

**EFFECTS OF MERGERS AND ACQUISITIONS ON GROWTH OF
INSURANCE FIRMS IN KENYA**

BY

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OF THE REQUIREMENTS OF THE AWARD OF THE DEGREE OF
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DECLARATION

This research project is my original work and has not been presented for a degree qualification in any other University or institution of learning.

Signed..... Date.....

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This project has been presented for examination with my approval as the University Supervisor.

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DEDICATION

In loving memory of my late Dad, Mr.Jackson Imbwenya your teachings on hardwork and discipline did not go in vain. To Ms. Susan Nyangasi, my adorable Aunt for teaching me the value of education.

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ABSTRACT

Mergers and acquisitions continue to be a highly popular form of corporate development across the globe. Many organizations facing challenges in recent times have often adopted mergers and acquisitions as a means of corporate growth. However, contrary to their popularity, acquisitions appear to provide at best a mixed performance to the broad range of stakeholders involved. This research fills the gap in literature by investigating the effects of mergers and acquisitions on growth of Insurance firms in Kenya between the period 2000 and 2015. The specific objectives was to determine the effects that M&A deals have on growth of profitability; to establish the effects that M&A deals have on market growth and to establish the effects of M&A on achieving synergy for insurance firms in Kenya. The research adopted a census survey research design. The process of data collection involved the use of questionnaires consisting of both structured and semi-structured questions. Secondary data was also used to obtain required information. Sources of Secondary data included annual reports from AKI and IRA, financial statements, journals and public records. The data collected was recorded, coded, presented and analysis done. Descriptive statistics such as percentages, frequencies, measures of central tendency such as Mean and Median was used to analyze the data through the statistical Package for Social Sciences (SPSS). Comparison and analysis of ratios was used to compare the effect of M&A on growth during pre-merger and post merger period. The output was presented in the form of tables, bar chart, pie charts, frequencies, percentages and graphs. The findings showed that the variable with highest significance on growth of Insurance firms is profitability. The study recommends that Insurance firms need to adopt mergers and acquisitions in order to enhance profitability, increase market share and achieve synergy.

TABLE OF CONTENTS

DECLARATION	i
DEDICATION	ii
ACKNOWLEDGEMENTS	iii
ABSTRACT	iv
ABBREVIATIONS AND ACRONYMS	v
LIST OF TABLES	vi
LIST OF FIGURES	vii
CHAPTER 1: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Mergers and Acquisitions	1
1.1.2 Firm’s Growth.....	3
1.1.3 Insurance Industry in Kenya	4
1.2 Research Problem	5
1.3 Research Objective	6
1.4 Value of Study	6
CHAPTER 2: LITERATURE REVIEW	8
2.1 Introduction.....	8
2.2 Theoretical foundations of the study.....	8
2.2.1 Market Power Theory	8
2.2.2 Synergy Theory.....	9
2.2.3 Economic Production Theory	9
2.2.4 Market Imperfections Theory	10
2.3 Effects of Mergers and Acquisitions on Firm growth	10
2.4 Types of Mergers and Acquisitions	11
2.5 Empirical Review.....	12
CHAPTER THREE: RESEARCH METHODOLOGY	14
3.1 Introduction.....	14
3.2 Research design	14
3.3 Population of Study.....	14
3.5 Data Collection	15
3.6 Data Analysis	15

CHAPTERFOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION	16
4.1 Introduction.....	16
4.2 Background Characteristics of the Respondents.....	17
4.3 Types of Mergers and Acquisitions.....	20
4.4 Effects of M&A on Firm Profitability	21
4.5 Effects of M&A on Market growth	22
4.6 Effects of M&A on operating efficiency	23
4.7 Effects of M&A on Leadership.....	24
4.8 Discussion of the Findings.....	25
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	28
5.1 Introduction.....	28
5.2 Summary of the Findings.....	28
5.3 Conclusion	29
5.4 Recommendations.....	30
5.5 Limitations of the Study.....	31
5.6 Suggestion for further Studies	31
REFERENCES.....	32
APPENDICES.....	35
Appendix I: Questionnaire.....	35
Appendix II: List of M&A in Insurance Industry between 2000 & 2005.....	41
Appendix III: List of all Registered Insurance Companies in Kenya.....	42

ABBREVIATIONS AND ACRONYMS

M &A –Mergers and Acquisitions

SPSS -Statistical Package for Social Sciences

AKI- Association of Kenya Insurers

GWP -Gross Written Premium

ICEA-Insurance Company of East Africa

IRA-Insurance Regulatory Authority

LIST OF TABLES

Table 4.1 Experience	18
Table 4.2 Effects of M&A on Firm Profitability	21
Table 4.3 Effects of M&A on Market Growth	22
Table 4.4 Effects of M&A on Operating Efficiency.....	23
Table 4.5 Effects of M&A on Leadership	25

LIST OF FIGURES

Figure 4.1 Response Rate	17
Figure 4.2 Respondents' Position	18
Figure 4.3 Level of Education	19
Figure 4.4 Gender of the Respondents.....	19
Figure 4.5 Types of Mergers and acquisitions.....	20

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Organizations are established to achieve certain key objectives including corporate growth and increased profitability. However, since business organizations operate in a dynamic environment the two objectives are threatened with changes in environment. One of the key strategies that organizations have adopted to enhance growth is Merger and Acquisition. The dominant rationale used to explain mergers and acquisitions activity is that acquiring firms seek to grow internally and externally. It is believed that mergers and acquisitions lead to maximization of a company's growth by enhancing its production and marketing operations. While main goal of Mergers and Acquisitions is to improve performance, this has always not been the case (Akinbuli & Kelilume, 2013). Some firms have suffered financial loss due to Merger and Acquisition.

There are various theories that have been used to explain the effects of M&A on firms' growth. The first of these theories is the synergy theory, which holds that firms' manager achieve efficiency gains by combining an efficient target with their business and then improving the targets performance. Economic production theory argues that firms operating at sub-optimal scale may be able to achieve scale gains more quickly through M&A than through normal growth. In Market power theory, Choi & Weiss (2005) argue that M&A can create value if they increase firm market power, allowing the post-merger entity to earn higher economic returns. In Market imperfections theory, Cooper et.al (2000) argues that M & A may be of value relevance due to existence of various market imperfections.

In Kenya many insurance firms have turned to mergers and acquisition as key strategy towards growth and profitability. Some of the reasons put forward for mergers and acquisition in insurance sector are; to meet the increased levels of share capital, expand distribution network and market share and to benefit from best global practices among others.

1.1.1 Mergers and Acquisitions

A merger is generally referred to as the combination of forces by two or more firms in order to operate as one (Kovachi & Halibozek, 2005). One or more companies may merge with an

existing company to form a new company .The firm that results from the process could take any of the following identities: Acquirers identity or complete new identity (Hitt, Harrison & Ireland, 2000).The merger process might involve stock swap or cash payment to the target. Stock swap allows the shareholders of the two companies to share the risk involved in the deal.

Acquisition on the other hand is a transaction in which one company takes control over a part or all of the assets of another company either directly or indirectly by controlling management of the company. A firm that seeks to acquire another firm is known as the acquiring company, and the one that it seeks to acquire is known as the target company.

Mergers and Acquisition can be classified into four categories horizontal, vertical conglomerate and reverse (Brealey and Myers, 2004).The classification is dependent on the nature of the business the two entities are involved in at the time of applying mergers and acquisitions strategy. Horizontal merger is the combination of two corporations in similar lines of business or between two competitors. The main reason behind horizontal mergers is to obtain synergy between two business units. Vertical mergers involve coming together of companies in same line of business but different aspects of production .Lastly, Conglomerate relates to combination of companies with different or unrelated fields of business. The main purpose for conglomerate is to help reduce capital costs and overheads and achieve efficiency.

Most organizations use Merger for the purpose of expanding their operations often aimed at an increase of their long term profitability. In most cases, merger deals occur in a friendly setting where respective companies participate in a due diligence process to ensure a successful combination of all parts. On the other occasions, the acquisition can happen through a hostile takeover by purchasing the majority of outstanding shares of a company in the open market. Mergers and Acquisition have become popular in recent times because of the enhanced competition, breaking of the trade barriers, free flow of capital across countries and globalization of business as a number of economies are being deregulated and integrated with other economies.

