



Electronic Theses and Dissertations

2023

Non-financial factors affecting the performance of life insurance companies in Kenya.

Kimwaki, Anne
Strathmore Business School
Strathmore University

Recommended Citation

Kimwaki, A. (2023). *Non-financial factors affecting the performance of life insurance companies in Kenya* [Strathmore University]. <http://hdl.handle.net/11071/13454>

Follow this and additional works at: <http://hdl.handle.net/11071/13454>

**NON-FINANCIAL FACTORS AFFECTING THE PERFORMANCE OF LIFE
INSURANCE COMPANIES IN KENYA**

ANNE KIMWAKI

136274

**A Thesis Submitted In Partial Fulfillment for the Award of a Master of Business
Administration at Strathmore University**



**Strathmore Business School,
Strathmore University,
Nairobi, Kenya**

March, 2023

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

© No part of this dissertation may be reproduced without the permission of the author and Strathmore University

Name of Candidate: **Anne Kimwaki**

Approval

The dissertation of **Anne Kimwaki** was approved by the following:

Name of Supervisor: **Dr. Fredrick O. Ogola**

School/Institute/Faculty: **Strathmore Business School**

Dr. Ceaser Mwangi

Executive Dean

Strathmore University Business School.

Dr. Bernard Shibwabo

Director, Office of Graduate Studies

ACKNOWLEDGEMENTS

My utmost gratitude is to God for His grace, provision and sustenance, without which I would not have completed this thesis. Secondly, I express my sincere appreciation to my supervisor Dr. Fred Ogola for his guidance and support. Lastly, I thank my family and friends for their encouragement and support.



ABSTRACT

Non-financial factors are important to assist managers in making decisions to match the internal business environment to the external business environment. However, there is insufficient empirical evidence on the effect of non-financial factors on the performance of insurance companies. The main contribution of this study was to show how various non-financial factors affect the performance of life insurance companies. The non-financial factors were grouped under regulatory, consumer, technology, and market factors and were selected as the study's independent variables. Subjective measures of performance were selected as the dependent variable. Public interest theory, disruptive innovation theory, Porter's five forces model, and the theory of planned behavior made for the study's theoretical framework. The positivist research paradigm was adopted, while a descriptive research design was used. The target population consists of 24 life insurance firms as units of analysis, from which management staff were selected as units of observation. Census sampling was used to select all 120 respondents into the sample size. A structured questionnaire was used to collect data, and its reliability and validity were tested using Cronbach's Alpha statistic. In analyzing data, descriptive and inferential analysis were employed, and findings were presented using tables and figures and interpreted. Out of 120 questionnaires, 90 were returned, implying a response rate of 75% was achieved. The analysis showed regulatory factors, consumer factors, and technological factors positively and significantly influenced the performance of LICs; however, market factors had a negative and significant influence on the performance of LICs. The study concluded that regulatory factors, consumer factors, and technological factors have a positive effect on the performance of life insurance companies, while market factors have a negative effect on their performance. Therefore, the study suggests that life insurance companies should pay attention to these factors and consider reflecting them in their annual reports. They should also have necessary measures to either take advantage of or counter these factors to optimize their performance. They should continue adopting robust systems to measure risks they take on to meet increased capital requirements, thereby reducing the risk of losing their operating licenses. LICs should adopt greater diversity in product ranges to enhance their quality of service and overall performance; adopt emerging technology to enhance their service quality and customer satisfaction by broadening their reach through increased use of digital sales and service channels. Lastly, LICs should also enter into mergers and acquisitions (M&A) activities with other smaller players in the insurance industry to increase their market share and performance.

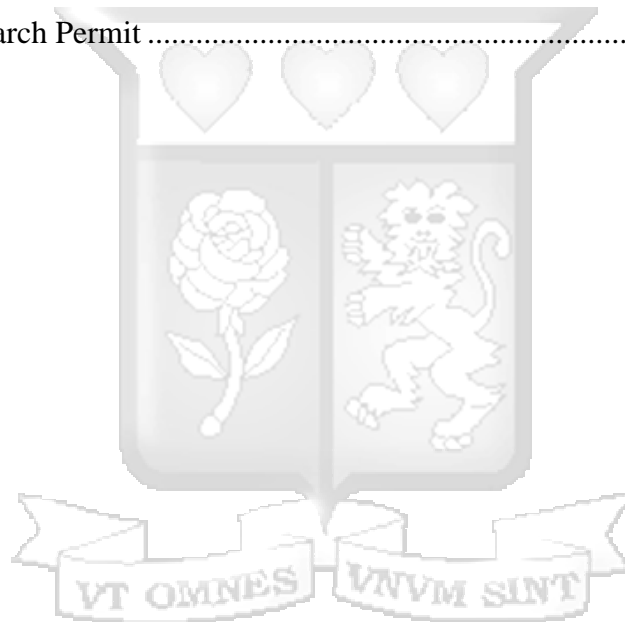
TABLE OF CONTENTS

DECLARATION	i
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	viii
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
CHAPTER ONE	1
INTRODUCTION	1
1.0 Background to the Study.....	1
1.1.1 Non-financial Factors affecting Performance.....	2
1.1.3 Life Insurance Industry in Kenya	5
1.3 Objectives	7
1.3.1 General Objective	7
1.3.2 Specific Objectives	7
1.4 Research Questions	7
1.5 Significance of the Study	8
1.5.1 Policymakers and Regulators.....	8
1.5.2 Top Management of LICs	8
1.5.3 Practitioners, Consumers, Scholars, and Academia.....	8
1.6 Scope of the Study	9
CHAPTER TWO	10
LITERATURE REVIEW	10
2.1 Theoretical framework.....	10
2.1.1 Public Interest Theory.....	10
2.1.2 Disruptive Innovation Theory.....	11
2.1.3 Theory of Planned Behaviour	13
2.1.4 Five Forces Model	14
2.2 Empirical literature	16
2.2.1 Performance of LICs.....	16

2.2.2: Non-Financial Factors	17
2.2.2.1: Regulatory Factors	17
2.2.2.2: Consumer Factors.....	19
2.2.2.3: Technological Factors	20
2.2.2.4: Market Factors.....	20
2.2.3: Non-Financial Factors and Performance of LICs.....	22
2.2.3.1: Regulatory factors and the performance of life insurance companies.....	22
2.2.3.2: Consumer factors and the performance of life insurance	23
2.2.3.3: Technological factors and the performance of life insurance	25
2.2.3.4: Market factors and performance of life insurance.....	28
2.3 Literature Review Summary and Knowledge Gap	31
2.4 Conceptual framework.....	40
2.5 Chapter Summary	42
CHAPTER THREE	43
RESEARCH METHODOLOGY	43
3.0 Introduction.....	43
3.1 Research Philosophy	43
3.2 Research Design.....	43
3.3 Population and Study Setting.....	44
3.3.1 Target Population.....	44
3.3.2 Sampling Frame and Size	44
3.4 Data collection instrument.....	45
3.5 Analysis of Data.....	45
3.6 Ethical Considerations	47
CHAPTER FOUR	48
PRESENTATION OF RESEARCH FINDINGS	48
4.1 Introduction.....	48
4.2 Questionnaire Response Rate	48
4.3 Demographic respondents' profile.....	48
4.4 Reliability and Validity Tests	49
4.5 Descriptive Statistics.....	50
4.5.1 Performance of Life Insurance Companies	50
4.5.2 Regulatory Factors	51
4.5.3 Consumer Factors	53

4.5.4 Technological Factors	54
4.5.5 Market Factors	55
4.6 Explorative Factor Analysis	57
4.6.1 Performance of Life Insurance Companies	57
4.6.2 Regulatory Factors	59
4.6.3 Consumer Factors	61
4.6.4 Technological Factors	62
4.6.5 Market Factors	63
4.7 Inferential Statistics	64
4.7.1 Normality tests	65
4.7.2 Correlation Analysis	65
4.7.2.1 Regulatory factors and performance of life insurance companies.....	65
4.7.2.2 Consumer factors and performance of life insurance companies	66
4.7.2.3 Technological factors and performance of life insurance companies.....	67
4.7.2.4 Market factors and performance of life insurance companies	68
4.7.3 Diagnostics tests	68
4.7.3.1 Test for Heteroscedasticity	68
4.7.3.2 Test for Normality	69
4.7.3.3 Test for Autocorrelation	69
4.7.3.4 Multi-collinearity.....	70
a. Dependent Variable: performance.....	70
4.7.4 Regression Analysis	70
4.8 Chapter Summary	72
CHAPTER FIVE	73
SUMMARY, DISCUSSION, CONCLUSION, AND RECOMMENDATIONS ...	73
5.0 Introduction.....	73
5.1 Summary	73
5.2 Discussion	74
5.2.1 Regulatory Factors and Performance of Life Insurance Companies	74
5.2.2 Consumer Factors and Performance of Life Insurance Companies	75
5.2.3 Technological Factors and Performance of Life Insurance Companies	77
5.2.4 Market factors and Performance of Life Insurance Companies	78
5.2 Conclusion	79
5.2.1 Regulatory factors and performance of life insurance companies.....	79

5.2.2 Consumer factors and performance of life insurance companies	79
5.2.3 Technological factors and performance of life insurance companies	80
5.2.4 Market factors and performance of life insurance companies	80
5.4 Recommendations	80
5.5 Limitations of the Study	81
5.6 Areas for Future Research	82
REFERENCES	83
APPENDICES	94
Appendix 1: Questionnaire For Life Insurance Management Staff	94
Appendix 2: List Of Life Insurance Companies	97
Appendix 3: Ethical Approval	98
Appendix 4: Research Permit	99



LIST OF TABLES

Table 2.1: Literature Review Summary and Knowledge Gap	31
Table 2.2: Operationalization of variables	41
Table 3.1: Sample Size.....	45
Table 3.2: Diagnostics tests.....	47
Table 4.1: Questionnaire Response Rate	48
Table 4.2: Demographic respondents' profile	49
Table 4.3: Test of Reliability of the Research Instrument.....	49
Table 4.4: Descriptive Statistics: Performance of Life Insurance Companies.....	50
Table 4.5: Regulatory Factors	51
Table 4.6: Consumer Factors	53
Table 4.7: Technological Factors	54
Table 4.8: Market Factors	56
Table 4.9: KMO and Bartlett's Test.....	57
Table 4.10: Total Variance Explained	57
Table 4.11: Rotated Component Matrix ^a	58
Table 4.12: Total Variance Explained	59
Table 4.13: Rotated Component Matrix ^a	60
Table 4.14: Total Variance Explained	61
Table 4.15: Component Matrix ^a	62
Table 4.16: Total Variance Explained	62
Table 4.17: Component Matrix ^a	63
Table 4.18: Total Variance Explained	64
Table 4.19: Component Matrix ^a	64
Table 4.20: One-Sample Shapiro Wilk Test.....	65
Table 4.21: Regulatory factors and performance Spearman's rho Correlations.....	66
Table 4.22: Consumer factors and performance Spearman's rho Correlations.....	67
Table 4.23: Technological factors and performance Spearman's rho Correlations.....	67
Table 4.24: Market factors and performance Spearman's rho Correlations.....	68
Table 4.25: Durbin Watson statistic	69
Table 4.26: VIF and Tolerance level	70

Table 4.27: Model Summary^b 70
Table 4.28: Analysis of Variance (ANOVA)..... 71
Table 4.29: Regression Coefficients 72



