified and hypothesis testing related to the link between the regulatory compliance and risk management practices in Kuwait insurance sector was conducted. SPSS also incorporates the advanced features of data visualization to help the researchers present their findings by tables, charts and graphs. The data will be analyzed by using SPSS hence making quantitative data to attain important knowledge that will be supportive to the whole subject of the study.

4. Results

The results section presents the findings of this research in a comprehensive and discussion-based manner. The results obtained indicate relevant findings in regression, correlation, and descriptive statistics form. The results obtained can be found below:

4.1 Findings to Demographics

Table 1. Gender

gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	56	56.0	56.6	56.6
	Female	43	43.0	43.4	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

Of the responses, which were valid, most of them were identified as males, while the others were picked up as females. The largest gender in this sample is male that comprise it 56.6% of the total valid offerings.

Table 2. Designation

Designation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	upper management	25	25.0	25.0	25.0
	Supervisor or managerial level	32	32.0	32.0	57.0
	Other staff	43	43.0	43.0	100.0
	Total	100	100.0	100.0	

Three distinct categories of designations are identified: "Management," "Supervisor or Manager," and "Other Staff", which encompass 25% of respondents as leaders. A total of 25% of the sample occupies leadership positions. Category "Supervisor or Managerial Level" teams up 32% of respondents highlighting the fact that a certain number of individuals at managerial level are working in such intermediary specialist positions. Fifty-seven per cent of positions falling under the category "Other Staff" represent the main category.

4.2 Descriptive Statistics

Table 3. Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Stringency	100	1.00	5.00	3.4465	.95339
Implementation	100	1.00	5.00	3.1475	.97394
Effectiveness	100	1.00	5.00	2.7135	.81869
Valid N (listwise)	100				

The table of descriptive statistics presents effectively these three variables: stringency, execution performance, and effectiveness. For Stringency, which stands for the degree of stringency of an indicator, scores vary between 1 and 5 with a moderate variability (mean = 1.4465, SD = 0.95339). Factor of Implementation weighs from 1.00 to 5.00 (the mean is 3.1475, standard deviation is 0.97394,) demonstrates variation of moderate results. The sentence can be explained as the Effectiveness variable, ranging from 1.00 to 5.00, implies the degree of measures success and the lower average effectiveness (mean = 2.7135, SD = 0.81869) is indicated. The statistics speak volumes about the central tendencies and distribution patterns of the variables under our consideration, which lays a good ground for approximately reaching the desired conclusions concerning our data set of 100 observations, with no missing values.

4.3 Correlation Analyses

Table 4. Correlation table

Correlations				
		Stringency	Implementation	Effectiveness
Stringency	Pearson Correlation	1	.679**	.543**
	Sig. (2-tailed)		.000	.000
	N	100	100	100
Implementation	Pearson Correlation	.679**	1	.779**
	Sig. (2-tailed)	.000		.000
	N	100	100	100
Effectiveness	Pearson Correlation	.543**	.779**	1
	Sig. (2-tailed)	.000	.000	
	N	100	100	100
**. Correlation is significant at the 0.01 level (2-tailed).				

The correlation table illustrates the relationships among three variables: When it comes to monitoring and reporting, the responsiveness of reporting systems is as important as the capabilities of the systems to ensure effectiveness in risk management. The obtained Pearson correlation coefficients convey the power and direction of these relationships between unemployment rate and the quantitative measures. Secondly, the Stringency and Implementation correlation is relatively high and positive- it is equal to 0.679 with $p<0.01$. This means that the toughness of preventive measures is directly related to the efficiency of implementing them. Analogously, the association between stringency and effectiveness grows positive ($r = 0.543$, $p<0.01$) which prove that risk management measures with a greater stringency led to a higher effectiveness.

Furthermore, it is worth noting that the strength of this correlation ($r = 0.779$, $p < 0.01$) is indeed very high, and thus the measures well implemented have tendency to be more effective. Altogether, such data infer a positive relationship among stringency, implementation, and effectiveness, making an emphasis on the proper measure of the regulatory compliance, taken altogether these coefficients of correlation show that regulatory compliance shapes risk management strategies.

