A COMPARATIVE STUDY OF PROFITABILITY OF LIFE ASSURANCE AND GENERAL INSURANCE COMPANIES OPERATING IN KENYA

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DECLARATION

This research project is my original work and has not been presented for an award of a

degree in any other university or institution of higher learning.

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DEDICATION

My parents and parents-in-law whose deep spirituality, counsel, prayers, and regard for education have gotten this far. And my unborn baby Jason for your patience when mummy was terribly busy, if God wills, I can't wait to see you.

ABSTRACT

The insurance business in Kenya is marked by strong competition. Market share will typically increase at a competitor's expense. Industry-wide, most growth happens within the international and also the domestic space. Insurance firms also are a significant employment generator and occupy a significant place in a country's economy. The main role of insurance firms is pooling the resources of many individuals with similar risks and ensures that the few that experience loss are shielded. For this purpose insurance companies need to remain profitable. This study makes an effort to compare profitability of General Insurance companies and Life Insurance companies operating in Kenva for nine quarters in 2014-16. The data used for the study was net profit, total assets and equity of the insurance companies from their quarterly financial records obtained from the Association of Kenya Insurers (AKI) and the companies' websites. These were used to generate the ROA and ROE that were used for the analysis. The results from the study suggest that GI are more profitable than LI companies. This is based on the interpretation of the results that show the GI with positive ROA and ROE values. Therefore based on the ROA of GI 0.034 compared to ROA of LI at 0.003 the GI is more profitable. This may imply that for every Shilling invested in a GI the returns are greater than those invested in LI by a factor of 10. The study, therefore, recommends improving the profitability of LI companies through improving their daily operation process by minimizing wastage of resources, adopt effective technology that will help improve on their performance and use of effective management practices.

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LIST OF ABBREVIATIONS

AKI Association of Kenya Insurers ANOVA Analysis of Variance CAPM Capital Asset Pricing Model CBK Central Bank of Kenya COMESA Common Market for Eastern & Southern Africa East African Community EAC FP Financial Performance GDP Gross Domestic Product GI General Insurance Companies IRA Insurance Regulatory Authority KRA Kenya Revenue Authority LA Life Assurance Companies ROA Return on Assets ROE Return on Equity ROI Return on Investment SADC Southern African Development Community

CHAPTER ONE: INTRODUCTION

1.1 Background

Profitability can be defined as the capability of a firm to generate or earn profits. It indicates the earning power and business success of a corporation (Kimmel, Weygandt, & Kieso, 2012). The main role of insurance firms is pooling the resources of many individuals with similar risks and ensures that the few that experience loss are shielded. Owners of the insurance firms wish to get sound returns on their investment. Creditors also are curious about the profit as they will wish to understand whether or not the corporate will meet its financial obligations. Regulators like Insurance Regulatory Authority (IRA), Central Bank of Kenya (CBK) and Association of Kenya Insurers (AKI) could also be concerned about levels of adherence to rules and regulations while seeking to notice any signs of financial distress and malpractices and prescribing timely remedial action. Tax authorities like KRA could also be interested in knowing whether insurance firms fulfill their fiscal obligations by promptly paying taxes. Due to the large number of stakeholders interested in the overall fiscal performance and in particular the profitability of insurance firms, it is vital that insurance firms earn satisfactory profits. Mwangi & Iraya (2014) advance that good performance of insurance firms is essential owing to the vital role that these entities play in the economy.

There is absolutely no business that can be profitable minus measured risk taking and effective risk management. Consequently, risk management should be a core function of businesses although approaches could also be totally different. Within the insurance business, there are two schools of thought of risk management; alternative approach and silo approach. Silo approach manages risk in isolation and while alternative approach controls risks in a singular and holistic framework. Owing to high levels of risk within the general insurance in several countries, insurance firms have resorted to the employment of the silo approach. This led to the separation of general insurance from life insurance in order to tackle risk in general insurance in isolation (Nocco & Stulz, 2006).

Even as managers of insurance companies try to boost profits, they ought to think of the risks faced in pursuit of these profits. If an insurance underwriter is in a position to manage its risks well it will increase its profit. Williams, Bertsch, Dale, Iwaarden, Smith & Visser (2006) outlined that: "Risk management aims to provide decision-makers with a systematic approach to coping with risk and uncertainty." LAs and GIs are exposed to totally different risks as they do not underwrite similar risks. This distinction in risk exposure affects the profit of the two insurance models in different ways. In essence, the two models are not expected to make similar profits and these profits will depend on how well they manage the risks they face. This study aimed to evaluate the profitability of insurance firms doing business in Kenya based on their line of business for nine quarters 2014-16.

1.1.1 The Concept of Profitability

Profitability refers to the capability to create profits in each and every business activity of a firm. It shows how well the management will generate profit as a result of utilizing all resources obtainable in the marketplace. Harward & Upton, (1961) say that profitability is an investment's ability to earn revenue from its usage. Typically, 'Profit' and 'Profitability' have been sometimes used interchangeably. Nonetheless, in reality, there's a big distinction between these two. Profit is absolute but profitability is relative. In spite of this, they're closely linked, and in addition, are mutually interdependent. They also have separate roles in the world of business. Profit is the total financial gain attained by the enterprise throughout a specified time period, whilst profitability is the operative efficiency of a business. It's ability of an entity to earn sufficient return on capital and staff employed in business operations. Companies that have the same profits might vary in profitability. Profit in the two separate entities could be identical, but their profitability varies based on the size of investment.

In a majority of research papers that are similar to this study, profitability is measured using ratios. Rasiah (2010) suggests that using profitability ratios is the most suitable approach to measure profitability. This is for the simple reason that they are not influenced by price fluctuations. Then again, Kabajeh, Nu'aimat & Dahmash (2012) vouch for three alternative ways to measure profitability: ROA, ROI and ROE. This particular study has used ROE and ROA to examine profits. ROA is the ratio of net profit to total assets. It shows managerial efficiency as they strive to convert assets into earnings. A high ROA shows superior performance and the reverse is true. ROE is the ratio of net profit to total equity. Thus, it evaluates the rate of return on the shareholders' equity, (Bourke, 1989; Molyneux & Thornton, 1992). It appraises the management's ability at generating profits per unit of equity. A higher ROE indicates higher prospects and vice versa.

Agbamuche (2012) in his study on investment of insurance funds within the Abuja market finds that with the exception of funds obtained through collecting premiums, insurance firms do have other sources of profit. Insurance companies invested their surplus monies in government securities, shares along with property in order to earn more income and consequently increase profitability.

