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Margaret Warutui Kathanga, Dr. Zack B. Awino and Mr. John Kabiru

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CHALLENGES FACING THE GROWTH OF INSURANCE SECTOR: A SURVEY OF SELECTED INSURANCE COMPANIES IN KENYA

[1*] Margaret Warutui Kathanga
[1*]Post graduate student: Jomo Kenyatta University of Agriculture and Technology
*Corresponding Author's Email: mkathanga@britak.co.ke

[2] Dr. Zack B. Awino
Jomo Kenyatta University of Agriculture and Technology

[3] Mr John Kabiru
Jomo Kenyatta University of Agriculture and Technology

Abstract

Purpose: The purpose of this study was to establish challenges facing the growth of the insurance sector in Kenya.

Methodology: The study adopted a descriptive survey design. A descriptive survey study design was used. A population of 43 insurance firms was given. A sample of 21 firms (50 percent), were chosen from the population. This was done using the random sampling approach. The collected data was analysed by the use of statistical package for social science (SPSS) computer software for data analysis by use of tables, frequencies and percentages. Questionnaires were used and data analysed using descriptive statistics.

Results: Based on the findings it was possible to infer that not only are regulatory hitches affecting the growth of the insurance sector, the sector is also faced by other challenges ranging from lack of awareness by the public, excessive claims, fraud and competition.

Unique contribution to theory, practice and policy: The study recommended that insurance firms should increase their budgetary allocations to boost awareness and publicity. In addition, the insurance sector should stream line its operations and processes in order to enhance customer satisfaction. Furthermore, the Ministry of finance and the Insurance Regulatory Authority should institute and implement reforms in the sector. The researcher further recommends a benchmark study on the ways that other countries have revamped the insurance sector and the necessary reforms.

Keywords: *growth, insurance, competition, claims, fraud*

1.1 BACKGROUND OF THE STUDY

An insurance contract provides risk coverage to the insured. A purchaser of insurance pays a fixed premium in exchange for a promise of compensation in the event of some specified loss.

Insurance is bought because it gives peace of mind to the holders. This comfort level is important in personal and business life (Rangarajan, 2006). Even though the primary purpose of insurance is to provide risk coverage, when the contract period extends over a long time, as in the case of life insurance, premium payments comprise of two components – one for buying risk coverage and the other towards savings. This bundling together of risk coverage and savings is peculiar to life insurance and is more common in developing countries like India. In the industrially advanced countries, this is not necessarily so and short duration life insurance contracts without a savings component is equally popular. In the developing economies because of the savings component and the long nature of the contract, life insurance has become an important instrument of mobilizing long-term funds. The savings component puts the life insurance in direct competition with other financial institutions and savings instruments (Rangarajan, 2006).

There were 43 licensed insurance companies in Kenya by the close of year 2007. Twenty companies wrote general insurance business only, seven wrote long term business only while fifteen were composite (both life and general). There were 201 licensed insurance brokers, 21 medical insurance providers(MIPS),2665 insurance agents, 2 locally incorporated re-insurers,23 loss adjusters, 1 claims settling agent, 8 risk managers, 213 loss assessors/investigators, 30 insurance surveyors during the year.

According to AKI report (2008), the lower income and informal sector market has little access to formal financial services for the management of risks. However, when a crisis strikes, the poor are the most vulnerable and the least protected. This category engages in various types of risk pooling and informal insurance schemes to reduce the risk they face. In Kenya, individuals join welfare association groups to help share burial costs. For frequent risks that require expenditures of small sums of money, such as sickness, people often draw upon their informal groups such as the extended family and friends. Kenyans sometimes use fundraisers or *"harambees*" to mobilize large sums of money required for hospitalization or surgery (as well as other expensive activities like weddings) (AKI Report, 2008).

Low income groups and the informal sector have to a large extent been ignored by insurance companies. However, recent developments in the success of micro finance in a number of developing countries have served to dispel this notion. India, The Philippines and South Africa are some of the pioneers who experimented successfully with the idea of micro-insurance. A Micro insurance conference held in South Africa in 2006 reveals that in the top 100 poor countries in the world, micro insurance covers only 78 million people and this figure is less that 3% of the poor (Micro insurance conference, making insurance work for Africa,2006). Research conducted in India has shown that the rural market offers tremendous growth opportunities for insurance companies but their success will depend upon their ability to develop viable and cost effective distribution channels, build consumer awareness and confidence (Naren, 2004).