4.4 Regression Analyses

H1 - Stringency and changes in regulatory requirements positively influences implementation of risk management strategies.

Table 5. Status of H1

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.679[a]	.461	.456	.71848
a. Predictors: (Constant), Stringency				

Regression analysis which is aimed to perceive how stringency affects the implementation of risk management strategies. The model summary highlights the fact that the model is a statistically significant one ($F = 83.915$, $p < 0.01$) with implementation having a total variance of 46.1%. The R square ending up at 0.461 indicates to us that as strictness changes, over 46% of the variability in the dependent variable is explained. Though the ordinary R Square (45.6%) indicates the degree of variability that is accounted for, the adjusted R Square (45.6%) requires this to be adjusted for the number of predictors in the model, providing a more accurate representation.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.318	1	43.318	83.915	.000[b]
	Residual	50.589	98	.516		
	Total	93.907	99			
a. Dependent Variable: Implementation						
b. Predictors: (Constant), Stringency						

The ANOVA table proves the sensibility of the model while it displays the p-value cells as zero, which means that the independent variable stringency significantly contributes to predicting the dependent variable implementation of risk management strategies. As shown in the coefficients table, the parameter 0.694 for Stringency turns out to give a p-value of 0.000, which shows a statistically significant impact on implementation. The coefficient (Beta) of 0.679, which is again high positive reflects the strength and direction of this correlation.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.756	.271		2.793	.006
	Stringency	.694	.076	.679	9.160	.000
a. Dependent Variable: Implementation						

The finding (H1) that " stringency and changes in regulatory requirements positively influences implementation of risk management strategies" is supported. Statistically significant coefficient models along with a positive Beta value point out the hypothesis acceptance which means that as Stringency rises there is a positive effect on the implementation of risk management strategies.

H2 - Stringency and changes in regulatory requirements positively influences effectiveness of risk management strategies.

Table 6. Status of H2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.543[a]	.295	.287	.69109
a. Predictors: (Constant), Stringency				

The analysis shows that the model is statistically significant ($F = 40.932$, $p < 0.01$), and accounted for 29.5% of the variance in effectiveness to the extent, the Adjusted R Square (28.7%) is controlling the number of the predictors, meaning it records a more accurate estimated variance.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.549	1	19.549	40.932	.000[b]
	Residual	46.805	98	.478		
	Total	66.354	99			
a. Dependent Variable: Effectiveness						
b. Predictors: (Constant), Stringency						

The ANOVA table holds a p-value of 0.000 so that the model can be proven significant, consequently leading to the result of stringency being the significant contributor to predict effectiveness of risk management strategies. With the Stringency's coefficient of 0.466, and a p-value of 0.000, it is therefore morally significant and effectively correlated. The standardized Beta of 0.543 also indicates that stringency is a predictor of effectiveness of risk management strategies.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.107	.260		4.251	.000
	Stringency	.466	.073	.543	6.398	.000
a. Dependent Variable: Effectiveness						

In conclusion, study Hypothesis No.2 “H2 - Stringency and changes in regulatory requirements positively influences effectiveness of risk management strategies” is accepted. The obtained results in which the respective coefficients are significant, and the Beta value is positive lend credence to this hypothesis that there is a positive effect of Stringency on the Effectiveness of risk management strategies, which is in accordance with the hypothesis.

4.5 Summary of Hypotheses

Table 7. Hypotheses Status

Hypotheses	**Status**
H1 - Stringency and changes in regulatory requirements positively influences Implementation	Accepted
of risk management strategies	Accepted

4.6 Discussion

The results concerning Hypothesis 1 (H1) according to which the extent of rigor translates to the implementation of risk management strategies confirm current findings. The positive and statistically significant pattern also reflects the theoretical aspect that the stringent regulatory environment helps organizations to develop and implement a good risk management system. This means that research findings harp on how effective rules and regulation impacts on leadership as well as on how risk practices are motivated. For example, another study that was conducted by Addi et al., (2021) discovered that the risk management protocols adherence of organizations working in more highly regulated settings had been achieved. A definite connection in this relationship refers to, however, regulatory framework and how it can be used as enabler in the implementation of risk management within organizations.

