

ABSTRACT

The purpose of this study was to investigate the factors that influence the financial performance of insurance companies in Kenya. It looked in to some of the key factors that determine financial performance and the extent to which they influence financial performance of insurance companies. This study was conducted using a descriptive survey design. The target population for this study comprised the 46 insurance companies in Kenya. This study used systematic random sampling method to select the respondents. The study used questionnaires as the tool for data collection. Data was analysed through descriptive statistics and results presented in frequency tables, bar graphs and pie charts. The findings of the study showed that fluctuations in interest rates affect the financial performance of insurance companies both ways. This is because it affects the rate of borrowing as well as the rate of return on investments. Profitability as an indicator of financial performance enables insurance companies to invest in viable ventures while avoiding the too risky ones. Competition was found to have an effect on insurance company's financial performance especially through the prices and innovation in new products. Liquidity affects financial performance of insurance companies and this is why the insurance companies have liquid investments. These would help them to settle claims especially if their underwriting income cannot cover claims. Majority of insurance companies rely on cash flow from operations in liquidity management. Based on the findings of this study, it is recommended that insurers should invest in financial analysts so that they can gauge when interest rates can work in their favour in increasing their income.