

**THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND  
FINANCIAL PERFORMANCE IN THE INSURANCE INDUSTRY IN KENYA**

**KEMEI PATRICK KIPKURGAT**

**A RESEARCH PROJECT SUBMITTED FOR PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE AWARD OF A MASTER OF BUSINESS  
ADMINISTRATION DEGREE, UNIVERSITY OF NAIROBI**

**DECEMBER, 2018**

**DECLARATION**

I declare that this research project is my original work and has not been submitted to any other university for award of a degree.

Signed .....

Date .....

**Kemei Patrick Kipkurgat**

**D61/81504/2015**

This Research project has been submitted for examination with our authority as the university supervisors

Signed .....

Date .....

**Mr. Dan Chirchir**

**Lecturer**

**Department of Finance & Accounting**

**University of Nairobi**

## **ACKNOWLEDGEMENT**

Sincere gratitude goes to Mr. Dan Chirchir and Mr. Abdulatif Essajee, my supervisors who tirelessly worked to get the best out of me, closely monitoring every progress I made. I peg the success of this project to their contributions and the candid explanations they gave whenever I needed them.

## **DEDICATION**

This project and work is dedicated to my family for the much needed support they gave me. I also like to dedicate it to my Wife Violet Kemei my daughters, Beryl Jepkoech and Nicole Chepchumba for bearing with me the many hours I was away and working late on this research project. I also dedicate this project to my supervisors for enabling me do the best I could in bringing out the intention of this project. To all my friends, who gave their precious time in ensuring the best of this research was achieved. Thanks for your contributions and support, my mind and soul was enriched during the discussions and the impact of each of you was felt and will always be felt forever.

## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iii</b>
<b>DEDICATION.....</b>	<b>iv</b>
<b>LIST OF TABLES .....</b>	<b>viii</b>
<b>LIST OF FIGURES .....</b>	<b>ix</b>
<b>LIST OF ABBREVIATIONS .....</b>	<b>x</b>
<b>ABSTRACT.....</b>	<b>xi</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background to the Study.....	1
1.1.1 Financial Performance .....	3
1.1.2 Corporate Governance .....	3
1.1.3 Performance and Corporate Governance .....	4
1.1.4 The Insurance Industry in Kenya.....	7
1.2 Research Problem .....	9
1.3 Objective of the Study.....	11
1.4 Value of the Study.....	11
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>13</b>
2.1 Introduction.....	13
2.2 Theoretical Framework.....	13
2.2.1 Agency Theory.....	13
2.2.2 Stewardship Theory .....	15
2.2.3 Stakeholders Theory .....	16
2.3 Corporate Governance Practices.....	17
2.3.1 CEO – Chairman Duality.....	17

2.3.2 Size of the Board.....	17
2.3.3 Board Meetings .....	18
2.3.4 Board Composition .....	18
2.3.5 Board Committees.....	19
2.3.6 Insider Share Ownership.....	20
2.4 Measures of Financial Performance.....	20
2.4.1 Return on Assets / Return on Investment.....	20
2.4.2 Return on Equity .....	20
2.4.3 Tobins Q.....	21
2.5 Empirical Review.....	21
2.6 Research Gaps.....	25
2.7 Conceptual Framework.....	26
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>28</b>
3.1 Introduction.....	28
3.2 Research Design.....	28
3.3 Population of the Study.....	28
3.4 Sample and Sampling Procedure .....	29
3.5 Data Analysis Techniques.....	29
3.6 Statistical Tests .....	30
3.7 Test of Significance .....	31
<b>CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION.....</b>	<b>32</b>
4.1 Introduction.....	32
4.2 Descriptive Statistics.....	32
4.3 Pearson’s Correlation Coefficient Analysis .....	33
4.4 Regression Analysis .....	35
4.5 Discussion of Findings.....	37

<b>CHAPTER FIVE: SUMMARY AND DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.....</b>	<b>40</b>
5.1 Introduction.....	40
5.2 Summary of Findings.....	40
5.3 Conclusion .....	41
5.4 Recommendations.....	42
5.5 Limitation of the Study .....	43
5.6 Suggestions for Future Research.....	44
<b>REFERENCES.....</b>	<b>46</b>
<b>APPENDICES.....</b>	<b>53</b>
Appendix I: Raw Data.....	53

## LIST OF TABLES

Table 4.1: Descriptive Statistics .....	33
Table 4.2: Correlations .....	34
Table 4.3: Model Summary .....	35
Table 4.4: ANOVA <sup>a</sup> .....	36
Table 4.5: Coefficients .....	37



## LIST OF FIGURES

Figure 2.1: Conceptual Framework .....	27
----------------------------------------	----

## LIST OF ABBREVIATIONS

<b>AKI</b>	Association of Kenya Insurers
<b>CEO</b>	Chief Executive Officer
<b>CMA</b>	Capital Market Authority
<b>GDP</b>	Gross Domestic Product
<b>INGO</b>	International Non-Governmental Organization
<b>IRA</b>	Insurance Regulatory Authority
<b>MIP</b>	Medical Insurance Provider
<b>NGO</b>	Non-Governmental Organization
<b>NSE</b>	Nairobi Stocks Exchange
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>ROI</b>	Return on Investment
<b>SACCO</b>	Savings and Credit Cooperative Organization

## ABSTRACT

This study's main purpose was to investigate and get to know if there exist any relationship between the corporate governance practiced by insurance companies in Kenya and their financial performance. The study specifically investigated whether the companies' board size, number of sub-committees in the board, number of meetings held by the board, CEO duality number of dependent and independent directors had any relationship with the financial performance of the companies' financial performance. Return on Assets (ROA) was used to measure the performance of firms. Descriptive research design was employed to carry out the study. The population included all the insurance Companies, which were operating as at December 2016. The study made use of secondary data from the AKI and IRA annual reports for period 2012 to 2016 both years included. Data was collected from 42 insurance firms where a multiple linear regression model was used to do the analysis. The study revealed that there exist a weak correlation between the practices of corporate governance that were under study and the financial performance of the companies. The study revealed that the number of sub-committee members of the board as well as the number of dependent directors positively affect the financial performance of insurance companies. However, the number of board meetings as well as the size of the board were found to negatively affect the financial performance. From these findings the study recommended that, in order for the insurance companies to perform optimally, they must increase the number independent directors and ensure they have enough sub committees in the board. The companies should also consider reducing the size of the board since it has been revealed that financial performance is immensely affected by large board sizes.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background to the Study

Corporate administration is an idea that initially showed up in the 1930s and stayed noiseless, it was not extensively talked about until the point that the time when we had the flare-up of the Asian Finance emergency in the 1990s. Various scandals that have been lately reported in several nations across the world such as the case in Taiwan involving the Procomp Informatics Limited in the year 2004 as well as the case of Enron in 2001 in the US have made numerous countries forcefully order partnership administration to ensure that financial specialists, merchants, banks, and different partners are dealt with decently (Huang, 2007).

In many instances, corporate Governance has been presented as the processes and structure that is utilized as a part of coordinating and overseeing business issues of a company with the point of upgrading corporate bookkeeping and furthermore thriving with a sole aim of safeguarding investors interests while at the same time taking into consideration the interests of all other stakeholders (CMA Act, 2002). The Economist Intelligence Unit Limited (2002) portrays corporate governance as the manner in which coordination and control is done in organizations. According to Muriithi, (2009) corporate governance therefore embodies the relationship that exists between the organization's management, the investors and other stakeholders of the firm. These relationship is aimed at coordinating and protecting the interests of all the stakeholders in the firm including the employees, the investors and all other interested parties. Corporate Governance is equally described as an internal structure that includes the procedures and processes as well as the individuals and strategies which are geared towards the

achievement of the investors' goals and the fulfilment of the other stakeholders' interests by cautiously controlling the activities of the management showing responsibility, objectivity and trustworthiness (Mang'unyi, 2011).

As postulated by Shleifer and Vishny, (1987) the existence of good corporate governance practices has also been depicted as the management of the process and strategies of the organizations with the aim of protecting the interests of the providers of the organization's capital and ensuring that they receive their returns. Corporate Governance bargains undeniably with issues of past compromise condition, outline approaches to manage ease corporate wrongdoing and modifies the premiums of accessories utilizing help system. Therefore, corporate governance has been fronted as the ethics and moral duty of firms. Firms around the world have therefore adopted several corporate governance systems. As per (Mulili and Wong, 2010), nations that took after point of reference based law, (for example, France, Germany, Italy and Netherlands) made corporate systems that concentrated on assistants. Many nations that have incorporated corporate governance requirements in their laws such as; the United Kingdom, Australia, Canada, USA, as well as New Zealand have managed to ensure ethical standards in firms thereby protecting the returns of the investors. As such corporate Governance has changed into a topical issue on account of its enormous feeling of obligation with respect to the budgetary change and movement of countries.

The nonattendance of good Corporate Governance is an essential clarification behind disappointment of many well performing affiliations. Existing composed work for the most part bolster the position that amazing Corporate Governance firmly impacts honest

to goodness execution; OECD (2009), Claessens, Djankov and Fan (2002), Gompers, Ishii and Metrick (2003), and others. The monetary prospering of a country is the impression of the execution of its affiliations. Along these lines the low level of progress of making countries is credited to the low level of good Corporate Governance hones. Truly depicted and endorsed corporate association gives a structure that, from a particular perspective, works for the upside of everybody worried by guaranteeing that the attempt sticks to perceived great principles and best practices and notwithstanding formal laws.

### **1.1.1 Financial Performance**

Many researchers have defined performance as the effective and efficient achievement of organization's goals and objectives and the extent to which this is done, while the organization's financial performance is the reported results of an organization over a period of time. Financial Performance of an association is measured utilizing pointers which are partitioned into three classifications: productivity (working) proportions, which gage an organization's prosperity over a given timeframe; liquidity proportions, which measure the fleeting capacity of an organization to pay its obligation and meet expected money needs; and dissolvability proportions, which demonstrate an organization's capacity to meet long haul duties on a proceeding with premise (Downes& Goodman, 2003).

### **1.1.2 Corporate Governance**

As earlier mentioned, corporate governance is the framework upon which many organizations are managed and controlled. In a tight sense, it's upon the organization's corporate governance structure to determine the distribution of individual rights in the

organization as well as stipulate the duties of different persons within the organization. For instance, the framework highlights the best administrative staff, managers, financial specialists as well as other important individuals, and highlights the standards and frameworks for resolving corporate issues and making final decisions. By so doing, it moreover shows the way in which goals in the organization are set and how the strategies for achieving the goals and objectives are laid down. In a more broad sense, it depicts the rights and obligations of each basic accomplice and the diagram of associations and frameworks that induce or control board boss and organization to best serve the money related premiums of financial specialists (and diverse accomplices) of an association.

