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**An Evaluation of the Role Played By the Insurance Regulatory Authority of  
Kenya in Promoting Governance of Insurance Industry in Kenya**

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## **An Evaluation of the Role Played By the Insurance Regulatory Authority of Kenya in Promoting Governance of Insurance Industry in Kenya**

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### **Abstract**

**Purpose:** The main purpose of the study was to establish the role played by the Insurance Regulatory Authority of Kenya in the governance of insurance industry in Kenya.

**Methodology:** The study utilized a descriptive survey research design. The target population comprised of all the 47 insurance companies in Kenya that are regulated by IRA. This study used stratified random sampling technique. The target population was stratified into the 2 strata (life insurance companies and non-life insurance companies). Further, random sampling was used to select 47 managers in the 47 insurance companies who reports to the CEO. The study used primary data which was largely quantitative and descriptive in nature. The study used a structured questionnaire to collect data. The 47 questionnaires were self-administered with the help of two research assistants. The questionnaires was administered through drop and pick method. A pilot study was undertaken on 10% of the sample population. The statistics generated included descriptive statistics and inferential statistics.

**Results:** Result findings indicated that awareness creation role played by IRA and governance of the insurance industry have a positively and significant association, supervisory role played by IRA and governance of the insurance industry have a positively and significant association, capacity building/training role played by IRA were positively but insignificantly associated to governance of the insurance industry.

**Unique contribution to theory, practice and policy:** The study will provide useful information with regard to the role played by the Insurance Regulatory Authority of Kenya in the governance of insurance industry. The groups which will benefit include; Insurance Regulatory Authority (IRA) Management, Government of Kenya, general Public and other Stakeholders of Insurance Regulatory Authority and other researchers.

**Keywords:** *awareness creation, capacity building, good governance, insurance challenges*

## 1.0 INTRODUCTION

Insurance is a form of risk management which is used primarily to hedge against the risk of a contingent, uncertain loss. Insurance is essentially an arrangement where the losses experienced by a few are extended among many who are exposed to similar risks. It is a protection against financial loss that may occur due to an unexpected event sector (Jaiswal, Pal & Shukla, 2011). Insurance plays an important role in the economy of any country. In Kenya, the contribution of the insurance sector to the GDP grew by 11.7% to 1.05% in 2010 compared to 0.94% in 2009, while in 2011 it contributed 3.02% to the GDP. The Kenyan insurance market is among the largest and most developed in Africa. The penetration in the Kenyan market in 2011 was 3.02 percent as compared to last year where it recorded a penetration of 2.7 percent, hence making Kenya an appealing market for insurance companies to invest in (Kenya insurance, 2011).

The insurance market in Kenya is regulated by the by the (IRA) Insurance Regulatory Authority which is a statutory government agency established under the Insurance Act Cap 487 of the Laws of Kenya, the main duties of the regulatory authority is to regulate, supervise and develop the insurance industry in Kenya. The Insurance Regulatory Authority adheres to the core principles of objectivity, accountability and transparency in promoting not only compliance with the Insurance Act and other legal requirements by insurance or reinsurance companies and intermediaries but also sound business practices. The Authority therefore practices regulation and supervision that enables industry players to be innovative and entrepreneurial. In line with the Insurance Act, the functions of IRA in collaboration with industry players and individuals works collectively towards ensuring compliance by insurance or reinsurance companies and intermediaries with legal requirements and sound business practices; maintaining the confidence of consumers in the market; ensure insurance or reinsurance companies and intermediaries remain operationally viable and solvent; and establishment of a transparent basis for timely, appropriate and consistent supervisory intervention, including enforcement (Insurance Regulatory Authority, Official Homepage, 2013).

According to Business Monitor International (2014a) (referred to as BMI), Kenya has a dynamic insurance industry which, although characterized by insurance companies which are relatively small by global standards, has proven to be resilient. Despite the difficult business environment many insurance companies based in Kenya have succeeded in achieving persistent growth. Companies in the Kenyan insurance market have proven to be innovative by providing facilities to pay premiums via mobile phones and introducing products which cover farmers against the risk of natural disasters as well as providing Takaful. The total assets of the Kenyan insurance sector were worth US\$3bn at the end of 2012. Although this figure is small by international standards, it is worth noting that the total assets of the Kenyan insurance sector have approximately trebled since 2005.

Corporate governance is about structures and institutions by which rights and obligations among different participants in corporate world such as the board, management, shareholder and other stakeholders are spelt to ensure equity and fair play. Through strengthening of these structures, institutions are able to promote corporate fairness, transparency and accountability. Corporate governance is one of the hottest issues of the 21st century's management practices. The Board Room issues stand in the focal point of corporate management and leadership priorities since the Enron Scandal (2001) and the Sarbanes-Oxley Act (2002). A proper governance framework is of

fundamental importance in enhancing the economic performance not only in individual firms but also in promoting the level of welfare in society (Rukaria, 2010).

## **1.2 Problem Statement**

In Kenya, the Insurance industry is regulated by the Insurance Act, Cap 487 of the Laws of Kenya. This act has defined how insurance companies should be set up, managed and controlled. However, just like other industries, regulation has not ensured the highest standard of governance. This is evidenced by low level of penetration and the low contribution of the industry to economic growth. The contribution of insurance at 2.63% of the Gross Domestic Product in Kenya is very low compared to other countries like South Africa which has a contribution of 9.94%. In Malaysia, it is estimated that 41% of the population have some form of life insurance in comparison to Kenya that has less than 1% of the population insured. On the other hand, the level of insurance penetration stands at 3.01% which is far from saturation (IRA, 2013).