LIST OF FIGURES

Figure 2.1: Conceptual Framework	40
Figure 4.1: Performance of Life Insurance Companies Scree plot	58
Figure 4.2: Regulatory Factors Scree plot	60
Figure 4.3: Consumer Factors Scree plot.....	61
Figure 4.4: Technological Factors Scree plot.....	63
Figure 4.5: Residual plots for Performance.	69
Figure 4.6: Histogram plot for residuals	69



LIST OF ABBREVIATIONS

AKI	Association of Kenya Insurers
GDP	Gross Domestic Product
GWP	Gross Written Premiums
IAIS	International Association of Insurance Supervisors
ICT	Information, Communication, and Technology
IRA	The Insurance Regulatory Authority
IRDAI	Insurance Regulatory and Development Authority of India
IT	Information Technology
KES	Kenya Shillings
LICs	Life Insurance Companies
M&As	Mergers and Acquisitions
EU	European Union
ICEA	Insurance Company of East Africa Limited
NSE	Nairobi Securities Exchange
GMM	Generalized Method of Moments
OECD	Organisation for Economic Co-operation and Development
PCA	Principal Component Analysis
ROA	Return on Assets
ROE	Return on Equity
SPSS	Statistical Package for the Social Sciences
LMI	Life Microinsurance Industry



CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

Life insurance offers protection against risks affecting the policyholder directly, as well as investment or savings contracts (Meko, Lemie, & Worku, 2019). Hamal (2020) states that life insurance companies (LICs) assist people in hedging risks by dividing them among several individuals. LICs not only provide financial compensation when unforeseeable situations occur but are also recognized for diverting consumer spending into savings, thus making a significant contribution to a nation's economy. Moreover, life insurance provides financial assistance after an untimely death and is a long-term investment (Patel & Patel, 2021).

Globally, information on the performance of the life insurance segment is documented by reputable organizations. Several of these reports (Organisation for Economic Co-operation and Development [OECD], 2019; International Association of Insurance Supervisors [IAIS], 2020; McKinsey & Company, 2021) have shown that life insurance is not performing at an optimum level around the world. In 2020, life insurers' profitability deteriorated worldwide, as life insurance premiums declined by 6% globally in 2020 and by 8% in advanced economies (Deloitte & Touche, 2020a). In 2021, there was a resurgence in performance as the pandemic caused a significant spike in demand for life insurance and other protection. Life insurance premiums grew in several markets worldwide, rising to 3.8% in 2021 from 2.2% in 2019 (Swiss RE, 2022).

Based on this demand, firms need to identify factors that led to increased consumer interest in life insurance since the pandemic and maintain this engagement over time. In response to the changing market and consumer demands for life insurance products, insurers have been pursuing different strategies to adapt to the changing macro-economic environment (IAIS, 2020). These strategies consist of focusing on the needs of consumers and adopting digital strategies in a dynamic regulatory environment (IAIS, 2020). This study, therefore, aims to explore which non-financial factors affect the performance of LICs.

1.1.1 Non-financial Factors affecting Performance

The reviewed literature indicates that an organization's performance is a result of financial and non-financial factors. However, the bulk of reviewed academic research (Akotey et al., 2013; Ahmed, Ahmed, & Usman, 2011; Hamal, 2020) has focused on financial factors and less on non-financial factors. Despite their importance in analysing business performance, financial factors are limited to statistics, which do not represent the complete spectrum of how an organisation should respond to opportunities in its environment to achieve optimum performance (Akotey et al., 2013). Conversely, non-financial factors provide more insight into the performance of an organization, and it has been widely accepted that non-financial factors are key factors influencing organisation performance (Phan et al., 2021).

Non-financial factors assist companies in maintaining consistency in objectives and goals and in measuring external and internal factors needed to attain these firm targets (Sarker & Kasem, 2012). Non-financial factors offer firms an added advantage over financial factors as they have a closer link to long-term organizational strategies. Global industry reports indicate the insurance market operates in a dynamic and turbulent market responding to technology advancement, intense industry competition from Mergers and Acquisitions (M&As), changing regulations and changing consumer preferences, and these factors are anticipated to play a role in the performance of LICs (Swiss RE, 2022; IAIS, 2020; McKinsey & Company, 2021; OECD, 2019).

The reviewed literature on non-financial determinants of life insurance performance reveals four categories of factors—regulation, consumer, technological, and market factors. Generally, a regulatory framework can influence various aspects of a firm's business operations, including production, allocation of resources, profitability, expansion, etc. In regards to life insurance companies and their performance, the regulatory burden on pricing can have a negative consequence on the ability of these companies to penetrate the market and their sustainability (Muriuki & Mutugi (2017; Kitaka et al., 2019). Some of the notable regulatory issues in the life insurance sector include pricing, market entrance, emphasis on corporate governance, reporting reforms, and data privacy policies.

In general, government regulations negatively impact the performance of life insurance companies. For example, the emergence of data privacy and cybersecurity laws has seen organizations incur additional expenses and result in business operations experiencing inefficiencies to be compliant. Some scholars, such as Langevoort (2017) and Posen (2015), suggest that regulations serve as irrational impediments to a company's profitability, economic performance, and efficiency. Therefore, in the context of life insurance, excessive and constant changes in regulations can expose companies to some decline patterns.

Consumer behavior is a product of a wide range of factors, including psychological, social, personal, cultural, and economic factors (Esau, 2015; McGarry et al., 2016). Psychological factors integral to consumer behaviour may include motivation, learning, attitude, perception, and beliefs, whereas social factors centre on family reference groups and roles and status (Esau, 2015). Personal factors may involve consumers' age, lifestyle, and occupation, which can closely be linked to economic factors that revolve around income and savings. Abaidoo (2016) revealed that perceptions, awareness, and education of the public, sustainability, and business growth influenced life insurance patronage. Nebo and Okolo (2016) argue a case of negative effects on performance due to a lack of trust, confidence, and knowledge among consumers.

The role of innovation and new technologies have had tremendous impact on the life insurance sector. Technology enables life insurance companies to have timely feedback and response to customer needs (Cappiello, 2018). Besides driving companies to be more customer-oriented, technology also helps drastically reduce working capital, improve efficiency, and provide endless opportunities for life insurance companies to be more profitable (Cappiello, 2018). Abaidoo (2016) observes that employing quality service delivery through technology applications leads to firm success. The impact of technology on life insurance company performance is usually positive, but it can also be negative, as Mulumbi (2021) suggests. A good example is a data breach that can cripple a firm and its operations.

Market factors refer to a blend of economic and consumer behaviour trends that can influence firms operating in the life insurance industry. Examples include the

dynamics of supply and demand, competition, interest rates, employment rates, and seasonal fluctuations (Melnychuk et al., 2019). Cummins et al. (2017) found that competition improved the soundness of life insurance companies while also enhancing the stability of LICs. Kasman et al. (2019) suggested that competition enhanced the stability of LICs. Conversely, Abachi (2018) found that product pricing had a negative effect on LICs, while Banerjee and Savitha (2021) showed market concentration had a negative consequence on LICs.

Evidence from the existing body of literature points out that the nature of the relationship between non-financial factors and the performance of life insurance companies remains inconclusive. Current studies demonstrate positive, negative, and no relationships between regulatory, consumer, technological, and market factors and LIC performance, with some producing conflicting views. Further, there is less evidence of studies on non-financial factors' effects on the performance of life insurance in Kenya, a gap that this study aims to fill.

1.1.2 Performance

The concept of performance is one of the most used dependent variables in strategic management research, as performance measurement plays a vital role in translating an organization's strategy into desired behaviours and results (Vij & Bedi, 2015). There is no consensus on performance measurement, as subjective as well as objective measures have been used by researchers for measuring performance (Vij & Bedi, 2015). Subjective measures are generally relative, whereas objective measures are absolute, where managers' perceptions provide information on subjective measures, while firm records provide objective measures.

The subjective measures approach is broad. It can include different business aspects such as sales growth, market share, return on investment (ROI), service quality, customer satisfaction, employee satisfaction, product innovation, process innovation, and product quality (Vij & Bedi, 2015). The benefits of subjective measures are that they can be used across different firms in the industry; they provide insightful information from managers' perceptions; and they are also able to provide the organisational context from managers in a specific firm (Vij & Bedi, 2015; Santos & Brito, 2012).

The objective measures used in measuring performance include market density (demand) and market penetration (supply) (Sulaiman, Migiro, & Yeshihareg, 2015). Use cases of objective measures may include premium growth, return on assets (ROA), return on equity (ROE), capital adequacy, asset quality, reinsurance and actuarial issues, management soundness, earnings and profitability, liquidity, sensitivity to market risk, vestment income ratio, expense ratio, and claim ratio (Markonah et al. (Supriya, 2018; 2019; Ishtiaq & Siddiqui, 2019; Hamal, 2020; Patel & Patel, 2021). Objective measures are limited to recorded data, which may not be practised uniformly in a sample of firms, and managers are reluctant to provide this information to outsiders (Singh, Darwish, & Potocnik, 2016).

Based on the nature of the study and the purpose it intended to accomplish, subjective measures were used to measure performance. More specifically, sales growth, market share, return on investment, service quality, customer satisfaction, employee satisfaction, product innovation, process innovation, and product quality aspects of life insurance were used to measure performance.

1.1.3 Life Insurance Industry in Kenya

The life insurance market consists of ordinary life, group life, pensions, annuities, group credit, investments, and permanent health (Deloitte & Touche, 2020b). The insurance market in Kenya has experienced consistent growth since the year 2013, marked by an increase in premium revenue and capital investments. However, the RoE has declined since 2016 (Deloitte & Touche, 2020b). Life insurance premiums increased by 4.87% from KES 97.85 billion in 2019 to KES 102.61 billion in 2020 (AKI, 2020).

The Insurance Regulatory Authority (IRA) listed 24 licensed life insurance underwriters and three reinsurers in 2020 (AKI, 2020). In Kenya, life insurance lags behind in terms of penetration, with only 42.30% of Gross Written Premium (GWP) made up of life insurance business in comparison to non-life business, which makes up 57.70%. Group life claims decreased by 1.62% in 2019 compared to 2018, while pension claims decreased by 9.08% (AKI, 2019). The life insurance industry continues investing in technology and using big data to improve their operations and manage their expenses, including claim ratios, to increase their profitability (AKI,

2019). In recent years, the life insurance industry has faced various legislative changes, including the Data Protection Act, of 2019, the Health Laws (Amendment) Act of 2019, and the Business Laws (Amendment) Act of 2019. Looking into the relevant non-financial factors and their contribution to the current status of the life insurance sector and the performance of individual firms in this industry.

1.2 Problem Statement

The dynamic and turbulent environment of the life insurance sector implies that organisations need to have strategies in place to adjust and match their internal environment to their external environment. To make these decisions, managers need information on the factors that affect their performance. The current body of empirical research mostly focuses on financial factors. The non-financial factors remained disproportionately addressed even though they are known to affect the performance of life insurance companies (Vij & Bedi, 2015; Santos & Brito, 2012; Singh et al., 2016). Conducting a scientific inquiry into the market, legislative, technological, and consumer factors will play a huge role in filling this gap.