Significant parcels of these diverse accomplices in like manner expect a section in watching the direct of the board/Organization for Economic co-operation and headway (OECD) 1999, Kaur and Gill, 2008). Corporate organization deals with the courses in which suppliers of back to organizations promise themselves of getting an entry on their hypothesis (Shleifer&Vishny, 1987). It investigates how to secure and awaken capable organization of associations by the use of helper instruments, for instance, contracts, legitimate blueprints and order. This is much of the time obliged to the subject of improving budgetary execution, for example, how the corporate proprietors can secure/motivate the corporate executives to pass on an engaged rate of return, (Mathiesen, 2002).

### **1.1.3 Performance and Corporate Governance**

Great organization infers little seizure of corporate resources by boss or controlling financial specialists, which adds to better segment of benefits and better execution. As budgetary experts and banks will be all the more prepared to put their trade out firms with

incredible organization, they will go up against cut down costs of capital, another wellspring of better firm execution. Distinctive accomplices, including delegates and suppliers, will in like manner should be connected with and start a new business relationship with such a great amount of firms, as the associations are presumably going to be more prosperous, more lovely, and longer persevering than those with firms with less feasible organization (Kouwenberg 2006).

Poor corporate administration is frequently connected with diffuse possession, poor administrative control, and a lawful framework that is not capable or willing to ensure investor rights. By ensuring better leadership in the organization and sustainably maintaining the interests of majority shareholders, good corporate governance practices should be able to ensure proper operations in the organization. Less seizure of minority investors and ensuring there is no unfair relations between huge businesses and political power means creation of more conducive business environment for small businesses and could ensure fair salary appropriation.

The agency theory says that better corporate administration should prompt higher stock costs or better long haul execution, since administrators are better managed and agency costs are diminished. In any case, as (Gompers, 2003) propose, the confirmation of a positive relationship between corporate administration and firm execution may have little to do with the agency clarification. Regarding the connection between corporate administration and firm esteem, the most examined administration rehearses incorporate board structure and size and takeover barriers.



Shleifer and Vishny (1987) likewise contend that corporate administration can clarify the execution of firms. In created nations, the administration framework is moderately effective in that-financial specialists are certain to get returns on their speculation and firms can raise the important assets to back their venture ventures. Interestingly administration components in creating nations are for the most part powerless and the danger of confiscation of investors by supervisors or piece holders is extensive (Kihara, 2004).

As indicated by a study by McKinsey and Company (2002), 78% of expert financial specialists in Asia said that they were eager to pay a premium for an all-around administered organization. The normal premium these financial specialists were ready to pay for the most part went from 20% to 25%. In Continental Europe and East Asian economies, thinks about recommend that square proprietorship as such may frequently positively affect an association's execution for better checking; (Xu and Wang, 1999).The observational examinations in creating economies are more worried about the general nature of corporate administration as opposed to with a specific practices or highlights of such administration. Kihara (2004) examined 36 organizations recorded in the Nairobi stock Exchange-NSE over a time of six (6) years from 1999 to 2004. The outcomes likewise demonstrated that there is no connection between state, organization and individual proprietorship and-execution of firms recorded at the NSE.

In any case, the execution of firms overwhelmed by remote financial specialists is by all accounts substantially higher than that of firms commanded by some other gathering of speculators.

Oltetia (2002) completed an exploration on proprietorship and execution of organizations recorded in the Nairobi Stock Exchange and watched that, institutional speculators and remote financial specialists were two predominant gatherings of speculators controlling by and large 41% and 34% possession individually. The state and people hold minority partakes in recorded organizations. He likewise inferred that there was wastefulness identified with state, institutional and singular proprietorship. He discovered that the impact of the state as an investor, organization an individual investors to firms benefit is immaterial, if not totally insignificant. In any case, it was discovered that outside financial specialists significantly affect firms' gainfulness yet just when taken as a group.

#### **1.1.4 The Insurance Industry in Kenya**

The Insurance business in Kenya is represented by the Insurance Act and managed by the Insurance Regulatory Authority (IRA). In 2015, there were 51 insurance agencies and 3 privately joined reinsurance organizations authorized to work in Kenya. Of the authorized insurance agencies, 25 were general safety net providers, 14 long haul guarantors and 12 were composite (both life and general) back up plans. Likewise, there were 198 authorized brokers, 29 therapeutic protection providers(MIPS),5,155 protection agents, 25 misfortune agents, 2 claims settling agent, 241 misfortune assessors/examiners and 8 hazard directors (source Association of Kenya back up plans – AKI 2015).There is little information on studies done to establish the relationship between governance and performance of the insurance sector in Kenya. A study by the Centre for corporate governance in 2004, found that there was very minimal disclosure and financial reporting in the insurance industry. Aholi (2004) identified many shortcomings in disclosures, consistency and accuracy in the reporting of financial information of the insurance

companies in his compliance review of the 2003 financial statements of insurance companies. These findings together with the collapse of insurance companies such as the united insurance company, Standard Assurance Company among others shows that there is need to establish effective corporate governance structures.

The Insurance Regulatory Authority, which is the industry regulator, plays a critical role in setting governance standards for the industry in Kenya. Companies listed in the NSE observe additional standards as outlined by the CMA. Companies that are seen to be performing better on the bourse attract more investors and subsequently the share price increases. Cases of hostile takeover have not been witnessed in companies that are performing poorly. However, government intervention has been useful to protect shareholders in cases of apparent misuse of funds.

The custodian of governance in the Kenyan insurance sector is the Insurance Regulatory Authority. In Kenya, insurance is marked as one of the key players in the achievement of Vision 2030. However, currently it only contributes 2.9% to the Gross Domestic Product (GDP). According to the Association of Kenya Insurers (AKI) Annual Report (2014), the insurance sector has had instances in the past with companies such as United Insurance, Standard Assurance, and Lakestar Insurance among others being put under receivership. However, the industry registered positive growth in 2014 with the gross written premium being Kshs 157.73 billion compared to Kshs 135.39 billion in 2013 representing a growth of 16.5%. The gross written premium in general insurance was Kshs 126.33 billion (2013: Kshs 105.01 billion). General insurance premium grew significantly and also life insurance premium and contributions from deposit administration business. With a

market penetration of 3.45%, there is a lot of room for improvement. Mechanisms such as good corporate governance and concentrated ownership can be applied to improve the confidence of the public towards the industry.

## **1.2 Research Problem**

The corporate administration issues have gotten significant consideration as a result of their obvious significance for the financial strength of organizations particularly after plenty of corporate tricks in the current circumstances. One contention to forestall corporate disappointments is the reinforcing of administration component which could prompt enhanced association's execution (Garba et al., 2005). By advancing firm execution and the assurance of partner's interests. Corporate administration energizes venture which is related with macroeconomic development. Nam et al (2005) set up that corporate administration should prompt higher stock costs or better regulated and agency costs are diminished. Dark colored et al (2003) directed an exploration on many significant American organizations and found that organizations with weaker corporate administration perform ineffectively contrasted with those with more grounded corporate administration as far as stock returns, benefit, and peril and profit installment.

In spite of the fact that there is a developing writing connecting corporate administration to organization execution, there is similarly a developing assorted variety of results. The assorted variety of results has been halfway clarified by contrasts in the hypothetical points of view connected, chose look into techniques, estimation of execution and clashing perspectives on board contribution in basic leadership and, to a limited extent, to the logical idea of the individual firm. For maintainability development and execution,

there is desperate requirement for good corporate practices in any association. Oltetia (2002) expressed that the main type of proprietorship that supported execution of firms recorded at the NSE is the outside possession. Weche (2005) analyzed the contrast amongst private and open firms regarding execution and found no huge distinction between executions of previously, then after the fact privatization. The cross-national contrasts in corporate administration conditions impact the execution of organizations in the specific markets.

The proprietorship execution relationship changes crosswise over nations and after some time. A specific proprietorship structure that is significant for one economy may have no effect on another, making it hard to get a clear connection. Therefore, it is well worth contextualizing administration, proprietorship, and execution connection inside a more thorough point of view. Corporate administration and money related execution relationship is chiefly impacted by the substances of nature inside which the association is working (Hu & Izumida, 2008).

In cutting edge economies, the investors are more mindful of their rights and even the legislatures have solid financial specialist security systems. That clarifies why corporate administration and proprietorship issues are seemingly more genuine and vital in transitional and developing economies. Given the distinctions in writing and the diverse working conditions, it is thusly an examination question whether administration structure have any association with the monetary execution of insurance agencies in Kenya. The research will seek to answer the question, how do Corporate governance structure impact on the financial performance of insurance companies in Kenya? (Oltetia, 2002).

### **1.3 Objective of the Study**

To determine whether governance structure have any relationship with the financial performance of insurance companies in Kenya.

### **1.4 Value of the Study**

This study will be important to the following groups of users;

Private Firms will be given an indication of what aspects of governance structure would have an impact on their financial performance. The insurers/owners will also be able to use this report to optimize their returns. This could be in terms of increased profit after tax, gross written premiums e.t.c. Subsequently, their company valuations will be higher and they can attract cheaper funds, more investors and give higher returns to the already existing investors.

Investors will also be able to benefit from this research because they can predict the continued performance of the companies in the insurance sector by measuring against the corporate governance.

Regulators and policy makers who may wish to incorporate findings of the research as they formulate legislation and policy on ownership structure and governance structure of insurance companies in Kenya. To the government, this will help enhance the efforts towards achievement of vision 2030. A performing insurance industry will raise the confidence of the public hence attract more business and subsequently increase the business underwritten in the companies. This will definitely increase the insurance industry's contribution to the GDP.

This study will be useful to the regulation in the industry by helping develop legal and regulatory frameworks. If adopted, it will help to consolidate gains made in the insurance industry by integrating good governance with ownership to improve performance.

For academicians, it will fill in a gap of knowledge and lay a foundation for further research. The academicians can develop it further to study the areas that may not have been covered in this research. These could be for example, studying the optimal corporate governance framework for the Kenyan insurance sector.

It will elaborate on the benefits that the end users of the products will enjoy and understand the corporate governance of the industry in Kenya.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter clearly and comprehensively presents the reviewed literature that is available concerning the relationship existing between corporate governance and the organizations' financial performance. The chapter discusses the theories upon which corporate governance is founded; the relationship between corporate governance and financial performance of organizations; a review of empirical studies on corporate governance and financial performance as well as a summary of the literature.

### **2.2 Theoretical Framework**

The topic of corporate administration was basically created inside monetary writing, yet a bibliographic research uncovers that it has happened to awesome enthusiasm to law analysts, financial experts, political researchers, sociologists and administration sciences pros. The extensive variety of writing mirrors a solid assorted variety of theoretical networks. According to Gerard, (2004) these theories have attempted to describe not how organizational managers govern in their organizations but instead explains how the managers are governed. There are three main theories that describe corporate governance in institutions. They include: The Agency Theory; The stewardship Theory and the Stakeholder Theory.