In Kenya Mergers and Acquisitions activities are governed by the competition Act and regulated by Competition Authority of Kenya .The main objective is to enhance the welfare of the people of Kenya by promoting and protecting effective competition in markets .It has primary jurisdiction to regulate market structure and conduct in the Kenya economy with the aim of enhancing customer welfare. The Competition Authority of Kenya is the government's advisor on competition matters through conducting market inquiries and reviewing proposed governments policies, procedures and legislation to assess their effects on competition.

1.1.2 Firm's Growth

In business, growth is an imperative, not an option. However, only few companies succeed in achieving sustained growth. The growth of a business can be achieved through expanding its existing markets or entering in new markets. A company can expand/diversify its business internally or externally which can also be known as internal growth or external growth. Internal growth requires that the company increase its operating facilities i.e. marketing, human resources, manufacturing and research, all these requires huge amount of funds and time.

Growth is essential for sustaining the viability, dynamism and value-enhancing capability of a firm. A growth-oriented firm is not only able to attract the most talented executives but it would also be able to retain them. Growth leads to higher profits and increase in shareholders' value. A firm can achieve its growth objective by combining its operations with other firms through mergers and acquisitions (Pandey, 2008).

Business growth can also be achieved either by boosting the top line or revenue of the business with greater product sales or service income or by increasing the bottom line or profitability of the operations by minimizing costs. A growing company is any firm whose business generates significant positive cash flows or earnings, which increase at significantly faster rates than the overall company.

The effect of growth can be defined in terms of profitability, industry concentration, sales growth and stock market index. Defined in this way, growth represents a comprehensive summary measure that captures the company's ability to manage the composition, credit

quality and pricing of its assets and liabilities as well as the degree of operating and financial leverage (Pagano, 2001).

1.1.3 Insurance Industry in Kenya

The Kenya insurance industry is governed by the Insurance Act (chapter 487 of the laws of Kenya) and regulated by the Insurance Regulatory Authority (IRA). The industry has a total of 49 insurance companies, 25 in non-life insurance business, 13 in life insurance business while 11 are composite (both life and non- life. Other licensed players in the industry include 187 insurance brokers, 29 medical insurance providers (MIPs), 134 investigators, 105 monitor assessors, 22 loss adjusters and 27 insurance surveyors.

The market is relatively mature in comparison with its regional counterparts, and dominates insurance activities across East Africa region. With rapid expansion of Kenya's economy and to a large extent the East Africa's economy, the insurance industry is on a solid footing. It is expected that the demand for both life and non life insurance products will continue to rise as more households join the middle income class and as the market for project risk coverage soars driven by the ongoing investment in infrastructural projects across the region (Deloitte & Touche, 2015).

The annual premiums for the industry stood at KES 157.78 billion in 2014 growing from KES 131.0 billion in the previous year (IRA annual Report, 2014). The premium income reported under life insurance business amounted to KES 56.48 billion while general business premium were KES 101.30 billion. Industry earnings from investments and other income is KES 352.37 with investment under life insurance business amounting to KES 225.27, this represents 63.9% of total industry investments. General business investments accounted for KES 127.10 billion, which is 36.1% of total investments for industry. The insurer's asset base was KES 426.31 billion as at 31st December, 2014. This represents growth of 19.1% from KES 357.98 billion held as at the end of 2013. The liabilities totals to KES 303.77 during the same period.

Generally, the industry has witnessed rapid growth over the last decade with CAGR in total written premiums at 15.1%. However, even though the impressive growth in written premiums reflects increased incomes and change in the perception towards need for

insurance, penetration has remained low. The penetration of insurance in Kenya is currently at 3.44% (IRA Report, 2014). The emerging risks such as Micro insurance, gas and oil exploration and initiatives such as adoption of alternative distribution channels (bancassurance) will help improve insurance penetration in the long run.

Major challenges facing the industry includes; negative market sentiment following closure of at least 5 insurance providers for over the past 6 years due to insolvency arising from high claims. Underwriting profits have also remained low due to weak pricing and increased fraudulent claims.

1.2 Research Problem

There is a growing appetite towards mergers and acquisition as a strategic approach towards growth. This has largely been driven by intensified competition brought by changes in operating the environment. Some of the reasons for mergers and acquisitions are; to meet the increased levels of share capital, expand distribution network and to benefit from best global practices among others. Corporate organizations facing difficulty have in recent times often opted for expensive reconstruction through mergers and acquisitions as the viable option to liquidation. In 2004, 30,000 acquisitions were completed globally, equivalent to one transaction every 18 minutes (Cartwright & Schoenberg 2006). The total value of these acquisitions was \$1, 9000 billion exceeding the GDP of several large countries .Despite the popularity, Mergers and Acquisition appear to provide at best a mixed performance to various shareholders.

The insurance industry in Kenya is facing a number of challenges, key among them is regulation introducing new requirements of sophisticated risk management, possible capital increase and high compliance cost; keeping up with focus on growth with profitability and to grow premium income by a greater percentage across all business lines plus efforts to deal with claims expeditiously.

A number of studies have been done on Mergers and Acquisition, however very few of these studies have focused on the effect of M&A on firm growth. Ndonga (2013) in his study of M&A as a growth strategy concludes that Merger /Acquisition is a strategic tool that must be cautiously applied and implemented. Ireri (2011) looked at the effects of M&A on financial

performance of oil companies in Kenya; he concludes that there is need for companies to merge to enhance creation of economies of scale, achieve higher bargaining power and business expansion. Thus, according to the researcher's context, the oil firms performed better financially after the resulting merger and/or acquisition. Muya (2006) carried out a survey of experiences of mergers and found that mergers do not add significant value to the firm's performance.

Mukele (2006) carried a survey of the factors that determine the choice of Mergers & Acquisition partners in Kenya. Marangu (2007) did a research on effects of mergers on financial performance of non listed banks in Kenya, while Felistus (2007) did a survey of merger & acquisition experiences by commercial banks in Kenya. In all the studies conducted, the relationship between M& A and firm's growth is blurred with mixed results. This study aims to fill the research gap by establishing whether merger and acquisition is gateway to growth in the context of Insurance companies in Kenya. The study seeks to answer the question; what are the effects of Mergers and acquisitions on growth of Insurance companies in Kenya?

1.3 Research Objective

The objectives of this study are;

- i. To analyse the various types of Mergers and acquisitions adopted by Kenyan Insurance firms.
- ii. To establish the effects of mergers and acquisition on growth of Insurance firms in Kenya.

1.4 Value of Study

This study will be of interest to scholars, shareholders, insurance firms, Managers, the regulator and government. To the scholar, the study will increase value to the existing body of knowledge in this area, at the same time act as a source of empirical reference and literature review. It will also provide ground for further research to the scholar.

This study will be of importance to shareholders through widening their scope of knowledge which forms basis of decision making especially in regard to how M&A will help boost their personal wealth. The study will also help strategic managers in the insurance industry in making policy decisions as pertains the key variables that leads to maximization of a company's growth through enhanced production and marketing operations. The study will also be of great value to Kenyan Insurance firms that intend to adopt M&A as a means to growth and profitability by giving empirical evidence of M&A on profitability.

This study will also be of importance to the regulator, Insurance Regulatory Authority (IRA) in understanding the best ways to mitigate risks and in coming up with appropriate regulations. This will guide the government on matters pertaining to regulation on mergers and acquisitions and making policies related to M&A.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a critical and in-depth review of related literature on Mergers and acquisitions by various scholars, analysts and researchers. It entails reviews of secondary sources obtained from published works such as Journals, Master's thesis books, conference proceedings, and other reports. Theoretical issues, types of mergers and acquisitions, effects of mergers on growth and empirical evidence for M&A will be discussed.

2.2 Theoretical foundations of the study

This section discusses theories on Mergers and Acquisition. It examines various schools of thought of different scholars and how they view Mergers and Acquisitions. The four key arguments about value relevance of Mergers and Acquisitions are; Market power theory, economic production theory, Market imperfection theory and Synergy theory

2.2.1 Market Power Theory

Market power is the ability of the market participants (persons, firms, partnerships or others) or group participants to influence price, quality and nature of product in the marketplace (Montgomery, 1985). According to market power theory, Choi and Weiss (2005) argue that M&A can create value if they increase firm market power, allowing the post merger entity to earn higher economic returns. However, this rationale for market –value gain is questionable in some industries such as the US personal lines insurance industry. The study of Choi and Weiss (2005) did not support the structure –conduct performance hypothesis and concentration of large size firm lead to market poor and anti-competitive conditions. When a horizontal merger takes place, the loss of a competitor in the market creates benefits for companies that have merged, while at the same time serves to drive prices up for the customers.