There are many gaps that need to be addressed for the insurance industry to deliver appropriate insurance products on a large scale to the uninsured in East Africa. There is much distrust of the insurance sector among the low income earners, mostly out of ignorance thus the need for significant client. There is a vastly un-served market of low income households in need of insurance services. In addition, the products available are not designed to meet the needs of low income earners. According to the insurance industry report 2006 from AKI the penetration of insurance in Kenya is very low at only 2.54 percent of Gross Domestic Product (GDP) compared

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to 2.57 percent in 2005. Long- Term (life) insurance recorded a penetration ratio of 0.76 percent while that of general insurance was 1.78 percent. The penetration ratio reveals existing coverage and growth challenges for insurance market in a given country. Table 2.1 gives Comparative insurance penetration ratios of other developing countries.

Table 1: Comparative Figures from other Countries

Country	Population (million)	GDP USD Billion	Per capita GDP USD	Total Premiums USD Million	Non-Life Premium	Life Premium USD Million	Insurance Penetration	Non-Life Penetration %	Life Penetration
India	1,119.50	901	804	43,032	5,812	37,220	4.8	0.6	4.1
Egypt	75.4	107	1,419	843	487	356	0.6	0.5	0.1
South Africa	46.6	255	5,472	40,731	7,624	33,106	16	3	13
Malaysia	25.8	153	5,930	7,537	2,656	4,881	4.9	1.7	3.2
Kenya	36.1	24.51	679	622.09	435.82	186.27	2.54%	1.78	0.76

Source: Swiss Re consulting, Economic Survey 2007

The Insurance Industry report on particularly life insurance shows a total of only 367,059 individual life policies in existence as at the end of 2006. The number of persons insured is much lower than this as some policy holders usually have multiple insurance policies. Using the working population of 8.74 million, and assuming that each person holds one policy then it means that less than 4% of the working population holds an individual life insurance cover (AKI report, 2008). Data on corporate life insurance business shows 76,502 members covered under private Pension schemes managed by insurance companies and 897,502 members are covered under group life schemes as at December 2006*(Similar data on general insurance was not available but would show a similar trend).*

1.2 Problem Statement

According to a recent publication by Association of Kenya Insurers (2007), the insurance sector has achieved a penetration of 2.54% and 2.62% in the year 2006 and 2007 respectively. This they argue (AKI), portrays a very low penetration of the insurance sector. In addition, there were only 367,059 individual life policies at the end of 2006 in a working population of 8.74 million (about 4% coverage) (AKI Report, 2008). The business volume generated by the Kenya Insurance Industry in 2007 was KShs. Billion compared to 41.68 billion in year 2006. This represented a growth in percentage. Furthermore, the situation has not improved as the insurance sector is also being faced by poor public perception by the general public. Both the Government and the Private Sector realise the huge and important role that the Insurance sector plays in the economy. From the Government point of view, Insurance enhances the growth of private business by mitigating risks. In addition, it is a very important source for long term capital; in an age where capital accumulation is vital for the growth of the economy. It is therefore important to look at those challenges facing the growth of this important sector and suggest recommends on how those factors can be addressed.

Several studies have previously been done in this area. One significant studies "Understanding the Uninsured market in Kenya" by the Association of Kenya Insurers highlighted that low product range and lack of innovation, low market awareness, low income levels, perceived low rate of return for life insurance policies, cumbersome claim processing procedures, lack of trust in the insurance industry and expensive premiums were responsible for the lack of insurance by Kenyans. In addition, the report highlighted that: Urban dwellers are generally more willing to buy insurance compared to rural dwellers. Life and health insurance products are most preferred amongst those who are willing to buy insurance. Most people with lapsed policies were not willing to buy insurance. Lapsed users showed a general lack of knowledge on insurance benefits. This is a major contributing factor to their decision to lapse cover. However, current users of insurance were willing to buy insurance after the maturity or expiry of their current policies.