#### **2.2.1 Agency Theory**

Jensen and Meckling (1976) communicated that an agency relationship is an assertion under which no less than one individuals (the fundamental (s)) interface with another person (the administrator) to play out a couple of organizations for their advantage which



incorporates doling out some decision – making expert to the administrator. The issue is that the energy of administrators and speculators is not for the most part the same. Boss will use the plenitude free wage available to fulfill their own focal points rather than extending returns to the speculators (Jensen and Reeback, 2003). In theory, financial specialists of an organization are the primary administrators and the commitment of the best organizations should only be to ensure that speculators' preferences are fulfilled. As Ellist, (2002) stipulates, at the end of the day, the major goal of the managers of these firms should be to maximize the owners' wealth and ensure there are continuous and sustainable financial streams.

Moreover, as suggested by Jensen and Mecling (1976) managers of the firms are employed by the owners to ensure that the owners earn from their investments. Their theory was thus derived from this suggestion and principal-agency issue was determined to be a major contributor to how the mangers in the organization are chosen. Himmelberg, (1999) assumed that when financial specialists are not extremely diffuse to screen executives, corporate assets can be used for the benefit of managers rather than for extending speculator wealth. It is extraordinary that a response for this issue is to give managers an esteem stake in the firm. Doing in that capacity purposes the moral hazard by altering regulatory premiums to speculators' interests.

As showed by (Agrawal and Knoeber, 1996), agency issues develop inside a firm at whatever point managers have sparks to look for after their own focal points to the impediment of the financial specialists' focal points. A couple of instruments can reduce these agency issues. An obvious one is authoritative shareholdings. In addition,

concentrated shareholdings by associations or by square holders would increment be able to regulatory watching hence improve firm execution, as can a pariah depiction on corporate sheets. The usage of commitment financing can upgrade execution by inciting seeing by credit pros. The likelihood of agency theory in this way is unequivocally to address issues rising up out of the parcel among ownership and organization caused by contrasts in motivation and focuses among proprietors and overseers, asymmetry of information and peril references.

### **2.2.2 Stewardship Theory**

The stewardship theory was derived by Donaldson and Davis, (1995) and is also quite important as it stipulates or explains that directors and managers are the stewards of their firms and their main aim is to ensure the success of these firms which is shown by the maximum enjoyment of benefits of investors' returns. Donaldson and Davis, (1995) main argument was that the managers as stewards of the firms cannot endanger the interests of the investors as a result of making uninformed decisions or making decisions based on their own interests. Supervisors are along these lines basically considered as dependable people and great stewards of the assets endowed to them (Donaldson, 1995). Supporters of this theory contend that better corporate execution is connected than a greater part of inside chiefs who work to augment benefit for investors. The thinking is that inside executives comprehend the business they oversee superior to outside chiefs thus they can settle on unrivaled choices. Donaldson and Davis noticed that directors are basically spurred by accomplishment and obligation needs.

Hawley and Williams (1996) expressed that the consistent expansion is either towards an official commanded board or towards no board by any stretch of the imagination. Sheets

can wind up noticeably excess when there is a prevailing dynamic investor, particularly when the real investor is a family or government. Notwithstanding, look into by (Pfeffer, 1972) has demonstrated that the estimation of outer executives is not so much how they impact supervisors but rather how they impact alternate partners of the firm. He discovered when an industry is exceedingly controlled; more outcasts are probably going to be available on the board to console the controllers, brokers and other intrigue gatherings of the steadiness of an organization's execution and going concern.

### **2.2.3 Stakeholders Theory**

This theory is viewed as the most basic test to the agency theory since it stresses that the reason for firm ought to be characterized more extensive than the insignificant expansion of investor welfare. Different gatherings that have enthusiasm for association's long haul achievement ought to likewise be considered when a company's target work is characterized. The individuals who fronted the theory trusted that the theory is fairer and socially effective (Keasey, 1997). These stakeholders incorporate representatives, providers and clients. These supporters trust that moral treatment of stakeholders will profit the firm since trust connections are worked with stakeholders. In his meaning of partner theory, Great organization suggests little seizure of corporate resources by boss or controlling (Clarkson, 1994) communicated that the firm is a game plan of partners working inside the greater course of action of the host society that gives the imperative legal and market establishment for the affiliation's activities. Guideline purpose behind a component is to make wealth or motivator for its partners by changing over their stakes into stock and undertakings. This observation was also made by Blair, (1995) as he proposed that main goal of the managers and consequently everyone in the firm should be

to ensure there is maximum wealth creation in the firm. The best approach to finishing this is to overhaul the voice of and give proprietorship like propelling powers to those individuals in the firm who contribute or control essential, specific data sources (firm specific human capital) and to change the premiums of these fundamental partners with the premiums of outside, latent financial specialists.

## **2.3 Corporate Governance Practices**

### **2.3.1 CEO – Chairman Duality**

CEO – Chairman Duality is where the CEO is additionally the executive of the directorate. This sort of a circumstance is probably going to ruin administration responsibility (Baliga, Moyer and Rao 1996) and may hinder the board's capacity to work legitimately as an autonomous body on the grounds that the focal and primary part of the director is for the most part to screen the exercises of the best administration. Yermack (1996) utilized an example of 452 firms in the Forbes Magazine's rankings of the 500 biggest US open firms in the vicinity of 1984 and 1991, to infer that the organizations are more profitable when the CEO and board director are partitioned.

### **2.3.2 Size of the Board**

The span of the board ought not to be either too little or too extensive. The Companies Act stays quiet on the board measure (it sets at least 2 chiefs) of open recorded organizations in Kenya. Nonetheless, as per the IRA rules on corporate administration Hones (2011) opines that, the measure of size of the board should not be too huge so as to undermine its ability to allow constructive exchange of ideas during the meetings and should also not be too skewed such that the ability of the board to have varied ideas is

diminished. This is so because if for instance the size is so skewed, it will experience the ill effects of deficiency of ability. Then again, when a board is too vast, it is likewise prone to have capacities that develops struggle (O'Reilly, Caldwell & Barnett 1989); it might likewise be wasteful in making conclusive move because of incessant interferences or co-appointment challenges (Shleifer and Visney 1997). Kogan and Wallach (1996) contended that the bigger the board, the more hard to achieve an assertion. Yermack (1996) contended that there is negative relationship between board measure and the organizations' Tobin Q and that littler board is more productive than a bigger one on checking top administrators.

### **2.3.3 Board Meetings**

The AKI and IRA as well as the Companies Act do not rule on corporate administration endorse the recurrence of the executive gatherings. Be that as it may, various open recorded organizations in Kenya now provide details regarding the quantity of executive gatherings they held amid the year. Sheets ought to be prepared to build gatherings recurrence if the circumstance requires a high supervision and control (Shivdasani & Zenner, 2004). Different investigations recommend that sheets should adjust the expenses and advantages of recurrence. If the board for instance, builds the recurrence of its gatherings, the recuperation from poor execution is quicker (Vafeas, 1999).

### **2.3.4 Board Composition**

The extent of inside chiefs (Executive executives) versus outside chiefs (Non-official executives) likewise has solid ramifications on corporate administration. Insider executives take part in the choice procedures and can access inside data. By excellence of their status, insider chiefs can be effectively impacted by the CEO in the basic leadership

process. The IRA corporate administration rules (2011) recommend that an adjusted board be constituted and viable board be in place. The top managerial staff are thus required to ensure that of each recorded organization ought to mirror a harmony between free, non-official chiefs and official executives. The autonomous and non-presence executives should frame no less than 33% of the participation of the board so as guarantee no single person can overthrow the rightful leadership role of the board nor the vetoing of the decisions of the board. The decisions of the board and its ability to make more informed and independent decisions increases with the increase in the number of directors from outside the firm (John & Senbet, 1998).

### **2.3.5 Board Committees**

Individuals from Board Committees ought to be free, qualified and capable. John and Senbet (1998) report observational confirmation demonstrating that the nearness of checking advisory groups (review, selection, and remuneration boards of trustees) is emphatically identified with factors related with the advantages of checking. In any case, the nearness of insiders in the pay boards of trustees builds the likelihood of settling on rulings for the CEO's advantages (Newman and Mozes, 1999). In addition, when the CEO sits on the assigning council or when no designating board exists, firms delegate less free outside chiefs and dimmer outcasts with irreconcilable circumstances (Shivdasani and Yermack, 1999). Klein (2002) noticed that free review advisory groups lessen the probability of profit administration, therefore enhancing straightforwardness. Be that as it may, when the CEO serves on the selecting advisory group, the review one is more averse to have a larger part of free executives (Klein, 2002). As indicated by (Bedard et al., 2004), review board's individuals are accountable for managing inward

control and monetary detailing, so they ought to have a specific level of money related competency.

### **2.3.6 Insider Share Ownership**

This is the extent of offers that is possessed by the CEO and the inward chiefs. Inside proprietorship alludes to the extent of value held by insiders. In the event that board action is a decent intermediary for dynamic observing by the top managerial staff, at that point board movement ought to be a substitute for elevated amounts of inside proprietorship in restraining chiefs (Shivdasani and Yermack, 1999).

## **2.4 Measures of Financial Performance**

### **2.4.1 Return on Assets / Return on Investment**

ROA gives an indication of how efficient management is at using its assets to generate earnings.

It is displayed as a percentage. It is calculated as follows:

$$\text{ROA} = (\text{After tax profit} + \text{Interest (before tax)}) / \text{shareholder's Equity}$$

Some investors add interest expense back into net income when calculating ROA because they would like to use operating returns before cost of borrowing.

### **2.4.2 Return on Equity**

ROE measures organization's profitability by showing how much profit an organization generates with the money shareholders have invested. If the ratio is higher than the industry average, this may be an indication of poor performance. According to Xu and Wang (1997), when the ratio is too low, the performance may not be bad if the current assets are very liquid (cash and securities).

ROE is calculated as follows:-

Return on Equity = After tax profit/shareholder's Equity

### **2.4.3 Tobins Q**

It gauges the normal future productivity due important development openings and/or upper hand. It is figured as takes after:

Tobins Q = Market value of debt + Market value of Equity/Replacement costs of all assets.

### **2.5 Empirical Review**

Different examinations have been led to look at the relationship of corporate administration and the money related execution of associations.

Kyereboah (2007) did an examination on the connection between corporate governance and financial performance from an African viewpoint. The investigation considered 103 recorded organizations drawn from Ghana, Nigeria, Kenya and South Africa and 52 Microfinance establishments from Ghana. The discoveries of the investigation demonstrated that substantial and autonomous sheets upgrade firm esteem and that when a CEO fills in as board seat, it has negative impact on execution. The discoveries likewise uncovered that a CEO's residency in office improves firms' productivity while board movement power negatively affects firm gainfulness. The span of review panels and the recurrence of their gatherings affect showcase based execution measures and institutional shareholding basically sends a positive flag to potential speculators in this manner upgrading market valuation of firms. Firms in the back area apparently employed littler board sizes and less outside executives halfway because of the presence of other



administrative instruments. All the more in this way, it was discovered that huge board sizes improve investors' riches. The mining segment was viewed as prevailing in boosting investor esteem as far as profit yield. The outcomes likewise called attention to that organizations with speculation or development openings utilize expansive sheets, have longer CEO residency and are gainful and that the degree of development reaction to administration structures is affected by both nation and division particular impacts.