Kenya Vision 2030 is the country's development blueprint covering the period 2008 to 2030 and aims at making Kenya a newly industrializing, "middle income country providing high quality life for all its citizens by the year 2030". The insurance industry in Kenya falls within the Economic Pillar of Vision 2030. The Insurance Regulatory Authority (IRA) is tasked with the developmental mandate of increasing insurance penetration, Insurance Amendment Act (2006). The effectiveness of the IRA in executing its duties implies increased insurance penetration and hence realization of the country's development agenda as set out in the Vision 2030 development blue print (IRA, 2013).

Other studies have been conducted focusing on the link between IRA and governance of the insurance industry in Kenya. For instance, Thirima (2010) who aimed at establishing the strategic responses undertaken by the Authority in responding to the challenges of insurance regulation, Gitau (2013) who set out to establish factors causing the low Insurance uptake, the challenges faced by the insurers in marketing their products and subsequently identify strategies the Kenyan insurance companies can adopt to enhance Insurance uptake and Magondu (2010) sought to establish the strategies adopted by insurance companies in Kenya to enhance corporate image. It is evident that so far no study has sought to evaluate the role played by IRA in promoting good governance of insurance companies in Kenya.

## **1.3 Research Objective**

- i). To establish whether the awareness creation role played by IRA promotes good governance of insurance industry in Kenya.
- ii). To assess whether the supervisory role played by IRA promotes good governance of insurance industry in Kenya.
- iii). To determine whether the capacity building/training role played by IRA promotes good governance of insurance industry in Kenya.
- iv). To determine the challenges faced by the Insurance industry in Kenya.

## **2.0 LITERATURE REVIEW**

### **2.1 Theoretical Review**

#### **Agenda Setting Theory**

Agenda-setting theory was formally developed by Dr. Max McCombs and Dr. Donald Shaw in a 1968. Agenda-setting theory describes the ability of the news media to influence the salience of topics on the public agenda. That is, if a news item is covered frequently and prominently the audience will regard the issue as more important. This theory is based on two assumptions; the press and the media do not reflect reality; they filter and shape it and that the media concentration on a few issues and subjects leads the public to perceive those issues as more important than other issues (McCombs & Shaw, 1972).

One of the most critical aspects in the concept of an agenda-setting role of mass communication is the time frame for this phenomenon. In addition, different media have different agenda-setting potential. Agenda setting occurs through a cognitive process known as accessibility. Accessibility implies that the more frequently and prominently the news media cover an issue, the more instances of that issue become accessible in audience's memories. When respondents are asked what the most important problem facing the country is, they answer with the most accessible news issue in memory, which is typically the issue the news media focused on the most. The agenda-setting effect is not the result of receiving one or a few messages but is due to the aggregate impact of a very large number of messages, each of which has a different content has but all of which deal with the same general issue. Mass-media coverage in general and agenda-setting in particular also has a powerful impact on what individuals think that other people are thinking, and hence they tend to allocate more importance to issues that have been extensively covered by mass media. Agenda-setting studies typically show variability in the correlation between media and public agenda (McCombs & Shaw, 1972).

Agenda setting serves as the first function of framing as it defines the problems worthy of government attention. Agenda setting is related to priming, bias and framing. Priming is the goal, the intended effect, of strategic actors' framing activities (Entman, 1993). Agenda setting will always occur, even if it is not pervasively biased. However, when paired, agenda setting and priming have the ability to create widespread bias. Bias, as defined by Entman, is consistent patterns in the framing of mediated communication that promote the influence of one side of conflicts over the use of government power (Entman, 1993). This theory is relevant to this study in that the IRA can create awareness and thus promotes good governance of insurance companies.

### **Competency Theory**

Initially described as "Four Stages for Learning Any New Skill", the theory was developed at the Gordon Training International by its employee Noel Burch in the 1970s. It has since been frequently attributed to Abraham Maslow, although the model does not appear in his major works. The Four Stages of Learning provides a model for learning. It suggests that individuals are initially unaware of how little they know, or unconscious of their incompetence. As they recognize their incompetence, they consciously acquire a skill, then consciously use it. Eventually, the skill can be utilized without it being consciously thought through: the individual is said to have then acquired unconscious competence. Several elements, including helping someone 'know what they don't know' or recognize a blind spot, can be compared to some elements of a Johari window, although Johari deals with self-awareness, while the four stages of competence deals with learning stages (Flower, 1999).

The four stages include; unconscious incompetence where the individual does not understand or know how to do something and does not necessarily recognizes the deficit. They may deny the



usefulness of the skill. The individual must recognize their own incompetence, and the value of the new skill, before moving on to the next stage. The length of time an individual spends in this stage depends on the strength of the stimulus to learn. Conscious incompetence is where even though the individual does not understand or know how to do something, he or she does recognize the deficit, as well as the value of a new skill in addressing the deficit. The making of mistakes can be integral to the learning process at this stage (Flower, 1999).