Sometimes M &A might not lead to value maximization. Evidence exists that real world managers do not always act in the best interest of shareholders but rather tend to pursue their own interests to varying degrees. Instead of taking actions to maximize firm value, managers may act to maximize their own net worth and incomes, engage in excessive perquisite

consumption and take other actions not consistent with value maximization. Moreover, and of special relevance to M&A, managers may engage in projects of questionable value that increase the scale of the firm to increase their compensation and prestige (Jensen, 1986)

2.2.2 Synergy Theory

Synergistic mergers theory holds that firm's managers achieve efficiency gains by combining an efficient target with their business and then improving the target's performance. Buyers recognize specific complementary between their business and that of the target. Thus, even though the target is already performing well, it should perform even better when it is combined with its complementary counterpart, the buyer firm. The synergetic theory implies that target firms perform well both before and after the mergers.

There are three types of synergies i.e. financial, operational and managerial. According to Gaughan (2007) operational synergy appears in the form of revenue enhancements and cost reductions. Financial synergy is achieved when the cost of capital may be reduced through the combination of the two companies. Hitt (2001) on the other hand describes managerial synergy as synergy realized when additional value is created through the decision makers' ability to integrate the two companies and create competitive advantage.

2.2.3 Economic Production Theory

According to economic production theory, firms operate with cost, revenue and profit functions all of which could be affected by M&As. One rationale often given for M&A is economies of scale, usually associated with the cost function. The argument is that firms operating at sub-optimal scale may be able to achieve scale gains more quickly through M&A than through normal growth. Although evidence on the potential for scale economy gains in various industries is mixed (Cummins & Xie, 2008), scale economies may provide a potentially valid motivation for M&As. Economies of scope provide another production theory rationale for mergers and acquisitions. Scope of economies can be present for costs, revenues and profits. Cost economies of scope generally arise from the joint use of inputs such as managerial expertise, customer lists, computer technologies and brand names. Revenue economies of scope are often said to arise due to reductions in consumer search

/acquisition costs and improvements in service quality from the joint provision of related products such as life assurance and automobile insurance.

2.2.4 Market Imperfections Theory

According to market imperfections theory (Cooper et al. 2000) Mergers and Acquisition may also be value relevant due to the existence of various market imperfections .A good example of market imperfection is the existence of costs of financial distress. Financial service firms such as banks and insurance face stringent solvency regulation which creates potential for financial distress costs. Insurers that are over –leveraged or in weakened financial condition for other reasons incur increased regulatory costs and potential operating restrictions. Moreover because buyers of insurance are especially sensitive to insolvency risk, insurers in deteriorating financial health are likely to lose their best customers to rivals. Cummins et al. (1999) argue that M&A can be beneficial to the extent that increases in scale are accompanied by reductions in income volatility due to enhanced diversification. Efficient firms have demonstrated their ability to perform more effectively in minimizing costs and maximizing revenues and have chosen superior technologies. Hence, such firms are more likely to be able to exploit scale and scope of economies and to realize other potential gains from acquisitions.

2.3 Effects of Mergers and Acquisitions on Firm growth

The ultimate goal of Mergers and Acquisition is the generation of synergies that can foster growth, increase market power, improve efficiencies and boost profitability (Pandey, 2008) The merger or acquisition of two or more companies may result in more than the average profitability due to cost reduction and efficient utilization of resources. This may happen due to economies of scale or operating economies. Economies of scale arise when increase in the volume of production leads to a reduction in the cost of production per unit. Merger may help to expand volume of production without a corresponding increase in fixed costs. Thus, fixed costs are distributed over a large volume of production causing the unit cost of production to decline. Economies of scale may also arise from indivisibilities such as production facilities, management functions and management resources and systems. This happens because a given function, facility or resource is utilized for a larger scale of operation. Equally merger

may result into cost reduction due to operating economies. A combined firm may avoid or reduce overlapping functions and facilities. It can consolidate its management functions such as marketing, R&D and reduce operating costs. For example a combined firm may eliminate duplicate channels of distribution or create a centralized training centre or introduce an integrated planning and control system (Pandey, 2008). Merger can also lead to synergy where the combined firm is more valuable than the sum of the individual combining firms. Pandey (2008) describes synergy as 'two plus two equals to five' ($2+2=5$) phenomenon. Synergy benefits refer to the ability of a corporate combination to be more profitable than the individual units that are combining. Typically three types of synergy benefits can be distinguished as operating, financial and managerial synergies. Among the three, revenue sharing synergy is more difficult to achieve. However, it is easier to implement cost-cutting measures and to find areas of overlapping business that can be eliminated hence reducing costs.

Profitability is generally the most important to the firm's total shareholders. Profits serve as cushion against adverse conditions such as losses' on loans caused by unexpected changes in interest rates. Consequently, creditors and regulators concerned about failure also look at profits to protect their interests although the measures ignore firm's risk.

2.4 Types of Mergers and Acquisitions

Mergers and acquisitions are categorized into four major types based on the competitive relationships between the merging parties. These include; Horizontal mergers, Vertical Mergers, Conglomerate and reverse mergers. Horizontal merger involves combination of two firms operating and competing in the same kind of business activity and geographical market. The main purpose of this combination is to obtain economy of scale in production by elimination duplication, reducing cost and reducing competition. Vertical merger or acquisition involves firms at different stages of the production and distribution process of the same product or service; it integrates the operations of a supplier and a customer. When a company buys its vendors, in the direction of its consumer to reduce marketing and delivering costs, it is called a backward merger and acquisition whereas in a forward merger the supplier combines with the customer. The main objective of Vertical mergers is to increase profitability by the previous distributors. Conglomerate merger is an amalgamation

of two companies engaged in different or unrelated lines of business. The main purpose for conglomerate is to help firms reduce capital costs and overheads and achieve efficiency. Mergers and acquisitions can also be classified as friendly or hostile (Chunlai and Findlay, 2003) .When an M&A transaction is undertaken in a friendly manner, the board and management of the target companies agrees to the transaction. On the contrary, a hostile deal is one that pits the offer against the wishes of the target, since the board or management of the target refuses to offer. Last but not least, M&A transactions could either be domestic or cross-border with regards to where the companies involved base or operate. A cross boarder M&A transaction involves two firms located in different economies or two firms operating within one economy but belonging to two different countries (Chunlai and Findlay, 2003). Accordingly in domestic M&A transactions the firms involved originate from one country and operate in that economy –country.

2.5 Empirical Review

Mergers and acquisitions continue to be a highly popular form of corporate development. However, contrary to their popularity, acquisitions appear to provide at best a mixed performance to the broad range of shareholders. This complex phenomenon has attracted interest and research attention of a wide range of management disciplines encompassing the financial, strategic, behavioral, operational and cross-cultural aspects.

While in recent years research into the effects of M&A on growth have increased in prominence, the M&A literature continues to be dominated by financial and market studies, with a high concentration of interest in the USA and UK (Cartwright, 2005).The key result emerging from majority of these studies, is that acquiring firms' shareholders experience either normal returns or significant loses around the announcement of acquisitions involving publicly listed targets (Cooper et, al, 2000). Studies by Zander and Kogut (1996) that was conducted in Pennsylvania, USA, where qualitative analysis of managers attitude towards mergers and acquisitions established that the fundamental aim of mergers and acquisition (M&As) is the generation of synergies that can , in turn , foster corporate growth , increase market power , boost profitability and improve shareholders wealth.

The study by Zander and Kogut (1996) agrees with both production and market power theories of M&A. He argues that firms engage in M&A to deal with the dilemma of how to achieve superiority over markets as productivity grows with the division of labour but specialisation increases the costs of communication and coordination. The findings also support the market power theory based on the argument that a firm is distinct from a market because coordination, communication and learning are situated not only physically in locality but also mentally in an identity.

Viverita (2008) conducted a study on the impact of mergers and acquisitions on commercial banks in Indonesia. By comparing financial performance for 7 years before and after merger, the study revealed that mergers did increase bank's ability to gain profits. This was indicated by the increase in performance indicators such as loans.