1.1.2 Life Assurance

Life assurance is defined as an agreement between an assurer and a policy holder of an insurance policy that pays a given amount of money once somebody dies or on an agreed date if they are still alive. Depending on the agreement, alternative events like terminal diseases, critical sickness, permanent incapacity and partial incapacity may also initiate payment. The holder of the policy usually pays premiums regularly or in a lump sum payment. Additional expenses, for example, funeral ceremony expenses may also be included within the benefits. Life insurance contracts are long-term in nature. According to Thornber (2001), life insurance contracts are generally for considerably longer periods, usually five years and beyond. They insure the peril of death; death is definite though the time of incidence is uncertain.

Governments are persuading people to buy life assurance products for two major reasons: first and foremost, to offer protection to their heirs and dependents against the monetary consequences of the breadwinners' premature death; and second, to encourage future saving and the provision for retirement. The acquisition of insurance, therefore, provides the individual with a technique of securing the long run well-being for self and dependents with no undue reliance on the different state welfare schemes. The Kenyan government offers a tax relief of 15 percent of premiums contributed to a registered life insurance scheme. It is meant to be an incentive to encourage the Kenyan citizens to secure their future and that of their dependents through saving in life insurance firms.

The profitability of LAs is influenced by a range of factors. Borome (2015) in his study of determinants of financial performance (FP) for LAs in Kenya finds a strong positive relationship between FP of LAs and solvency margin in addition to diversification, a moderate positive relationship between FP and insurance financial leverage and weak positive association for investment ratio. Company size and retention ratio had a strong negative association to FP whereas growth of premiums showed a weak negative association to FP (Borome, 2015).

There are four significant issues that ought to be addressed in the provision of life insurance policies. Firstly, the parties within the contract ought to be clearly specified; the insured, applicant, insurer and beneficiary. Secondly, the benefits ought to be clearly indicated, thus survival and death benefits. Third, exclusions in the life policy, this is often what could bar the insured from enjoying stated benefits. And lastly, provisions and conditions that every party within the contract ought to fulfill.

1.1.3 General Insurance

General insurance is commonly outlined as whatever insurance that's not determined to be life assurance. It helps persons and establishments shield themselves and also the things they consider important, like their homes, their cars, and their valuables, from the economic impact of risks – from floods, storms, fires and earthquakes, to theft, automobile accidents, travel mishaps – and even from the cost of legal suits against them. It is typically property, liability and casualty insurance. It's insurance that offers protection against the incidence of future events (Choi, 2010; Calandro & Lane, 2002; Doff, Bilderbeek, Bruggink & Emmen, 2009; and Elango, Ma & Pope, 2008). General insurance is short-term. In contrast to life assurance policies, the tenure of general insurance policies is often not that of an entire lifetime. The typical term lasts for the period of a specific economic activity or for a given amount of time. Most general insurance policies are yearly contracts. However, there are few policies that have an extended term.

General insurance works by distributing the cost of unforeseen risks among a large number of individuals within the same area who share the same risks. Once a person takes up a general insurance policy, they pay a monthly or annual premium. This individual payment joins the premiums of the many thousands of different policyholders and goes into an enormous pool of funds. An individual might never get to draw from the pool. However, if he is affected by an unforeseen calamity, the pool of funds may be used to aid the affected person up to the limit that they had chosen in their policy. Hussain (2011) says that usually, in general insurance, the event that is insured might or might not happen.

Profitability of GIs is similarly affected by varried factors. Murigu (2014) studied the determinants of FP of general insurance firms in Kenya and discovered that profitability of GIs in Kenya is absolutely and considerably influenced by leverage and equity capital; firm size and ownership structure holds a negative and substantial influence on performance of GIs in Kenya; liquidity bears negative and marginally important impact on FP of GIs in Kenya. Retention ratios of the establishment and underwriting risk have a positive and insignificant impact on the FP of GIs in Kenya. There is no evidence of an influence of management competency index and age of the firm on the performance of GIs in Kenya (Murigu, 2014).

As is the case in provision of life insurance, general insurance policies ought to address some issues on the provision of policies, including; parties, benefits, exclusions, provisions and conditions. Firstly, the parties within the contract ought to be clearly specified; the insured and insurer. Secondly, the benefits ought to be clearly indicated, thus what the policy holder is entitled to incase insured risk occurs. Third, exclusions in the general insurance policy, this is often what could bar the insured from enjoying stated benefits. And lastly, provisions and conditions that every party within the contract ought to fulfill.

1.1.4 Insurance Industry in Kenya

Insurance business in the Republic of Kenya is controlled by IRA, a State Corporation whose mandate is to manage, supervise and develop the business. Until 2012, insurance firms in Kenya were run as General, Life or Composite firms. In compliance with Insurance Act, Cap 487, revised 2010, composite firms were forced to separate life and general business and operate those two as separate entities. Kimbowa (2012) anticipated that Kenya would have no composite insurance firms by 2015. This meant that insurance firms in Kenya were under the legal obligation to separate their life insurance from general insurance as compared to having them run as composite insurance firms. This move was envisaged to assist the insurance companies to mitigate the risk that had resulted in the collapse of some insurance firms that were running as composite firms and additionally facilitate the realization of profit and survival (AKI, 2010).

According to AKI (2015), by December 2015 there were thirty-six registered general insurance firms and twenty-six firms that wrote life insurance business, 139 authorized insurance brokers, twenty-two medical insurers and 6,424 insurance agents. The Kenyan insurance business has been lively the past ten years with Kenyan insurance firms spreading their foothold within the region covering EAC, COMESA, and SADC. This was necessitated by the desire of insureds in Kenya with interests in production, tourism, transport, communication, building and construction across the region to be insured by a similar underwriter. Insurers found it necessary to start offices across Eastern and Central African and to some extent Southern African. Several Kenyan insurance firms have additionally taken advantage of growth opportunities and simplicity of doing business in

Rwanda, and lack of native insurance firms in Southern Sudan. Mergers and Acquisitions have as well played a major role in the growth.

The industry realized gross written premium of KES 173.79 billion in 2015 compared to KES 157.21 billion in 2014, representing growth of 10.55%. Gross earned premiums were KES 146.16 billion in 2015 and KES 133.12 billion in 2014 representing growth of 9.8%. The business recorded a profit of KES 11.57 billion before tax in 2015 as opposed to KES 15.74 billion in 2014. The asset base of the industry in 2015 grew by 11.5%, thus the asset base stood at KES 465.98 billion compared to KES 417.76 billion in 2014. The insurance penetration in 2015 was 2.79% against 2.93% in 2014. In 2014, penetration was influenced by rebasing of the gross domestic product (GDP) upwards. The low penetration is a sign of untapped opportunities for insurance business in areas like oil and gas, property, infrastructure, bancassurance, micro-insurance, and agriculture. The insurance industry is working towards boosting this penetration to make sure that firms across all sectors are insured and many more Kenyans are likewise insured.