Conscious competence is where the individual understands or knows how to do something. However, demonstrating the skill or knowledge requires concentration. It may be broken down into steps, and there is heavy conscious involvement in executing the new skill. Unconscious competence is when the individual has had so much practice with a skill that it has become "second nature" and can be performed easily. As a result, the skill can be performed while executing another task. The individual may be able to teach it to others, depending upon how and when it was learned (Flower, 1999). This theory is relevant to this study in that it reveals how untapped potentials and competencies from the women fraternity can be tapped through training and conducting capacity building forums in order to promote good governance of insurance companies in Kenya.

### **Regulation Theory**

One of the methods of achieving efficiency in the allocation of resources is regulation (Arrow, 1970; Shubik, 1970). According to this theory, regulation is the instrument for overcoming the disadvantages of imperfect competition, unbalanced market operation, missing markets and undesirable market results. In the first place, regulation can improve the allocation by facilitating, maintaining, or imitating market operation. The exchange of goods and production factors in markets assumes the definition, allocation and assertion of individual property rights and freedom to contract (Pejovich, 1979). The guarantee of property rights and any necessary enforcement of contract compliance can be more efficiently organized collectively than individually. Furthermore, the costs of market transactions are reduced by property and contract law.

The freedom to contract can, however, also be used to achieve cooperation between parties opposed to market operation. Agreements between producers give rise to prices deviating from the marginal costs and an inefficient quantity of goods is put on the market. Antimonopoly legislation is aimed at maintaining the market operation through monitoring the creation of positions of economic power and by prohibiting competition limiting agreements or punishing the misuse thereof. This theory is deemed relevant since it explains regulation / supervision which is a function of the IRA.

### **2.2 Empirical Review**

Mckinsey & Company (2010) indicates that in India's insurance market has grown over the past six years. Liberalization of the sector has enabled the entry of a number of new players who have contributed to the growth (over 40 per cent per annum), by enhancing product awareness and promoting consumer education and information. Both insurance penetration and density have increased significantly over the years, especially with the opening up of the insurance industry to the private sector.

The results of the Max New York Life–NCAER Survey on India Financial Protection (NCAER, 2008) indicates that awareness of life insurance stands at a high of 78 per cent on an all-India level with more urban households (90%) aware of it than rural households (73%). The level of awareness has increased with education, age and income levels. However, ownership of insurance products was low at only 24 per cent. Further, it was the salaried class that tended to buy insurance the most, followed by businessmen. Also, as compared to others married people are more likely to buy insurance.

Karimi (2011) set to determine the external environmental challenges affecting the performance of health insurance sub sector in Kenya. The study was conducted on the sixteen insurance companies dealing with health insurance. Data was collected using questionnaires which were delivered to insurance companies targeting underwriting and claims managers. Some questionnaires were emailed to the specific managers in the different companies to the convenient of the respondents. The results were analyzed and the mean and standard deviation of the factors affecting the performance of the organizations obtained. Correlation analysis was used to determine the strength of association between the factors affecting the organizations and the performance. The findings from the study indicate that there are several environmental challenges affecting the performance of health insurance sub-sector in Kenya which include political factors, economic factors, social factors, and technological factors. The findings of this study are important because they will assist in developing policies and strategies that will ensure that health insurance is profitable in Kenya. This include as identified in the study involvement of the insurance regulatory institutions in Kenya in formulating policies and regulatory framework, responding efficiently to customers' needs, developing affordable products, encouraging healthy eating to mitigate the lifestyle disease , creating new and attractive products, and creating more awareness on the medical insurance and the benefits.

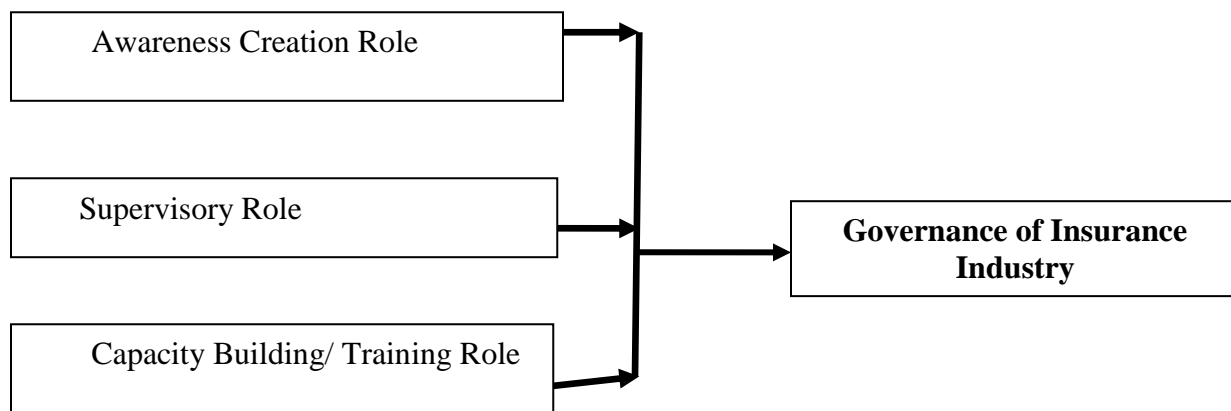
Iyade (2010) sought to establish the impact of regulation and supervision on the activities of Nigerian banks with emphasis on the role of the Central Bank of Nigeria and the Nigerian Deposit Insurance Corporation. Extensive field survey and library research was carried out and data collected were subjected to thorough analysis. The analysis revealed that the supervisory and regulatory framework of the Central Bank of Nigeria and the Nigerian Deposit Insurance Corporation are not sufficient to guarantee effective banking practices in Nigeria. Other findings from the study include the need to increase the maximum insurance coverage due to the effect of inflation and the persistent fall in the value of the Naira, the need to disclose transactions continuously to ensure financial prudence through regular supervision and monitoring of the financial health of local banks with the aid of the 'CAMEL' ratings and other supervisory framework. There is need to also increase the awareness of banking activities within the general populace through a deliberate integration process aimed at demystifying certain inherent perceptions of the public with respect to distress and the role of the Nigerian Deposit Insurance Corporation (NDIC). Moreover, the public, investors and depositors were not fully aware of the activities of NDIC and CBN in liquidating and revocation of banks' licenses due to the ineffectiveness of the enlightenment programmes used in carrying out the awareness.

