Abstract

Purpose: The objective of this study was to examine the financial factors which affect the profitability of general insurance companies in Kenya. The profitability in this study is represented by ROA, as dependent variable for the period 2013 to 2017. Independent variables in this study were liquidity, leverage, loss ratio and expenses ratio.

Methodology: The type of research design used in this study was both descriptive as well as referential analysis. The study applied a census procedure to study all the 28 general insurance companies and targeted the entire population of 28 companies. Secondary data was collected from individual annual published financial statements of 28 general insurance companies for 5 years; 2013 to 2017, AKI reports and IRA published annual reports.A collection data sheet was used to collect the relevant data from all the 28 general insurance companies. After the data was collected and sorted, it was analyzed using referential analysis (multiple regression analysis). This was assisted by SPSS (Version 20) software.

Findings: The study revealed that the regression coefficient of loss ratio was-0.068, t-statistics -0.415 and p-value of 0.682 while that of leverage ratio was-0.048, t-statistics -0.546 and p-value of 0.590.Liquidityratiohad a regression coefficient of4.238, t-statistics 3.257 and p-value of 0.003 while expenses ratio had a regression coefficient of -0.281, t-statistics -3.840 and p-value of 0.001.

Unique contribution to theory, practice and policy: The study recommends that the management of general insurance companies in Kenya need to address liquidity and expenses by minimizing expenses and maximizing liquidity in order to be on the safe side as far as profitability is concerned. The study also recommends that regulators and other stakeholders, within the industry, should at regular interval intensify efforts to ascertain the claims handling procedures currently in use by insurance companies in Kenya.