

Abstract

This study sought to investigate the relationship between financial innovations and financial performance of insurance companies in Kenya. A descriptive survey was carried out on all the 47 insurance companies registered in Kenya. The researcher used primary and secondary data covering a period of five years from 2007 to 2011. The data collected was analyzed using descriptive statistics and regression analysis. The researcher found out that insurance companies in Kenya have introduced product innovations including micro-insurance products, agri- insurance products and process innovations such as office automation, telemarketing, virtual marketing and worksite marketing. Institutional innovation adopted were mobile branches, partnership with NGO's, partnership with CBO's, new branch networks, and strategic alliances with banks. The researcher established that product innovations, process innovations and institutional innovations are positively related with return on assets as shown by a correlation coefficient of .522, .597 and .239 respectively. The regression analysis showed that there is no significant relationship between financial innovation and financial performance of the insurance companies in Kenya. The statistical significance for the three variables were .684 (product innovations) and .604 (process innovations) and .789 (institutional innovations).