Moreover, given the recent changes in legislation, ever-changing consumer preferences, technology advancements, and life insurance market environment, managers need to understand which factors among these influence performance. For example, Kenya's life insurance sector has gone through some developments regarding legislation, with the introduction of the Data Protection Act of 2019 and the amendment of the Business Laws Act (Alunge, 2020, Njuguna, 2019). Transformative innovations like data analytics, AI-powered process automation solutions, chatbots, predictive analytics, and telematics, among others, continue to disrupt Kenya's insurance sector (Otiso, 2020). Consumers are also becoming more aware and informed about life insurance and thus prioritize experience even more.

The changes in the factors above may not be reflected in financial indicators. Using these non-financial factors to predict performance will enable firms to make decisions and take actions that contribute to higher savings, less consumer spending, and the overall health of the national economy.

A substantial number of studies (Kaguri, 2013; Onsongo, 2015; Mutugi, 2012) have focused on the life insurance sector, most of which have focused on the influence of

financial ratios on the performance of life insurance. Other studies have adopted different dimensions of performance, including pricing of life insurance products (Abachi, 2018), consumer purchase behaviour (Magati, 2021), life insurance growth (Nzenga, 2013; Mulumbi, 2021), organisational performance (Makau, & Okeyo, 2021; Ngugi, 2021), and uptake (Nderitu, Kung'u, & Gichuhi, 2019). However, there is a need to understand the performance of life insurance using an accepted model of measuring subjective performance, which is adopted for this study. This approach will provide top management of LICs with a holistic perspective of which non-financial factors contribute to their performance.

1.3 Objectives

1.3.1 General Objective

The overall objective was to explore the effects of non-financial factors on the performance of life insurance companies in Kenya.

1.3.2 Specific Objectives

This study was guided by these specific objectives;

- i. To assess the relationship between regulatory factors and the performance of life insurance companies in Kenya.
- ii. To analyse the relationship between consumer factors and the performance of life insurance companies.
- iii. To examine the relationship between technological factors and the performance of life insurance companies.
- iv. To measure the relationship between market factors and the performance of life insurance companies.

1.4 Research Questions

The study answers the following questions;

- i. To what extent do regulatory factors influence the performance of life insurance companies in Kenya?
- ii. To what extent do consumer factors affect the performance of life insurance companies in Kenya?
- iii. To what extent does technological contribute to the performance of life insurance companies in Kenya?

- iv. To what extent do regulatory factors impact the performance of life insurance companies in Kenya?

1.5 Significance of the Study

1.5.1 Policymakers and Regulators

The insurance sector is heavily regulated in the economy. Findings from this study may be of importance to policymakers and regulators like IRA as it will indicate a glimpse into what non-financial factors affect the performance of LICs. If adopted, the recommendations from the study can improve the performance and wellbeing of this insurance segment. Policy and decision-makers also benefit from managers' views on life insurance, which can shed more light on what policies can be created to foster the improved performance of LICs. These regulations and guidelines can focus on technology use, consumer demands and preferences, and market regulations to enhance the overall performance of the life insurance segment.

1.5.2 Top Management of LICs

The study is of significance to the management of life insurance firms as it provides them with an opportunity to evaluate the performance of their companies based on non-financial factors, and the recommendations may aid in adopting appropriate strategic actions to improve performance. The study provides empirical evidence to top management on staff perceptions on how technology changes, regulatory changes, market factors, and consumer preferences impact performance and how adopting this can lead to formulating strategies to improve performance.

1.5.3 Practitioners, Consumers, Scholars, and Academia

If adopted, the findings are important for life insurance consumers as recommendations from this study will ensure better service delivery. The study focuses on consumer preferences as a non-financial factor, which will contribute to a better understanding of which aspects are important to life insurance customers, and the study's recommendations, if implemented, will result in greater efficiency. Lastly, the study will add to the available literature on the performance of LICs while making recommendations for further research on the determinants of the performance of the life insurance segment.

1.6 Scope of the Study

This study focused on the performance of 24 life insurance companies, focusing on the influence of non-financial factors on their performance. These non-financial factors include technology, consumer, market, and regulatory factors. Secondly, the performance of LICs was evaluated using ten subjective measures of performance rather than the objective measures of performance that have been widely adopted in past studies. The study was conducted from March 2022 to November 2022.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the theoretical framework for the study, which is introduced, described, and justified for its inclusion in this research. An empirical review of the literature is also presented, followed by a summary and the literature gaps that the study intends to fill. The conceptual framework and operationalization of variables are also presented.

2.1 Theoretical framework

The theories underpinning this research are presented in this section of the review. Kitchel and Ball (2014) defined a theory and a theoretical framework as a statement or complex argument explaining and/or predicting phenomena. The study adopted the public interest theory, disruption innovation theory, the theory of planned behaviour, and the five forces model.

2.1.1 Public Interest Theory

The public interest theory (PIT) of regulation assumes that regulators have sufficient information and enforcement powers to effectively promote the public interest and continues to elaborate that the information is with respect to cost, demand, quality, and other dimensions of firm behaviour (Muriuki & Mutugi, 2017). The public interest theory of regulation provides a rationale for this regulation: it exists to serve the public interest and, therefore, governments regulate industries to improve or protect public safety, to increase social welfare, and to prevent market failure (Kelly, Kleffner, & Leadbetter, 2012).

The PIT proponents argue that the regulatory process helps promote price competition by, for example, removing restrictive trade practices commonly associated with abusing monopoly power. In its original form, PIT viewed regulators as independent and neutral arbitrators responding to the demands of the public to correct inefficient and/or inequitable market practices (Anyango, 2014). The government has established bodies that are mandated to oversee and enforce legislation over a particular industry to protect the interests of the public.

Therefore, market regulation is one of the leading applications of the theory. According to Barry (2017), PIT is part of welfare economics that emphasizes that regulation should maximize social welfare. The insurance sector is a heavily regulated industry, given its importance in the financial market. The role of regulations in the sector is to improve the industry, compensate for imperfect competition, address unbalanced market operations, and prevent undesirable outcomes (Barry, 2017; Muriuki & Mutugi, 2017). That being the case, and since the study examined the relationship between regulatory factors and the performance of LICs, PIT was a significant theoretical basis for the study.

Many researchers, including Anyango (2014) and Muriuki and Mutugi (2017), have widely used the theory to understand the nature of the relationship between regulatory framework and performance in the insurance industry. The theory played a critical role in helping design the research question, guide data collection, interpret findings, and propose an explanation for the underlying phenomena (Collins & Stockton, 2018). As such, due to the nature of Kenya's insurance sector, the principles of the PIT provided a foundation for understanding the role regulatory agencies play in the sector.

The existing legislation on the insurance industry is regulated by an independent body, which is the IRA in Kenya, and the guidelines and regulations are enforced on the insurance industry stakeholders. Thus, PIT was used in this study, given the mandate of the IRA to oversee the operations of the Authority and ensure that they are consistent with the provisions of the Insurance Act. In practicing its mandate, the IRA enforces several laws and regulations, and these were used in this study to determine their effect on the performance of life insurance firms.

2.1.2 Disruptive Innovation Theory

Disruptive technology was a term coined by Christensen (1997) to describe innovation as a window of opportunity for new products. It can enable low-income markets to have a piece of otherwise inaccessible technology (Terry, 2020). Disruptive technology calls for a change in the way we look at market failures and the impact of new technologies. Productive, successful companies can make a critical error by failing to keep up in a rapidly changing marketplace. Corporate executives must

recognize the potential impact and competition of a low-cost or otherwise inferior product (Terry, 2020).

Christensen's (1997) account of disruptive innovation consists of three principal components. First, in many industries, the pace of technological progress outstrips customers' demand for higher-performing technologies. As a result, incumbents can overserve the market by producing more advanced, feature-rich products than customers need; doing so leaves a gap at the bottom of the market between customers' needs and the performance provided by firms - a gap that provides an opening for entrants.

Second, for firms, a strategically crucial distinction between different types of innovation – in technology or business models – can emerge in an industry. Most are sustaining innovations, which improve products and services along dimensions of innovations that mainstream customers care about and that markets have historically valued, enabling incumbents to sell more products to their best existing customers at higher margins and profitability (Christensen, McDonald, Altman, & Palmer, 2018).

The third component is that existing customers and established profit models constrain established firms' investments in new innovations; thus, investments unattractive to incumbents may be attractive to entrants who lack many (or any) customers and enjoy fewer competing investment opportunities. Consequently, incumbents are typically unmotivated to develop disruptive innovations that promise lower margins, target smaller markets, and introduce inferior products and services that their existing customers cannot use (Christensen et al., 2018).

According to Cappelletto (2020), digital transformation greatly affects the insurance industry and forces radical change upon corporate culture, products and processes, customer relationships, and relations with the sector's various competitors. Cloud computing, telematics, the Internet of Things (IoT), Insurtech, FinTech, mobile phones, blockchain technology, artificial intelligence/cognitive computing, and predictive modeling are examples of a fourth industrial revolution technology that are being adopted in the local insurance scene and are disrupting traditional life insurance business.

Thus, the theory of disruptive innovation is invaluable for this specific area of investigation and has also been adopted by previous studies (Owuor, 2018; Maina, 2016; Mulumbi, 2021) that have examined the impact of technology advancement and innovations in the insurance industry. In this case, the disruptive component of the theory was adopted to help fulfil the second objective and research question of the study. It played a huge role in providing a framework for understanding the influence of technology on altering the resources, values, processes, and overall performance of life insurance companies.

2.1.3 Theory of Planned Behaviour

Ajzen (1991) is credited with developing the Theory of planned behaviour (TPB), which addresses the attitude towards behaviour (ATB), perceived behavioural control (PBC), and subjective norms (SN) as the antecedents of behavioural intention (BI). TPB postulates that attitudes, beliefs, and subjective norms will translate into behaviour, but only if, the person feels that he can control his actions (or he has control over his second, the time elapsed between expressing the behaviour intention and performing the behaviour is brief (Ajzen, 1991).

Attitudes refer to the degree to which a person has a favourable or unfavourable evaluation of the behaviour of interest. It entails a consideration of the outcomes of performing the behaviour (Ajzen, 1991). Subjective norms refer to the belief that an important person or group of people will approve and support a particular behaviour. Norms have the ability to influence human behaviour because they define the behaviours that those in our social world expect of us (Magati, 2021). The PBC component of the theory refers to how confident and safe consumers feel towards executing certain behaviours (Magati, 2021).

The application of TPB and its principles in the insurance sector is well demonstrated by Brahmana et al. (2018), Kazaure, (2019), and Mamun et al. (2021) in their studies. The researchers point out that the model explains the psychological drivers influencing consumers' intention to purchase insurance products. For instance, as Brahmana et al. (2018) clarify, the demand for coverage is driven by the attitude towards purchasing, subjective norms (as informed by environmental and societal

factors), and perceived behavioural control. In addition, the perceived usefulness of insurance and the perceived risk or uncertainty of the future creates a huge demand for insurance (Brahmana et al. 2018; Kazaure, 2019, & Mamun et al. 2021). When people perceive the future as uncertain, they tend to develop a positive attitude around insurance as a useful means to shield themselves against unforeseen risks. So, the intention to purchase insurance increases.

Several studies have adopted TPB in analyzing consumer behaviour towards the purchase of life insurance. Husin and Rahman (2013) discovered that several consumer-specific factors, such as demographic variables, consumer knowledge, situational factors, and consumer level of religiosity, had moderating effects in Malaysia. Giri (2019) found that attitudes and subjective norms significantly affected the decision to purchase life insurance. Social influence is also found to affect the choice of policies. Omar (2007) found that life insurance purchase intention is influenced by beliefs rather than attitudes in Nigeria. In Kenya, Magati (2021) found support for TPB as consumers were more likely to purchase more life insurance once the original purchase was considered a success.