Marangu (2007) studied the effects of mergers and acquisitions on financial performance of non-listed banks in Kenya. The research focused on the profitability of non-listed banks which merged from 1994 – 2001. Comparative analysis of the banks' performance for the pre and post merger periods was conducted to establish whether mergers and lead to improved financial performance. The results of the data analysis showed that three measures of performance: Profit, return on Assets and Shareholders equity had values above the significance level of 0.05 with exception of total liabilities/total assets. The results concluded that there was significant improvement in performance of the non-listed banks which merged compared to the non-listed banks which did not merge within the same period. This confirms the theoretical assertion that firms derive more synergies by merging than by operating as individual outfits.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives a discussion on the type of research to be conducted, how data was collected, the data collecting instruments and the procedures and techniques used in data analysis for the data collected.

3.2 Research design

The study adopted a Census survey research design. Kraemer (1997) defines survey research design as a research used to quantitatively describe specific aspects of a given population by examining the relationships among variables. Survey research uses a selected portion of the population from which the findings can later be generalized back to the population.

The survey research design is aimed at assessing the effects of Mergers and Acquisitions on firm's growth and profitability. The survey research is very valuable tool for assessing opinions and trends. The survey gives a description of how Mergers and Acquisitions affect growth and profitability of Kenyan insurance firms. Given that the population under study is small a census is more befitting to the study so as to enable generalization of the findings.

3.3 Population of Study

The population of this study was all the insurance firms in Kenya that have gone through merger and acquisition between year 2000 and 2015. The insurance industry in Kenya has a total of 49 insurance companies, 25 in non life insurance business, 13 in life insurance businesses while 11 are composite (both life and non life IRA Report, 2014).

The non-probability method of sampling was used. Kothari (2004) describes probability sampling as sampling procedures which does not afford any basis for estimating the probability that each item in the population has of being included in the sample. Items for the sample are selected deliberately but the researcher's choice concerning the items remains supreme. Purposive or convenient sampling is used in studying the entire populations of the firms that have merged. In this study all insurance firms that have merged since 2000 to date were included in the census.

3.5 Data Collection

The study used both secondary and primary data. Semi-structured questionnaires will be used to collect primary data. Questionnaires are more appropriate because they give respondents liberty in expressing their definition of a situation that has been presented to them. This method is free from bias of the interviewer and answers are in respondents own words. The questionnaire was administered through the drop and pick method and email method where appropriate. The respondents were persons who make strategic decisions within the organization, senior managers and middle level managers in each organization were asked to fill the questionnaire. Follow up were done via personal visits, telephone calls and e-mail to facilitate responses and also to enhance faster response rate.

Secondary data on growth of the merged company before and after the merger was also used. The research compared performance of insurance firms before and after the merger and acquisition. Secondary data include Insurance Regulatory Authority annual reports, Association of Kenya insurer's reports, public records, reports to shareholders, insurance surveys and economic review as well as reports from the financial statements of insurance companies.

3.6 Data Analysis

The data collected was recorded, coded, presented and analysis done. Analysis was done using Statistical Package for the Social Sciences (SPSS).The data was analyzed using descriptive statistics such as percentages, frequencies, measures of central tendency such as a mean and median were used to analyze the data. Comparison and analysis of ratios was also used to compare the effect of mergers on growth of profitability during the pre-merger period and post- merger period. The output was presented in the form of tables, bar chart, frequencies, percentages and graphs.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data findings from the field, its analysis and interpretations. The study used both primary and secondary data. Primary data was gathered through the use of questionnaires and analyzed using both descriptive and inferential statistical analysis.

The objective of the study was first, to determine the types of mergers and acquisition adopted by Insurance firms in Kenya and secondly, to establish the effects that this mergers and acquisitions have had on growth of Insurance firms in Kenya. Key among the growth aspects considered were growth in profitability, achievement of synergy, market growth, operating efficiency and leadership.

To achieve this, primary data using questionnaires was administered on drop and pick from selected respondents. A purposive target of 24 managers from 12 companies was sampled. The purpose of primary data was to establish the manager's perception on whether the growth was achieved or destroyed after the merger and acquisition activities were completed.

The Insurance firms studied included: Britam Insurance, Saham Assurance Ltd, AAR Insurance Ltd., ICEA Lion Insurance Kenya Ltd, APA Insurance Kenya Ltd, Prudential Life Assurance Kenya Ltd, Metropolitan Cannon Assurance Kenya Ltd, Old Mutual Company Ltd, UAP Insurance, First Assurance Kenya Ltd, Phoenix Assurance Ltd, Shield Insurance Company Ltd and Resolution Insurance Kenya Ltd which have merged between period 2000 and 2015.

The study also used quantitative secondary data which was obtained from the insurer's financial statements, IRA and AKI publications, insurance journals, and public records. The respondents of the study were management staff of the merged insurance firms, this was because they were considered to have the best strategic view to the reason for the strategic option chosen and would best explain why the Merger/acquisition strategy was preferred. Out of the 24 questionnaires issued to the respondents, 18 of them were successfully filled and returned. This translates to 75 % response rate as shown in Figure 4.1.

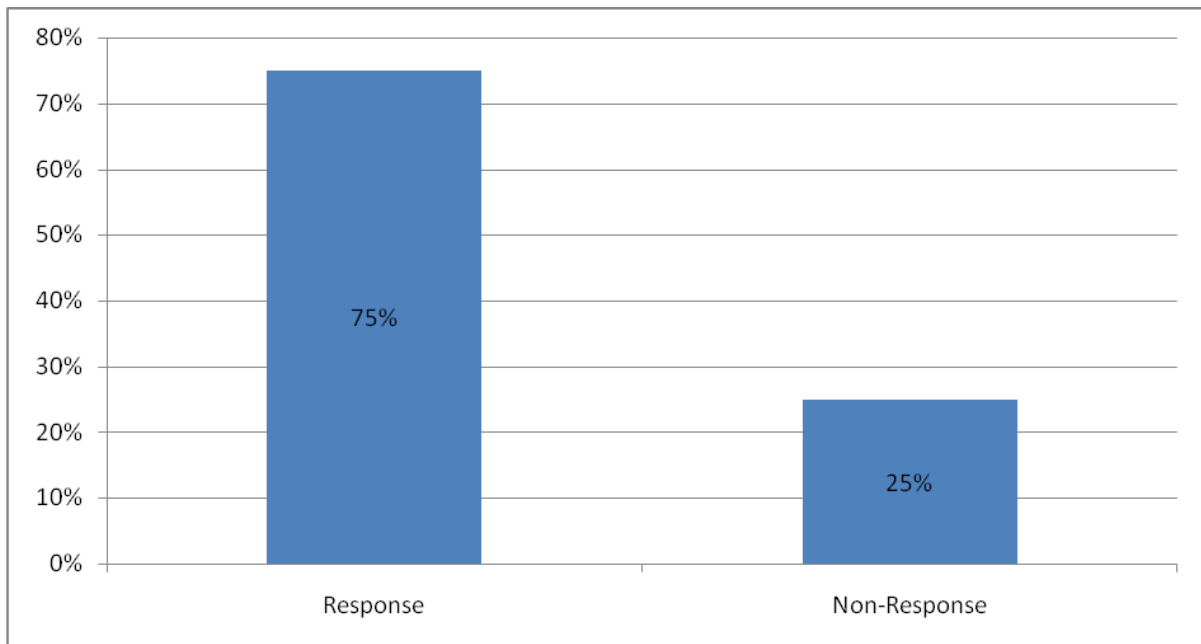


Figure 4.1 Response Rate

According to the study results as shown in Figure 4.1, the study realized a response rate of 75%. The research was able to collect data from 18 out of 24 targeted respondents that were considered valid and reliable to be used in the study.

4.2 Background Characteristics of the Respondents

To achieve a more reliable data that is relevant to the objective of the study, the research sought to establish the professional background of the respondents based on the following levels; top management, middle level management or supervisory level. As per study majority of the respondents were in middle level management and top level management. This is represented in Figure 4.2 .