Akodo (2008) analyzed the connection between corporate governance and financial performance in four state funded colleges in Uganda. The examination was incited by the institutional turbulences because of adhoc strategy and basic leadership procedures and poor money related execution of state funded colleges and was gone for building up the connection between corporate administration, board parts, possibility, board viability and monetary execution of the four state funded colleges in Uganda. Spearman Correlation Coefficient and Multiple Regression Analysis were utilized to decide the extent of the relationship corporate governance and monetary execution. The discoveries uncovered that corporate Governance factors to be specific; board measure negatively affected budgetary execution while approach and basic leadership had a noteworthy positive association with monetary execution. Corporate Governance had a huge positive association with board parts, board parts had a noteworthy positive association with board viability, and possibility had a critical positive association with board parts and adequacy. The investigation reasoned that there is requirement for state funded colleges to detail arrangements and settle on choices that can stand trial of time and in the meantime constitute sensible Council and Senate boards of trustees who comprehend their parts if the colleges are to acknowledge enhanced budgetary execution.

Akeyo (2012) in concentrate the connection between corporate governance and financial performance of International Non-Governmental Organizations (INGOs) in Somalia noticed that corporate governance is an imperative apparatus in administration of INGOs and inability to actualize it can influence their execution. The target of his investigation was to build up the corporate governance hones and their effect on execution. To accomplish these destinations, he utilized a causal plan think about. The number of inhabitants in the investigation was acquired from a rundown of INGOs who were individuals from the Somalia NGO Consortium. The investigation focused on individuals from governing body and administrators who were conscious of the data as the respondents. The examination built up that most of the INGOs had actualized 4 corporate governance rehearses, board size and synthesis, executive gatherings, review advisory group and straightforwardness and revelation. At the point when relapse investigation was led on each of the 4 corporate governance rehearses, independently, there was a positive connection with execution however irrelevant. It was discovered that, together the four corporate governance rehearses had a feeble positive association with execution. He reasoned that one-sided basic leadership, absence of straightforwardness in review and money related reports, inadequacy and fumble are a portion of the issues that can emerge in a circumstance where corporate governance does not exist and on the off chance that they are not captured they can negatively affect execution.

Otieno (2012) dissected the Corporate Governance factors and Financial Performance of Commercial banks in Kenya with the purpose of working up the effects of corporate organization practices and methodologies on money related execution of business banks. He used an example extent of 0.3 to get test depiction of all the 44 business banks in

Kenya. He found that corporate organization expect a fundamental part on bank quality, execution and bank's ability to give liquidity in troublesome monetary circumstances. From the disclosures, he contemplated that corporate organization factors (CGPR, CGPO, DPP and SRR) speaks to 22.4 % of the cash related execution of business banks.

Liech (2011) did an examination on the connection between corporate governance hones and financial performance of all the 30 neighborhood aircrafts working in the Kenya as around then. He clarified how corporate administration hones are measured utilizing corporate administration file and utilized profit for resources (ROA) as a measure of money related execution. The investigation found that there is a critical connection between corporate administrations rehearses and money related execution of aircrafts. The aircrafts with solid corporate administration hones would be advised to money related execution, with a level of minor departure from ROA at 81.4%.

Areba (2011) in his examination on the connection between corporate governance practices and execution in business state companies in Kenya, reasoned that board size and synthesis, part of the parts of the administrator and CEO, ideal blend of inside and outside headings, extent of outside chiefs, official compensation, number of nonexecutive executives, support of outside chiefs and number top managerial staff influenced the money related execution of the partnership. He prescribed that state claimed endeavors ought to embrace great administration frameworks as a method for improving their budgetary execution.

Kimosop (2011) studied the relationship between corporate governance and financial performance on all the 41 insurance companies licensed by IRA in Kenya during the year

2006 to 2009. The study found out that there is significant influence of board size, non-executive directorships, insider shareholding, board meeting frequency and CEO-Chairman duality on the financial performance of insurance companies. Board size and non-executive directorships had a negative relationship with ROA whereas insider shareholding and board meeting frequency had a positive relationship with ROA. However, board size, non-executive directorships, insider shareholding and board meeting frequency had a positive relationship with ROE.

## **2.6 Research Gaps**

Corporate Governance is essential in all affiliations paying little respect to their industry, size or level of change. Marvelous Corporate Governance has a positive cash related effect on the Institution being suggested since it spares the connection different hardships that would have happened as intended because of traps, contamination and close peculiarities. Other than it additionally drives entrepreneurial progression empowering the relationship to better get the cash related open portals that come its bearing. The basic Corporate Governance subjects that are at demonstrate enduring idea are pleasantly isolating association from the board to guarantee that the board is arranging and overseeing association, in like manner segregating the head and CEO parts; ensuring that the board has a convincing mix of free and non-independent officials; and setting up the self-sufficiency of the commentator and along these lines the reliability of fiscal uncovering, including developing a survey chamber of the board. Great Corporate Governance goes for expanding gainfulness and effectiveness of associations and their improved capacity to make riches for investors, expanded business openings with better terms for laborers and advantages to partners. Hence, the principle undertakings of

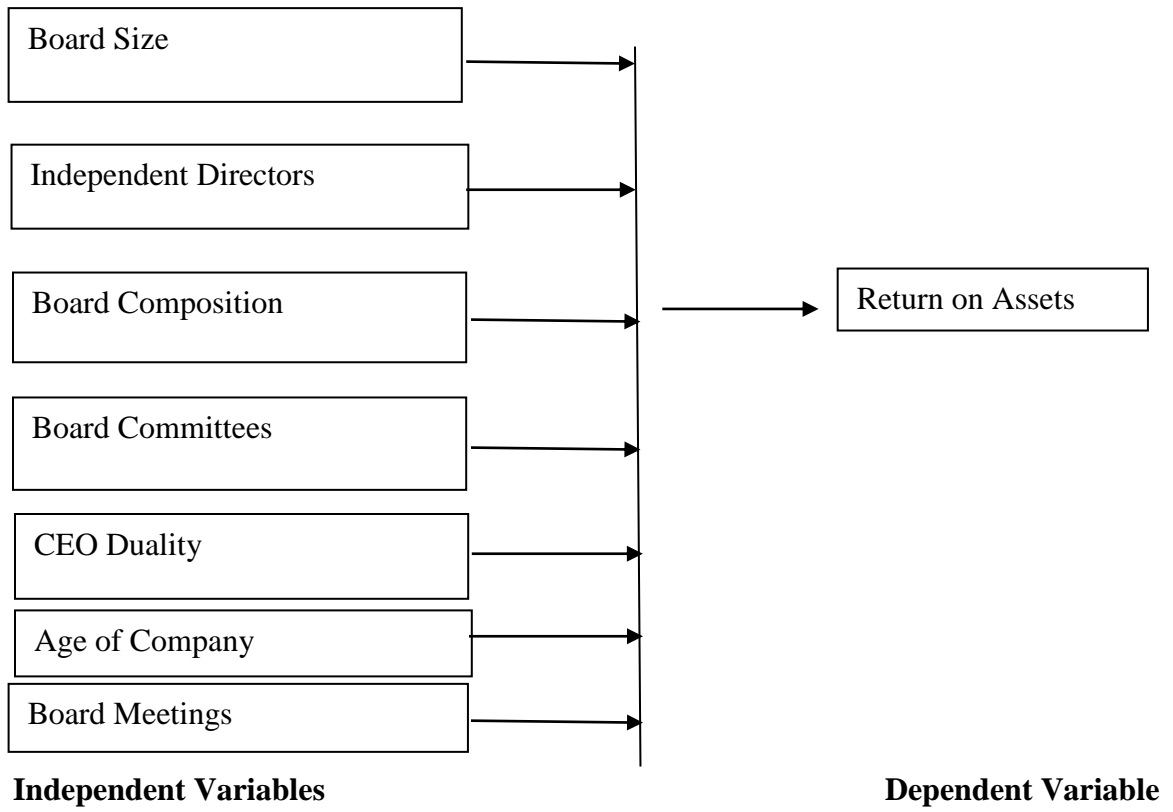
Corporate Governance allude to: guaranteeing corporate proficiency and relieving emerging clashes accommodating straightforwardness and authenticity of corporate action, bringing down hazard for ventures and giving exceptional yields to financial specialists and conveying system for administrative responsibility.

The examinations referred to in the composed work by and large focus on the made nations whose key approach and Corporate Governance frameworks loathe that of Kenya. In Kenya, the examinations done in real money related associations piece have concentrated on different affiliations other than security genius groups in Kenya. For example, Jebet (2001) drove an examination of Corporate Governance rehearses among the referred to relationship in Kenya, Muriithi (2005) did an examination on the relationship between Corporate Governance instruments and execution of firms referred to on the NSE, Manyuru (2005) researched on Corporate Governance and different leveled execution the event of affiliations referred to at the NSE.

## **2.7 Conceptual Framework**

Reasonable structure is the methodical introduction which speaks to the factors that clarifies the target of the examination it is a graphical or visual portrayal of the wonder under investigation demonstrating the relationship among the exploration variables (Makori, 2015). This study will receive the theoretical system underneath;

**Figure 2.1: Conceptual Framework**



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section presents the Research configuration, target populace, tests and examining methods, with the end goal of demonstrating the relationship among the factors; the information is exhibited in type of tables, frequencies, pie outlines and rates where relevant. The section is sorted out by first breaking down the general data quantitatively on tables at that point took after by subjective investigation and understanding of the information gathered. The chapter is guided by the analytical capabilities of the spreadsheet which was used to generate the descriptive statistics and to establish the relation between the dependent and the independent of the study.

### **3.2 Research Design**

As indicated by Kothari (2004) inquire about plan is characterized as structure that shows how issues under scrutiny will be settled. A graphic overview is a plan that includes building up what is occurring to the extent that a specific variable is concerned. This was a distinct overview of all the insurance agencies that are working in Kenya. It was thought to be suitable for this examination since it enabled the analyst to utilize both subjective and quantitative information in endeavoring to set up the impact of corporate administration on the money related execution of insurance agencies in Kenya.

### **3.3 Population of the Study**

The population comprises of players licensed in the insurance sector in Kenya as at the end of 2015. During this period, there were 51 licensed insurance companies whereby 25

companies wrote non-life insurance business only; 14 wrote life insurance business only while 12 were composite insurers(both life and non-life) (IRA Annual report, 2015).

A census of all the 51 Insurance companies will be undertaken.

### **3.4 Sample and Sampling Procedure**

The study looked at the relationship between corporate governance and financial performance in all the insurance companies that are operating in Kenya. The population of this study comprised a census of all the insurance companies. According to the IRA and AKI, there were 51 insurance companies in Kenya at the time of the study. A census of all the 51 companies was undertaken.

