Abstract

The contribution of life insurance sector to Kenya's GDP dropped to 3.4% in 2019 compared 3.5% in 2018. This means that other sectors of the economy grew faster than life insurance. According to Third Medium Term Report, Health insurance coverage in Kenya is generally low 19%. It is important to note that Third Medium Term Plan (2018-2022) has not addressed firm financial characteristics and insurance penetration of the Life Insurance Firms in Kenya. The general objective of the study was to analyze the relationship between firm financial characteristics and insurance penetration in Kenya. The study is based on the Liquid Asset Theory. The study was based on positivists' research philosophy. This study adopted longitudinal research design and targeted 18 companies as the sample size suitable to attain the set objectives. Both primary and secondary data was collected. Primary data was collected using a questionnaire while secondary data was collected using a secondary data collection schedule. Data was analyzed using panel data regression based on Hausman Test which was used to choose between fixed and random model. The study established that there was significant evidence for a relationship between liquidity and insurance penetration in this model. The study concluded that policies and initiatives aimed at promoting insurance penetration in Kenya should consider not only the characteristics of individual consumers but also the characteristics of firms.