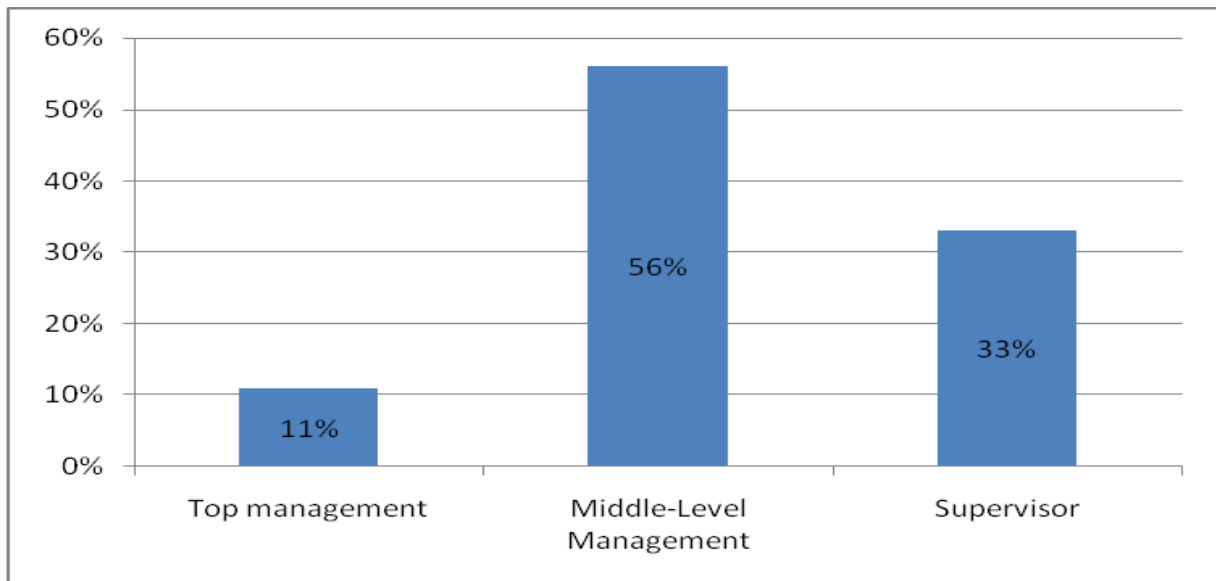


Figure 4.2 Respondents' Position

As shown in the Figure 4.2 above, majority of the respondents were in the middle and top management level representing 67% of the respondents. Respondents in the supervisory level accounted for 33% of the total.

Table 4.1 Experience

It was in the interest of the study to find out the level of experience of the respondents based on number of years served in the organization. It was found out that sizeable numbers of respondents have been in the organization for more than three years, this indicates that the information given was reliable.

Number of years in current position	Frequency	Percent
Less than 3 yrs	6	33.3
3 -7 yrs	8	44.4
7-10 yrs	3	16.6
Over 10 yrs	1	5.5
Total	18	100

According to the results in Table 4.1, most of the respondents had more than 3 years working experience in their current positions. These were 77.7% of the respondents followed by 33% who had been in their current positions for less than 3 years. 16.6% of the respondents had over 10 years experience while those with over 10years experience accounted for 5.5%.

4.4 Level of Education

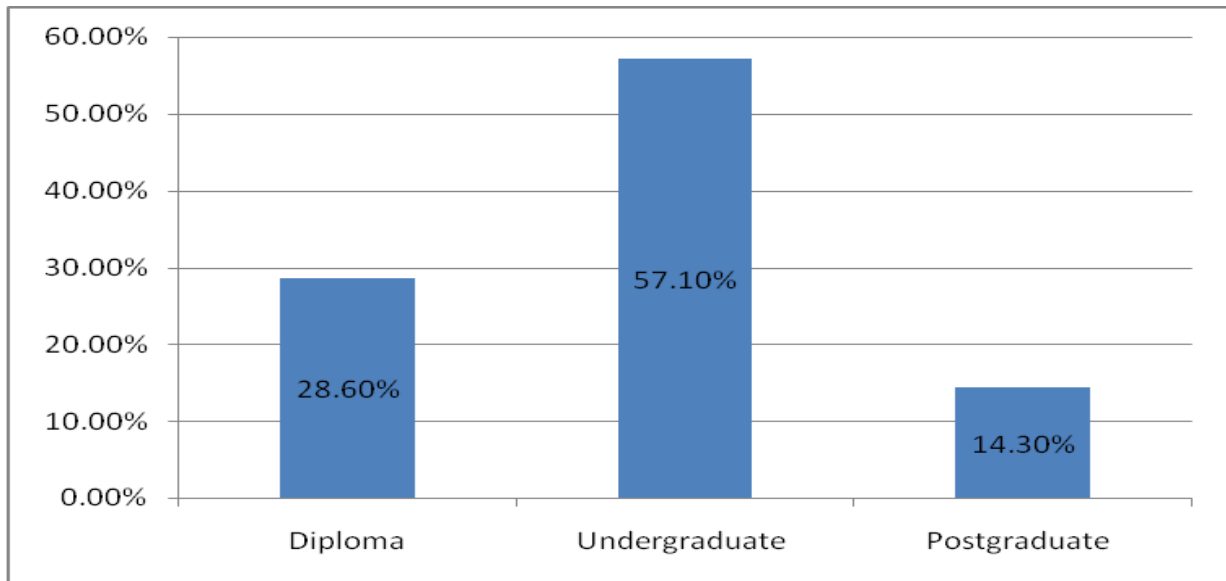


Figure 4.3 Level of Education

Findings as shown in Figure 4.3 illustrate that majority of the managers had undergraduate degrees representing 57.1%. The diploma holders were 28.6% whereas the postgraduate respondents were 14.3% of the respondents.

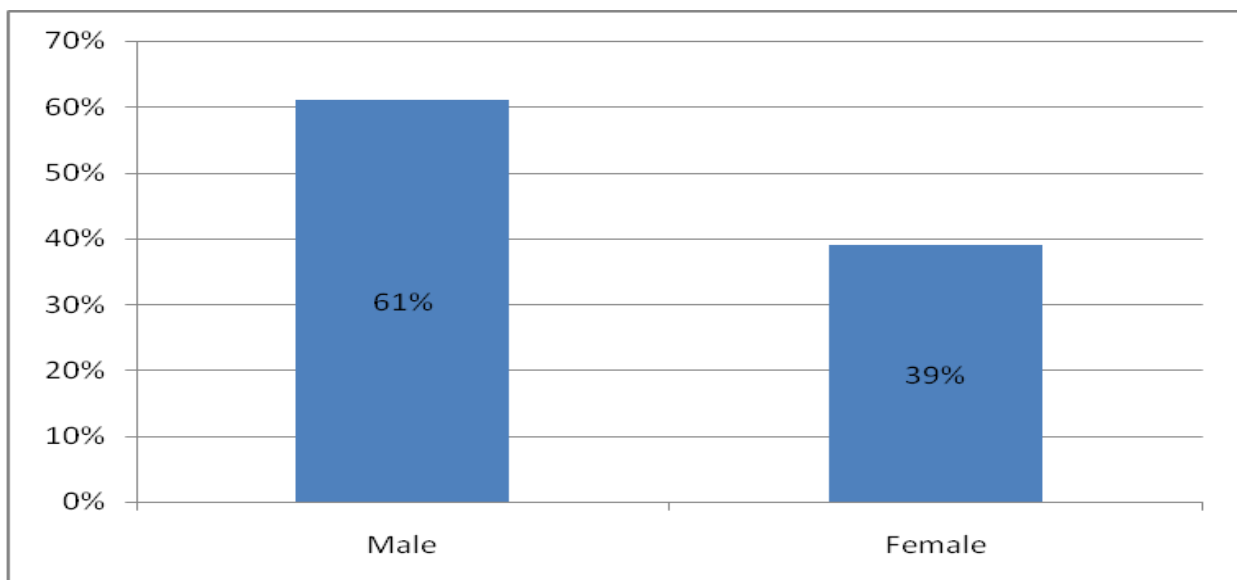


Figure 4.4 Gender of the Respondents

Among the respondents, 61% were male staffs as compared to the female staffs who were 39% of the respondents as shown in Figure 4.4. Both genders were represented in the management of the organizations as these were involved in the study.

4.3 Types of Mergers & acquisitions

A merger is defined as combination of two or more companies into a single company where one survives and the other one lose its corporate existence. The survivor acquires the assets as well as liabilities of the merged company or companies. Acquisition on the other hand, refers to the purchase by one company of controlling interest in the share capital of another existing company (Hitt, Harrison & Ireland, 2000). The study sought to determine the type of merger as either Vertical, horizontal, Conglomerate or concentric. Majority of the insurance firms were involved with Horizontal mergers while none were concentric or conglomerates.