The insurance business has been experiencing a lot merger and acquisition activities through buyouts and consolidation. New firms are also entering the market. This trend is likely to continue buoyed by the attractiveness of the Kenyan insurance market. New regulatory changes like Risk Based Supervision, Takaful guidelines and Financial Services Authority are anticipated to have an effect on the insurance landscape once they become effective.

1.2 Research Problem

Profitability is one amongst the most vital objectives in financial management that results in maximization of owners' wealth, Nguyen (2006). No business is profitable devoid of managing their risks effectively. If an underwriter is in a position to manage his risks well, then he will automatically increase his profitability. LAs and GIs face differing types of risks considering the kind of risks they insure. This distinction in risk exposure affects the profitability of the two insurance models in different ways. Their profits depend on how well they manage the risks they insure. Therefore, we do not expect the two models to exhibit identical profitability based on the risks they are exposed to and the way they manage them.

A number of comparative studies have been done to evaluate the profitability of varied organizations' in the same industry. Thyigarajan & Kumar (2015) did a profitability analysis of chosen aluminum firms in India; the study observed that National Aluminum Company showed satisfactory performance with regard to profitability. Jain and Mehta (2013) in their study on FP of automobile firms find that Hero Honda Company performed well thanks to its usage of latest technology and Tata motors registered weak performance related to escalated production overheads and company's inability to face competition. Bai and Buvaneshwaran (2015) compared the profitability of varied hotels in India and established that Royal Orchid was the most profitable. Jaksic, Mijik, Zekic and Poljasevic (2015) did a comparative profitability analysis of milk production firms to milk processing firms in Serbia and discovered that there was no significance distinction in profitability in the two types of firms engaged in the milk business.

Likewise, studies have been done to evaluate the profitability of LAs separately in varied parts of the globe. Dey & Adhikari (2014) carried out an analytic study on the profitability of LAs firms in India. Solanki (2016) did a study on a few private sector LAs in India. Similarly, the profitability of GIs has been analyzed independently by different studies. Varma (2012) did a comparative study on public and private sector GIs profitability. Kwong (1987) studied the profits of native general insurance firms in China.

Though comparative studies on profitability have been done to contrast the profitability of companies in various industries, there is no known comparative study that has been done within the insurance industry to compare the profitability of LAs and GIs in Kenya and the international scene. Profitability analysis studies that have been done in the insurance business have only analyzed profits of either LAs or GIs separately. Hence, to our knowledge, there's no data on this subject. This has left a research gap that the study filled by conducting "a comparative analysis of profitability of life insurance and general insurance firms operational in Kenya." For that reason, this study thus filled the research gap by responding to the question "Do these two insurance models differ in profitability?"

1.3 Research Objective

This study's objective is to compare the profitability of life assurance companies and general insurance companies operating in Kenya

Hypothesis

Null hypothesis Ho: There exists no difference in the profitability of life assurance and general insurance companies in Kenya (Ho: $\mu 1=\mu 2$) Alternative hypothesis Ha: There are differences in the profitability of life assurance and general insurance companies in Kenya (Ha: $\mu 1\neq \mu 2$)

1.4 Value of Study

To be an eye-opener for each class of insurance companies to boost their returns for their stakeholders' sake, in the event that these firms are found to be profit inefficient. It will be informative and attention-grabbing to observe which of these two models exhibits culpableness therein and so must adjust for the better. It will aid regulatory authorities to think about formulating just and relevant policies which will enable every class of insurance company to work effectively. The insurance corporations themselves will find this study quite helpful for it will give a scientific analysis of their profits. Investors will find this study helpful as they will be able to make informed decisions about where to invest their money given the two models. This study will benefit scholars who wish to undertake further studies aimed at improving and understanding profitability in Kenyan insurance companies. Thus it will be a significant addition to the pool of knowledge that already exists.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, study focuses on theories behind profitability of insurance companies, determinants of profitability and empirical studies relating to the area of study. Theories behind profitability of insurance companies show what theories influence insurance companies' profits. Determinants of profitability cover what determines profits of both LAs and GIs independently. Empirical studies review what other researchers' have done that is related to this study.

2.2 Theoretical Review

This subsection discusses the theories relevant to this study. The theories covered under this study's theoretical review are; Portfolio Theory, Contingency Theory and Agency theory. Each of the three theories is exhaustively explained. Each theory is also linked to the study and hence its relevance in the study is explained.

2.2.1 Portfolio Theory

The portfolio theory in its contemporary form was formalized by Markowitz (1952). It is a theory that provides a broadly used explanation of the relationship between risks and returns. This theory expressed return as expected return of a group of investments whereas risk was expressed as a standard deviation of the expected returns from the set of assets or portfolio. The manipulation of the contents of the assets has an influence on the returns and risks. The model by Markowitz (1952) was improved and later came to be known as Capital Asset Pricing Model (CAPM). The CAPM offers a powerful and intuitive model that helps in measuring risk and also the predicting relation between expected returns and risks. CAPM states that the risk of a group of assets ought to be measured relative to a comprehensive market portfolio. The risk-return behavior will aid the investor to manipulate assets to produce desired returns and risk levels.

This theory can be used to justify how the risks each insurance model faces affects the profitability of each insurance model. LAs and GIs face and approach risk differently in retaining or improving returns. We therefore don't expect the profits of the two insurance models to be the same based on this theory as the two insurance models differ in the risks they face and insure.

2.2.2 Contingency Theory

Contingency theory is attributed to Donaldson (1995). The core argument of the theory is that the finest practices rely upon contingencies in the given state of affairs. Contingency theory proposes that managerial steps taken over a matter depend on the dynamics encompassing the difficulty to be acted on. These dynamics are referred to as contingencies. Whereas contingency theory might sound oversimplified, contingencies on which choices rely will be extremely complicated. Contingency theorists attempt to establish and quantify the circumstances in which things can probably take place. A contingency could be a relationship concerning two phenomena. If a single phenomenon exists, it follows that a conclusion will be gotten concerning the other phenomenon. Contingencies will be internal or external and also the nature of the relationships among the contingencies can have an effect on management action. Among the internal contingencies are purpose or goals, people, tasks, technology, and administrative structure. These internal contingencies operate inside the external contingencies that are divided into technological, political, economic, ecological and sociocultural (Carlisle, 1976).

This theory is relevant to this study since it suggests that strategic actions that were taken by the managers of insurance firms to improve profitability and manage risk of either model of insurance company depended on internal and external contingencies among the providers of insurance. We therefore don't expect profitability of these two insurance models to be the same based on this theory as strategic actions of managers of these two models will differ based on contingencies.