The principles of the TPB were thus relevant to the topic under investigation. They helped shed light on how drivers of consumer behaviour can influence the demand and purchase of life insurance products and services and as a result, affect the performance of LICs. In other words, the study used TPB as a research framework to explore consumer factors as determinants for the performance of LICs in Kenya.

2.1.4 Five Forces Model

The five forces framework was coined by Porter (1980) and is based on the perception that an organizational strategy should encounter opportunities and threats in the external setting. These five forces are rivalry among existing competitors, new entrant threat, supplier and buyer power, and substitute products and services (Jakes, 2018). The five forces framework is an influential and straightforward tool for the identification of certain powers in line with a particular business situation by using the outside-in perspective. The framework distinguishes five microenvironmental forces that drive competition and jeopardize an organization's ability to make a profit (Ngugi, 2021).

According to Porter (1985), when rivalry among existing competitors is significant, profitability within the industry suffers and organizations may introduce measures such as price discounting, introducing new products, advertising campaigns, and service improvements. The threat of new entrants dimension explains why new entrants to an industry bring new capacity, and the desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. However, the threat of entry will largely depend on how high the entry barriers are and how many organizations are in the industry (Hole & Bhaskar, 2019).

The bargaining power of suppliers acts against a firm when suppliers have strong bargaining power, allowing them to sell higher-priced or low-quality raw materials to their buyers. This directly affects the buying firms' profits because they have to pay more for materials (Hole & Bhaskar, 2019). Buyers' bargaining power allows them to demand a lower price or higher product quality from industry producers when their bargaining power is strong. Lower prices mean lower revenues for the producer, while higher-quality products usually raise production costs (Rajasekar & Raee, 2013).

In terms of threats of substitutes, substitute products from another industry may meet the same needs. The additional substitutes for any product indicate a more competitive environment, which means less probability of profits (Rajasekar & Raee, 2013). The substitutes can impact the company's cost of products, thereby reducing profits. Otherwise, lower substitute prices can increase sales and attract more consumers, reducing the sales of existing companies (Rajasekar & Raee, 2013).

The concepts of Porter's 5 forces model are applicable to the insurance market as determinants for entry, operations, competition, and other aspects of the performance of the sector. For instance, competitive rivalry in the industry is a core contributor LICs' pricing and marketing strategies. Due to emerging tech and disruptive innovations such as IoT, UBI, AI, and more continue to increase the threat of new entrants, forcing incumbents to adapt accordingly in order to stay relevant. Buyer power and supplier power speak to the law of supply and demand. Consumers are becoming more informed and as a result, develop greater expectations in terms of service quality and pricing. Meanwhile, the role of brokers, agents, and other middlemen is declining, thereby decreasing the power of suppliers.

The 5 forces model has been used in past studies on life insurance performance. Jakes (2018) found that the implementation of Porter's five forces could benefit life insurance brokerage owners by attracting and retaining more customers; sustaining and increasing the value of their customers, and promoting customer satisfaction in the United States. In India, Banerjee and Savitha (2021) adopted the five forces model to explicate the relationship between market structure and the performance of life insurance companies. Ngugi (2021) used the framework in Kenya to explain the implementation of generic competitive strategies in insurance firms. In this study, the five forces model is adapted to measure the influence of market factors on the performance of LICs.

2.2 Empirical literature

This part of the chapter focuses on highlighting different studies that have been done on non-financial factors and the performance of the life insurance segment, where an attempt is made to show comparisons between studies and identify research gaps from which the present study will fill.

2.2.1 Performance of LICs

A life insurance company offers risk mitigation services that provide payment to the insured, policyholders, or other parties in the event of death or survivors, or other payments to the insured or policyholders entitled in the time specified in the agreement. Life and non-life insurance companies share many characteristics, the former is more concerned with financial intermediation, while the latter focuses on the transfer of risk and compensation. Therefore, life insurance firms uniquely contribute to promoting and enhancing an economy.

According to a special report by McKinsey, the global life insurance sector is expected to undergo massive changes (Bernard et al., 2020). The past few decades have seen developing economies, especially in emerging markets, become global growth drivers, accounting for at least 50% of global premium growth and 84% of individual annuities growth (Bernard et al., 2020). These economies were formerly small contributors to the global life insurance sector. Bernard et al. (2020) attribute the changing dynamics of life insurance in emerging markets to factors such as digital

and mobile advances, availability of data, progress in advanced analytics, and artificial intelligence.

Kenya is one of the emerging marketing that is seeing a significant transformation in its life insurance industry. For instance, a 2022 publication by Global Data suggests that Kenya's life insurance market's GWP was \$958.9 million (KES102.1 billion) in 2021 and is expected to hit at least 4% CAGR between 2020 and 2025. This makes the sector a prime investment market in Africa, especially with players like Britam, ICEA Lion, Jubilee Insurance, Kenindia, and CIC Life, among others, continuing to be attractive (Sibindi, 2019).

According to Melnyk et al. (2014), an accurate assessment of a company's performance requires a wholistic view of financial and non-financial points of view. Financial indicators are usually quantifiable and thus offer an accurate picture of a company's performance. Examples include revenue, gross margin, cash flow, ROI, ROE, working capital, etc. (Bacon, 2023). On the other hand, nonfinancial indicators offer a qualitative overview of a company's performance and may include client satisfaction, customer retention, brand reputation, etc. (Bacon, 2023). The performance of LICs was assessed from many angles from both financial and nonfinancial perspectives, including revenues, productivity, customer satisfaction, market share, employee performance, ROI, and so on.

2.2.2: Non-Financial Factors

Financial data and metrics are key growth and performance indicators, but thinking they are the only critical determinants is unwise. As such, nonfinancial factors have well been recognized as significant determinants of the performance of LICs. Various standardized nonfinancial models for measuring the competitiveness and performance of life insurance firms have been suggested. Among them are regulation, consumer factors, technological, and market (Muriuki & Mutugi, 2017; Abaidoo, 2016; Alhassan & Biekpe, 2016; Mulumbi, 2021; Nebo & Okolo, 2016). These factors are common and affect LICs of all kinds and sizes.

2.2.2.1: Regulatory Factors

The role of regulation on the existence, competitiveness, and performance of businesses of all types has been widely explored. In-depth studies by Li et al. (2017)

and Kusi et al. (2019) point out that regulations and regulatory agencies play a critical role in creating and maintaining a contestable and fair market that protects businesses, supports growth, and ensures the safety of consumers. Regulations govern firms' entry, growth, and exit through licensing, registration, inspections, property rights, etc. (Li et al., 2017). The role and benefits of regulatory factors, especially in delicate industries like life insurance are undeniable. However, they are also associated with numerous significant downsides.

Every time a new business regulation is established any or all of the four possible outcomes occur (Bernstein, 2015; Li et al., 2017; Kusi et al., 2019). Firstly, it increases the financial cost of doing business as enterprises are forced to comply. A set of new laws requires additional costs in meeting standards such as new business procedures, inspections, equipment, and so on (Bernstein, 2015). Secondly, a new set of laws can hamper creativity and innovation resulting in decreased product or service development (Kusi et al., 2019). For example, dismissal laws lead to reduced development in innovation-intensive sectors such as technology. Thirdly, the costs associated with new laws can prevent a company's ability to invest in assets. A good example is the limitations of automakers to establish new factories in certain markets. Lastly, new laws come with additional expenditures in legal help to understand and comply.

The state and federal governments regulate the life insurance sector depending on the jurisdiction. Major reasons for regulating the sector include ensuring reasonable rates, insurer solvency, insurance availability, and protecting consumers. Life insurance regulation can take many forms (Murigu, 2014; Ouma, 2016; Salim, 2017). For example, the regulatory system in Kenya encompasses three categories – laws, legislations, and directives. The Insurance Act, Cap 487 is an example of a law that regulates the operations of LICs (Murigu, 2014; Ouma, 2016). Legislations such as the Insurance (Policyholders Compensation Fund) Regulations of 2010, and Legal Notice no. 86 of 2010 are created to supplement what the Act provides (Ouma, 2016; Salim, 2017). Directives and circulars may also be issued periodically for specific and unique purposes.

2.2.2.2: Consumer Factors

In general, consumer expectations and behaviour are subject to a wide array of factors, from personal, psychological, and social to cultural. These factors collectively inform what consumers think of certain brands, products, buying decisions, experiences, attitudes, and more. However, life insurance is different from other sectors as Chaudhary (2016), Omar (2017), and Salleh et al. (2018) suggest. The common and industry-specific consumer factors influencing the performance of LICs include consumer knowledge and trust, consumer profile, attitudes and perception, and socio-demographics.

The knowledge of the life insurance industry, key players, and products is positively correlated with consumers' ability to own life insurance and their choice of insurers (Chaudhary, 2016; Wang, 2020). This means that if more consumers are well-informed about life insurance and its benefits, they are more likely to take life insurance products resulting in improved performance of LICs companies and vice versa (Wang, 2020). Trust plays a critical role in the choice of insurers and insurance products. Consumer profile centres around risk tolerance and buying preferences. Negative signs of life insurance and buying preferences imply consumers are more likely to own life insurance from certain companies (Chaudhary, 2016). Attitude and perception around the importance of death benefits can drive consumers to take more life insurance products with socio-demographics such as gender, age, education, and employment status also predicting of consumers also predicting the performance of the life insurance sector (Salleh et al., 2018; Wang, 2020).

Kenya's life insurance consumer expectations are evolving based on the abovementioned factors. This is attributable to, consumers becoming more informed, broad adoption of on-demand connections, and continually accessible services (Johnson et al., 2019). In addition, education level among consumers continues to rise, and income levels are also on an upward trajectory with more people recognizing the benefits of death benefits (Janzen et al., 2021). As a result, consumers are increasingly becoming more comfortable making big purchases from life insurance brands they trust. This also means that consumers expect more from life insurance providers, implying that insurers must align existing services with the evolving expectations to remain competitive.

2.2.2.3: Technological Factors

Technology in the insurance sector, just like any other sector, has seen exponential growth in recent decades. The introduction of innovative solutions into different components of life insurance has seen insurance agencies and consumers alike benefit tremendously. Some of the popular examples of insurance technologies include telematics, blockchain, smart contracts, the internet of things (IoT), AI, social media, and more which provide new ways life insurance companies can measure, control, engage clients, minimize costs, improve efficiency, and enhance customer experience (Kurni & Mrunalini, 2021; Schmidt, 2018).

Many insurance companies are tapping into advanced automation and analytics technology for purposes of fraud prevention. Insurance fraud costs companies billions of dollars per year worldwide. Digital infrastructure technology and data analytics help lower the activation of fake insurance accounts and prevent fraudulent claim payout (Dhanabhakym et al., 2019). These technologies also help enhance risk assessment. Technology is also making it possible for insurers to accept varied forms of payments providing ultimate flexibility to consumers and making the billing systems more efficient. For example, insurance companies now leverage digital wallets and other payment gateways to sell insurance to users (Rai & Medha, 2013). Other technologies like telematics, AI and chatbots, and IoT have proven useful in lowering underwriting costs, offering specialized insurance, expediting the claim settlement process, and data-driven pricing (Schmidt, 2018).