Liyai (2014) examined the relationship between strategies adopted and performance at Britam. Primary data was collect through use of Interview Guides and secondary data was extracted from existing published and unpublished records such as The Association of Kenya Insurers and Insurance Regulatory Authority Annual Publications, Articles, related Journals, Electronic data

and the company's audited Financial Statements. The data collected was analyzed through the Content Analysis Technique. The implication of the study on the policy is that the Government through the Insurance Regulatory Authority should be able to formulate policies and regulations that will enhance uptake of insurance covers in Kenyan market. The Government bodies should also be able to monitor and supervise Insurance Companies and brokers to ensure consumer protection as provided by the bill of rights in the current constitution. The results confirm to the findings of other empirical studies on the relationship between strategies adopted and effectively implemented and organization performance.

Gitau (2013) set out to establish factors causing the low Insurance uptake, the challenges faced by the insurers in marketing their products and subsequently identify strategies the Kenyan Insurance Companies can adopt to enhance Insurance uptake. Primary data was collected through the use of a questionnaire. Senior Executives, operational managers and customer service managers were interviewed from 25 different Insurance companies. It was established that there are many factors causing low Insurance penetration in Kenya and these include lack of knowledge and awareness by the general public about Insurance products and the benefits, negative perception, cultural and religious beliefs like merry go rounds and harambee mentality, inappropriate products, limited distribution channels to name but a few. Amongst the challenges faced by Insurance Companies in marketing their product is legal language in documents that creates a perception that a lot is in the hidden print.

### 2.3 Conceptual Framework



**Figure 1: Conceptual framework**

### 3.0 RESEARCH METHODOLOGY

The study utilized a descriptive survey research design. The target population comprised of all the 47 insurance companies in Kenya that are regulated by IRA. This study used stratified random sampling technique. Stratified random sampling technique was used as it ensured that all the mid-sized companies are well represented. The study used primary data which was largely quantitative and descriptive in nature. The study used a structured questionnaire to collect data. A pilot study was undertaken on 10% of the sample population. The questionnaire was subjected to overall reliability analysis of internal consistency. This was measured using Cronbach alpha as



a coefficient of internal consistency. For construct validity, the questionnaire was divided into several sections to ensure that each section assessed information for a specific objective, and also ensured that the same closely tied to the conceptual framework for this study. To ensure content validity, the questionnaire was subjected to thorough examination by two randomly selected managers. After quantitative data was prepared it was keyed into statistical package for social sciences (SPSS) computer software for analysis. The statistics generated included descriptive statistics and inferential statistics. A multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable.

The equation below shows the multiple linear regression model of the independent variables against the dependent variable.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

Y = Governance of Insurance Industry

$\beta_1, \beta_2$  and  $\beta_3$  = Beta coefficients

$\beta_0$  = Constant Term

$X_1$  = Awareness Creation Role

$X_2$  = Supervisory Role

$X_3$  = Capacity Building/ Training Role

$\varepsilon$  = Error term

## 4.0 RESULTS AND DISCUSSIONS

### 4.1 Response Rate

The number of questionnaires that were administered was 47. A total of 44 questionnaires were properly filled and returned. This represented an overall successful response rate of 93.6% as shown on Table 1.

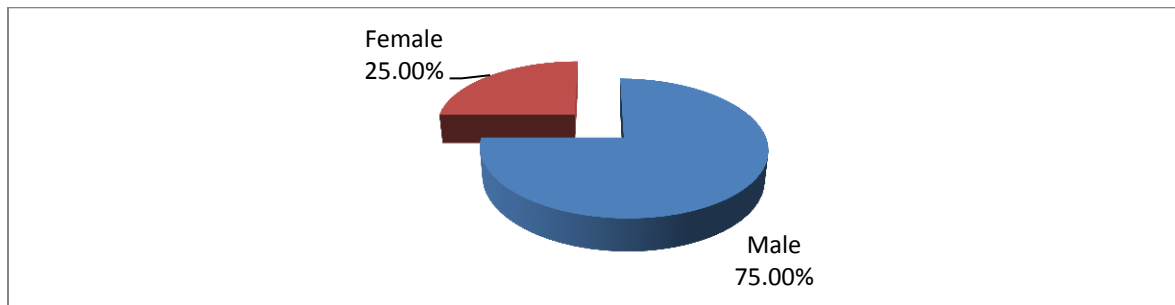
**Table 1: Response Rate**

Response	Frequency	Percent
Returned	44	93.6%
Unreturned	3	6.4%
<b>Total</b>	<b>47</b>	<b>100%</b>

### 4.2 Demographic Characteristics

#### 4.2.1 Gender of the Respondents

The respondents were asked to indicate their gender of the respondents as in figure 2.