### **3.5 Data Analysis Techniques**

The researcher used regression analysis to establish the relationship between corporate governance and financial performance of insurance Companies in Kenya. The following analytical model was used in analyzing the relationship between the dependent and independent variables:  $F_p = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + e$

Where:

$F_p$  is the financial performance of insurance companies measured by return on asset (ROA).

$X_1$  is the size of the board measured by the number of directors.

$X_2$  is the board composition Measured by Qualifications of board Members.

$X_3$  is the number of board meetings, Measured by board meeting frequency

$X_4$  is the number of board sub committees that are available in the company measured by the number Management team.



X<sub>5</sub> is the number of independent Directors, measured by the number of independent Directors

X<sub>6</sub> is the CEO duality, Measured by his participation in the board and in Management

X<sub>7</sub> is the age of the company, measured by the number of years the entity has been in existence

### **3.6 Statistical Tests**

Correlation Analysis was used to determine the level of association of two variables. It's an initial step in statistical modeling to determine the relationship between the dependent and independent variables. Before carrying out a multiple regression analysis, a correlation matrix will be developed to analyze the relationship between the independent variables as this will assist in developing a prediction multiple models.

Pearson Correlation Tests the strengths of the association between two continuous variables

Regression Analysis Test how changes in periodic variables predicts the level of change in the outcome variable. It's utilized to determine the relationship between one dependent and one independent Variables.

Normality, Test: Normality of the variables will be examined using Skewness and Kurtosis.

Multicollinearity Test: The issue of Multicollinearity may arise if two or more variables are highly correlated and this may affect estimation of regression parameters.

### **3.7 Test of Significance**

The coefficient of determination denoted as  $R^2$  was used to indicate how well data fit into the statistical model. F-statistics (also known as fixation indices) was used to undertake further analysis. Analysis of variance (ANOVA) tests was used in the analysis of experimental data to test the variables for statistical significance.

## **CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION**

### **4.1 Introduction**

This chapter presents the analysis and the results of the study. The overall aim of this study was to investigate the corporate governance effect on number of independent Directors among Insurance companies in Kenya. The independent variables which were the corporate governance factors included the size of the company's board, composition of the board, number of meetings held by the board, number of board sub committees, number of independent Directors, CEO duality as well as the age of the company. Insurance companies in Kenya' financial performance was the dependent variable. The investigation was founded on the obtained data from use of governance and financial report reviews.

### **4.2 Descriptive Statistics**

Table 4.1 below presents the descriptive statistics for the study variables. The size of the board, board composition, number of board meetings, number of board sub committees, number of independent Directors, CEO duality and the age of the company in the five year period was a gradual increase.

**Table 4.1: Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Size of the board	42	6.00	13.80	8.87	1.43
Board composition	42	1.15	4.60	2.93	.76
Number of board meetings	42	2.60	10.40	5.97	1.53
Number of board sub committees	42	.01	.94	.25	.223
Number of independent Directors	42	.45	.80	.64	.07
CEO duality	42	11.00	11.80	11.36	.18
Age of the company	42	6.00	13.80	8.87	1.43
ROA	42	-.13	.81	.04	.29

The mean for the size of the board was found to be 8.87 for the five year period with a SD of 1.43. Secondly, the mean for board composition was 2.93 with a SD of 0.76 for the five year period. The mean for number of board meetings was 5.97 with a SD of 1.53 for the five year period. Number of board sub committees had a mean of 0.25 and an SD of 0.223 for the five year period. Number of independent Directors had a mean of 0.64 and an SD of 0.07 for the five year period. CEO duality had a mean of 11.36 and an SD of 0.18 for the five year period. Age of the company had a mean of 8.87 and an SD of 1.43 for the five year period. ROA had a mean of 0.04 and an SD of 0.29 for the five year period.

#### **4.3 Pearson's Correlation Coefficient Analysis**

The study assessed the magnitude of linkage among corporate governance variables and financial performance that is., if the governance proxies will increase financial performance. As earlier on stated, a positive relationship was anticipated between the corporate governance measures and financial performance variable (ROA). Table 4.2 presents the correlation coefficients for all the variables considered in this study.

**Table 4.2: Correlations**

		Size of the board	Board composition	Number of board meetings	Number of board subcommittees	Number of independent Directors	CEO duality	Age of the company	ROA
<b>Size of the board</b>	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	42							
<b>Board composition</b>	Pearson Correlation	.225**	1						
	Sig. (2-tailed)	.008	.000						
	N	42	42						
<b>Number of board meetings</b>	Pearson Correlation	-.963**	-.682*	1					
	Sig. (2-tailed)	.000	.014	.000					
	N	42	42	42					
<b>Number of board subcommittees</b>	Pearson Correlation	-.297	-.310	.392	1				
	Sig. (2-tailed)	.349	.326	.208	.000				
	N	42	42	42	42				
<b>Number of independent Directors</b>	Pearson Correlation	.741	.667	.737	.549	1			
	Sig. (2-tailed)	.001	.035	.001	.018	.000			
	N	42	42	42	42	42			
<b>CEO duality</b>	Pearson Correlation	.044	.176	.198	.279	.519	1		
	Sig. (2-tailed)	.001	.008	.006	.016	.007	.000		
	N	42	42	42	42	42	42		
<b>Age of the company</b>	Pearson Correlation	-.558	.263	.335	.399	.602	.235	1	
	Sig. (2-tailed)	.019	.001	.012	.007	.018	.025	.000	
	N	42	42	42	42	42	42	42	
<b>ROA</b>	Pearson Correlation	.741	.667	.737	.549	.519	.602	.314	1
	Sig. (2-tailed)	.003	.012	.003	.002	.007	.018	.023	.000
	N	42	42	42	42	42	42	42	42

Results presented by the correlation matrix indicate that there is significant correlation between the dependent and all the independent variables. Size of the board, board composition, number of board meetings, number of board sub committees showed a strong and significant relationship with ROA, (Pearson's  $r = 0.741, 0.667, 0.737, 0.549$ , Sig. = 0.001, 0.035, 0.001, 0.018) respectively and, CEO duality, number of independent Directors, age of the company with ROA (Pearson's  $r = 0.519, 0.602, 0.314$  Sig. = 0.007, 0.018, 0.023) respectively. It can be deduced from the matrix of correlation that a strong but significant correlation between the independent variables exists.

#### 4.4 Regression Analysis

A multiple regression analysis was performed to test the association among predictor variables. Regression Analysis on corporate governance on financial performance

**Table 4.3: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.969 <sup>a</sup>	.939	.921	.01575

Adjusted R squared can be attributed to independent variable changes which caused the variance in the dependent variable. From the table above, the adjusted R squared value was 0.921, which implied 92.1% variation on financial performance among insurance companies in Kenya due to changes in the size of the board, board composition, number of board meetings, number of board sub committees, number of independent Directors, CEO duality and the age of the company at 95% confidence interval. This indicates that 92.1% of number of financial performance changes among insurance companies in Kenya can be attributed to the foregoing variables. The study findings show a strong positive association among the study variables at an R value of 0.969. The findings also

show that the 0.608 adjusted R squared value indicates a 60.8% variation on insurance companies in Kenya' financial performance owing to changes in the size of the board, board composition, number of board meetings, number of board sub committees, number of independent Directors, CEO duality and the age of the company at 95% confidence interval.

**Table 4.4: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.325	7	9.081	2.808	0.015
	Residual	47.237	34	3.234		
Total		83.562	41			

a. Predictors: The size of the board, board composition, number of board meetings, number of board sub committees, number of independent Directors, CEO duality and the age of the company

b. Dependent Variable: ROA

The ANOVA statistics in the table above show a significance level of 0.015 which indicates that the model and the data thereof can be relied upon to make conclusive inferences. The critical value (2.262 < 3.869) was less than the F calculated which is an indication that the foregoing independent variables were significantly influencing financial performance among insurance companies in Kenya.

**Table 4.5: Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.936	0.451		4.292	0.000
Size of the board	0.741	0.213	0.146	3.478	0.001
Board composition	0.667	0.179	0.126	3.726	0.001
Number of board meetings	0.737	0.28	0.045	2.632	0.012
Number of board sub committees	0.549	0.222	0.142	2.472	0.018
number of independent Directors	0.519	0.214	0.132	2.425	0.020
CEO duality	0.602	0.206	0.047	2.922	0.006
Age of the company	0.463	0.079	0.126	3.861	0.001

The overall regression model for this model was:  $Y = 1.936 + .741X_1 + .667X_2 + .737X_3 + .549X_4 + .519X_5 + .602X_6 + .463X_7$ . Based on the statistical test of the beta coefficient ( $t = 4.292$ ,  $p = .000$ ), Size of the board ( $\beta = 3.478$ ,  $P < .001$ ), Board composition ( $\beta = 3.726$ ,  $P = .0001$ ), Number of board meetings ( $\beta = 2.632$ ,  $P = .012$ ), Number of board sub committees ( $\beta = 2.472$ ,  $P = .018$ ), number of independent Directors ( $\beta = -2.425$ ,  $P = .020$ ), CEO duality ( $\beta = 2.922$ ,  $P = .006$ ), Age of the company ( $\beta = 3.861$ ,  $P = .001$ ). The findings imply that bigger Board size, Board Composition, Board meeting frequency and number of board sub committees, number of independent Directors, CEO duality, and age of the company is associated with higher financial performance. The hypothesis that high Board size, Board Composition, Board meeting frequency and number of board sub committees, number of independent Directors, CEO duality, and the age of the company are associated with high financial performance in terms of ROA was supported.

#### 4.5 Discussion of Findings

Frequency of board meetings, bigger board size, the composition of the board, number of independent directors, CEO duality, age of the company and the sum of board sub



committees were revealed by the study to be associated with higher financial performance. In tandem with the study findings Zahra and Pearce (1989) as well as Pfeffer (1972) and were of the view that the size of the board is paramount and an important aspect that affects the firm's value. One of the important roles of the board of directors is to instill discipline in the management of the firm and most especially by the CEO of the firm in order to improve the value of the firm. Large boards are important for the firm most especially because a large board has diversified expertise necessary for guiding the firm and also because the CEO will not be able to dominate over such a board since their collective power shields this domination and protects the firm from unreasonable decisions that the CEO might make.

Further, Ross et al., (1996) opined that the financial performance of a company can be positively affected by its size because if a firm is large then it can take advantage of this size in gaining financially in the business relations. Additionally, large companies often benefit from their size in accessing the best factors of production including but not limited to human resources. This is in addition to getting cheaper financial help from the financial institutions. Over time, the central goal of the firm has significantly evolved, moving away from making short term profits as the objective to the sustainability of the company or long-term advancement of the firm. The capacity to continuously issue dividends is the main sign of stability for those companies that are listed in the securities exchange. This notwithstanding, since the firms profit can be utilized in other areas other than issuance of dividends, the link between ability to issue dividends and profitability of the company has not been substantially proven.