2.2.2.4: Market Factors

The market factors influencing the performance of LICs are broad but can be narrowed down to five determinants as suggested by Porter in his five forces model. They include competition, the threat of new entrants, suppliers, consumer power, and substitutes. Competitive rivalry in the Kenyan life insurance sector is high and as a result, the pricing and marketing strategies LICs adopt are influenced (Kiptum, 2017). Insurers compete strongly and are forced to deal with government insurance programs, self-insured entities, and risk retention groups (Kiptum, 2017). At the same time, the prices of the products offered are highly regulated which minimizes the opportunities for insurers to differentiate themselves through pricing.

Every industry faces the threat of new entrants and life insurance is no exception. It increases the competition level and affects branding and distribution strategies. Insurance is generally a capital-intensive sector. This is why, though competitive, Kenya's life insurance space is dominated by five key players – Britam, Jubilee, CIC, ICEA Lion, and Kenindia – who control at least 63% of the market (Kiptum, 2017). However, advancements in technology are giving rise to new entrants, partnerships, and operating models. In addition, non-insurance companies like Safaricom, NCBA, KCB, and I&M are beginning to offer insurance products.

The next two components – the power of buyers and the power of suppliers – speak to the fundamental law of business, supply and demand. Buyer power can be a huge factor, especially if multiple ways exist to procure available products and services. With the emergence of social media and online aggregators, individual policyholders are becoming more influential. Modern buyers have more expectations with regard to pricing, coverage, and services as they also become more informed.

Supplier power acts as the polar opposite power to buyer power. Suppliers can exert pressure on insurers by raising prices, altering the quality, or controlling the availability of products or services. Agents and brokers have long played a critical role in influencing consumer and policyholder decisions about placing their money into specific insurance companies or policies. This has been advantageous for certain companies, especially those that benefit from brokerage services like the large LICs. However, the emergence of front-end tools is seeing a diminishing role of distributors and along with it, their bargaining power.

Lastly, the threat of substitute centres on a buyer's propensity to substitute a product or service with another to solve the same need. Historically, LICs in Kenya have not had to deal with any alternative products and services but this is starting to change. The emergence of advanced insurance solutions dubbed the InsurTech movement is enabling innovation of insurance products and services seeing a rise in trends such as on-demand and usage-based insurance products that greatly appeal to the new generation of consumers who want something different.

2.2.3: Non-Financial Factors and Performance of LICs

2.2.3.1: Regulatory factors and the performance of life insurance companies

Insurance is highly regulated, which has contributed to life insurance's performance, which has also received considerable attention from academia. Using a multivariate approach, Chandrapal (2019) investigated the impact of liberalisation on the Indian life insurance industry, collecting data from 552 respondents in the life insurance segment, including intermediaries, customers, and employees. The performance of LICs was measured by the marketing mix, service quality, and insurance awareness. The multivariate analysis of variance revealed a positive impact of liberalisation aspects such as service quality, awareness of insurance, and marketing mix on LICs' performance. Nonetheless, the study was limited to life insurance market liberalization and did not focus on national legislation changes and how they affect life insurance performance, which is the focus of this study.

In Nigeria, Iheanacho (2018) conducted a study examining the relationship between insurance industry performance and the selected regulatory instruments, employing a classical linear square technique to analyse data from 1981 to 2015. The regulatory instrument variable was measured by the minimum rediscount rate (MRR), Liquidity ratio (LR) and cash reserve ratio (CRR). The findings revealed that the liquidity ratio is found to have a negative but insignificant effect on total insurance income. Second, the loan-to-depositors ratio is found to have an exact negative and statistically significant influence on total insurance income. Third, the minimum rediscount rate is found to exact a significant impact on total insurance income. This study was based on secondary data from financial records and included all segments of insurance; the findings cannot be generalised to LICs' performance.

Using a descriptive research design, Muriuki and Mutugi (2017) examined the effect of Insurance Regulatory Authority (IRA) regulation on insurance penetration in a sample of compliance officers from the IRA. The sample size was selected using census sampling, including 75 respondents. A descriptive analysis of the data revealed that insurance penetration was affected by the IRA regulatory framework by having a negative effect on pricing, which limited insurance penetration. The study was limited to penetration as an indicator of performance, while the present study aims to use

different subjective measures of performance. Moreover, the study was limited to regulations from the IRA, while the present study focused on national legislation and its perceived effect on life insurance performance.

In their study, Kitaka, Kiragu, and Marwa (2019) assessed the relationship between government regulation and the sustainability of insurance companies, from which 30 firms were selected from the 51 firms in the industry. The sample consisted of 357 staff from senior, middle, and junior cadres of staff selected using stratified random sampling procedures. The results revealed a mediating effect of regulations on the sustainability of LICs while a positive effect of regulation on risk sensitivity, management capability, and capital adequacy was established, but no mediating effect on asset quality was witnessed. The study focused on mediating effects of regulations while they are considered as an independent variable in the present study. The study's dependent variable was sustainability, while the present study aims to focus on performance as the outcome variable. Moreover, the sample included all insurance firms while the present study is specific to LICs.

Adopting a case study research design, Makau and Okeyo (2021) sought to determine the relationship between underwriting, crisis management, regulatory framework, and performance of Sanlam General Insurance Company. A descriptive research design was used, selecting 75 employees using census sampling. Linear regression analysis indicated that insurance regulations have a positive moderating effect on the nexus between underwriting and insurance performance, implying that insurance regulations enhance the operational efficiencies of insurance companies, thus their financial performance. The study was limited to Sanlam and these findings cannot be generalized to other players in the life insurance segment. The regulatory framework was used as a mediating variable while it is adopted as a predictor variable in the present study.

2.2.3.2: Consumer factors and the performance of life insurance

Consumers are an important component of any business, and the performance of firms can be associated with consumer factors, which have also been explored in the life insurance segment. In Nepal, Basaula (2017) examined the awareness and satisfaction of customers towards life insurance claim settlement using a descriptive research

design. The sample was comprised of 391 agents from 9 companies for which stratified sampling was used to select respondents. It was observed that respondents were in moderate agreement with the claims settlement satisfaction from LICs, collecting data from a sample of 391 life insurance agents. Furthermore, the study established that creating new products and increasing institutional delivery channels would result in the repurchase of life insurance policies. The study was limited to claim settlement, which is a component of overall performance for a life insurance company, while the present study will adopt several indicators so as to show diversity in measuring firm performance. In its analysis, descriptive methods were used while no inferential tools were adapted to measure the size and direction of variables.

In Nepal, Upadhyay and Adhikari (2021) assessed the impact of service quality on customer satisfaction and firm performance of LICs using a combination of descriptive and causal-comparative research designs. The units of observation were 19 firms, while the units of analysis were 350 consumers of life insurance recruited using the convenience sampling method. From the output, tangible reliability, empathy, responsiveness, and assurance positively impacted customer satisfaction and firm performance. The study was limited to customer satisfaction and service quality as indicators and proxies for consumer factors. In the present study, these are among the factors for measuring the performance of LICs, while constructs from the TPB will be used to measure consumer factors based on these aspects of performance.

In Ghana, Abaidoo (2016) evaluated customer satisfaction strategies for life insurance growth among a sample of 12 life insurance firms, from which 28 life insurance leaders from 3 firms were recruited into the sample. The research adopted a qualitative research approach, employing archival documents and semi-structured interviews. It was found that perceptions of the public, service delivery, awareness, education, sustainability, and growth influenced the performance of life insurance firms through customer satisfaction. The study had insurance growth as its dependent variable but was used as an indicator of performance in the present study. The study did not adopt any inferential statistics to measure the significance of the relationship between variables.

In Nigeria, Nebo and Okolo (2016) studied the effects of strategies for customer satisfaction on the performance of selected insurance firms in the Enugu metropolis using a survey research design. Twenty out of 49 insurance firms quoted on the Nigerian bourse were selected using a convenience sampling method. The sample consisted of managers and customers who had been with the company for more than 3 years. Multiple linear regression revealed that prompt settlement of claims, quality insurance products, fair premiums, prompt attendance to customer complaints, timely communication of policy renewal notices, thorough explanation of policies, explanation of product benefits, and understandable policy documents had a significant impact on performance. Moreover, a lack of confidence, trust, and knowledge about life insurance products had a negative effect on performance.

In Kenya, Nderitu, Kung'u, and Gichuhi (2018) sought to determine if the price of life insurance influenced the uptake of life insurance by applying a descriptive research design with a sample of 100 respondents who were comprised of managers, customer care desks, and financial advisors. Descriptive analysis revealed that most respondents agreed that the price of life insurance influences the uptake of life insurance in Kenya. The findings revealed a strong relationship between life insurance uptake and predicted life insurance prices. As its dependent variable, the uptake of insurance was used as a proxy for performance, and this is only one element of evaluating how well or badly a company is performing. In the present study, several measures of performance are adopted to cover all aspects of the life insurance business. The study was also limited to life insurance in Nakuru County, which implies that all companies offering life insurance may not have been included in the sample.

2.2.3:3: Technological factors and the performance of life insurance

The innovation and investment in technology among insurance companies have been of interest to researchers. In one such study, in Iran, Hossinpour, Hasanzade, and Feizi (2014) examined the impact of e-marketing on life and investment insurance sales with an emphasis on the internet using an applied research design. The sample consisted of 132 managers, experts, and actuarial staff of insurance companies in Tehran selected using a simple random sampling technique. The outcome confirmed a significant relationship between using the internet for marketing activities for distribution channels, clients, and marketing research, which consequently resulted in

life insurance sales. Sales of LICs were used as the sole indicator for performance, while different aspects of LIC performance were considered in the present study. The study also included members from investment companies, so the findings may not be generalized to life insurance firms.

Rao (2017) investigated stakeholder perceptions of customer relationship management (CRM) practices in the life insurance sector in an Indian study. The sample included 1,200 respondents representing stakeholders of the organizations, comprising 600 customers and 600 employees belonging to eight life insurance companies operating in the area selected for the study. The results showed most respondents were unhappy with how data was available and displayed at branch offices. Conversely, respondents agreed with how comfortable they felt at branch offices, ease of access, timing, and work hours at branches. The study aimed to establish a comparison between two sets of samples on their perception of CRM. In the present study, the aim is not to compare but rather to determine the effects of consumer-related factors on the performance of LICs.

Using cross-country data in Sub-Saharan Africa (SSA), Akinlo (2021) examined the relationship between information technology and insurance development in 40 nations from 2000–2017. The study employed the System Generalized Method of Moment (GMM) for the estimations. Information technology was measured by mobile phones, fixed telephones, and Internet penetration. The study found that the Internet had an insignificant influence on life insurance; mobile phones produced a negative effect on life insurance; while fixed telephones significantly contributed to life insurance. The focus on various countries' experiences means that the findings may not be generalizable to LICs' performance. Further, the study focused on secondary data and did not gather primary data to measure this relationship.

In Kenya, Mulumbi (2021) examined the effects of digitalization on the growth of life insurance firms listed on the Nairobi Securities Exchange (NSE). A descriptive survey research design was adopted, targeting five life insurance firms as units of observation. The units of analysis in the study were 86 management staff, consisting of chief executive officers, department heads, line managers, and team leaders. A positive and significant association between disruptive changes and external

opportunities arising from digitalization with the growth of life insurance firms was established using correlational analysis. However, the internal efficiency dimension of digitalization was not associated with the growth of life insurance firms. The findings were limited to LICs listed in the NSE and thus may not be generalized to other LICs. The outcome variable was growth, which is an aspect of performance that was included among other dimensions to measure LICs' performance.