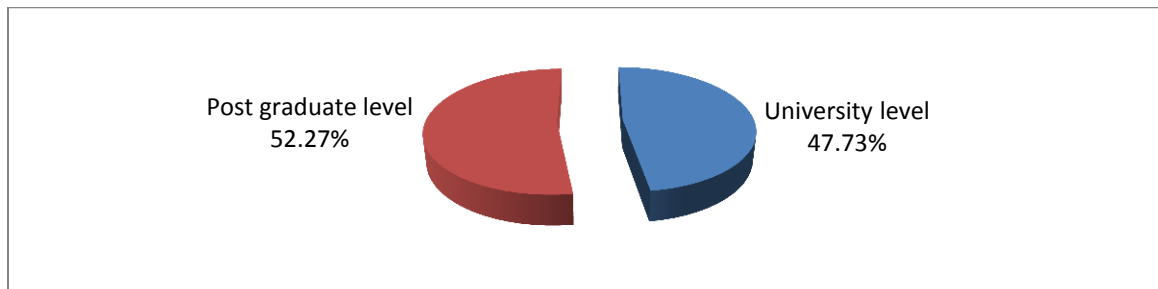


**Figure 2: Gender of Respondents**

Majority of the respondents were male who represented 75% of the sample while 25% were female. This implies that most of the top managers in the insurance companies are male. This can also imply that gender diversity has not been embraced amongst the insurance companies since 25% is less than a 1/3 as stipulated by the Kenyan Constitution.

#### 4.2.2 Level of Education of the Respondents

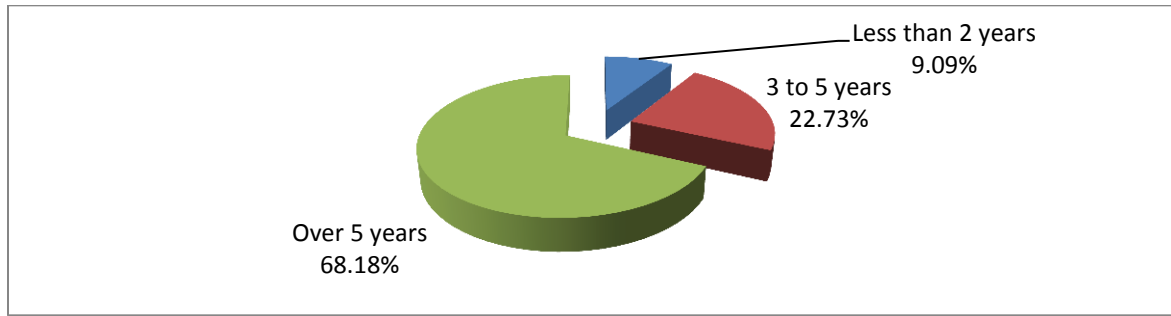
The respondents were asked to state their levels of education. Results in Figure 3 show that a majority of 52.27% of the respondents had attained education up to post graduate level while 47.73% of the respondents had attained education up to university level. This implies that the managers of the insurance companies registered with IRA are educated.



**Figure 3: Level of Education**

#### 4.2.3 Years of Work

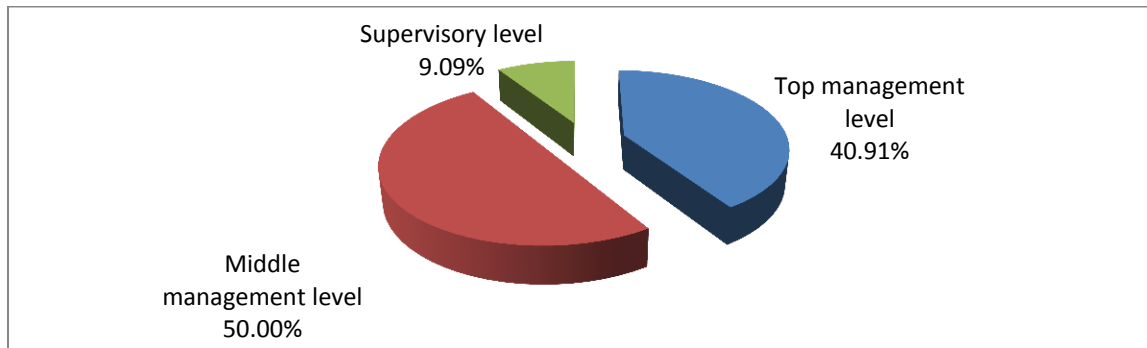
The respondents were asked to indicate the number of years they had worked in the insurance industry. Results in figure 4 show that majority of the respondents (68.18%) indicated that they had worked in the insurance industry for more than 5 years. Twenty two point seven three percent (22.73%) of the respondents indicated that they had worked in the insurance industry for 3 to 5 years while 9.09% of the respondents indicated that they had worked in the insurance industry for less than 2 years. The results show that most of the respondents had worked in the insurance industry for a long period of time implying that they filled in the questionnaire from an informed position.