2.2.3 The Agency Theory

Agency theory worries about the divergent interests of owners of a company and agents. Jensen & Meckling (1976) sculptured that there exists a conflict of interest between the managers and owners of firms. The theory insinuates that the separation of company ownership and management probably results into self-interested actions by managers. The firm owners hire the managers to execute the controlling duties of an enterprise, and as each seeks to maximize his own value and is self-centered, a conflict of interest occurs. Because the managers exercise the real control of the company, they have got not only the incentive but also the capability to consume benefits of the enterprise at firm owners' expense. The management might direct firm resources for their own selfish interest rather than be using resources to obtain assets or increase firm market share. The management may similarly borrow more, therefore, increasing the leverage of a firm.

This theory is relevant to this study since the study shows which category of insurance company has better stewards (managers). Managers of each class of insurance are supposed to act in firm owners' best interest and thus making the firm more profitable. Based on this theory, we therefore expect a difference of profitability of the two insurance models depending on the type of managers running each model.

2.3 Determinants of Profitability of Life Assurance Companies

There are various factors that determine the profitability of life assurance companies. In this subsection, determinants of profitability of LAs discussed are firm size, the growth of gross written premiums, diversification, investment ratio, retention ratio, and solvency margin.

2.3.1 Firm Size

The size of the firm is one of the most significant features in organizational studies. Firm size is measured in terms of geographical coverage, premiums that are underwritten, profits attained or volume of clients a firm has. It's been shown that firm size is linked

to sunk costs, focus, consolidation and overall profitability of the industry (Dean et al., 1998). Huger life insurance corporations are expected to comprise of layers of management, a bigger range of departments, improved specialization of competences and functions, a lot of centralization and a lot of bureaucracy compared to smaller life insurance corporations (Daft, 1995).

Research has established a relationship linking the size of the firm to inertia. Inertia is caused by constraints on action associated with firm age and size (Miller and Chen, 1994; Hannan and Citizen, 1984; Aldrich and Austen, 1986; Meyer and Zucker, 1989). Inertia makes change expensive and more difficult to realize and sustain (Starbuck, 1985). Larger LAs may also discover that it is harder to keep up an environment of continuous change as compared to smaller LAs (Starbuck, 1985). Size is, therefore, a serious determinant of profitableness of LAs.

2.3.2 Growth of Gross Written Premiums

The growth of the gross written premiums contains a positive influence on profit of LAs as a result of more underwriting activity and market share enlargement. The more premiums a life insurance company underwrites, the more profits it is likely to make because more funds are available for investment by the life assurance company. This therefore implies that once the gross premiums grow, profits grow too and so does profitability.

2.3.3 Diversification

Firm diversification happens to be a company's tactic to grow sales volume from new merchandise and new markets. A lot of research has been done to show the relationship between diversification and FP. Datta et al. (1991), Hoskisson and Hitt (1990), and Ramanujam and Varadarajan (1990), offer brilliant surveys, analyses and critiques of previous findings. There seems to be inconsistent or inconclusive findings between diversification and FP. Stimpert and Duhaine (1997), claim that the inconsistencies are attributable diversification to the very fact the impact various variables that in turn determine firm FP. Since the firm size is positively interrelated to diversification (Daft, 1995), the arguments regarding inertia and constraints on action related to firm size could put together apply to diversification. And, therefore, diversification could have an effect on profitability.

2.3.4 Investment Ratio

Investment ratio is calculated by dividing investments to total assets. Investments generate investment gain when invested. The one of the major sources of insurance firms' income apart from premium income is investment income. A lot of investments imply higher investment income and subsequently a higher investment ratio which will then influence profit LAs. This will in turn influence profitability and hence the financial performance of LAs.

2.3.5 Retention Ratio

Retention ratio is computed by dividing net written premiums by gross written premiums and reflects the proportion of the underwritten risk maintained by the insurance company, the difference is ceded reinsurance. This ratio has a positive influence on life assurance companies' financial performance, and therefore profitability since reinsurance involves some cost (Choi, 2013).

2.3.6 Solvency Margin

Solvency margin is computed by dividing net assets and net written premiums and represents a key indicator of the insurance company financial stability. There is a positive linkage between solvency margin and financial performance of the insurer; because insurer's financial stability is a vital benchmark to potential customers. Customers invest a firm depending on how they view its financial stability, therefore solvency margin affects profitability.

2.4 Determinants of Profitability of General Insurance Companies

Numerous factors determine the profitability of general insurance companies. Determinants of profitability of general insurance companies discussed in this subsection are company size, loss ratio, expenses ratio, combined ratio and growth of the firm. All these factors affect profitability of GIs in different ways as highlighted by in this subsection.

2.4.1 Firm Size

Firm size indicates how big an establishment is. The reason why this is critical is that with a larger size, corporations' are in a position spread fixed costs over a lot of output, thus enjoying economies of scale. Size is measured by total assets, gross written premiums, capital, among others (Almajali, Alamro and Al-Soub, 2012; Berry, Liebenberg, Ruhland and Sommer, 2012; Chen and Wong, 2004).

2.4.2 Loss Ratio

The FP of a general insurer would be influenced by what proportion of the accessible funds can be deployed in assets that earn an income and how large that rate of return is (Chen and Wong, 2004). Losses incurred or total claims expense to premiums earned shows the underwriting results or basically the value of business underwritten. The lower the ratio, the higher the FP, and therefore higher profitability. The higher the allocation of available resources to productive investments, the better the expected FP. Similarly, the more the return earned from the investments, the better the FP. Claims erode earnings and thus the lower loss ratio increasing FP.

2.4.3 Expense Ratio

The expense ratio is the ratio of total expenses (excluding claims) to premiums written and basically indicates the operational efficiency in the management of general insurance firms. The more the relative expenses, and thus expense ratio, the poorer the FP and hence poorer the profitability. (Choi, 2010; Hirao and Inoue, 2004; Ahmed, Ahmed and Usman, 2011; Chen and Wong, 2004; and Ismail, 2013).

2.4.4 Combined Ratio

The total of the loss and expense ratio may be referred to as combined ratio, and the lower it is the higher the financial performance (Leverty and beauty, 2010;Chen and Wong, 2004; and Hirao and Inoue, 2004). A lower combined ratio therefore indicates that the general insurance underwriter is profitable while a higher combined ration indicates that the general insurance underwriter is less profitable.