Taking the whole sample of insurance firms, Otiso (2020) looked into the effect of technology on performance using a descriptive cross-sectional survey design to include all marketing officers in the 54 insurance companies registered by the IRA at the end of 2019. The indicators for technology included processes, technological skills, knowledge, and technological hardware. The study found the application of technology leads to enhanced performance as document management systems are widely used. Customer management systems, business process management systems, and financial management systems were also indicated to be widely used by insurance companies. Finally, the application of technology has a positive and significant effect on the performance of insurance. The study was conducted among insurance firms and the findings cannot be inferred from life insurance companies.

Using a sample of 5 top insurance firms in Kenya, Ngiri (2021) assessed the effect of technology adoption on underwriting processes where technology adoption was conceptualized as the digitization of claims processes, digital fraud detection, and customer relationship management systems. The study adopted a descriptive research design where a sample of 298 employees was recruited using stratified sampling from a target population of 1,174 employees. Using regression analysis, the findings showed that digitization of the claims process, digital fraud detection, and customer relationship management systems all had weak relationships with the underwriting process. While the study focused on technology adoption, the sample was not exclusive to life insurance. Further, the study was limited to the underwriting process, which is only one aspect of the life insurance business. The findings from the study may not be generalizable to life insurance companies.

2.2.3.4: Market factors and performance of life insurance

Turayishimye (2015) aimed to establish market penetration challenges for insurance companies adopting a descriptive research design in Kenya. The target population of this study was all 44 licensed insurance companies operating at three levels: global, regional and local. The sample size of the study was 150 respondents. These included 30 agents, 100 customers and 20 employees from the four insurance companies. The findings indicated market forces, competition, the power of buyers and suppliers, and the threat of new entrants all influenced the market penetration of insurance firms. The study included all insurance firms and thus findings could not be generalized towards LICs, the sample size for the present study. The study was also limited to the penetration of insurance but the present study includes several aspects of performance in its analysis.

In South Africa, Alhassan and Biekpe (2016) examined the empirical effect of competition on cost and profit efficiency in the non-life insurance market in a three-stage analysis using annual firm-level data on 80 non-life insurance companies from 2007 to 2012. The study employed stochastic frontier analysis (SFA) to estimate cost and profit efficiency scores. Firm size, diversification, age, risk, reinsurance and leverage are employed as control variables. The authors found a positive effect of competition on cost and profit efficiency to validate the “quiet-life” hypothesis which posits that competition improves efficiency. The study was limited to the non-financial sector, implying that this finding may not be inferred to the life insurance industry.

In an evaluation of European Union (EU) nations, Cummins et al. (2017) conducted a study on competition, efficiency, and soundness in European life insurance markets, analysing 10 EU life insurance markets over the post-deregulation period 1999–2011. The results indicate that competition increases the soundness of the EU life insurance markets. Since the Boone indicator measures competition based on the reallocation of profits from inefficient insurers to efficient ones, our results suggest that efficiency is the mechanism through which competition contributes to insurer solvency. The soundness-enhancing effect of the competition is greater for weak insurers than for healthy ones. It was observed that market competition increased the soundness of life insurance, suggesting that efficiency is the mechanism via which competition results

in insurer solvency. The study was conducted among a sample of life insurance companies in different nations, while the present study was done in the context of Kenya.

Using a case study research design, Abachi (2018) conducted a study on factors influencing the pricing of life insurance products at the Insurance Company of East Africa Limited (ICEA) Lion Life Assurance. The sample of 7 employees found that socio-economic factors such as political events, changes in the economy, war and terror activities, and the safety standards of an individual's work environment did not greatly impact the pricing of products. But the existence of certain economic groups and lifestyle activities of an individual does. The study used descriptive statistics and did not empirically measure the relationship between variables; additionally, the findings may not be generalizable to other life insurance firms due to the small sample size and case study.

Kasman et al. (2019) research in Turkey examined the impact of competition and concentration on stability in the Turkish insurance sector from 2002 to 2014. The main results indicate that non-life insurers are more stable in a less competitive and highly concentrated environment. This finding provides support for the competition-fragility view in the Turkish non-life insurance sector. In contrast, life/pension insurers are more stable in a highly competitive and more concentrated market. Hence, our findings provide support for the competition-stability view for Turkish life/pension insurers. The results revealed that life insurers enjoyed much more stability when the market was highly concentrated and competitive.

In India, Reddy, Reddy, and Naidu (2019) focused on an examination of the role of a macroeconomic environment in the development of the life insurance industry by using time series data with regression analysis. The study finds that the savings to Gross Domestic Product (GDP) ratio, banking sector development, expenditure on social security to GDP, gross enrolment ratio and life expectancy are the most significant and positive factors in driving the life insurance business during the study period. High Competition was acknowledged to bring more choices of insurance, with greater coverage of the population at an economy price to the consumers, effective service to customers, advanced information technology, good returns to the policy

holders and so on. The study used secondary data to analyse the relationship among variables while the present study aims to gather perceptions from respondents in LICs to measure the relationship between variables.

In Cameroon, Nkengmenche (2020) studied the factors affecting the successful uptake of life insurance using a case study approach. The research employed both quantitative and qualitative approaches. An in-depth interview was carried out with Zenithe and Beneficiary life insurance managers on issues affecting life insurance penetration and the public perception of the life insurance business in Cameroon. The output from the analysis revealed that the fast growth of life insurance companies was hampered by premium costs, lack of disposable income, nationwide presence, efficiency in settling claims, poor customer base, and poor integrity and distribution channels. The study was limited to the uptake of life insurance, one component of performance included in the present study among other aspects of life insurance performance.

In their research on life insurance demand in Malaysia, Low et al. (2021) examined the demand for life insurance in a developing country and the mediating role of persuasion using a causal research design was used to formulate a research framework and testable hypotheses for this study. For this study, judgmental and purposive sampling techniques were used because respondents aged 18 and up provided the best information to achieve the study's goal. A sample size of 384 was gathered in the data collection stage based on sample size tables. Data collection encompasses face-to-face interviews with 385 life insurance policyholders between May 2019 and March 2020 by using a survey questionnaire. Data analysis was based on the PLS-SEM method from which it was observed that motivations for saving among consumers drove the life insurance demand while sales agent factors did not have any effects.

In India, Banerjee and Savitha (2021) sought to answer the question of whether competition reduced the profitability of the life microinsurance industry (LMI) from 2009 to 2019. They sought to measure test structure–performance issues. The concept of profitability was measured by measuring ROE and risk-adjusted ROE. The secondary data was collected from the Handbook on Insurance Statistics, published by the Insurance Regulatory and Development Authority of India (IRDAI), which

included data on policyholders' accounts, shareholders' accounts, and balance sheets. The results demonstrated firms in the Indian LMI market scored better on profitability measures whenever competitive pressures were lower. The study was limited to the life microinsurance industry, and thus the findings may not be generalizable to LICs. Further, the study was limited to secondary data while the present study aims to collect data from management staff from LICs.

Using data from 12 life insurance companies from 2013-2017 and employing panel regression, Tuffour et al. (2021) examined cost efficiency and profitability determinants among LICs utilising data from 12 companies from 2013-2017. The fixed effect panel regression results show that the significant determinants of both cost and profit functions are: the price of labour, commission, gross premium, and net investment income. The study discovered that labour costs and sales executive commissions were significant determinants of LIC profitability. The study was limited to secondary data, while the present study aims to collect data from management staff from LICs.

In a later study, Mweu (2021) examined the effect of market segmentation, niche marketing, and market development on the non-financial performance of insurance firms by adopting explanatory research. The unit of analysis was 55 registered insurance firms and the unit of observation was three senior staff members in each of the 55 insurance firms. The sample size for this study was 116 staff members drawn from insurance firms. The study found that market segmentation, niche marketing, and marketing development positively influenced the non-financial performance of insurance firms. The study included all insurance firms and thus findings could not be generalized towards LICs, the sample size for the present study.

2.3 Literature Review Summary and Knowledge Gap

In Table 2.1, the empirical review is presented where the author is cited followed by the title of the research topic, the main findings from the study, and the gaps that the present study aims to fill.

Table 2.1: Literature Review Summary and Knowledge Gap

Author	Topic	Main findings	Gaps	Study filling gap
Chandrapal	Impact of	A positive	The study	This study

(2019)	liberalization on Indian life insurance industry: A truly multivariate approach.	impact of liberalisation indicators of service quality, marketing combination, and insurance awareness on penetration	was limited to the consumer regulation component of life insurance	focuses on the capital requirements regulations of life insurance
Iheanacho (2018)	Insurance Industry Performance and the Selected Regulatory Instruments in Nigeria	The findings revealed that liquidity the ratio is found to have an exactly negative but insignificant effect on total insurance income	This study was based on secondary data from financial records and included all segments of the insurance	The study will be based on primary data collected from LICs
Muriuki & Mutugi (2017)	Effect of IRA Regulation on Insurance Penetration in Kenya. The study was descriptive in research design using quantitative and qualitative research	The regulatory framework from regulatory bodies influenced the pricing of life insurance and this affected its penetration	The study does not show the effects of regulation on the performance of life insurance firms; the study was limited to	This study aims to focus on the amendments of the regulatory framework and their impact on the financial performance of life insurance

	approaches		descriptive analysis	
Kitaka et al. (2019).	Government Regulation and Sustainability of Kenya's Insurance Companies.	There existed a moderating effect of government regulation on drivers of sustainability of insurance companies.	The study was limited to the sustainability dimension of performance	This study adopts several measures of the performance of LICs.
Makau & Okeyo (2021)	Risk Underwriting, Crisis Management, Regulatory Framework and Performance of Insurance Companies in Kenya: A Case of Sanlam General Insurance Company	The insurance regulations have a positive moderating effect on the nexus between underwriting and insurance performance	The study was limited to Sanlam and these findings cannot be inferred from other players in the life insurance segment.	The regulatory framework was used as a mediating variable while the present study adopts it as a predictor variable
Basaula (2017)	Awareness and satisfaction of customers towards life insurance	Launching innovative products, and increased institutional delivery of	The study was conducted in Nepal and focused on product and	This study will use the organizational, process, Product / service, and marketing

	claim settlement in Nepal.	claim settlements attracts life insurance policy repurchase	delivery innovation	innovation strategies as indicators of innovation
Upadhyay & Adhikari (2021)	Impact of service quality on customer satisfaction and firm performance in Nepalese Life Insurance Companies.	Reliability, responsiveness, tangibles, empathy contributed positively to LICs performance	The study was limited to customer satisfaction component of life insurance performance.	This study will include different dimensions of consumer factors that predict life insurance performance
Abaidoo (2016)	Customer satisfaction strategies for life insurance growth in Ghana.	Quality service delivery, public view of insurance, awareness and education, business growth and sustainability influenced life insurance patronage	The study was limited to service quality component of life insurance performance	This study will include different dimensions of consumer factors that predict life insurance performance
Nebo & Okolo (2016)	Effects of the strategies for customer satisfaction on the	The lack of confidence, knowledge and trust contributed to	The study was limited to purchase decision as an indicator	This study will adopt several indicators of life insurance performance

	performance of insurance Firms in Enugu Metropolis	low penetration of insurance	of performance	
Nderitu et al. (2018)	Does the price of life insurance influence the uptake of life insurance in Kenya?	Strong negative correlation between the price and uptake of insurance products	The study was limited to uptake as an indicator for life insurance performance	This study will adopt several indicators of life insurance performance
Hossinpour et al. (2014)	E-marketing effect on life and investment insurance sales	Significant relationship between using internet for marketing activities for distribution channels, clients, and marketing research consequently resulted in life insurance sales.	The study was done in Iran and performance was limited to insurance sales	This study adopts subjective measures of performance
Rao (2017)	Perceptions of stakeholders on Customer relationship management	Most respondents were in disagreement with how data	The study aimed to establish comparison between two	The study is descriptive in nature measuring relationship between non-