**Figure 4: Years of Work**

**4.2.4 Position**

The respondents were asked to indicate their positions. Results in figure 5 revealed that majority of the respondents (50%) were in the middle level management, 40.91% of the respondents indicated that they were in the top management while only 9.09% of the respondents were in the supervisory position. This implies that the collected information during data collection was relevant since the middle and top management are involved in formulating policies in the IRA. These policies are used to govern the insurance industry and hence having collected data from them infers that they the information obtained was relevant for this study.



**Figure 5: Position**

**4.3 Descriptive Statistics**

**4.3.1 Awareness Creation Role**

The study sought to establish whether the awareness creation role played by IRA promotes good governance of insurance industry in Kenya and the results presented in Table 2 below.

**Table 2: Awareness Creation Role**

Statement	Strongly Disagree	Disagree	Moderately agree	Agree	Strongly Agree	Mean	Std Dev
Awareness creation about life insurance by IRA promotes good governance	0.00%	9.10%	40.90%	40.90%	9.10%	3.5	0.8

of the insurance industry. Awareness creation about general insurance by IRA promotes good governance of the insurance industry.	0.00%	18.20%	9.10%	63.60%	9.10%	3.6	0.9
Awareness creation about personal accident insurance by IRA promotes good governance of the insurance industry.	0.00%	9.10%	50.00%	40.90%	0.00%	3.3	0.6
Awareness creation about maritime insurance by IRA promotes good governance of the insurance industry.	0.00%	29.50%	61.40%	9.10%	0.00%	2.8	0.6
Awareness creation about fire insurance by IRA promotes good governance of the insurance industry.	0.00%	9.10%	40.90%	50.00%	0.00%	3.4	0.7
<b>Average</b>						<b>3.3</b>	<b>0.7</b>

A majority of 90.9% of the respondents agreed that awareness creation about life insurance by IRA promotes good governance of the insurance industry. A majority of 81.8% of the respondents agreed that awareness creation about general insurance by IRA promotes good governance of the insurance industry; a majority of 90.9% of the respondents agreed that awareness creation about personal accident insurance by IRA promotes good governance of the insurance industry. Further, a majority (70.5%) of the respondents agreed that awareness creation about maritime insurance by IRA promotes good governance of the insurance industry while a majority of 90.9% of the respondents agreed that awareness creation about fire insurance by IRA promotes good governance of the insurance industry. On a five point scale, the average mean of the responses was 3.3 which means that majority of the respondents were agreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 0.7.

#### 4.3.2 Supervisory Role

The study sought to assess whether the supervisory role played by IRA promotes good governance of insurance industry in Kenya and the results presented in Table 3 below.

**Table 3: Supervisory Role**

Statement	Strongly Disagree	Disagree	Moderately agree	Agree	Strongly Agree	Mean	Std Dev
Ensuring the viability of applications for licensing promotes good governance	0.00%	0.00%	0.00%	79.50%	20.50%	4.2	0.4

of the insurance industry.								
Ensuring that all board members are Fit & proper promotes good governance of the insurance industry.	0.00%	0.00%	9.10%	43.20%	47.70%	4.4	0.7	
Ensuring that insurers have adequate Capital at all times promotes good insurance governance.	0.00%	0.00%	11.40%	31.80%	56.80%	4.5	0.7	
Approval of insurance products promotes good governance of the insurance industry.	0.00%	9.10%	11.40%	43.20%	36.40%	4.1	0.9	
Inspection, investigation, analysis of accounts and returns, intervention and withdrawal of licenses promotes good governance of the insurance industry.	0.00%	0.00%	0.00%	34.10%	65.90%	4.7	0.5	
<b>Average</b>						<b>4.3</b>	<b>0.7</b>	

All the respondents agreed that ensuring the viability of applications for licensing promotes good governance of the insurance industry. All the respondents agreed that ensuring that all board members are fit & proper promotes good governance of the insurance industry. Further, all the respondents agreed that ensuring that insurers have adequate capital at all times promotes good insurance governance; a majority of 91% of the respondents agreed that approval of insurance products promotes good governance of the insurance industry while all the respondents agreed that inspection, investigation, analysis of accounts and returns, intervention and withdrawal of licenses promotes good governance of the insurance industry. On a five point scale, the average mean of the responses was 4.3 which means that majority of the respondents were agreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 0.7.

### 4.3.3 Capacity Building/ Training Role

The study sought to determine whether the capacity building/training role played by IRA promotes good governance of insurance industry in Kenya. The responses were rated on a likert scale and the results presented in Table 4 below.

**Table 4: Capacity Building/Training Role**

Statement	Strongly Disagree	Disagree	Moderately agree	Agree	Strongly Agree	Mean	Std Dev
Training of cooperative societies by IRA promotes	0.00%	20.50%	29.50%	50.00%	0.00%	3.3	0.8



good governance of the insurance industry.								
Training of members of the public during open days by IRA promotes good governance of the insurance industry.	0.00%	0.00%	40.90%	50.00%	9.10%	3.7	0.6	
Training of church ministers by IRA promotes good governance of the insurance industry.	0.00%	29.50%	31.80%	38.60%	0.00%	3.1	0.8	
Training of Boda Boda operators by IRA promotes good governance of the insurance industry.	0.00%	29.50%	34.10%	36.40%	0.00%	3.1	0.8	
Training of business community by IRA promotes good governance of the insurance industry.	0.00%	0.00%	34.10%	56.80%	9.10%	3.8	0.6	
Training of teachers by IRA promotes good governance of the insurance industry.	0.00%	20.50%	52.30%	27.30%	0.00%	3.1	0.7	
<b>Average</b>						<b>3.3</b>	<b>0.7</b>	