2.5 Review of Empirical Studies

There are several studies that have been conducted to look into the effect of the size of the firm on firm's profitability. Malik (2011); Abate Gashaw (2012); Daneiel and Tilahun (2013); and Sumaira and Amjad (2013) being among the many researchers who have investigated the effect of firm size on its profitability. In spite of this, the results are inconsistence. Several works in literature have proposed that the size of the enterprise is positively associated with FP. For example, B. Charumathi (2012) studied the reasons behind the profitability of LAs operating in India taking ROA as the dependent variable, the results of the study indicated that profitability of LAs is positively and considerably influenced by size. Almajali and et al (2012) investigated the factors that commonly affected FP of Jordanian Insurance firms. Likewise, the results showed a positive statistical effect of firm size on the FP of Jordanian Insurance firms. Malik (2011) also

found a considerably positive association between the size of the firm and profitability. In Sumaira and Amjad (2013) study indicates that the size of the enterprise is a vital determinant of profitability. Furthermore, Abate Gashaw (2012) and Daneiel and Tilahun (2013) in their study, from the regression results discovered size to be the most vital determining factor of profitability and showed that it was positively linked to profitability. The major explanations behind this in summary are as follows. First of all, big insurance firms usually have got a bigger capability for coping with unfavourable market fluctuations as compared to smaller insurance firms. Secondly, big insurance firms will more easily recruit skilful employees with professional knowledge as compared to smaller insurance firms. Thirdly, big insurance firms have economies of scale in terms of the labour expense, which is the most vital factor of production for delivering insurance services. However, by drawing a framework from the financial economics literature and utilizing a dynamic panel data design covering 2004-2009. Olaosebikan (2012) examines the profit of micro-life insurers in Nigeria. The results indicate that the profitability of micro-life insurers is not affected by factors like size of companies.

Liquidity from the context of insurance firms is the probability of an underwriter to pay liabilities that comprise expenses and payments for losses/benefits under insurance policies when they are due. It shows that additional current assets are retained and idle if the ratio increases. The idle current assets may be invested in profitable investments. For insurance firms, cash flow (which consists of mainly premium and income from investment) and liquidation of asset are the known major sources of liquidity (Chen and

Wong 2004). As stated by Daneiel and Tilahun (2013) firms with additional liquid assets may not easily fail since these firms can obtain cash even in terribly tough situations. Therefore insurance firms with additional liquid assets are expected to surpass those that have less liquid assets. However, in accordance with the theory of agency costs, the high liquid assets may raise agency costs for owners of the enterprise as managers may possibly exploit of benefits offered by liquid assets (Adams and Buckle 2000). Moreover, liquid assets raise the reinvestment risk because the investment income from liquid assets will be reinvested after a comparatively short amount of time. Unquestionably, reinvestment risk injures the profitability of a corporation. Therefore, it is expected that insurance firms with fewer liquid assets surpass those with additional liquid assets. Empirical evidence relating to liquidity showed inconsistent results. For example, B. Charumathi (2012) examined the factors determinant the profitability of life insurers in India taking ROA as the dependent variable. Their results indicated that profitability of life insurers is positively and considerably influenced by liquidity. Almajali and et al (2012) conducted a study with the aim of investigating the factors that mainly affect FP of Jordanian Insurance firms and results showed that liquidity had a positive statistical effect on the FP of Jordanian Insurance firms. Boadi and et al (2013) study also discovered a positive relationship between liquidity and profitability of insurance companies in Ghana. On the other hand, Abate (2012) reported a negative, however, a significant relation between liquidity ratios and profitability. Conversely, the results of Daneiel and Tilahun (2013) and Sumaira and Amjad (2013) study discovered that liquidity has statistically insignificant relationship with ROA.

Almajali (2012) study aimed towards investigating the factors that typically have an effect on FP of Jordanian Insurance firms. The study population consisted of all insurance companies' listed in Amman stock exchange throughout the period of study (2002-2007) totaling to (25) insurance firms. The results showed that the Management competency index had a positive statistical effect on the FP of Jordanian Insurance firms. He recommended that there should be a significant need to have extremely qualified workers within the top management of insurance firms. Like Almajali (2012), Habtamu Negussie (2012) in his study, empirical results shows that management efficiency had a strong influence on the profitability of private commercial banks in Ethiopia.

2.5 Summary of Literature Review

We should be able to establish theoretically whether the two models of insurance companies differ in their profitability or not. Theoretically, it is expected that there should be a difference in profitability of LAs and GIs because each model is exposed to different risks. However, the extensive search of empirical literature found no direct answer as to whether profitability is different in these two insurance models. Further, no studies have addressed a comparative analysis of profitability of these two insurance models in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter outlines the design of the study. It also highlights the composition of the targeted population that the study will focus on. The techniques that were used in data collection and how the data were analysed are also deliberated with the aim of carrying out a comparative study on the profitability of life assurance companies and general insurance companies in Kenya.

3.2 Research Design

Research design outlines a plan that was used to generate answers to research problems, (Dooley, 2007). It involved the selection of the research approach. The study is a census study involving all LA and GI firms registered in Kenya in 2014-16 that is both descriptive and explanatory. It is descriptive because it is designed to provide further insight into the research problem by describing the variables of interest. The study will apply "descriptive analysis" to evaluate the profitability of these two insurance categories and determine whether there are significant differences in their profitability as was also done by, (Tanim-Ul-Islam &Ashrafuzzaman, 2015). It is explanatory because it seeks to "explain" the difference in profitability of the two insurance models as a result of differing risk exposures. The study is longitudinal based on time horizon, it follows the same sample over time and makes repeated observations, and conclusions are then drawn on the basis of the entire period of study.

3.3 Population

As at end of 2015 there were twenty six life assurance companies and thirty six general insurance companies licensed in Kenya and regulated by IRA. These companies are listed in Appendix I and Appendix II at the end of this study. A census study was carried for all the licensed insurance companies in Kenya. The study thus took the entire population into consideration.

3.4 Data Collection

Secondary data was obtained from quarterly reports of insurance companies for nine quarters in 2014-2016. The sources of data were; companies websites, IRA and AKI websites, books, journals, dissertations, research papers and internet. The period is studiously selected because in this period, in compliance with Insurance Act, Cap 487 revised 2010, composite companies were forced to split life and general business and operate these two as separate entities. There were no composite companies by end of 2013 though there were still a few teething problems for composite companies that split their business.

Data collected enabled the calculation of ROA and ROE. According to Petersen & Schoeman (2008) ROA is a good indication of the operational efficiency of an organization and ROE is a good measure of equity holder returns. In this study efficiency of operations and equity holders' return are of great interest as they are good measures of profitability, justifying the choice of ROA and ROE.