	(CRM) practices in life insurance sector	was available and displayed at branch offices	sets of samples on their perception of CRM.	financial factors and performance
Akinlo (2021)	Information technology and insurance development in Sub-Saharan Africa.	The study found that Internet had an insignificant influence on life insurance	The study focused on secondary data and did not gather primary data to measure this relationship	This study uses primary data collected from management staff
Mulumbi (2021)	Effects of digitalization on growth of life insurance firms listed in the NSE in Kenya	Disruptive changes and external opportunities had a positive effect while internal efficiency had a negative effect on growth of LICs.	The study was limited to life insurance firms in the NSE	This study includes all companies in the life insurance segment
Otiso (2020)	Effect of Technology on the Performance of Insurance Companies in	Application of technology has a positive and significant effect on performance	The study was conducted among insurance firms and the	This study is based on life insurance segment

	Kenya	of insurance.	findings cannot be inferred to life insurance companies	
Ngiri (2021)	Effect of Technology Adoption on Underwriting Processes among Top Five Insurance Companies in Nairobi County	Digitization of claims process, digital fraud detection, and customer relationship management systems all had weak relationships with underwriting process.	The study was limited to underwriting process which is only one aspect of life insurance business.	The study uses several aspects of life insurance performance
Cummins et al. (2017)	Competition, efficiency and soundness in European life insurance markets	Market competition increased soundness of life insurance	The study adopted a cross country research	This study will focus on performance of life insurance companies
Kasman et al. (2019)	Stability. Competition, and Concentration in the Turkish Insurance Sector	life insurers enjoyed much more stability when the market was highly concentrated and	The study included life and non-life insurance companies in its population	This study will exclusively focus on life insurance companies

		competitive.		
Nkengmenche (2020)	Factors Affecting the Successful Uptake of Life Insurance in Cameroon: Zenith Insurance Company, BUEA, Cameroon	LICs growth was hampered by premium costs, lack of disposable income, nationwide presence, efficiency in settling claims, poor customer base, and poor integrity and distribution channels.	The study adopted a case study research design	This study will include all the companies in the life insurance segment
Low et al. (2021)	The demand for life insurance in a developing country and the mediating role of persuasion	Motivation for saving had an effect on life insurance demand while sales agent behaviour and risk aversion had no direct consequence on life insurance demand.	The study was limited to demand as an indicator of performance	This study will use several measures of life insurance companies' performance
Banerjee & Savitha (2021)	Competition reduces profitability:	Increase in profitability when there	The study focused on the life	This study focuses on the performance of

	the case of the Indian life microinsurance industry	was an increase in market concentration but this was negative for market share.	microinsurance industry	life insurance firms which also offer microinsurance and those that do not
Tuffour et al. (2021)	Life Insurance Companies: Determinants of Cost Efficiency and Profitability	The price of labour and sales executive commission was significant determinants of the profitability of LICs in Ghana.	The study was limited to the profitability dimension of LICs performance	This study will use several measures of life insurance companies' performance
Abaidoo (2016)	Customer Satisfaction Strategies for Life Insurance Growth in Ghana.	The perception of the public, awareness and education, sustainability, and business growth influenced life insurance patronage.	The study used growth only as a measure of life insurance performance	This study will adopt several indicators of life insurance performance
Abachi (2018)	Factors that influence the pricing of life	Competitive market dynamics	The study adopted a case study	This study will include all the companies in the

insurance resulted in research life insurance
products: a product design segment
case study of pricing having
ICEA Lion a negative
Life effect on LICs
Assurance.

Source: Researcher (2022)

2.4 Conceptual framework

Figure 2.1 shows a logical explanation of the expected relationship between study variables. In reference to the non-financial factors, reviewed literature suggests that these factors can be grouped into regulatory, consumer, technological, and market factors. The performance of life insurance was measured using subjective aspects. For each of these factors, their indicators are also included in the conceptual framework.

Independent Variables

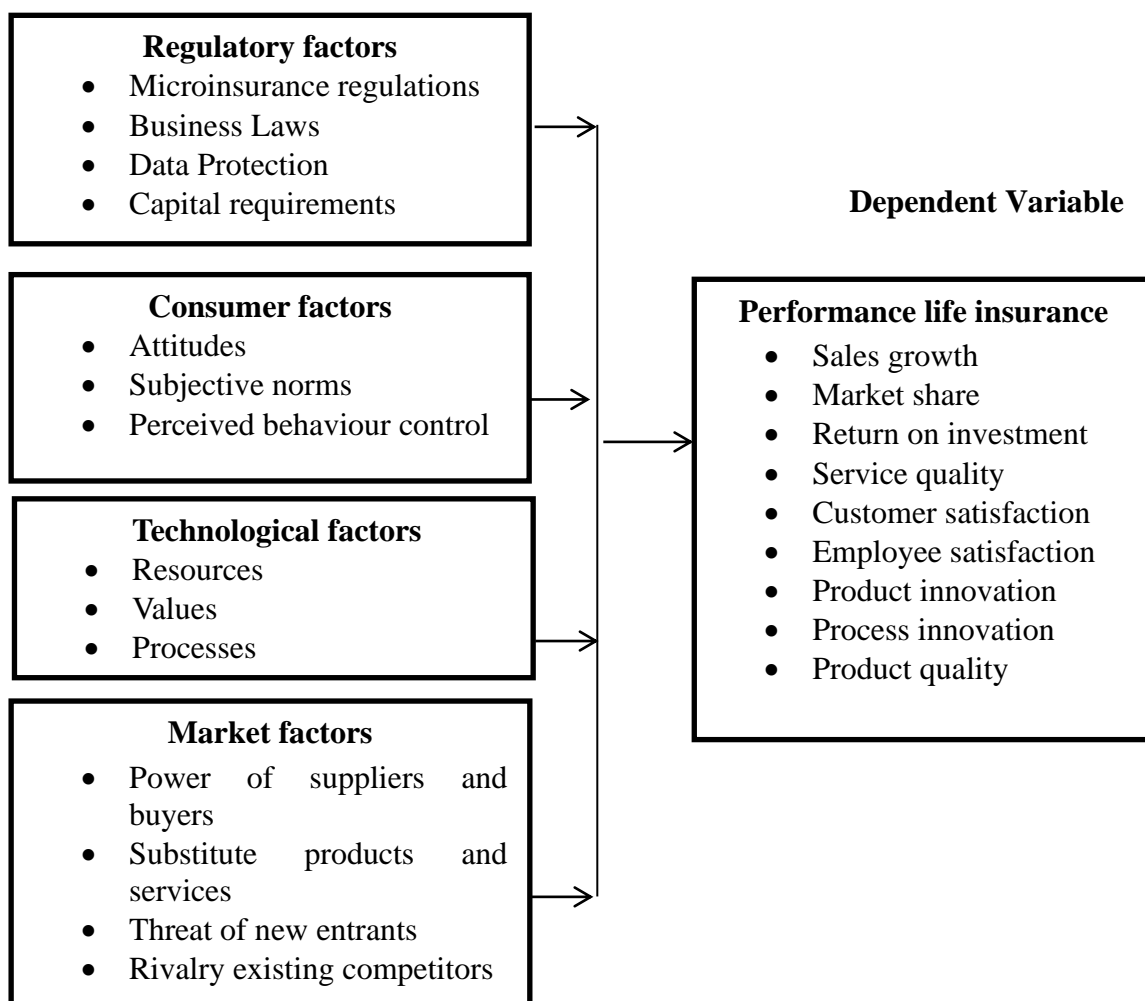


Figure 2.1: Conceptual Framework

Operationalizing variables involves strictly defining variables into measurable factors. In other words, turning abstracts into statistically quantifiable observations. The operationalization of variables in the study for a variety of reasons—for instance, to avoid measuring irrelevant concepts, eliminate subjectivity or bias, and increase the reliability of the study. The main concepts that were explored in the study are outlined in Figure 2.1. Therefore, the indicators for which each variable was measured were the Likert scale (5-point and 7-point) as illustrated in Table 2.2.

Table 2.2: Operationalization of variables

Variables	Indicators	Scale	Source
Regulatory factors	<ul style="list-style-type: none"> • Microinsurance regulations • Business Laws • Data Protection • Capital requirements 	5 – Point Likert scale	IRA (2015); AKI (2018, 2019)
Consumer factors	<ul style="list-style-type: none"> • Attitude • Subjective norms • Perceived behaviour control 	5 – Point Likert scale	Giri (2019)
Technological factors	<ul style="list-style-type: none"> • Resources • Values • Processes 	5 – Point Likert scale	Mulumbi (2021)
Market factors	<ul style="list-style-type: none"> • Power of suppliers and buyers • Substitute products and services • Threat of new entrants • Rivalry existing competitors 	5 – Point Likert scale	Porter (1980)
Subjective performance	<ul style="list-style-type: none"> • Sales growth • Market share • Return on investment • Service quality • Customer satisfaction • Employee satisfaction • Product innovation • Process innovation • Product quality 	7 – Point Likert scale	Vij & Bedi (2016)

Source: Researcher (2022)

2.5 Chapter Summary

In this chapter, different empirical studies on the role of non-financial factors on the performance of life insurance firms were extensively evaluated. The review narrowed down to four specific factors; regulatory, consumer, technological, and market factors. Considering these studies through the lenses of public interest theory, disruptive innovation theory, theory of planned behaviour, and Porter's market forces, the non-financial influence performance of LICs. However, the nature and degree of the impact remain inconsistent among researchers warranting further scientific inquiry into the phenomenon.



CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the research design, target population, sample population, data collection and data analysis will be discussed. The 24 life insurance companies make up the target population for the study, with the units of observation being management-level staff from each firm. This will allow the findings of the study to be the key consideration to making the final conclusion.

3.1 Research Philosophy

From the three research paradigms reviewed in the literature, this study selected the positivist research philosophy as the most suitable for the present study. The positivist philosophy perceives knowledge should be free and objective from bias based on the researcher's beliefs and values (Howell, 2013). When employing positivist research philosophy, one must choose between ontology and epistemology; in this case, epistemological positivism will be used, which is research thought that views observable evidence as the only form of scientific findings that can be defended.

Positivist epistemology assumes that only "facts" derived from scientific methods can make legitimate knowledge claims (Howell, 2013). In terms of the research approach, the study is limited to quantitative methods, which rely on data that can be measured numerically and analysed using statistical procedures. This is informed by collecting data from a selected sample of respondents to establish the nature of the relationship between variables using statistical procedures.