Majority of 79.5% of the respondents agreed that training of cooperative societies by IRA promotes good governance of the insurance industry. All the respondents agreed that training of members of the public during open days by IRA promotes good governance of the insurance industry; a majority of 70.4% of the respondents agreed that training of church ministers by IRA promotes good governance of the insurance industry. Further, a majority (70.5%) of the respondents agreed that training of Boda Boda operators by IRA promotes good governance of the insurance industry; all the respondents agreed that training of business community by IRA promotes good governance of the insurance industry while a majority of 79.6% of the respondents agreed that training of teachers by IRA promotes good governance of the insurance industry. On a five point scale, the average mean of the responses was 3.3 which means that majority of the respondents were agreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 0.7.

#### 4.3.4 Challenges in the Insurance Industry

The respondents were asked to indicate whether they experienced any challenges in the insurance industry. All the respondents indicated yes. The challenges mentioned included; pricing regulations that are not followed by other players, fraud risks/claims, cartels and monopolistic practices by hospitals and health providers, due to stiff competition brokers/agents use their bargaining power, collection of outstanding premiums from delinquent brokers, agent retention, lack of awareness among the public about the various insurance products that are offered, difficult clients who at times do not want to accept the policy terms and conditions,

broker dominance in corporate business, leading to undercutting, policy holders' apathy and ignorance about their rights and understanding of the difference between banking and insurance, price competition especially undercutting which results to pricing of insurance products at uneconomical premiums and terms, staff turnover, compromised judiciary, lack of right to access to claims from government institutions (hospitals, police), fraudulent agents not being blacklisted, too many deposits required by IRA in several different formats which results to too much duplication of effort. For instance, monthly claims returns are submitted through portal, e-mail and also hard copies are sent to regulator. They also mentioned challenges of less insurance commission, ignorance of public about insurance and product structures do not match the need of the prospects/public.

#### 4.3.5 Governance of Insurance Industry

The study sought to determine the state of governance in the insurance industry in Kenya. Results in table 5 indicate that; a majority of the respondents (68.2%) indicated that their insurance company has experienced an improvement in board size; a majority of the respondents (81.8%) indicated that their insurance company has experienced an improvement in independent directorship, a majority of the respondents (68.2%) indicated that their insurance company had not experienced an improvement in board gender diversity; all the respondents (68.2%) indicated that their insurance company had experienced an improvement in communication with shareholders/stakeholders; all the respondents (68.2%) indicated that their insurance company had experienced an improvement in financial reporting while all the respondents (68.2%) indicated that their insurance company has experienced an improvement in financial audit outcomes.

**Table 5: Governance of the Insurance Industry**

Statement	No	Yes
Our insurance firm has experienced an improvement in board size.	31.80%	68.20%
Our insurance firm has experienced an improvement in independent directorship.	18.20%	81.80%
Our insurance firm has experienced an improvement in board gender diversity.	68.20%	31.80%
Our insurance firm has experienced an improvement in communication with shareholders/stakeholders.	0.00%	100.00%
Our insurance firm has experienced an improvement in financial reporting.	0.00%	100.00%
Our insurance firm has experienced an improvement in financial audit outcomes.	0.00%	100.00%

#### 4.4 Inferential Statistics

##### 4.4.1 Correlation Analysis

The Table 6 below presents the results of the correlation analysis. This show that awareness creation role played by IRA and governance of the insurance industry have a positively and significant association ( $r=0.310$ ,  $p=0.040$ ). The table further indicates that supervisory role

played by IRA and governance of the insurance industry have a positively and significant association ( $r=0.513$ ,  $p=0.000$ ). However, the results revealed that capacity building/training role played by IRA were positively but insignificantly associated to governance of the insurance industry ( $r=0.051$ ,  $p=0.742$ ).

**Table 6: Correlation Matrix**

Variable		Governance	Awareness Creation Role	Supervisory Role	Capacity Building Training Role
Governance	Pearson Correlation Sig. (2- tailed)	1			
Awareness Creation Role	Pearson Correlation Sig. (2- tailed)	0.310	1		
Supervisory Role	Pearson Correlation Sig. (2- tailed)	0.513	0.512	1	
Capacity Building Training Role	Pearson Correlation Sig. (2- tailed)	0.051	0.663	0.661	1
		0.742	0.000	0.000	

#### 4.4.2 Regression Analysis

The results presented in table 7 present the fitness of model used of the regression model in explaining the study phenomena. Awareness creation role played by IRA, supervisory role played by IRA and capacity building/ training role played by IRA were found to be satisfactory variables in explaining governance of the insurance industry. This is supported by coefficient of determination also known as the R square of 49.2%. This means awareness creation role played by IRA, supervisory role played by IRA and capacity building/ training role played by IRA explain 49.2% of the variations in the dependent variable which is governance of the insurance industry. This results further means that the model applied to link the relationship of the variables was satisfactory.