The report by AKI addressed its problem statement from the customer and brokers' point of view only. This was indeed necessary in order to capture the reasons as to why customers did not have insurance cover. The AKI report did not address the challenges that could be affecting the sector as a whole such as poor regulation, low capitalization, competition and price wars, fraud and level of claims. Consequently, this is study seeks to address these gaps by making insurance companies the respondents as they would be in the best position to help uncover this issues.

1.3 Research Objective

i. To establish the extent to which level of awareness has affected the growth of the insurance sector
ii. To determine if the level of competition has affected the growth of insurance sector
iii. To establish the extent to which fraud has affected the growth of insurance sector
iv. To find out how regulations affects the growth of the insurance sector
v. To find out the level at which claims affect the growth of the insurance sector

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Insurance Business Model

The business model can be reduced to a simple equation: Profit is equal to earned premium plus investment income minus incurred loss minus underwriting expenses. Insurers make money in two ways: (1) through underwriting, the process by which insurers select the risks to insure and decide how much in premiums to charge for accepting those risks and (2) by investing the premiums they collect from insured parties (Gregory, 2003).

Underwriting

The most complicated aspect of the insurance business is the underwriting of policies. Using a wide assortment of data, insurers predict the likelihood that a claim will be made against their policies and price products accordingly. To this end, insurers use actuarial science to quantify the risks they are willing to assume and the premium they will charge to assume them. Data is analysed to fairly accurately project the rate of future claims based on a given risk.

Actuarial science uses statistics and probability to analyse the risks associated with the range of perils covered, and these scientific principles are used to determine an insurer's overall exposure. Upon termination of a given policy, the amount of premium collected and the investment gains thereon minus the amount paid out in claims is the insurer's underwriting profit on that policy. Of course, from the insurer's perspective, some policies are "winners" (i.e., the insurer pays out less in claims and expenses than it receives in premiums and investment income) and some are "losers" (i.e., the insurer pays out more in claims and expenses than it receives in premiums and investment income); insurance companies essentially use actuarial science to attempt to underwrite enough "winning" policies to pay out on the "losers" while still maintaining profitability (Squires, 2003).

An insurer's underwriting performance is measured in its combined ratio. The loss ratio (incurred losses and loss-adjustment expenses divided by net earned premium) is added to the expense ratio (underwriting expenses divided by net premium written) to determine the company's combined ratio. The combined ratio is a reflection of the company's overall underwriting profitability. A combined ratio of less than 100 percent indicates underwriting profitability, while anything over 100 indicates an underwriting loss (Squires, 2003).

Insurance companies also earn investment profits on “float”. “Float” or available reserve is the amount of money, at hand at any given moment that an insurer has collected in insurance premiums but has not been paid out in claims. Insurers start investing insurance premiums as soon as they are collected and continue to earn interest on them until claims are paid out. The *Association of British Insurers* (gathering 400 insurance companies and 94% of UK insurance services) has almost 20% of the investments in the London Stock Exchange (Vaughan, 1997).

In the United States, the underwriting loss of property and casualty insurance companies was $142.3 billion in the five years ending 2003. But overall profit for the same period was $68.4 billion, as the result of float. Some insurance industry insiders, most notably Hank Greenberg, do not believe that it is forever possible to sustain a profit from float without an underwriting profit as well, but this opinion is not universally held. Naturally, the “float” method is difficult to carry out in an economically depressed period. Bear markets do cause insurers to shift away from investments and to toughen up their underwriting standards. So a poor economy generally means high insurance premiums. This tendency to swing between profitable and unprofitable periods over time is commonly known as the "underwriting" or insurance cycle (Fitzpatrick, 2004).

Claims

Finally, claims and loss handling is the materialized utility of insurance; it is the actual "product" paid for, though one hopes it will never need to be used. Claims may be filed by insurers directly with the insurer or through brokers or agents. The insurer may require that the claim be filed on its own proprietary forms, or may accept claims on a standard industry form. (Kulp, 2002)

Insurance company claim departments employ a large number of claims adjusters supported by a staff of records management and data entry clerks. Incoming claims are classified based on severity and are assigned to adjusters whose settlement authority varies with their knowledge and experience. The adjuster undertakes a thorough investigation of each claim, usually in close cooperation with the insured, determines its reasonable monetary value, and authorizes payment. Adjusting liability insurance claims is particularly difficult because there is a third party involved (the plaintiff who is suing the insured) who is under no contractual obligation to cooperate with the insurer and in fact may regard the insurer as a deep pocket. The adjuster must obtain legal counsel for the insured (either inside "house" counsel or outside "panel" counsel), monitor litigation that may take years to complete, and appear in person or over the telephone with settlement authority at a mandatory settlement conference when requested by the judge (Hall, 2002).