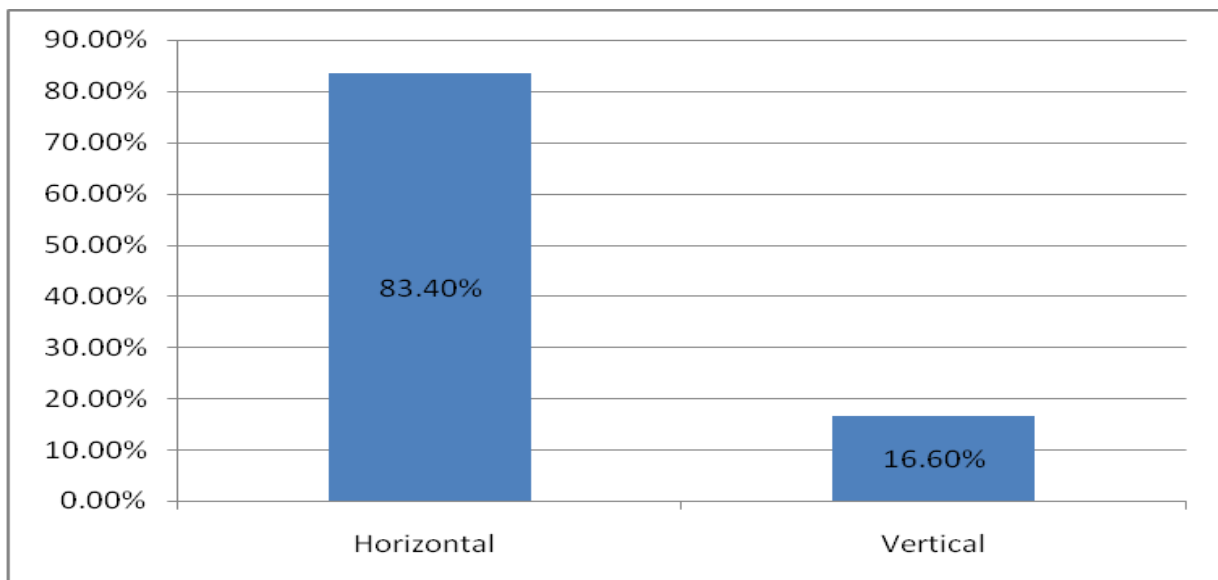


Figure 4.5: Types of Mergers and acquisitions

According to Figure 4.5 83.3% of all mergers studied were horizontal mergers while 16.6% were vertical mergers. This implies that most companies that merged together were within the same insurance industry. None of the mergers fell under concentric or conglomerate.

4.4 Effects of M&A on Firm Profitability

Most business organizations are established to achieve certain objectives, key among them is profitability. The study sought to establish impact of M&A on growth of profitability of insurance firms using gross written premium and gross Investment income as variables. The results are presented in table 4.2 below based on means and standard deviations of the responses given. The means are computed from the responses obtained on a likert scale of 1 – 6 where a mean value in the interval 1.0 – 1.9 is an indication of a strong extent of agreement, 2.0 – 2.9 is a moderate extent of agreement, 3.0 – 3.9 is a partial extent of agreement whereas that of 4.0 – 4.9 is a partial extent of disagreement, 5.0 – 5.9 is a moderate extent of disagreement and a mean value above 5.9 is a strong extent of disagreement. The standard deviations give the extent to which the responses given varied from the mean value computed for the responses.

Table 4.2 Effects of M&A on Firm Profitability

	Mean	Std. Dev
Mergers and acquisitions have led to increased profitability.	2.012	0.9671
Gross written premiums grew after one year of Merger and/or acquisition.	3.271	0.6943
The increase in profits has been consistent after the merger /or acquisition	1.996	0.9962
The growth in profits is solely attributed to merger/ or acquisition undertaken by the firm.	3.758	0.8925
The growth in Investment income is attributed to Merger and /or Acquisition	2.894	0.5951

The findings in Table 4.2 indicate that mergers and acquisitions have led to increased profitability of the companies. This is according to the mean value of 2.012 obtained with a standard deviation of 0.9671. The results also showed that Gross written premiums grew within one year after Merger and/or acquisition.

The study also established that the increase in profits has been consistent after the merger /or acquisition in the companies studied. This had a mean 1.996 indicating a strong extent of agreement and a standard deviation of 0.9962. As to whether the growth in profits is solely attributed to merger/ or acquisition undertaken by the firms, the level of agreement was partial, this was indicated by the mean value of 3.758 and a standard deviation of 0.8925. This implies that M&A is not fully responsible for growth in profits; other factors contribute towards growth in profits. The growth in Investment income is also attributed to Merger and /or Acquisition as indicated by the mean of 2.894 and a standard deviation of 0.5951 illustrating a moderate extent of agreement.

4.5 Effects of M&A on Market growth

In order to understand the impacts that M&A has on market growth, this study sought to find out whether the increase in market share or acquisition of new markets had any direct correlation with merger or acquisition of company or companies. Results under this section show the effects of merger and acquisition on growth of the market for the merged/ acquired companies. The results are as well in mean and standard deviations of the responses given.

Table 4.3 Effects of M&A on Market Growth

	Mean	Std. Dev
Mergers and acquisition have led to increased market share of the Company.	1.976	0.8421
Quality of product after merger is what determines the market share of the firm.	2.571	0.7443
Mergers and acquisition has helped the firm to acquire new markets.	2.091	0.726
The customer loyalty has gone up considerably after Merger and Acquisition.	2.791	0.4723

According to the findings of the study as shown in Table 4.3, mergers and acquisition of companies in the insurance industry have led to increased market share of the merged/acquired companies. This is according to the mean response obtained (1.976) which is an indication of a strong extent of agreement to the given aspect of growth. The findings

also revealed that the quality of product after merger is what determines the market share of the firm. This obtained a mean of 2.571 in the interval of agreement with a standard deviation of 0.7443. This confirms that good quality products have a role to play in growth of market share even after merger.

To find out whether mergers and acquisition have helped the merged firms to acquire new markets the study revealed that M&A plays a role in acquiring of new markets. This is according to the response given where this aspect obtained a mean response of 2.091 with a standard deviation of 0.7260 in the interval for agreement. It was established that customer loyalty went up after merger and acquisition. This was represented with a mean of 2.791.

4.6 Effects of M&A on operating efficiency

Operating efficiency refers to the capability of an enterprise to deliver products or services to its customers in the most cost-effective manner possible while still ensuring high quality of its product, service and support. Most companies merge their operations as a way of cutting down operational costs and improving company's profitability. The study sought to find out whether mergers have resulted in reduction in operational costs of insurance firms in Kenya. The study considered internal processes and procedures, operating systems and structures as indicators of operating efficiency. The findings are as presented in table 4.4

Table 4.4 Effects of M&A on Operating Efficiency

	Mean	Std. Dev
Mergers and Acquisition have improved internal efficiency of the company.	2.431	0.9391
Mergers and Acquisition have contributed to improved IT system.	3.441	0.6141
Mergers and Acquisitions have led to enhanced internal processes and procedures.	1.954	0.9962
The existence of similar operating structures (Acquirer and target) assisted the merged entity to achieve growth objectives faster.	3.042	0.6125
Integrated operating system is a key requirement for growth of merged entity	2.414	0.5826

The study findings revealed that mergers and acquisition have led to improved internal efficiency of the insurance companies. The mean value for the respondents' level of agreement was 2.431 and a standard deviation of 0.9391. The mean value is in the interval 2.0 – 2.9 indicating a moderate extent of agreement. With regard to the effect of M&A on improved IT system, the findings indicate that mergers and acquisition have contributed to improved IT systems of the merged companies. This had a mean of 3.441 for the partial extent of agreement with a standard deviation of 0.6141. This indicates that most firms adopted new improved IT systems after merger. The internal processes and procedures were also enhanced after merger. A mean value of 1.954 was achieved indicating a strong extent of agreement to this contribution from the respondents. As to whether the existence of similar operating structures (between the acquirer and target) assisted the merged entities to achieve growth objectives faster, the respondent partially agreed as indicated by the mean value of 3.042 and a standard deviation of 0.6125. This implies that existence of similar structures did not necessarily assist merged entities to achieve their growth objectives faster. The study also confirmed the need for integrated operating system as a key requirement for growth of merged entities. This is according to the mean value obtained of 2.414 in the interval for a moderate extent of agreement with a standard deviation of 0.5926.

4.7 Effects of M&A on Leadership

Investopedia defines leadership as the ability of company's management to make sound decisions and inspire others to perform well. The section sought to find out the effects of mergers and acquisition on leadership of the insurance companies. The main interest was on whether M&A has brought any change in improved leadership of the company and whether the current performance of the company of the company has been influenced by leadership. The findings are as given in table 4.5 for the mean and standard deviation which are computed from the responses given on a likert scale for the respondents' level of agreement to the given aspects of leadership as influenced by mergers and acquisition strategies employed in the organizations studied.