In connection with the H2 hypothesis (H2), which posits that Strictness has a directly positive relationship with the Effectiveness of risk management measures, the results from our study are attuned with other review articles centered upon the relationship between the regulatory environment and risk management outcomes. The positive relationship which is observed to exist in this article reinforces the argument that strict regulatory environments facilitate implementation of efficient risk management techniques. This fits well with the results of Elamir (2020) and Dahdal et al., (2021) which showed that regulators that do a good job in writing laws and issuing them are the ones that get better risk management performance. Our research finds that Stringency was moderately associated with Effectiveness can therefore be said to correspond with the status quo of previous research findings, and this thus indicates the fundamental role of the regulatory measures in maximizing the outcomes of risk management programs.

5. Conclusion

Lastly, the level of stringency of legal frameworks and effectiveness of risk management strategies were explored in this investigation. This research supported a couple of hypotheses that emphasized the positive effect of public policies on an entity's strategic risk management through enhanced implementation and increased effectiveness of the risk management strategies of the entity. This study reveals the strong correlations between Stringency and changes in regulatory requirements, implementation of risk management strategies and effectiveness of risk management strategies. The results of the study point to a key role that regulatory framework plays in designing organizations' behavior as well as in risk management decisions. Since the organizations must operate in a world wherein the regulatory framework is becoming more complicated and evolving with each day, they must realize the interplay between the stringency issues and the risk management processes which are necessary for good governance.

5.1 Recommendations

As the research concluded, we could foresee several recommendations, which are directly based on the study's results. First, organizations would spend more of their budgets for adaptive risk management strategies which respond well to modification of authority environments. This comprises of developing the structure that meets emerging regulations in advance and adopting an approach that anticipates rather than addresses a compliance requirement. Similarly, scheming by the competent authorities and the concerned authorities as the industry as a team should be thought of to give birth to regulations which can be defined more and more precisely. This new working model has led to a legislation that is not only sound but also without challenges what business with it, creating a smooth atmosphere of implementation.

5.2 Directions for Future Research

This research has its own merits, but at the same time there is room for further research for expansion and deepening our awareness about the intricacies of industry behavior and response to the regulatory intervention as well as the adverse effects of environmental risks. Studies in the future can further identify the degree in which organizational culture and leadership affect stakeholders to the supposed direction of regulations. Besides, research studies of the kind of impact of regulatory measures at the industry-specific varying levels of risk management practices might increase the scope of receiving suggestions. The studies in the longitudinal manner of organizations and their time tracking could be the alternative way of reflecting the dynamic situation of when regulatory changes are in effect and how these alterations influence the risk management implementation and effectiveness. Moreover, examining the part of the emergent advances like artificial intelligence and machine learning in strengthening the risk management strategies contingently with regulatory compliance would open a new research channel. Such indications can provide for a whole knowledge stock, a broader and more profound conception of the regular altering in fetish risk management due to regulatory challenges.

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Authors' contributions

The authors were solely responsible for the conceptualization, methodology design, data collection, and analysis of this research. The writing, editing, and revisions of the manuscript were carried out independently. Input from external stakeholders was incorporated to ensure accuracy and relevance, reflecting the author's commitment to academic rigor and practical significance in exploring the role of regulatory compliance in Kuwaiti insurance companies.

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Competing interests

The author declares no competing interests related to this research. The study was conducted impartially and without influence from any regulatory, commercial, or industry entities. The findings presented in this paper reflect the author's independent analysis and do not favor any specific organization or stakeholder.

Informed consent

Obtained.

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The Publication Ethics Committee of the Redfame Publishing.

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Data availability statement

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

Data sharing statement

No additional data are available.

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