In managing the claims handling function, insurers seek to balance the elements of customer satisfaction, administrative handling expenses, and claims overpayment leakages. As part of this balancing act, fraudulent insurance practices are a major business risk that must be managed and overcome. Disputes between insurers and insured over the validity of claims or claims handling practices occasionally escalate into litigation; see insurance bad faith (Ibid, 2002).

2.2 Empirical Review

According to the AKI report (2008), there is awareness of insurance in general among the insurable population but a large proportion lack a proper understanding of what insurance is and the impact it may have. Most of the already insured respondents cited a lack of interest in reading policy documents especially if a claim does not occur at all. Standards of service delivery among many insurance companies are still low and the focus on the customer has not yet been embraced fully in the industry as it has in the competing financial services. Customer satisfaction therefore has remained low. The insurance industry, apart from making the delivery of products more convenient, has to contend with poor public image that has caused distrust among potential customers. The insurance industry suffers the persistent poor public image. This is due to lack of structured branding initiatives and the reliance on intermediaries who may shift their negative image to the insurance companies they represent and to the industry as a whole (AKI report, 2008).

A fierce competition has erupted among the carriers that have traditionally controlled this market and those that would like to increase their portfolios. This should lead to more choices and lower premiums for consumers. More choices mean consumers have to be more thoroughly informed regarding their individual needs and the wealth of options that are available to them. This is compounded by the fact that consumers today are faced with multiple distribution channels delivering insurance products. These options include banks, brokers, independent agents and the insurance companies themselves. Consumers have less time on their hands and the decisions are not as simple as they used to be (Bakos, 2008).

According to a report by the Insurance Regulatory Authority, they observed that there was massive premium undercutting, disregard of underwriting principles and actuarial considerations in determination of premium rates. The IRA corporate plan identified eight challenges facing the insurance industry namely overcapacity and price wars, corruption and fraud among the stakeholders especially in motor and Workmen's compensation classes of business, inadequate legislation and regulatory frame, poor corporate governance, High cost of insurance amongst others. It has also been observed that big insurance companies are merging and others are being taken over. However, the entry of many players in the industry has brought about price wars evidenced by brokers giving up their commission to capture business and insurance companies lowering their premiums despite the sum insured remaining constant.

In terms of the costs of underwriting fraud, where a claim is not made, non-disclosure and misrepresentation underwriting fraud typically represents a loss of *potential* premium income. These types of fraud also lead to an increase in risk exposure where more risk is taken on the insurers' books than is reflected in the premiums charged and the resulting claims ratio may be higher than was anticipated. Obtaining cover without payment and broker fraud represents more direct and possibly quantifiable losses. There are also administrative costs associated with obtaining cover without payment. One insurer estimated that each 'cover without payment' case costs around £30 in printing and posting policy documents and follow-up letters (Richard, 2002).

The low capitalization in the Kenyan insurance sector with low thresholds leads to an influx of unviable start-up insurance companies. The obvious consequence is under-cutting in the premium charges as new market entrants' fight to gain a toe-hold. This in turn has led to a situation where a number of companies have folded up as premiums charged fail to recognize the cost of the cover being provided (Kamamle, 2007).

Okeyo stated that high PSV insurance claims led to the liquidation of Lake star Insurance company in 2002. Such PSV claims include awards given in the courts to individuals following accidents (Okeyo, 2004). He cited high awards given to some individuals following road accidents such as the Kshs. 55 million awarded to one Dr. Aggrey Nyogo and Kshs.100 million awarded to Mr. J. Macharia in 2004. Considering that some of the insurance companies have a an authorized capital of Kshs.150,000,000, two claims similar to the two mentioned above can exhaust the investments of a company especially so if there is no proper reinsurance arrangement. Such high awards by our courts can drain an insurance Company's investment capital.