Table 4.5 Effects of M&A on Leadership

	Mean	Std. dev
Merger and Acquisition has brought change in Leadership of the company.	1.971	0.6942
Performance of the company has largely been influenced by leadership.	2.062	0.9271

According to the findings of the study, it was revealed that M&A has brought change in Leadership of the insurance companies involved. This is according to the mean value obtained which is 1.971 in the interval 1.0 – 1.9 for a strong extent of agreement. The standard deviation for this aspect was 0.6942 indicating a minimal variation of the responses from the mean value. The findings also indicated that performance of the companies has largely been influenced by leadership as illustrated by the mean of 2.062 in the interval 2.0 – 2.9 for a moderate extent of agreement. This implies that leadership plays an important role in growth of merged companies and that strong leadership is needed to realize growth.

Test of Significance in the Performance of the firms for the prior and post merge/acquisition Period

Table 4.6 gives the results on testing the difference between performance of the organizations for the period prior and after merge/acquisition.

Table 4.6 Test of Significance in the Performance of the firms for the prior and post merger/acquisition Period

Test Value = 1.62459						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Performance	2.126	9	.000	.193	-.078	.283

The t-test statistics was used to examine the significance of the difference between organizational performance for the period before and after the merger/acquisition using a 5% level of significance. The t-test is 2.126 which lie in the rejection area. Hence there is statistical evident that mergers and acquisition have an effect on organizational performance for the organizations studied. The p-value for the performance difference is zero which also leads to the conclusion above since the value is less than 0.025 the critical value at the 5% level of significance.

4.8 Discussion of the Findings

The study findings indicated that mergers and acquisitions have led to increased profitability of the insurance companies in Kenya. The study further reveals that the increase in profit has been consistent after merger/or acquisition. The growth in investment income and gross written premiums was also attributed to merger and acquisition undertaken by firms. The study also confirmed that the growth in profits was not solely attributed to the M&A-meaning other factors other than M&A were able to contribute towards profits. These findings support the illustration of Pandey (2008) that the ultimate goal of Mergers and Acquisition is the generation of synergies that can foster growth, increase market power, improve efficiencies and boost profitability.

With regard to the effects of mergers and acquisition on market growth, findings illustrated that, mergers and acquisition of companies in the insurance industry have improved customer loyalty and helped in acquisition of new markets which ultimately boosts the market share of the companies. The study also reveals that the quality of product after merger has a direct bearing on the market share of the firm. These findings are in line with the production and market power theories as well as the study of Zander and Kogut (1996) that illustrated that firms engage in M&A to deal with the dilemma of how to achieve superiority over markets as productivity grows with the division of labour but specialization increases the costs of communication and coordination.

The study on the effects of mergers and acquisition on operational efficiency revealed that, mergers and acquisition have led to enhanced internal processes and procedures, better IT systems and improved internal efficiency of the merged companies. The study further

confirmed that integrated operating system is a key requirement for growth of merged entities. The findings validate Chunlai and Findlay's assertion that the main purpose for conglomerate is to help firms reduce capital costs and overheads and achieve efficiency (2003).

In the study on evaluation of the effects of mergers and acquisition on leadership, findings indicated that mergers and acquisition has brought change in Leadership of the insurance companies involved. It was also revealed that performance of the companies has largely been influenced by leadership which has changed significantly as a result of mergers and acquisition strategies employed.

Conducting a statistical test for the significance of the influence of the mergers and acquisition on performance, study revealed a significant difference in the level of performance for the companies in the period before and that after merger/acquisition. There is a significant increase in firms' performance due to the mergers and acquisition strategies employed as shown in the t-test results.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary of the findings as presented in chapter four, conclusions that were made from these results and recommendations made for status improvement. It also presents the suggestions made for further areas of study.

5.2 Summary of the Findings

The study set out to examine the effects of M&A on growth of Insurance firms in Kenya, in which growth of insurance firms was evaluated, based on, increased profitability, growth of markets, improved leadership and achievement of synergy for Insurance companies in Kenya. These formed the variables for the study. In particular it set out to answer the research question of whether Merger and acquisition has an effect on growth of insurance firms in Kenya. The specific objectives of the study were therefore; to establish the effect that M&A deals have had on growth of profitability of Insurance companies in Kenya, to establish the effect that M&A deals have had on market growth of Insurance companies in Kenya, to establish the effect that M&A deals have had on leadership of Insurance firms in Kenya and finally to establish the effect that M&A deals have had in achieving synergy for Insurance companies in Kenya. The study further sought to determine the types of mergers and /or acquisitions adopted by insurance firms in Kenya. To achieve these, both primary and secondary data were obtained from 12 Insurance firms who were involved in mergers and acquisition between the year 2000 and 2015.

On the effects of mergers and acquisition on profitability of the firm, the study established that mergers and acquisitions have increased profitability of the companies. The gross written premiums and investment income grew within first year of Merger and/or acquisition. According to the study, increase in profits was consistent after the merger /or acquisition in the companies studied. However, it was established that M&A was not solely responsible for the growth in profits of the merged company.

There was a significant relation between M& A and growth in market share of the firms involved. Findings illustrated that, mergers and acquisition of companies in the insurance industry contributed to increased market share of the companies. Acquisition of new markets and customer loyalty was enhanced due M&A. It was also established that quality of products developed by companies after merger had a great impact in the growth of market share.

In regard to effects of mergers and acquisition on operational efficiency, findings revealed that, adoption of mergers and acquisition greatly contributed to improved internal processes and procedures of the merger/acquired companies, this helped in realizing internal efficiency. The existence of similar operating structures between the acquirer and the target assisted the merged entities to accelerate growth.

The study found out that mergers and acquisition had an impact on leadership of the firms involved. The study revealed that M&A brought about change in leadership of the companies, it was further confirmed that performance of the companies is largely influenced by leadership.

Conducting a statistical test for the significance of the influence of the mergers and acquisition on performance, findings revealed a significant difference in the level of performance for the companies in the period before and that after merger/acquisition. There is a significant increase in firms' performance due to the mergers and acquisition strategies employed as shown in the t-test results.

5.3 Conclusion

M&A in the insurance industry is increasing globally as shareholders seek alternative ways to boost revenue growth, build economies of scale and ultimately increase profitability (AKI report, 2014). In Kenya insurance industry a number of factors have influenced M&A decisions; these include the changes in regulation, technology and distribution. Statutory demands for a stronger capital base and solvency margins will see mergers and acquisition as the only viable strategic option to Kenyan insurer who wants to remain competitive and profitable in the long –run.

The study concludes that indeed mergers and acquisition has great impact on growth of profitability insurance companies. Most of the firms studied showed improved financial performance after merger /or acquisition. This was due to reduced cost of operation brought about by economies of scale. However, the study also found out that mergers and acquisition was not the only contributor to profitability; other factors did also contribute towards increased profitability.

In regard to market growth, there was a strong correlation between mergers and acquisition and growth in markets. It was established that M&A helps companies acquire new markets at the same time enhance customer loyalty, which in turn translates to increased market share. The quality of products offered also plays a major role in improving market share of the merged firm and therefore companies are urged to develop quality products that meet market needs.

On the effects of M&A on operational efficiency of the company, the study admits that M&A has led to enhanced internal processes and procedures, better information & technology systems and improved internal efficiency.

Leadership plays a key role in growth of any organization, in order to achieve growth, company needs strong management team with sound leadership skills. To achieve growth objectives, merged companies require strong leadership too. Those companies with visionary leadership have been able to achieve positive results.

5.4 Recommendations

Based on the findings and conclusions made, the study makes the following recommendations; there is need for insurance companies to adopt merger/acquisition as a strategic approach to external growth. The merger/ acquisition strategy is sure way to external growth of insurance firms in Kenya. However, correct choice of the target must be identified to allow generation of synergies that will foster corporate growth and improve profitability.

To realize meaningful growth players in the insurance industry should only adopt merger and acquisition as a means to improve efficiency, achieve synergy and grow market share. The

purpose of M&A should not be to meet regulatory requirements rather, the purpose for M&A should be business environment driven.

5.5 Limitations of the Study

A good number of the company headquarters are located in Nairobi and I had to travel to Nairobi for data collection and since some of the respondents were busy and travelled frequently out of the country, it meant spending a lot of time trying to get my questionnaires filled.