**Table 7: Model Fitness**

Indicator	Coefficient
R	0.702
R Square	0.492
Adjusted R Square	0.454

Table 8 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables indeed promote governance of the insurance industry in Kenya. This was supported by an F statistic of 12.939 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

**Table 8: Analysis of Variance**

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.445	3	0.148	12.939	0.000
Residual	0.459	40	0.011		
Total	0.904	43			

Regression of coefficients results in table 9 shows that there is a positive and significant relationship between awareness creation role played by IRA, supervisory role played by IRA and capacity building/ training role played by IRA and governance of the insurance industry as supported by beta coefficients of 0.100, 0.240 and 0.228 respectively.

**Table 9: Regression of Coefficients**

Variable	B	Std. Error	t	Sig.
(Constant)	1.415	0.15	9.43	0.000
Awareness Creation Role Composite	0.100	0.039	2.551	0.015
Supervisory Role Composite	0.240	0.045	5.279	0.000
Capacity Building Training Role Composite	0.228	0.054	4.227	0.000

These results show that an increase in the unit change of awareness creation role played by IRA, supervisory role played by IRA and capacity building/ training role played by IRA would result to better governance of the insurance industry.

The multiple linear regression model is as shown below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where:

Y = Governance of the Insurance Industry

X<sub>1</sub> = Awareness Creation Role

X<sub>2</sub> = Supervisory Role

X<sub>3</sub> = Capacity Building/ Training Role

Thus, the optimal model for the study is;

$$\text{Governance of the Insurance Industry} = 1.415 + 0.100 \text{ Awareness Creation Role} + 0.240 \text{ Supervisory Role} + 0.228 \text{ Capacity Building/Training Role} + e$$

## 5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Findings

One objective of the study was to establish whether the awareness creation role played by IRA promotes good governance of insurance industry in Kenya. Results showed that majority of the respondents agreed that; awareness creation about life insurance by IRA promotes good governance of the insurance industry, awareness creation about general insurance by IRA promotes good governance of the insurance industry, awareness creation about personal accident insurance by IRA promotes good governance of the insurance industry, awareness creation about maritime insurance by IRA promotes good governance of the insurance industry and that awareness creation about fire insurance by IRA promotes good governance of the insurance industry.

The second objective was to assess whether the supervisory role played by IRA promotes good governance of insurance industry in Kenya. Results indicated that all the respondents agreed that; ensuring the viability of applications for licensing promotes good governance of the insurance industry, ensuring that all board members are fit & proper promotes good governance of the insurance industry, ensuring that insurers have adequate capital at all times promotes good governance of the insurance industry and that inspection, investigation, analysis of accounts and returns, intervention and withdrawal of licenses promotes good governance of the insurance industry. Further, the results also showed that majority of the respondents agreed that approval of insurance products promotes good governance of the insurance industry.

The third objective was to determine whether the capacity building/training role played by IRA promotes good governance of insurance industry in Kenya. Results showed that majority of the respondents agreed that; training of cooperative societies, church ministers, Boda Boda operators and that training of teachers by IRA promotes good governance of the insurance industry. Further the results showed that all the respondents agreed that training of members of the public during open days and training of business community by IRA promotes good governance of the insurance industry.

The fourth objective was to determine the challenges faced by the Insurance; pricing regulations that are not followed by other players, fraud risks/claims, cartels and monopolistic by hospitals and health providers, due to stiff competition brokers/agents use their bargaining power, collection of outstanding premiums from delinquent brokers, agent retention, lack of awareness among the public about the various insurance products that are offered, difficult clients who at times do not want to accept the policy terms and conditions, broker dominance in corporate business, leading to undercutting, policy holders' apathy and ignorance about their rights and understanding of the difference between banking and insurance, price competition especially undercutting which results to pricing of insurance products at uneconomical premiums and terms, staff turnover, compromised judiciary, lack of right to access to claims from government institutions (hospitals, police), fraudulent agents not being blacklisted, too many deposits required by IRA in several different formats which results to too much duplication of effort. For instance, monthly claims returns are submitted through portal, e-mail and also hard copies are sent to regulator. Other challenges included less insurance commission, ignorance of public about insurance and product structures do not match the need of the prospects/public.



## 5.2 Conclusions

Based on the findings the study concluded that awareness creation role promote the governance of the insurance industry in Kenya. Based on the findings the study also concluded that supervisory role promote the governance of the insurance industry in Kenya. Further, based on the findings it was possible to conclude that capacity building/ training role promote the governance of the insurance industry in Kenya. The study also concluded that the insurance industry faces challenges which dampen its growth and governance.

## 5.3 Recommendations

Based on the findings the study made the following recommendations that IRA should increase public awareness campaigns on benefits of insurance as well as existence and role of IRA, monitor insurance companies based on their level of risk so as to ensure a stable insurance industry and this will play a major role in increasing the insurance penetration. Further, IRA should be more aggressive in ensuring proper capacity building of the insurance staff. This can be done by sensitization of the need to have training and development programmes by all insurance companies. This would assist in hiring highly trained/skilled staff, intensively training existing staff as well as training directors and senior management on good corporate governance principles.

## 5.4 Suggestions for Further Studies

The study recommends that further research should be done on; the role played by the Insurance Regulatory Authority of Kenya in promoting the organization performance of insurance industry in Kenya, the role played by the Insurance Regulatory Authority of Kenya in the achievement of the Medium Term Plan of the Vision 2030 in Kenya and the role played by the Insurance Regulatory Authority in the EAC countries in promoting good governance of insurance industry. This would assist in comparison.

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