3.0 RESEARCH METHODOLOGY

This study adopted a descriptive survey design. The population for the study was included all the 43 insurance companies operating in Kenya. A sample of approximately 50% of the population was considered representative. Consequently 21 firms constituted the sample size. A random sampling approach using the lottery method was used to select the 21 firms. The study used primary data collected through a questionnaire but also used secondary data as a source of literature review. The data collected was analysed by use of descriptive statistics. In particular, means, averages and percentages were used. The data analysis tool involved simple tabulation and presentation of report using spread sheets such as excel. The data was then presented using tables, graphs and charts.

4.0 RESULTS AND DISCUSSIONS

4.1 General Information

Concerning the nature of insurance, the majority of the respondents (71 percent) were from composite insurance companies also known as "Both life and general". General life insurance companies constituted 19 percent. The rest of the respondents (10 percent) were from life insurance. The study found that majority of the respondents, 62 percent, were male while the remainder (38%) were female. This represents a gender bias and one was left to wonder whether the insurance industry was male dominated or the recruitment was gender biased. Findings in this study indicate that the majority (62 percent) of the respondents had graduate level of education. While 24 percent were of college level, 14 percent were post graduate level. No other response was obtained for this study. This shows that the insurance industry has recruited university graduate and as such is endowed with high level of skilled manpower.

4.2 Descriptive Findings and Analysis

4.2.1 Public awareness

The majority of the respondents, 57 percent, strongly disagreed with the statement that the insurance firm has invested more in the personal sales force in order to increase awareness. While 19 percent agreed, 14 percent were neutral. The findings were presented in Table 2.

Table 2: Investment in Sales Force

The insurance firm has invested more in the personal sales force in order to increase awareness	Response	% response
Strongly agree	0	0%
Mildly agree	4	19%
Neutral	3	14%
Mildly disagree	2	10%
Strongly disagree	12	57%
Total	21	100%

The majority of the respondents, 71 percent, strongly agreed that the firm had significantly reduced its expenditure on charity activities in the society as this was a waste of resources. Meanwhile, 14 percent agreed, 10 percent were neutral and 5 percent disagreed.

Table 3: Expenditure on Charity Activities in the Society

The firm has significantly reduced its expenditure on charity activities in the society as this is a waste of resources.	Response	% Response
Strongly agree	15	71%
Mildly agree	3	14%
Neutral	2	10%
Mildly disagree	1	5%
Strongly disagree	0	0%
Total	21	100%

The majority of the respondents, 57 percent, strongly disagreed with the statement that the insurance firm's policy is to maintain higher quality standards in order to maintain good reputation with third parties. Meanwhile, 14 percent disagreed, 19 percent agreed and 10 percent strongly agreed. The findings were presented in figure and Table 4.

Table 4: Maintenance of Higher Quality Standards for Reputation Purposes

The insurance firms policy is to maintain higher quality standards in order to maintain good reputation with third parties	Response	% Response
Strongly agree	2	10%
Agree	4	19%
Neutral	0	0%
Disagree	3	14%
Strongly disagree	12	57%
Total	21	100%

Majority of the respondents, 52 percent, strongly agreed with the statement that the insurance firm had increased its budgeted allocation for the sales and marketing department over the last few years. Nineteen percent disagreed, 5 percent were neutral, 10 percent agreed, while 14% strongly agreed. The findings were presented in Table 5.

Table 5: Budgetary Allocation for Sales and Marketing Department

The insurance firms has increased its budgetary allocation for the sales and marketing department over the last few years	Response	% response
Strongly agree	3	14%
Agree	2	10%
Neutral	1	5%
Disagree	4	19%
Strongly disagree	11	52%
Total	21	100%

4.2.2 Competition

Majority of the respondents, 67 percent, 57 percent, 71 percent and 52 percent indicated that increase in insurance brokers, increase in insurance agents, increase in the number of insurance companies and the entry of banks into the insurance industry were very important contributors to the competition in the insurance sector respectively. The findings were presented in Table 6.