3.5 Data Analysis

The study intended to compare profitability of LAs and GIs using ROA and ROE ratios. FP was calculated for each quarter during the period 2014-16 by calculating quarterly ROA and ROE according to type of firm. Descriptive statistics calculated to represent insurance firms' profitability included measures of central tendency (mean and median ROA and ROE) and measures of dispersion (SD and ranges). The study has used tables and graphs to display results. Trends for ROA and ROE were presented. Further, the study used parametric statistical tests namely two sample t-test and Analysis of Variance (ANOVA) to perform tests of significance and compare profitability according to type of insurance firm. Statistical significance was based on a p value of 0.05.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data and provides the interpretation of the findings from the analysis. First it starts by displaying ROA and ROE results on a table and graph to show trend. Further, it presents descriptive statistics on the ROA and ROE. Consequently, it presents the results from the ANOVA used to compare the profitability. Finally, a t-test is done to test significance.

4.2 Data Analysis and Findings

4.2.1 ROA and ROE Trends

First the companies were classified into two categories based on the type of insurance they offer, that is, life assurance and general insurance. The ROA and ROE for each of the companies under each of the categories was calculated for the 9 quarters. Consequently, the average ROA and ROE for each category of insurance each quarter was established as in table 4.1 below.

Table 4.1: Quarterly ROA and ROE for General and Life InsuranceFirms in Kenya between 2014 and 2016

	R	ROA	ROE		
	GI	LA	GI	LA	
Q2 2014	0.030397	0.0119724	0.085969	0.048326	
Q3 2014	0.040633	0.0211625	0.090003	0.07594	
Q4 2014	0.077821	0.0318076	0.180251	0.121522	
Q1 2015	0.011335	0.0004544	0.027027	0.014915	
Q2 2015	0.025195	0.004142	0.05395	0.038094	
Q3 2015	0.03418	-0.00020	0.07689	0.03205	
Q4 2015	0.044927	-0.015962	0.090341	-0.051524	
Q1 2016	0.006062	-0.0113461	0.013495	-0.028819	
Q2 2016	0.042243	-0.0144442	0.048386	-0.01575	

Source: http://www.ira.go.ke/

The results suggest that the ROA among the GI companies was higher compared to those of the LA companies. The ROA for GI companies declined after the last quarter of the year 2014 which was the highest ROA of 0.078. There was a subsequent decline in the ROA in the Quarter 1 of 2015 to 0.025. However a gradual rise occurred in the ROA of GI companies to slightly above 0.045 in the quarter 4 of the year 2015. This rise in was followed by a decline in Quarter 1 of 2016 to 0.006 and a rise in Quarter 2 of 2016 to 0.042 (Figure 4.1). The ROA for LA companies had a similar trend to those of the GI firms as shown in (Figure 4.1). However the ROA for LA companies' recorded negative values from Quarter 3 of 2015 up to quarter 2 of 2016.



Figure 4.1: ROA Trends in Kenyan GI and LI Firms between 2014 and 2016

Further, the results suggest that the ROE among GI companies was higher compared to those of LA companies. The ROE for GI companies gradually rose from 0.086 in Q2 2014 to 0.18 in Q4 2014 which was also the highest ROE. There was a dramatic decline in Q1 2015 to 0.027 followed by a gradual rise in the ROE of GI companies to slightly above 0.090 in quarter 4 of the year 2015. However, a sharp decline was recorded in the ROE for GI companies in Q1 2015 with a ROE value of 0.013. This decline was followed by a gradual rise in the ROE for the ROE for the GI companies in Q2 2016 with a ROE value of 0.048 (Figure 4.2). On the other hand, the ROE for the LA companies followed a similar path in the first 6 quarters. However the ROE recorded a sharp decline in the 7 the quarter with subsequent recovery in the 9th quarter (Figure 4.2).



Figure 4.2: ROE Trends in Kenyan GI and LI firms between 2014 and 2016

4.2.2 Descriptive Statistics of ROA and ROE

The summary of the descriptive statistics for the ROA for GI and LA companies are presented in the (Table 4.2). The mean of ROA of GI companies was 0.035 compared to those of LA which were 0.003. It has been noted ROA of GIs is higher than that LAs suggesting that GIs are more profitable than LAs. The standard deviation of GI is 0.021 while that of LA is 0.016. The degree of variation of ROA is high in GIs compared to LAs meaning GIs though having higher returns are more risky than LAs. The minimum ROA for GI is 0.006 which was observed in Q1 2016 while the maximum ROA for GI was 0.078 which was observed in Q4 2014. The minimum ROA for GI was 0.032 which was observed in Q4 2014.

Table 4.2: Descriptive Statistics of ROA Performance for GI and LIFirms in 2014-16 Periods

ROA GI		ROA LA	
Mean	0.034755126	Mean	0.003066
Standard Deviation	0.021009771	Standard Deviation	0.016309
Minimum	0.006062251	Minimum	-0.01596
Maximum	0.07782129	Maximum	0.031808

Source: http://www.ira.go.ke/

The summary of the descriptive statistics for the ROE for GI and LA companies are presented in the (Table 4.3). The mean of ROE for GI companies was 0.074 compared to those of LA which were 0.026. It has been noted ROE of GIs is higher than that LAs suggesting that GIs are more profitable than LAs. The standard deviation of GI is 0.049 while that of LA is 0.054. The degree of variation of ROE is high in LAs compared to GIs meaning GIs though having higher returns are less risky than LAs. The minimum ROE for GI is 0.013 which was observed in Q1 2016 while the maximum ROE for GI was 0.18 which was observed in Q4 2014. The minimum ROE for GI was 0.122 which was observed in Q4 2014.

Table 4.3: Descriptive Statistics of ROE Performance for GI and LIFirms in 2014-16 Periods

ROE GI		ROE LI	
Mean	0.074034616	Mean	0.026084
Standard Deviation	0.048591812	Standard Deviation	0.053829
Minimum	0.013494572	Minimum	-0.05152
Maximum	0.180250599	Maximum	0.121522

Source: http://www.ira.go.ke/

4.2.3 ANOVA for the ROA and ROE

The ANOVA was used to test for the null hypotheses that there was no statistical difference in the profitability between GI and LA. The null hypothesis was stated as: Ho: $\mu 1=\mu 2$, where $\mu 1=$ mean of ROA GI and $\mu 2=$ mean of ROA of LI. Therefore if the results of the ANOVA are not significant i.e. F calculated< F critical value we fail to reject the null hypotheses. However if the ANOVA results are significant we reject the null hypotheses and accept the alternative hypothesis: Ha: $\mu 1\neq \mu 2$. Table 4.4 presents the ROA ANOVA for Kenyan GI and LA firms. From the results F calculated = 5.569025 > F critical = 3.438101 (for rows). Also results F calculated = 12.92453 > F critical = 5.317655 (for columns). We therefore reject the null hypothesis Ho: $\mu 1=\mu 2$ that there exists no difference in the profitability of life assurance and general insurance companies in Kenya and accept the alternative hypothesis Ha: $\mu 1\neq \mu 2$ that there are differences in the profitability of life assurance and general insurance companies in Kenya.