The study findings revealed that if well utilized corporate governance can prove very essential in achieving the suitable operational capacity of financial institutions and achieving their specified vision and mission. Williamson (2008) transaction cost theory envisions the firm as an institution that is comprised of different individuals who have varying views and different objectives. The transaction cost theory's fundamental assumption is that firms have grown exponentially becoming extremely large to an extent that they have taken the determination of the allocation of resources' role initially held by the market. This means that the determination of production and price can be done by the firm as well as the structure of an organization. According to the amalgamation individuals with transactions, since transaction cost theory managers become opportunistic, they fix the firms' transactions so as to meet their interests. As the agency theory postulates, many businesses carry out their transactions in situations where they have uncertainty of outcomes and asymmetrical information. In these situations, many businesses suffer from moral hazard problems as well as adverse selection, both of which are agency problems. In adverse selection, the principal is unable to deduce whether the agent has represented accurately his or her ability to carry out the duties for which he/she has been hired to carry out.

## **CHAPTER FIVE: SUMMARY AND DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

In the present chapter, the summary of key findings, conclusions as informed by the findings, recommendations thereof and suggestions for future studies are provided.

### **5.2 Summary of Findings**

Establishing the relationship that exists between the corporate governance practiced by companies in the insurance industry in Kenya and their financial performance was the main goal of this study. In this study, the researcher adopted a across sectional survey design which assisted to investigate the relationship between corporate governance and the number of independent Directors. The researcher used a census of the population. The population of the study was 42 insurance companies in Kenya. The data was gathered exclusively by analyzing the annual reports of insurance companies in Kenya from 2012 to 2016 and the data was analyzed using SPSS 21.

In general, as revealed by the study, Kenya's insurance companies have their financial performance being significantly influenced by their corporate governance practices. A positive and statistically significant correlation between financial performance of insurance companies in Kenya results from the amalgamation of the pillars, structures and principles of corporate governance. This illustrates that corporate governance is paramount in influencing the firm's performance.

The appropriate employment of the necessary corporate governance practices has, in summary, been established by this study to be a significant component influencing the

financial performance. As revealed by the regression equation, it was clear that the size of the board, the composition of the board, the number of board meetings, number of sub-committees in the board, number of independent directors, CEO duality and age of the company held to a constant zero, the companies' financial performance would stand at 1.936.

The principal-agent problem may be eliminated in the company by the use of composition of the board. The company's involvement of directors from outside the firm is meant to shield the company from threats emanating from the environment and also enhance the company's competitive advantage by appropriately aligning the company's resources. Nevertheless, there has been mixed outcomes from research how outside directors affects the firm's performance.

### **5.3 Conclusion**

The concept of corporate governance is of utmost significance as it constitutes a firm's internal activities' institutional climate. The concept provides new viewpoint and augments an organization's corporate competitiveness. From the foregoing findings, the study arrives at the conclusion that corporate governance has a critical role to play in the prosperity and success of insurance companies in Kenya. It was concluded by this study that the financial performance of the insurance companies in Kenya is affected by corporate governance. The financial performance of the insurance companies is positively affected by all the corporate governance variables studied. Therefore, in order for insurance companies to keep achieving their specified mission and vision and to

sustain their proper functioning, they must recognize the importance of properly implementing the corporate governance practices.

The study concludes that the insurance companies can greatly benefit from adopting and adhering to good corporate governance practices. This is so regardless of the companies' size, and the benefits can be achieved after the introduction of improved management strategies, robust internal control instruments and creation of superior opportunities for growth. This achievement is possible because in addition to enhancing the firm's performance, stronger and better governance strategies help to increase the confidence of the investors. Investors would be more willing to put their money in firms that has entrenched a culture of good corporate governance since they would be assured of return of their investment and also as a result of minimized risks.

#### **5.4 Recommendations**

Insurance companies are the key engines of growth in many developing economies. Failures of insurance companies would thus impede the economic growth and would cause serious damage to the system. Sustaining the financial stability of firms call for enhancement of good corporate governance. Corporate governance is also key in attracting investments especially for small economies that are dependent on both foreign and local funders of investment in facilitation of their economic activities.

The study recommends that the board compositions should be in tandem with the needs of the companies, such that they should be adequately large if the companies need the incorporation of key perspectives and skills and small enough for allowing the active participation of all the members and in order for the meetings to be conducted in a

smooth manner. Insurance companies should be concerned more with the quality or value added by members appointed to their boards on top of need for independent directors and observing the best practices of the board size of nine recommended by regulator

Moreover the study recommends that policy makers should fully utilize the findings of this study to enhance the implementation of policies geared towards the strengthening of the corporate governance structures that exist in the companies. The study also recommends to the management of insurance companies and other organizations to upgrade their corporate governance practices and structure so as to remain profitable in this competitive sector.

For insurance companies to have sustainable number of independent Directors they should be continuously ensuring that shareholders wealth is catered for by embracing superior corporate governance practices. They should also consider putting in place adequate measures for risk management and that standards are practiced on a day to day basis and not just present in writing.

### **5.5 Limitation of the Study**

The following limitations were faced in the course of the study. Although this research was well prepared, the study is aware of its limitations and shortcomings. The first limitation was that the study population only consisted of all insurance companies drawn from the entire population, and might not represent the majority of the financial institutions. Also, as the evaluation of the pre and posttest was performed by the author, it was inevitable that in this study, certain levels of subjectivity could be found. As a matter

of fact, objectivity would have been observed had it been decided by at least two examiners.

Lastly, results obtained from the study are not final in themselves as the study centered on four elements of corporate governance. In addition, data availability envisages the study elements and not any probabilistic or statistical standard. For that reason, care ought to be applied in generalizing the outcomes of the research.

### **5.6 Suggestions for Future Research**

The continuous debate about corporate governance and its importance in the firm, both in popular press and academic spheres, both internationally and locally, shows the urgent attention needed in this field due to its evident importance. Whereas the study significantly contributes to the body of the current literature in various proportions and whereas the current literature has addressed several issues relating to corporate governance practices and their influence on financial performance, there are no conclusive findings.

A study period of five years may not be reflective of the long term state of affairs and the findings may not be applicable to other developing countries. The study sample was settled on the basis of data availability and the choice of methods of statistical analysis were established by the insurance companies and period covered. It would thus be appropriate to outspread the same through accompanying it with other empirical studies employing different methods as well as encompassing relative information. The study calls for insertion of additional variables of corporate governance and their influence on performance and other social performance indicators and notes that such additions would

consequently merit further considerations. Since the insurance companies working processes can be affected by many specific factors the results of such studies must be carefully scrutinized. Additional research need to be done on governance practices of firms and how they affect insurance companies' performance in Africa and beyond.



## REFERENCES

- Akeyo, A. (2012). *The relationship between Corporate Governance and Performance of International Non- Governmental Organizations in Somalia*. MBA research work, UON Association of Kenya Insurers, "The Insurance Industry Annual Report for the year 2014 & 2015.
- Akodo, R. (2008). *Corporate Governance and Financial Performance of Public Universities in Uganda*. Unpublished MBA project. Nairobi: University of Nairobi.
- Agrawal, A., and Knoeber, C.R, (1996). Firm Performance and Mechanisms to Control Agency Problems between Managers and shareholders. *Journal of Financial and Quantitative Analysis*, 31,377-397
- Areba, J. (2012). *The relationship between Corporate Governance Practices and Performance in Commercial State Corporations in Kenya*. Unpublished MBA project. Nairobi: University of Nairobi.
- Baker, E. Godridge, et al. (2007). *Corporate Governance Ratings in Emerging Markets: Implications for Market Valuation, Internal Firm Performance, Dividend Payouts and Policy*. Paper presented at the International Research Conference on Corporate Governance in Emerging Markets, Istanbul, 15-18 Nov 2007
- Baliga, R., Moyer, C& Rao, R. S.(1996). *Strategic Management Journal*, 17(1), 41-53.
- Blair, M. M. (1995). *Ownership and Control*. Washington, D.C.: Brookings Institution.
- Bhagat, S.& Black, B. (2002). The non-correlation between board independence and long-term firm performance. *Journal of Corporation Law*, 24(2), 231-274
- Bhagat, S. & Bolton, B. (2008). Corporate Governance and Firm Performance. *Journal of Corporate Finance* 14, 257-273

- Boubakri, N. (2011). Corporate Governance and Issues from the Insurance Industry. *The Journal of Risk and Insurance*, 78(3), 501-518
- Capital Markets Authority (2002). Guidelines on Corporate Governance in public listed Companies in Kenya. *Kenya Gazette Notice No. 369, 122-128*.
- Companies Act Chapter 486, Laws of Kenya.
- Clark, T. (2004). Theories of Corporate Governance. The Philosophical Foundations of Corporate Governance. New York: Routledge.
- Clarkson, M.B. E. (1994). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *Academy of Management Journal*, 20(1), 92-118.
- Dalton, D., et al. (2009). Number of directors and financial performance: A Meta-analysis. *Academy of Management Journal*, 42(6), 674-686
- Donaldson, T. & Preston, L.E. (1994). The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications. *Academy of Management Review*, 20(1), 65-91.
- Donaldson, L. & Davis, J. (1991): Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. *Academy Of Management Review*, 20(1), 1-64
- Ellis, T. (2002). Exporters to the US must pull their sox up. *National Business Review*, 28, 1-6.
- Garba, S.& A, Mikailu, A.S. (2005). *Corporate governance mechanism and firm financial performance in Nigeria, AERC research paper 149*, Nairobi: African Economic Research Consortium.
- Gerard, C. (2004). *Corporate Governance Theories: From Micro Theories to National Systems Theories*. FARGO Working Paper No. 1041202, Centre for Research in Finance.

- Gompers, P. A., et al. (2003). Corporate Governance and equity prices. *Quarterly Journal of Economics*, 118(1), 107-55
- Hawley, J.P. & Williams, A.T. (1996). *Corporate Governance in the United States: The Rise of Fiduciary Capitalism*. Working Paper, Saint Mary's College of California, School of Economics and Business Administration
- Hillman, A.J., et al. (2000): The Resource Dependency Role Of Corporate Directors: Strategic Adaptation of Board Composition in Response To Environmental Change. *Journal of Management Studies*, 37(2), 235-255
- Himmelberg, C., Hubbard, G., and Palia, D., (1999). Understanding the determinants of managerial ownership and the link between ownership and performance. *Journal of Financial Economics*, 53, 353-384.
- Huang, L., et al. (2007). Does Corporate Governance and Ownership Structure Influence Performance? Evidence from Taiwan Life Insurance Companies. *Journal of Insurance Issues*, 30(2), 123-151
- Hu, and Izumida,,(July 2008 Ownership Concentration and Corporate Performance: A Causal Analysis with Japanese Panel Data. *Corporate Governance: An International Review*, 16(4), 342-358.
- IRA. (2012). *Licensed Members of the Insurance Industry*. A list Compiled by the Insurance Regulatory Authority.
- Jensen, M.C., and Meckling, W. H. (1976). Theory of the firm, managerial behavior, agency costs and ownership structure. *Journal of financial economics*, 3, 305-360.
- Jensen, and Reeback (2003). Self-Interest, altruism, incentives, and agency theory. *Journal of Applied Corporate Finance*, 7(2), 40–45
- Kariuki, M., et al. (2011). Relationship between Corporate Governance and Growth of Organizations: A survey of Companies listed in Nairobi Stock Exchange. *Proceedings of Kabarak University First International Conference*; October 2011.