Table 6: Contributors to Competition

Contribution of players to competition	Very Important	Important	Not important	Can't tell
Increase in insurance brokers	67%	10%	19%	5%
Increase in insurance agents	57%	19%	14%	10%
Increase in the number of insurance companies	71%	5%	14%	10%
Entry of banks into the insurance industry	52%	10%	19%	19%

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Majority of the respondents, 86 percent, 62 percent and 71 percent indicated that the rate of return of when investing in stock market, in land and property and investment in business were all higher than the rate of return on insurance products. The findings were presented in Table 7.

Table 7: Comparative Rate of Return

Rate of return on insurance products to other investments?	higher than insurance	lower than insurance	Unable to tell
Investment in the stock market	86%	5%	10%
Investment in land and property	62%	14%	24%
Investment in business	71%	10%	19%

Majority of the respondents, 67 percent, strongly agreed with the statement that competition has led to introduction of substitute as well as innovative insurance products. Meanwhile, 19 percent agreed, 10 percent were neutral while 5 percent disagreed. No other response was obtained. The findings were presented in Table 8.

Table 8: Introduction of Substitute as well as Innovative Insurance Products

Introduction of substitute as well as innovative insurance products	Response	% Response
Strongly agree	14	67%
Agree	4	19%
Neutral	2	10%
Disagree	1	5%
Strongly disagree	0	0%
Disagree	21	100%

Findings in this study indicated that the majority of the respondents, 86 percent, strongly agreed with the statement that competition has led to premium undercutting. Meanwhile, 10 percent mildly agreed, 0 percent were neutral, 5 percent mildly disagreed while a further 0 percent strongly disagreed. The findings were presented in Table 9.

Table 9: Competition and Premium Undercutting

To what extent do you agree with the statement that competition has led to premium undercutting?	Response	% Response
Strongly agree	18	86%
Agree	2	10%
Neutral	0	0%
Disagree	1	5%
Strongly disagree	0	0%
Total	21	100%

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The majority of the respondents, 62 percent, strongly agreed that there was direct sabotage, industrial espionage and poaching of customers by competitors as a result of competition. Meanwhile, 14 percent mildly agreed, 5 percent were neutral, 10 percent mildly disagreed, and 10 percent strongly disagreed. The findings were presented in Table 10.

Table 10: Direct Sabotage, Industrial Espionage and Poaching of Customers by Competitors

Direct sabotage, industrial espionage and poaching of customers by competitors	Response	% Response
Strongly agree	13	62%
Agree	3	14%
Neutral	1	5%
Disagree	2	10%
Strongly disagree	2	10%
Total	21	100%

4.3 Fraudulent Claims and Mismanagement

Study findings indicate that the majority of the respondents, 71 percent, rated the frequency of occurrence of fraud in the insurance industry as highly frequent. Fourteen percent gave a frequent rating while another 14 percent gave a highly infrequent rating. The findings were presented in Table 11.

Table 11: Frequency of Fraud Occurrence

How would you rate the frequency of occurrence of fraud in the insurance industry	Response	% response
Highly frequent	15	71%
Frequent	3	14%
Highly infrequent	3	14%
Total	21	100%

The majority of the respondents, 62 percent, strongly agreed that fraud has been responsible for collapse of many insurance firms. Meanwhile, 24 percent agreed, 10 percent disagreed, and 5 percent strongly agreed. The findings were presented in Table 12.

Table 12: Contribution of Fraud to Collapse of Insurance Firms

To what extent do you agree with that statement that fraud has been responsible for collapse of many insurance firms?	Response	% Response
Strongly agree	13	62%
Agree	5	24%
Neutral	0	0%
Disagree	2	10%
Strongly disagree	1	5%
Total	21	100%

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The majority of the respondents, 62 percent, strongly agreed with the statement that lack of corporate governance has been responsible for collapse of many insurance firms. Twenty four percent disagreed, 10 percent agreed while 5 percent disagreed.

Table 13: Lack of Corporate Governance and Collapse of Insurance Firms

To what extent do you agree with that statement that lack of corporate governance has been responsible for collapse of many insurance firms?	Response	% Response
Strongly agree	13	62%
Agree	5	24%
Neutral	0	0%
Disagree	2	10%
Strongly disagree	1	5%
Total	21	100%

4.3 Level claims

Majority of the respondents, 81 percent, indicated that they had experienced huge claims in the last five years. Fourteen percent indicated that they hadn't while 5 percent could not make up their mind. The findings were presented in Table 14.