5.6 Suggestion for Further Studies

The study was limited to the insurance companies that have undergone mergers/acquisition. However, there is need for more studies in other sectors to evaluate the effect of mergers and acquisition on operation and performance of these companies. A comparison study also needs to be undertaken to investigate the effect in different sectors as a result of mergers and acquisition. Further studies can be done using other variables such as Asset growth, Return on Investments (ROI) and shareholder's value.

Since majority of the Merger/ acquisition transactions were done recently i.e. between 2013 and 2015. It would be important if a similar study is done in future to confirm if the current findings will still hold given change in time.

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APPENDIX I: QUESTIONNAIRE

This questionnaire seeks information on Effects of Mergers and Acquisitions on Growth of Insurance firms in Kenya. All the information you give will be treated confidentially and for academic purpose only. Please respond to all items in the questionnaire.

PART A: Background Information

1. Name of Company.....
2. Position of respondent.....
 - Top Management []
 - Middle Level Management []
 - Supervisor []
3. Number of years in current position.....
 - Less than 3 yrs []
 - 3 -7 yrs []
 - 7-10 yrs []
 - Over 10 yrs []
4. Level of Education.....
 - Diploma []
 - Undergraduate []
 - Postgraduate []

5. Gender of the Respondent.....

➤ Male []

➤ Female []

PARTB: Type of Merger /or Acquisition

Name of the firm before Merger and acquisition.....

Name of the firm after Merger and acquisition.....

Did your firm go through Merger (M) or an Acquisition (A)? (Tick appropriately).

a) M []

b) A []

What sort of Merger or Acquisition did your company undertake? (Tick appropriately)

➤ Horizontal Merger

➤ Vertical Merger

➤ Concentric Merger

➤ Conglomerate Merger

Please state reason why company undertook Merger and acquisition (Tick appropriately)

➤ Growth in profitability []

➤ Growth in Assets []

➤ Achievement of synergy []

- Growth in Market share []
 - Others []
-

PART C: Effects of Mergers and Acquisition on the firms Growth

Instruction: Please indicate the degree of your agreement or disagreement with each Statement by marking (X) in the box provided below: -

KEY

Strongly Agree	1
Partially agree	2
Agree	3
Disagree	4
Partially Disagree	5
Strongly Disagree	6

Effects of M&A on Firm Profitability

Mergers and acquisitions have led to increased profitability.

- a)[1] b)[2] c)[3] d)[4] e)[5] f)[6]

Gross written premiums grew after one year of Merger and/or acquisition.

- a)[1] b)[2] c)[3] d)[4] e)[5] f)[6]

The increase in profits has been consistent after the merger /or acquisition

- a)[1] b)[2] c)[3] d)[4] e)[5] f)[6]

The growth in profits is solely attributed to merger/ or acquisition undertaken by the firm.

a)[1] b) [2] c) [3] d) [4] e) [5] f) [6]

The growth in Investment income is attributed to Merger and /or Acquisition

a)[1] b) [2] c) [3] d) [4] e) [5] f) [6]

Effects of M&A on Market growth

Mergers and acquisition have led to increased market share of the Company.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

Quality of product after merger is what determines the market share of the firm.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

Mergers and acquisition has helped the firm to acquire new markets.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

The customer loyalty has gone up considerably after Merger and Acquisition.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

Effects of M&A on operating efficiency

Mergers and Acquisition have improved internal efficiency of the company.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

Mergers and Acquisition have contributed to improved IT system.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

Mergers and Acquisitions have led to enhanced internal processes and procedures.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

The existence of similar operating structures (Acquirer and target) assisted the merged entity to achieve growth objectives faster.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

Integrated operating system is a key requirement for growth of merged entity

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

Effects of M&A on Leadership

Merger and Acquisition has brought change in Leadership of the company.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

Performance of the company has largely been influenced by leadership.

a[1] b) [2] c) [3] d) [4] e) [5] f) [6]

PART F: General Assesment.....

Would you term the merger or acquisition undertaken by your firm a success?

Yes [] No []

Would you recommend a merger or acquisition again?

Yes []

No []

Is Merger and Acquisition the only solution to growth of Insurance firms?

Yes []

No []

APPENDIX II: LIST OF M&A IN INSURANCE INDUSTRY BETWEEN 2000 & 2015

1. The merger of general businesses of Apollo Insurance Company Ltd, and Pan Africa Insurance Company to form APA Insurance (2003)
2. The merger of ICEA Company Ltd, and Lion of Kenya to form ICEA LION Group (2012)
3. Barclays plc, Africa acquires controlling stake of 63.3% in First Assurance Kenya Ltd.(2015)
4. 100% acquisitions of Alexander Forbes Healthcare by Zanele investments (2012)
5. AAR Insurance Ltd acquires controlling stake in Afrocentric Healthcare Ltd.(2013)
6. 99% acquisitions of Real Insurance by Britam Insurance Ltd. (2014)
7. Old Mutual plc of South Africa acquired a majority stake of 60.7% in UAP holdings Ltd (2015)
8. Saham Group of Morocco acquired a majority stake of 66.7% in Mercantile Insurance Company Ltd in April 2014.
9. Metropolitan Insurance Group of South Africa acquired a majority stake in Cannon Assurance Ltd in November 2014.
10. Private Equity firm Leapfrog Investments acquired a 60% stake in Resolution insurance company Ltd in 2014.
11. Prudential plc, UK made a return to Kenya by wholly acquiring Shield Insurance Company Ltd in September 2014.
12. Pan Africa Insurance holdings, a subsidiary of Sanlam group of South Africa acquired a 51% stake in Gateway Insurance Company Ltd in 2015.

Source: IRA (2015) Bulletin

APPENDIX III: List of All registered Insurance Companies in Kenya 2015

	NAME	CATEGORY
1	AAR Insurance Company Ltd	General Insurance
2	Africa Merchant Assurance Ltd	General Insurance
3	AIG Kenya Insurance Company Ltd	General Insurance
4	APA Insurance Company Ltd	General Insurance
5	APA Life Assurance Ltd	Life Insurance
6	Britam	Composite
7	Britam General Insurance (Formerly Real Insurance)	General Insurance
8	Cannon Assurance Ltd	Composite
9	Capex Life Assurance Company Ltd	Life Insurance
10	CIC General Insurance Company Ltd	General Insurance
11	CIC Life Assurance Company Ltd	Life Insurance
12	Corporate Insurance Company Ltd	Composite
13	Directline Assurance Company Ltd	General Insurance
14	Fidelity Shield Insurance Company Ltd	General Insurance
15	First Assurance Company Ltd	Composite
16	GA Insurance Company Ltd	General Insurance
17	Gateway Insurance Company Ltd	General Insurance
18	Geminia Insurance Company Ltd	Composite
19	Heritage Insurance Company Ltd	General Insurance
20	ICEA LION General Insurance Co Ltd	General Insurance
21	ICEA LION Life Assurance Co Ltd	Life Insurance
22	Intra Africa Assurance Company Ltd	General Insurance
23	Invesco Assurance Company Ltd	General Insurance
25	Kenindia Assurance Company Ltd	Composite
26	Kenya Orient Insurance Company Ltd	General Insurance
27	Kenyan Alliance Insurance Company Ltd	Composite
28	Liberty Life Assurance Ltd	Life Insurance
29	Madison Insurance Company Ltd	Composite
30	Mayfair Insurance Company Ltd	General Insurance
31	Metropolitan Cannon Life Assurance Company Ltd	Life Insurance
32	Monarch Insurance Company Ltd	Composite
33	Occidental Insurance Company Ltd	General Insurance
34	Old Mutual Life Assurance Company Ltd	Life Insurance
35	Pacis Insurance Company Ltd	General Insurance
36	Pan Africa Life Assurance Ltd	Life Insurance
37	Phoenix of E. A. Assurance Company Ltd	General Insurance
38	Pioneer Life Assurance Company Ltd	Life Insurance
39	Prudential Assurance Company Ltd	Life Insurance
40	Resolution Insurance Company	General Insurance

41	Saham Assurance Company Ltd	Composite
42	Takaful Insurance of Africa Ltd	Composite
43	Tausi Assurance Company Ltd	General Insurance
44	Trident Insurance Company Ltd	General Insurance
45	UAP Insurance Company Ltd	General Insurance
46	UAP Life Assurance Company Ltd	Life Insurance
47	Xplico Insurance Company Ltd	General Insurance
48	Jubilee Insurance Company of Kenya	Composite

Source: AKI (2014).Annual Report.