- Kang, J., & Shivdasani, A. (2005). Firm performance, Corporate Governance and top Executive turnover in Japan. *Journal of Financial Economics*, 38(1), 29-58
- Kaur, P and Gill S. (2008). "The effects of ownership structure on corporate governance and performance: an Empirical assessment in India" Unpublished Research paper, Punjab University.
- Keasey K. and Wright M. (1993). Issues in Corporate Accountability and Governance. *Accountability and Business Research*, 23, 291-303.
- Klein, April,(October 2006). *Audit Committee, Board of Director Characteristics, and Earnings Management NYU*. Law and Economics Research Paper No. 06-42
- Kihara, M. N. (2004). *The relationship between ownership structure, governance structure and performance of firms listed at the Nairobi Stock Exchange*. Unpublished MBA project. Nairobi: University of Nairobi.
- Kimosop, K. (2011). *The relationship between Corporate Governance and Financial Performance of Insurance Companies in Kenya*. Unpublished MBA project. Nairobi: University of Nairobi.
- Kyereboah-Coleman, A. (2007). *Corporate Governance and firm performance in Africa: A Dynamic Panel Data Analysis. A paper presented at the International Conference on Corporate Governance in Emerging Markets*. Sabanci University, Istanbul, Turkey, November, 2007
- Liech, J. (2011). *The relationship between Corporate Governance Practices and Financial Performance of local airlines operating in Kenya*. Unpublished MBA project. Nairobi: University of Nairobi.
- Mulili, M.B. & Wong, P. (2010). Corporate Governance in Developing Countries. The Case for Kenya. *International Journal of Business Administration*. 2(1).
- Muriithi, P. (2009). Corporate Governance. *KASNEB Newslines*, January to March 2009, Issue 1. Pp 3

- McConnell, J., & Servaes, H. (2000). Additional evidence on equity ownership and corporate value. *Journal of Financial Economics*, 27, 595-612.
- Miring'u, A. & Muoria, E. (2011). An analysis of the effect of Corporate Governance on performance of
- Mang'unyi, E. (2011). Ownership structure and Corporate Governance and its effects on performance: A case of selected Banks in Kenya. *International Journal of Business Administration*. 2(3)
- Najjar, N. (2012). The impact of Corporate Governance on the insurance firm's performance in Bahrain. *International Journal of Learning and Development*. 2(2)
- Nam, Sang-Woo. (2004). "Relationship Banking and its Role in Corporate Governance." Research Paper no. 56. Asian Development Bank Institute, Tokyo.
- Nambiro, C. A. (2008). *Relationship between level of implementation of CMA guidelines on corporate governance and profitability of companies listed at the Nairobi Stock Exchange*. University of Nairobi Press – Nairobi
- Neuman, W. L. (2006). *Social Research Methods: Qualitative and Quantitative Approaches*, (6th Ed.), Boston.
- Newman H. A. and Mozes(1999). *Does the Composition of Compensation Committee influence CEO Compensation Practices? Financial Management*
- Otieno, J. (2012). *Corporate Governance factors and Financial Performance of Commercial Banks in Kenya*. Unpublished MBA project. Nairobi: University of Nairobi.
- Opiyo, R. (2011). *The relationship between Corporate Governance and Financial Performance of SACCO's operating in Nairobi*. Unpublished MBA project. Nairobi: University of Nairobi.

- O'Reilly, C.A., Caldwell, F.D. & Barnett, P.W. Workgroup demography social integration turnover. *Administration Science Quarterly*, 34, 21-37
- Pfeiffer, J (1972). Size and Composition of corporate Boards of Director: The Organization and its Environment. *Administration Science Quarterly*, 17, 218 – 228.
- Shivadasani, A. & Yermack D. (1999). CEO involvement in the selection of new board members: an empirical analysis. *Journal of Finance*.
- Shleifer, P. (1987). *Fundamentals of Corporate Finance*. New York: Richard D. Irwin.
- Shleifer, A. & Vishny, R. (1987). A survey of corporate governance. *Journal of Finance*, 52(2), 737-783.
- Organization for Economic Cooperation and Development (1999). *The Corporate Governance lessons from the financial crisis. Financial market trends*.
- Private Sector Corporate Governance Trust: Principles for Corporate Government in Kenya and a sample code of best practice for Corporate Governance, November 1999.
- Sanda, A., et al. (2005). Corporate Governance Mechanisms and Firm Financial Performance in Nigeria. *AERC Research Paper 149. African Economic Research Consortium*, Nairobi, March 2005
- Shleifer, A., and Vishny, R.W. (1987). A survey of Corporate Governance. *Journal of Finance*, 52, 737-784.
- Sundaram, A.K. and Inkpen, A.C. (2004): The Corporate Objective Revisited. *Organization Science*, 15(3), 350-363
- Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of financial economics*, 53, 113-142.
- Wheeler, D., Colbert, B. & Freeman, R.E. (2003). *Focusing On Value: Reconciling*

Weche, E. (2005). *Pre and Post Financial performance o firms privatized through NSE*,  
Unpublished MBA Project University of Nairobi.

Xu, Y. (1999). Effects of tone and focus on the formation and alignment of F0 contours.  
*Journal of Phonetics*, 27: 55-105

Yermack, D., (1996). Higher Market Valuation for Firms with a Small Board of  
Directors. *Journal of Financial Economics*, 40,185-21.

## APPENDICES

### Appendix I: Raw Data

	Size of the board	Board composition	Number of Board Meetings	number of board sub committees	number of independent Directors	CEO duality	age of the company	ROA
<b>AAR Insurance Kenya Limited</b>								
2012	5	4	9	0.35	0.48	9.62	8	0.04
2013	8	4	9	0.39	0.53	10.58	9	0.11
2014	8	1	7	0.41	0.56	11.15	10	0.04
2015	7	2	5	0.42	0.58	11.54	11	0.32
2016	13	5	2	0.46	0.62	12.02	12	0.32
<b>APA Insurance Limited</b>								
2012	9	4	4	0.4	0.55	9.5	7	0.04
2013	10	3	6	0.44	0.61	10.45	8	0.03
2014	9	3	4	0.46	0.64	11.02	9	0.01
2015	10	3	4	0.48	0.66	11.4	10	0.03
2016	11	4	8	0.52	0.72	11.87	11	0.04
<b>Africa Merchant Assurance Company Limited</b>								
2012	8	3	6	0.6	0.59	9.54	16	-0.02
2013	16	5	4	0.66	0.65	10.49	17	0.11
2014	12	2	4	0.7	0.68	11.06	18	0.09
2015	14	5	5	0.72	0.71	11.44	19	-0.11
2016	19	7	6	0.78	0.77	11.92	20	0.24
<b>Apollo Life Assurance Limited</b>								
2012	6	2	4	0.1	0.43	9.61	13	0.30
2013	11	4	5	0.11	0.47	10.57	14	0.07
2014	13	5	6	0.12	0.5	11.15	15	0.03
2015	8	2	5	0.12	0.52	11.53	16	0.11
2016	13	3	4	0.13	0.56	12.01	17	0.10
<b>AIG Kenya Insurance Company Limited</b>								
2012	11	4	6	0.3	0.48	9.64	24	0.10
2013	12	4	3	0.33	0.53	10.6	25	0.16
2014	10	4	4	0.35	0.56	11.18	26	0.10
2015	7	1	7	0.36	0.58	11.57	27	0.14
2016	8	3	4	0.39	0.62	12.05	28	0.03
<b>British-American Insurance Company (Kenya) Limited</b>								
2012	7	1	4	0.02	0.5	9.66	13	0.03
2013	4	4	4	0.02	0.55	10.62	14	0.08
2014	9	3	7	0.02	0.58	11.2	15	0.16
2015	9	4	4	0.02	0.6	11.59	16	0.16



2016	11	2	4	0.03	0.65	12.07	17	0.17
Cannon Assurance Limited								
2012	7	2	7	0.09	0.52	9.7	11	0.16
2013	11	3	7	0.1	0.57	10.67	12	0.20
2014	11	1	4	0.1	0.6	11.25	13	0.04
2015	11	6	4	0.11	0.62	11.64	14	0.08
2016	7	3	5	0.12	0.68	12.12	15	0.14
Capex Life Assurance Company Limited								
2012	5	1	4	0.07	0.56	9.72	9	0.12
2013	10	1	6	0.08	0.62	10.69	10	0.15
2014	7	2	9	0.08	0.65	11.28	11	0.19
2015	7	3	8	0.08	0.67	11.66	12	0.16
2016	7	2	4	0.09	0.73	12.15	13	0.19
CFC Life Assurance Limited								
2012	7	1	10	0.01	0.59	9.78	12	-0.04
2013	10	4	4	0.01	0.65	10.75	14	0.04
2014	9	3	4	0.01	0.68	11.34	15	0.02
2015	8	3	4	0.01	0.71	11.73	16	0.02
2016	5	2	7	0.01	0.77	12.22	17	0.04
CIC General Insurance Limited								
2012	5	1	4	0.1	0.61	9.86	21	0.02
2013	7	2	8	0.11	0.67	10.85	22	0.04
2014	11	1	3	0.12	0.71	11.44	23	0.03
2015	9	4	7	0.12	0.73	11.84	24	-0.01
2016	7	3	4	0.13	0.79	12.33	25	0.03
CIC Life Assurance Limited								
2012	13	5	5	0.3	0.55	9.92	24	0.03
2013	7	1	4	0.33	0.61	10.91	25	0.14
2014	7	1	4	0.35	0.64	11.51	26	0.06
2015	9	2	4	0.36	0.66	11.9	27	0.01
2016	5	1	10	0.39	0.72	12.4	28	-0.25
Continental Reinsurance Limited								
2012	8	3	4	0.02	0.54	10	17	0.04
2013	8	5	4	0.02	0.59	11	18	0.24
2014	8	4	4	0.02	0.63	11.6	19	-0.11
2015	11	6	4	0.02	0.65	12	20	-0.01
2016	13	4	12	0.03	0.7	12.5	21	0.05
Corporate Insurance Company Limited								0.15
2012	11	3	7	0.09	0.56	9.67	14	-0.09
2013	6	3	9	0.1	0.62	10.64	15	0.17
2014	9	4	5	0.1	0.65	11.22	16	0.12