Table 14: Occurrence of Huge Claims

Have your firm experienced huge claims in the last five years?	Response	% response
Yes	17	81%
No	3	14%
Neutral	1	5%
Total	21	100%

Findings in this study indicated that the majority of the respondents, 62 percent, were of the opinion that the huge claims had affected the liquidity and profitability of the insurance firms. Twenty four percent indicated negatively, 10 percent indicated positively while 5 percent indicated very positively. The findings were presented in figure and Table 15.

Table 15: Effect of huge claims on liquidity and profitability

To what extent has the huge claims if any affected the liquidity and profitability of your insurance firm?	Response	% Response
Very negatively	13	62%
Negatively	5	24%
Neutral	0	0%
Positively	2	10%
Very positively	1	5%
Total	21	100%

4.4 Poor regulatory framework

Findings in this study indicated that the majority, 62 percent, rated the effectiveness of the Insurance Regulatory Authority as very ineffective in addressing regulatory hiccups in the insurance industry. Twenty four percent rated the office as ineffective, 10 percent rated the office as effective while 5 percent rated the office as very effective. The findings were presented in figure and Table 16.

Table 16: Effectiveness of Insurance Regulatory Authority

How would rate the effectiveness of commissioner of insurance office in addressing regulatory hiccups in the insurance industry	Response	% Response
Very ineffective	13	62%
Ineffective	5	24%
Neutral	0	0%
Effective	2	10%
Very effective	1	5%
Total	21	100%

The majority of the respondents, 67 percent, rated the efforts of parliament and the ministry of finance very poorly in instituting reforms in the insurance sector. Nineteen percent rated the efforts poorly, 10 percent were neutral, and 5 percent rated the efforts highly. The findings were presented in figure and Table 17.

Table 17: Rating of Parliament and Ministry Efforts

How would you rate the efforts of parliament and the ministry of finance in instituting reforms in the insurance sector?	Response	% Response
Very poorly	14	67%
Poorly	4	19%
Neutral	2	10%
Highly	1	5%
Very highly	0	0%
Total	21	100%

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Findings

The first objective of the study was to establish was to determine the extent that awareness and publicity influenced the growth of the insurance sector. The study findings showed that insurance firms had not put in place mechanisms to improve public awareness and image. As a result, the poor image of the insurance sector had led to reduced uptake of premiums from clients. In addition, insurance firms had failed to attract new clients.

The second objective of the study was to determine the impact of competition on the growth of insurance sector in Kenya. The study findings showed that the insurance sector faced competition from inside the sector as well as from outside the sector. Not only was the increase in insurance sector players a force to reckon with, other investments posted a higher return than insurance products. This had the effect of decreasing the survival chances of individual insurance firms and the overall growth of the insurance sector.

The study further sought to was to determine the role of fraud and mismanagement in the insurance sector. Occurrence of fraud in the insurance industry was highly frequent and this had been responsible for collapse of many insurance firms. Lack of corporate governance was cited as a major cause for collapse of many insurance firms. The survival and growth of insurance sector has been adversely affected by occurrence of fraud as well as lack of corporate governance mechanisms.

The study also sought to was to determine the role of excessive claims on the growth of the insurance sector. Excessive claims reduced the liquidity and profitability of insurance firms. Subsequently, this limited the growth of firms. The study further sought to determine the impact of poor regulation on the growth of the insurance sector. It was found that the ineffectiveness of the insurance Regulatory Authority as a regulatory body and the ministry of finance had limited the growth of the insurance sector.

5.2 Conclusions

Based on the findings, it was possible to infer that not only were regulatory hitches affecting the growth of the insurance sector, the sector was also faced by other challenges ranging from excessive claims, poor management, fraud and competition.

5.3 Recommendations

The study recommended that insurance firms should increase their budgetary allocations to boost awareness and publicity. In addition, the insurance sector should stream line its operations and processes in order to enhance customer satisfaction. Furthermore, the ministry of finance and the regulatory body concerned with insurance, commissioner of insurance should institute and implement reforms in the sector.

5.4 Suggestions for Further Studies

The study recommended a benchmark study on the ways that other countries have revamped the insurance sector and which reforms were necessary to do so.

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