ANOVA						
Source of Variation	SS	Df	MS	F	P-value	F critical
Rows	0.035666	8	0.004458	5.569025	0.012762	3.438101
Columns	0.010347	1	0.010347	12.92453	0.007032	5.317655
Error	0.006404	8	0.000801			
Total	0.052417	17				

Table 4.4: ROA ANOVA for Kenyan GI and LA Firms (2014-16)

Source: http://www.ira.go.ke/

The ANOVA was used to test for the null hypotheses that there was no statistical difference in the profitability between GI and LI. The null hypothesis was stated as: Ho: $\mu 1=\mu 2$, where $\mu 1=$ mean of ROE GI and $\mu 2=$ mean of ROE of LI. Therefore if the results of the ANOVA are not significant i.e. F calculated< F critical value we fail to reject the null hypotheses. However if the ANOVA results are significant we reject the null hypotheses and accept the alternative hypothesis: Ha: $\mu 1=\mu 2$. Table 4.5 presents the ROE ANOVA for Kenyan GI and LA firms. From the results F calculated = 12.7765 > F critical = 4.4940. We therefore reject the null hypothesis Ho: $\mu 1=\mu 2$ that there exists no difference in the profitability of life assurance and general insurance companies in Kenya and accept the alternative hypothesis Ha: $\mu 1\neq \mu 2$ that there are differences in the profitability of life assurance and general insurance companies in Kenya.

	Table 4.5: ROE AN	OVA for Kenyan	GI and LI Firms	s (2014-16)
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Anova: Single Factor						
Source of Variation	SS	df	MS	F	P-value	F critical
Between Groups	0.004519014	1	0.00452	12.7765	0.00253	4.4940
Within Groups	0.005659167	16	0.00035			
Total	0.010178181	17				

Source: http://www.ira.go.ke/

4.2.4 T-test Comparison of ROA and ROE

A t-test paired two sample of means test was conducted to establish the difference between the means for GI and LI (Table 4.6). The results suggest that there is a statistical difference in the means of the ROA of LI company and GI company. Moreover other associated tests such as the one tail and two tail test provide empirical evidence to support the previous results of the ANOVA table. Therefore we can conclude that ROA of the GI are statistically higher than those of the LI companies. The tests indicate strong evidence for rejecting the hypothesized mean difference which is equal to zero. In other words the means of the ROA from the GI and LI companies are not equal. Hence we accept the alternative hypothesis that there is a significant difference between the means of the GI and LI companies.

Table 4.6: T-test Comparison of ROA for Kenyan GI and LI Firms(2014-16)

t-Test: Paired Two Sample for Means		
Mean	0.035299907	0.001952266
Variance	0.000501/16	0.000201224
Variance	0.000301410	0.000291234
Observations	8	8
Pearson Correlation	0.557240795	
Hypothesized Mean Difference	0	
Df	7	
	, , , , , , , , , , , , , , , , , , , ,	
t Stat	4.925115819	
P(T<=t) one-tail	0.00085185	
	1.004570604	
t Critical one-tail	1.894578604	
$P(T \le t)$ two-tail	0.0017037	
	0.0017057	
t Critical two-tail	2.364624251	

Source: http://www.ira.go.ke/

A t - test paired two sample of means test was conducted to establish the difference between the ROE means for GI and LI (Table 4.7). The results suggest that there is a statistical difference in the means of the ROE of LI company and GI company. Moreover other associated tests such as the one tail and two tail test provide empirical evidence to support the previous results of the ANOVA table. Therefore we can conclude that ROE of the GI are statistically higher than those of the LI companies. The tests indicate strong evidence for rejecting the hypothesized mean difference which is equal to zero. In other words the means of the ROA from the GI and LI companies are not equal. Hence we accept the alternative hypothesis that there is a significant difference between the means of the GI and LI companies.

t-Test: Paired Two Sample for Means	ROE		
Mean	0.072543	0.023304	
Variance	0.002676	0.003232	
Pearson Correlation	0.69625		
Hypothesized Mean Difference	0		
Df	7		
t Stat	3.27105		

0.006827

1.894579

0.013655

2.364624

Table 4.7: ROE Mean Sample Test between Kenyan GI and LI Firms

Source: http://www.ira.go.ke/

P(T<=t) one-tail

t Critical one-tail

P(T<=t) two-tail

t Critical two-tail

4.3 Discussion of Findings

When we look at our findings, both ROA and ROE show that there is a difference in profitability of the two insurance models. Generally, trend of the mean of both ROA and ROE of both GI and LA firms show that GI firms are more profitable compared to LA

firms. Descriptive statistics also affirm the same. The mean of ROA of GI companies was 0.035 compared to those of LA which were 0.003 implying that ROA of GIs is higher than that of LAs suggesting that GIs are more profitable than LAs. The mean of ROE for GI companies was 0.074 compared to those of LA which were 0.026 implying that ROE of GIs is higher than that of LAs suggesting that GIs are more profitable than LAs. ANOVA and t-test have also established that there is a statistical difference in the profits of the two insurance models. These results are consistent with our literature review. The theories we looked at, thus portfolio theory, contingency theory and agency theory all suggested that there would be a difference in profitability of the two insurance models bases on the risks they face and insure, contingencies and stewardship of managers.

Further, comparative studies that evaluated the profitability of varied organizations' in the same industry showed differences or similarities in profitability as a result of various factors. Thyigarajan & Kumar (2015) did a profitability analysis of chosen aluminum firms in India; the study observed that National Aluminum Company showed satisfactory performance with regard to profitability. Jain and Mehta (2013) in their study on FP of automobile firms find that Hero Honda Company performed well thanks to its usage of latest technology and Tata motors registered weak performance related to escalated production overheads and company's inability to face competition. Bai and Buvaneshwaran (2015) compared the profitability of varied hotels in India and established that Royal Orchid was the most profitable. Jaksic, Mijik, Zekic and Poljasevic (2015) did a comparative profitability analysis of milk production firms to milk processing firms in Serbia and discovered that there was no significance distinction in profitability in the two types of firms engaged in the milk business. Thyigarajan & Kumar (2015), Jain and Mehta (2013) and Bai and Buvaneshwaran (2015) are consistent with our study as they find significant differences in profitability. Jaksic, Mijik, Zekic and Poljasevic (2015), however, find no significance difference in profitability due to the dynamics involved in the milk business.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The main objective of the study was to compare the profitability of general insurance and life assurance companies. Relevant literature relating to this study was reviewed and data collected and analysed. The findings of the data showed consistency with the reviewed literature that indeed there is a difference in profitability of the two insurance models. The conclusions and recommendations of this study are based on the results of the data analysis.