2015	7	3	5	0.11	0.67	11.61	17	-0.27
2016	8	1	1	0.12	0.73	12.09	18	0.36
Directline Assurance Company Limited								
2012	7	5	8	0.07	0.62	9.55	13	0.28
2013	4	2	11	0.08	0.68	10.51	14	0.03
2014	9	3	13	0.08	0.72	11.08	15	0.09
2015	9	3	3	0.08	0.74	11.46	16	0.08
2016	7	1	5	0.09	0.81	11.94	17	-0.06
East Africa Reinsurance Company Limited								
2012	7	4	9	0.01	0.6	9.58	24	0.15
2013	11	5	7	0.01	0.66	10.53	25	0.16
2014	11	1	8	0.01	0.7	11.11	26	0.12
2015	11	4	3	0.01	0.72	11.49	27	0.03
2016	5	1	3	0.01	0.78	11.97	28	0.01
Fidelity Shield Insurance Company Limited								
2012	7	4	11	0.39	0.51	9.64	13	0.04
2013	6	3	11	0.43	0.56	10.6	14	0.03
2014	9	3	5	0.45	0.59	11.18	15	-0.02
2015	8	4	4	0.47	0.61	11.57	16	0.11
2016	9	3	5	0.51	0.66	12.05	17	0.23
First Assurance Company Limited								
2012	5	3	8	0.41	0.5	9.7	11	0.24
2013	4	1	7	0.45	0.55	10.67	12	-0.11
2014	9	5	13	0.48	0.58	11.25	13	0.30
2015	9	3	4	0.49	0.6	11.64	14	0.07
2016	12	5	4	0.53	0.65	12.12	15	0.03
G A Insurance Limited								
2012	13	1	9	0.44	0.55	9.58	9	0.10
2013	11	2	8	0.48	0.61	10.54	10	0.06
2014	11	2	9	0.51	0.64	11.12	11	0.10
2015	9	2	4	0.53	0.66	11.5	12	0.16
2016	13	4	3	0.57	0.72	11.98	13	0.10
Gateway Insurance Company Limited								
2012	8	4	9	0.39	0.58	9.8	12	0.03
2013	10	3	9	0.43	0.64	10.78	14	0.11
2014	7	1	12	0.45	0.67	11.37	15	0.03
2015	11	4	3	0.47	0.7	11.76	16	0.08
2016	10	4	1	0.51	0.75	12.25	17	0.16
Geminia Insurance Company Limited								
2012	7	2	10	0.07	0.61	9.86	21	0.17
2013	10	1	4	0.08	0.67	10.85	22	0.14

2014	9	4	4	0.08	0.71	11.44	23	0.16
2015	8	1	4	0.08	0.73	11.84	24	0.14
2016	9	4	7	0.09	0.79	12.33	25	0.08
ICEA LION General Insurance Company Limited								
2012	5	1	4	0.079	0.55	9.94	24	-0.14
2013	7	1	8	0.09	0.61	10.94	25	0.08
2014	11	6	3	0.09	0.64	11.54	26	0.08
2015	9	2	7	0.09	0.66	11.93	27	0.01
2016	8	3	4	0.1	0.72	12.43	28	0.11
ICEA LION Life Assurance Company Limited								
2012	13	5	5	0.82	0.54	9.34	24	0.03
2013	6	4	4	0.9	0.59	10.27	25	0.03
2014	4	3	4	0.95	0.63	10.83	26	0.02
2015	9	1	4	0.98	0.65	11.2	27	0.04
2016	6	1	10	1.07	0.7	11.67	28	0.02
Intra Africa Assurance Company Limited								
2012	9	4	4	0.071	0.58	9.5	13	0.03
2013	10	3	4	0.08	0.64	10.45	14	0.01
2014	11	3	4	0.08	0.67	11.02	15	0.03
2015	11	1	4	0.09	0.7	11.4	16	0.03
2016	11	4	12	0.09	0.75	11.87	17	0.03
Invesco Assurance Company Limited								
2012	12	2	7	0.065	0.68	9.52	11	0.09
2013	14	1	9	0.07	0.75	10.47	12	0.44
2014	10	4	5	0.08	0.79	11.04	13	-0.31
2015	7	1	5	0.08	0.82	11.42	14	0.34
2016	10	2	1	0.08	0.88	11.9	15	0.04
Kenindia Assurance Company Limited								
2012	13	1	8	0.068	0.59	9.56	9	-0.11
2013	8	1	11	0.07	0.65	10.52	10	-0.03
2014	10	2	13	0.08	0.68	11.09	11	-3.00
2015	9	5	3	0.08	0.71	11.47	12	0.14
2016	10	1	5	0.09	0.77	11.95	13	-0.08
Kenya Orient Insurance Limited								
2012	10	5	8	0.091	0.66	9.58	12	0.12
2013	7	4	1	0.1	0.73	10.54	14	-0.20
2014	7	6	2	0.11	0.77	11.12	15	0.39
2015	11	3	1	0.11	0.79	11.5	16	0.10
2016	10	5	1	0.12	0.86	11.98	17	0.81
Kenya Reinsurance Corporation Limited								
2012	10	3	6	0.099	0.49	9.63	21	0.13

2013	9	3	4	0.11	0.54	10.6	22	0.08
2014	7	4	6	0.11	0.57	11.17	23	-0.10
2015	7	4	4	0.12	0.59	11.56	24	0.12
2016	9	3	4	0.13	0.64	12.04	25	0.25
Madison Insurance Company Kenya Limited								
2012	7	2	11	0.089	0.39	9.42	24	0.17
2013	11	5	3	0.1	0.43	10.36	25	0.21
2014	9	7	3	0.1	0.45	10.92	26	0.11
2015	10	7	3	0.11	0.47	11.3	27	0.13
2016	11	1	1	0.12	0.51	11.77	28	-0.12
Mayfair Insurance Company Limited								
2012	7	5	10	0.071	0.44	9.46	24	0.02
2013	7	2	1	0.08	0.48	10.41	25	-0.12
2014	12	3	5	0.08	0.51	10.98	26	0.11
2015	14	3	1	0.09	0.53	11.36	27	0.38
2016	19	1	4	0.09	0.57	11.83	28	0.19
Mercantile Insurance Company Limited								
2012	8	4	10	0.078	0.56	9.52	13	-0.03
2013	8	1	2	0.09	0.62	10.47	14	0.29
2014	13	3	2	0.09	0.65	11.04	15	-0.08
2015	8	3	1	0.09	0.67	11.42	16	-0.27
2016	10	3	6	0.1	0.73	11.9	17	0.06
Metropolitan Life Insurance Kenya Limited								
2012	6	3	7	0.088	0.54	9.55	11	0.03
2013	9	4	11	0.1	0.59	10.51	12	0.04
2014	10	2	10	0.1	0.63	11.08	13	0.08
2015	7	2	5	0.11	0.65	11.46	14	0.10
2016	10	5	4	0.11	0.7	11.94	15	-0.14
Occidental Insurance Company Limited								
2012	4	1	7	0.083	0.55	9.58	9	0.08
2013	9	6	7	0.09	0.61	10.53	10	0.01
2014	10	3	9	0.1	0.64	11.11	11	0.11
2015	9	3	3	0.1	0.66	11.49	12	0.08
2016	10	2	3	0.11	0.72	11.97	13	0.03
Middle East Bank (K) Ltd								
2012	11	2	9	0.08	0.57	9.62	12	0.02
2013	11	3	10	0.09	0.63	10.58	14	0.04
2014	7	2	11	0.09	0.66	11.15	15	0.02
2015	11	2	2	0.1	0.68	11.54	16	0.04
2016	10	1	5	0.1	0.74	12.02	17	0.03
Old Mutual Life Assurance Company Limited								

2012	10	3	12	0.078	0.56	9.64	21	0.03
2013	7	3	14	0.09	0.62	10.6	22	0.03
2014	7	2	19	0.09	0.65	11.18	23	0.03
2015	7	2	5	0.09	0.67	11.57	24	-0.13
2016	9	4	2	0.1	0.73	12.05	25	0.09
Pacis Insurance Company Limited								
2012	10	1	13	0.069	0.62	9.7	24	-0.31
2013	9	4	8	0.08	0.68	10.67	25	0.34
2014	8	3	10	0.08	0.72	11.25	26	0.04
2015	8	3	4	0.08	0.74	11.64	27	0.22
2016	9	6	1	0.09	0.81	12.12	28	-0.11
Pan Africa Life Assurance Limited								
2012	7	1	7	0.4	0.69	9.78	24	-3.00
2013	11	2	8	0.44	0.76	10.75	25	0.14
2014	6	1	3	0.46	0.8	11.34	26	-0.08
2015	9	1	3	0.48	0.83	11.73	27	0.16
2016	8	3	4	0.52	0.9	12.22	28	0.12
Phoenix of East Africa Assurance Company Limited								
2012	7	4	9	0.3	0.55	9.84	13	0.39
2013	7	6	7	0.33	0.61	10.82	14	0.10
2014	4	4	5	0.35	0.64	11.41	15	0.81
2015	9	4	2	0.36	0.66	11.81	16	0.05
2016	6	3	3	0.39	0.72	12.3	17	0.13
Pioneer Assurance Company Limited								
2012	8	3	11	0.5	0.58	9.92	11	-0.10
2013	8	3	5	0.55	0.64	10.91	12	0.12
2014	11	3	4	0.58	0.67	11.51	13	0.25
2015	11	1	5	0.6	0.7	11.9	14	0.17
2016	11	4	1	0.65	0.75	12.4	15	0.17
Resolution Insurance Company Limited								
2012	6	1	7	0.48	0.57	9.55	9	0.11
2013	9	5	13	0.53	0.63	10.51	10	0.13
2014	10	1	4	0.56	0.66	11.08	11	-0.12
2015	7	4	4	0.58	0.68	11.46	12	-0.05
2016	10	2	1	0.62	0.74	11.94	13	0.02
The Jubilee Insurance Company of Kenya Limited								
2012	4	2	8	0.39	0.61	9.58	32	0.11
2013	9	2	9	0.43	0.67	10.53	33	0.38
2014	10	1	4	0.45	0.71	11.11	34	0.19
2015	9	6	3	0.47	0.73	11.49	35	0.24
2016	10	6	3	0.51	0.79	11.97	36	-0.03

UAP Insurance Company Limited								
2012	5	1	8	0.41	0.49	9.62	21	-0.08
2013	6	1.1	9	0.45	0.54	10.58	22	-0.27
2014	6	1.16	9	0.48	0.57	11.15	23	0.06
2015	6	1.2	10	0.49	0.59	11.54	24	0.23
2016	7	1.3	10	0.53	0.64	12.02	25	0.11
UAP Life Assurance Limited								
2012	7	3	9	0.39	0.47	9.64	24	0.08
2013	8	3	10	0.43	0.52	10.6	25	0.10
2014	8	3	10	0.45	0.55	11.18	26	-0.14
2015	8	4	11	0.47	0.56	11.57	27	0.8
2016	9	4	12	0.51	0.61	12.05	28	0.08