5.2 Conclusion

The results of the study showed that there was a significant difference between ROA of the GI and LI companies. The results of the ANOVA showed a statistical difference at 1%. Second the results indicate that there was a statistical difference in the means of the ROE between GI and LI companies. The ANOVA results indicated statistical differences which were significant at 1%.To validated the results of the ANOVA test a t test was conducted for both the ROA and ROE. These tests were done for both the GI and LI. Consequently it was established that there was a statistical difference between the ROA and ROE.

The results indicate a difference between the ROA and ROE in GI and LI companies. The GI had both higher ROA and ROE. The GI and LI companies experienced alternating increase and declines in the ROA and ROE over the 9 quarters period. This indicates that

the ROA and ROE are cumulative at the end of each year. Moreover the alternating increase and declines may be the results of some external factors. For example annual inflation over the period may have influenced the rise and decline in ROA and ROE. On the other hand the alternating increase and declines may validate critics of ROA and ROE as measures of profitability. One critic is that ROA and ROA may mask some of the effect through accumulation of assets or equity.

The results from the study suggest that GI are more profitable than LI companies. This is based on the interpretation of the results that show the GI with positive ROA and ROE values. Therefore based on the ROA of GI 0.034 compared to ROA of LI at 0.003 the GI is more profitable. This may imply that for every Shilling invested in a GI the returns are greater than those invested in LI by a factor of 10. Based on the trends over the 9 quarters some of the quarters LI experienced negative ROA. This may imply that LI are not as profitable as GI.

5.3 Recommendations

The recommendations that can be made from the following study are in regard to improving the profitability of LI companies. The profitability of LI companies may be enhanced through improving their daily operation process by minimizing wastage of resources. The results will help the policy makers in understanding of the performance of LI companies for enhanced efficiency. Consequently management will be able to formulate strategies for operation of the LI companies. Second the LI companies should adopt effective technology that will help improve on their performance. Third some of the poor performance may be due to ineffective management practices.

5.4 Limitations of Study

The data used in this study was obtained from secondary sources such as financial statements. The use of secondary data was characterised by several challenges. First the data was obtained from several sources using different data collection procedures and records. The accuracy of the records was beyond the scope of the research hence the reliability was hard to validate. Second, there was limited time to do this research and as such the study ignored a lot of things like size of firm and period of existence

The results of this study may not be generalised among different insurance companies. There are different factors that may limit the application of the results. For example the size of the different firms may affect the extent to which the results. The results of big firms may not be applicable to small firms and vice versa. Therefore since the study did not classify firms on the basis of the size challenges may occur in application. Also the study did not classify firms based on how long they have been operating, new entrants have different challenges compared to firms that have been operating for long.

5.5 Suggestions for Further Study

The scope of this study was limited by the use of secondary data which limited the types of variables. Future studies can explore the relationship between the different types of insurance companies using other performance indicators. The current indicators used in this study have been critics in other studies for masking effects based on periodic accumulation of assets. Future research should aim at investigating relationship between different performance indicators.

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APPENDICES

Appendix I: General Insurance Companies in Kenya as at 31st December 2015

NO	NAME
1	AAR INSURANCE KENYA
2	AFRICAN MERCHANT INSURANCE
3	AIG INSURANCE COMPANY
4	ALLIANZ INSURANCE COMPANY
5	APA INSURANCE COMPANY
6	BRITAM GENERAL INSURANCE
7	CANNON INSURANCE COMPANY
8	CIC GENERAL INSURANCE COMPANY
9	CORPORATE INSURANCE COMPANY
10	DIRECTLINE INSURANCE COMPANY
11	FIDELITY SHIELD INSURANCE
12	FIRST ASSURANCE COMPANY
13	GA INSURANCE COMPANY
14	GATEWAY INSURANCE COMPANY
15	GEMINIA INSURANCE COMPANY
16	HERITAGE INSURANCE COMPANY
17	ICEA LION GENERAL INSURANCE

18	INTRA-AFRICA ASSURANCE
19	INVESCO INSURANCE COMPANY
20	JUBILEE INSURANCE COMPANY
21	KENINDIA INSURANCE COMPANY
22	KENYA ORIENT INSURANCE
23	MADISON INSURANCE COMPANY
24	MAYFAIR INSURANCE COMPANY
25	OCCIDENTAL INSURANCE COMPANY
26	PACIS INSURANCE COMPANY
27	PHOENIX OF EAST AFRICA
28	RESOLUTION HEALTH INSURANCE
29	SAHAM ASSURANCE
30	TAKAFUL INSURANCE OF AFRICA
31	TAUSI INSURANCE COMPANY
32	THE KENYAN ALLIANCE INSURANCE
33	THE MONARCH INSURANCE
34	TRIDENT INSURANCE COMPANY
35	UAP INSURANCE COMPANY
36	XPLICO INSURANCE COMPANY

Source: http://www.ira.go.ke/

Appendix II: Life Assurance Companies in Kenya as at 31st December 2015

NO	NAME
1	APA LIFE ASSURANCE COMPANY
2	BARCLAYS LIFE ASSURANCE
3	BRITISH AMERICAN INSURANCE
4	CANNON ASSURANCE COMPANY
5	CAPEX LIFE ASSURANCE COMPANY
6	CIC LIFE ASSURANCE COMPANY
7	CORPORATE INSURANCE COMPANY
8	FIRST ASSURANCE COMPANY
9	GA LIFE ASSURANCE LIMITED
10	GEMINIA INSURANCE COMPANY
11	ICEA LION LIFE ASSURANCE COMPANY
12	JUBILEE INSURANCE COMPANY
13	KENINDIA ASSURANCE COMPANY
14	KENYA ORIENT LIFE ASSURANCE
15	LIBERTY LIFE ASSURANCE KENYA
16	MADISON INSURANCE COMPANY
17	METROPOLITAN LIFE ASSURANCE
18	OLD MUTUAL ASSURANCE COMPANY
19	PAN AFRICA INSURANCE COMPANY

20	PIONEER ASSURANCE COMPANY
21	PRUDENTIAL LIFE ASSURANCE KENYA
22	SAHAM INSURANCE COMPANY
23	TAKAFUL INSURANCE OF AFRICA
24	THE KENYA ALLIANCE INSURANCE
25	THE MONARCH INSURANCE COMPANY
26	UAP LIFE ASSURANCE COMPANY

Source: http://www.ira.go.ke/