3.2 Research Design

This research adopted both descriptive and inferential research designs. A descriptive design aims to systematically describe a population or phenomenon while an inferential design uses measurements from the sample to make a generalization about the larger population (Voxco, 2021). Therefore, combining descriptive and inferential designs was crucial for the study. It did not allow for the manipulation of any variables, instead, observations were made and measured. The data from this design is

quantifiable and can be used for statistical analysis of the research problem thereby allowing for conclusions to be made (Voxco, 2021).

3.3 Population and Study Setting

This section highlights the population of the study and the setting in which it occurs in terms of the organisations and the respondents that the study aims to reach. The first subsection presents the target population, and the sampling frame and size are described in the second subsection.

3.3.1 Target Population

The target population is the specific, conceptually bounded group of potential participants that represents the nature of the population of interest (Casteel & Bridier, 2021). The target population for the study is 24 life insurance companies in Kenya as the units of analysis (Appendix 3).

3.3.2 Sampling Frame and Size

The sampling frame is an operationalized representation of the target population and is the group of units from which the sample is recruited. It is the precise group of units – often individuals – that are solicited for their participation in the study. The sampling frame was organized using organizational lists (Kölln, Ongena, & Aarts, 2019). The units of observation are management staff, who has been grouped into 5 divisions in each firm, which forms the sampling frame for the study.

The stratified sampling technique is used to group respondents into their respective strata. According to Casteel and Bridier (2021), when a sampling frame has two or more groups of interests, or strata, stratified sampling assists in ensuring that each group of interest is proportionally represented.

A census sampling approach was adopted to determine the sample size. Arnab (2019) defines a census as an attempt to list all elements in a group and to measure one or more characteristics of those elements. This particular sampling method was suitable for the study since it ensured all the organizational units from all 24 companies were represented. This means the study recruited 120 management staff into the sample size as illustrated in Table 3.1 with 120 respondents.

Table 3.1: Sample Size

Management level	Sample Size
Operations (Underwriting, claims, actuarial, reinsurance)	24
Client service & Retention	24
Finance	24
Support Services (IT, Human Resource, Legal, Audit, Risk, Compliance, Administration,	24
Business Development	24
Total	120

Source: Researcher (2022)

3.4 Data collection instrument

The study used primary data collected first-hand from respondents using a structured questionnaire developed by the researcher. A self-administered structured questionnaire was used for gathering quantitative data from a relatively large pool of respondents (Saunders, Lewis, & Thornhill, 2019). The data collection instrument offers many benefits. For instance, this study, allowed respondents to answer at their own convenience and the interviewer's absence prevented bias from being injected into the way they answered questions (Saunders, Lewis, & Thornhill, 2019).

The survey (Appendix 1) was administered to the five-management staff from each firm. The instrument consisted of three sections, section A -background information of respondents, section B -dependent variable, which is the performance of life insurance companies and section C – independent variables, which are regulator factors, consumer factors, technological factors, and market factors. The instrument used five-point Likert scale items in variable sections where respondents were asked to rank their responses for each question.

3.5 Analysis of Data

The researcher used both Descriptive and Inferential statistics. After completion of data collection, the data was coded and keyed into the Statistical Package for Social Sciences for Analysis (SPSS) Version 25 for analysis. Frequency tables were then used for the data cleaning exercise and missing values were replaced with central values such as median and mode. The reliability of the questionnaire was tested using

Cronbach's alpha. Reliability is the degree of consistency of the research instrument over time given a similar sample, hence a reliable instrument should accurately and consistently generate the same findings, given the same situation at different timings. Cronbach's alpha usually ranges between 0 and 1, with a higher alpha coefficient value implying more reliability. In this study, the loadings were set at (0.70).

Quantitative data were analyzed using descriptive and inferential statistics. Descriptive statistics were used to summarize the survey data and included percentages, frequencies, means, and standard deviations. However, inferential statistics involved regression analysis and drawing conclusions. Factor analysis was used to extract constructs for the key variables to be used to answer the research objectives. Kaiser-Meyer-Olkin measure (KMO) and Bartlett's Test of Sphericity tests were performed to establish the sampling adequacy of the research data. KMO measure varies between 0 and 1, and values closer to 1 are better with a threshold of 0.5.

Williams, Brown, and Onsman (2012) stated that a KMO of 0.50 is acceptable for sampling adequacy. Bartlett's Test of Sphericity tests the null hypothesis that the correlation matrix is an identity matrix. Factors with eigenvalues more than 1 and items with loadings more than 0.4 were reserved for further analysis; after extracting the latent variables, normality tests were performed for all the variables using Shapiro-Wilkinson tests. Spearman Correlation analysis was then used to determine the relationship between the performance of life insurance companies and the non-financial factors affecting the performance of life insurance companies. The evaluation criteria were as follows: a correlation coefficient ranges between the values +1 and -1. A value of -1 implies that there is a perfect negative correlation, a value of 0 implies no correlation and a value of +1 signifies a perfect positive correlation. According to Schober, Boer & Schwarte (2018), a correlation value of below 0.20 is interpreted as a very weak correlation, a range of 0.20 to 0.39 is weak, 0.40-0.59 is moderate, 0.60- 0.79 is a strong correlation and 0.80-1.00 is a very strong correlation. Further analysis was performed to explore the effects of non-financial factors on the performance of life insurance companies in Kenya. A multiple regression analysis was carried out. The multiple regression model adopted was:

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

Where:

Y= Non-Financial Performance of Life Insurance Companies in Kenya

α =Constant Term

β = Beta coefficients

X_1 = Regulatory Factors

X_2 = Consumer Factors

X_3 = Technological Factors

X_4 = Market Factors

The researcher conducted diagnostic tests for the multiple linear regressions to ascertain whether the assumptions of the model had been met. The four critical assumptions of a linear regression model include normality, homoscedasticity, linearity, and statistical independence. A summary of the statistical test carried out, and the threshold is summarized in Table 3.1.

Table 3.2: Diagnostics tests

	Statistical tests	Threshold
Multicollinearity	VIF test	VIF < 10
Autocorrelation	Durbin-Watson Test	DW = 2
Homoscedasticity	LM test, use of scatter plot	p-value > 0.05
Normality	Shapiro-Wilk Test, histogram plot of residuals	p-value > 0.05

Source: Researcher (2022)

3.6 Ethical Considerations

There are several ethical procedures that were conducted to protect and safeguard the rights of respondents while upholding ethical practices in conducting research. After a successful defence of the proposal, ethical clearance from the Strathmore University Ethical Review Board (SU-ERB) was acquired. Upon gaining this clearance, the researcher applied for and received a research permit from the National Commission for Science, Technology, and Innovation (NACOSTI). After acquiring this documentation, an informed consent form was prepared for which respondents were asked permission to be included and interviewed. This form detailed the rights of respondents; voluntary nature of participation; duration; subject; study purpose; and protection of information and data from respondents.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter presents the data analysis and findings of the study as set out in the research objective and research methodology. The study aimed to explore the effects of non-financial factors on the performance of life insurance companies in Kenya. Descriptive statistics and inferential statistics have been used to discuss these findings.

4.2 Questionnaire Response Rate

The study targeted 120 management staff from life insurance companies in Kenya. 75% of the respondents surveyed returned the questionnaire, and after inspections for completeness, four questionnaires were found to have missing responses. The missing responses were imputed using central values such as the median and the mode. The rest of the data was deemed eligible to progress for analysis. This represented an excellent response rate according to (Mugenda & Mugenda, 1999), who stated that a response rate of 70 percent and above is deemed excellent and therefore fit to make study conclusions. Therefore, this implies that the response rate in this study was beyond satisfactory.

Table 4.1: Questionnaire Response Rate

Categories	Frequency	Percentage
Responded	90	75
Non-response	30	25
Total	120	100

Source: Researcher (2022)

4.3 Demographic respondents' profile

This section discusses the demographic profile of the respondents. The characteristics of the respondents were analyzed on the basis of role, period of work, and division. The analysis of respondents' biographical data is presented in Table 4.2. The results revealed that the majority of respondents are in management roles comprising 84.4% of the total respondents, while only 15.6% were in a supervisory role. Generally, most of the respondents (39.9%) have worked in the life insurance industry for 6 -10 years, while 28.9% have worked for 2 – 5 years and more than 11 years. In addition, a bulk

of the respondents (38%) worked in operations, 33.3% in business development, 13.3% in support services, and 10% in client services and retention.

Table 4.2: Demographic respondents' profile

Characteristics	Frequency	Percent
Are you in a management or supervisory role?		
Yes	76	84.4
No	14	15.6
Total	90	100.0
How many years have you worked in the life insurance industry?		
Less than 1 year	3	3.3
2 - 5 years	26	28.9
6 - 10 years	35	39.9
More than 11 years	26	28.9
Total	90	100.0
What division are you currently working in?		
Operations	34	37.8
Client Service and Retention	9	10.0
Finance	5	5.6
Support services	12	13.3
Business Development	30	33.3
Total	90	100.0

Source: Researcher (2022)

4.4 Reliability and Validity Tests

Cronbach's Alpha was used to evaluate the research instrument's internal consistency. The values in Cronbach's Alpha, α , range between 0 and 1, whereby an alpha value greater than 0.7 is considered acceptable, implying that the data set has good internal consistency and reliability. Results presented in table 4.3 indicate that all the variables attained the acceptable and recommended level of alpha 0.50.

Table 4.3: Test of Reliability of the Research Instrument

Reliability Statistics		
Constructs	Cronbach's Alpha	N of Items

Performance	0.852	9
Regulatory factors	0.833	9
Consumer factors	0.822	5
Technological factors	0.876	6
Market factors	0.725	2

Source: Researcher (2022)

4.5 Descriptive Statistics

4.5.1 Performance of Life Insurance Companies

The study aimed at exploring the effects of non-financial factors on the performance of life insurance companies in Kenya. The respondents were required to indicate the level of agreement regarding the performance of life insurance companies as associated with independent variables. A 5-point Likert scale where 1 – Not at all, 2 – Somewhat, 3 – Moderately, 4 – Highly, and 5 – Exponentially describes the performance of life insurance companies. The descriptive statistics in Table 4.4 summarize the main characteristics of the study variables.

Table 4.4: Descriptive Statistics: Performance of Life Insurance Companies

Items (Cronbach's Alpha=0.852)	1	2	3	4	5	Mean	SD
How much have sales grown in the last five years?	1(1.11%)	3(3.31%)	42(46.21%)	33(36.31%)	12(13.21%)	3.57	0.805
How much has the market share grown?	2(2.21%)	22(24.21%)	44(48.41%)	19(20.90%)	4(4.41%)	3.01	0.85
How much has your return on investment grown?	3(3.31%)	17(18.71%)	50(54.90%)	15(16.51%)	6(6.61%)	3.04	0.868
How much has your service quality improved?	1(1.11%)	3(3.31%)	22(24.21%)	53(58.21%)	12(13.21%)	3.79	0.753
How much has your customer satisfaction grown?	1(1.11%)	2(2.21%)	38(41.81%)	44(48.41%)	6(6.61%)	3.57	0.701
How much	1(1.11%)	20(22.01%)	38(41.81%)	28(30.81%)	4(4.41%)	3.15	0.855

has your employee satisfaction improved?))))			
How much has your product innovation improved?	1(1.11%)	25(27.51%)	40(44.01%)	17(18.71%)	8(8.81%)	3.07	0.929
How much has your process innovation improved?	3(3.31%)	12(13.21%)	42(46.21%)	27(29.71%)	7(7.71%)	3.25	0.902
How much has product quality improved?	(0.01%)	12(13.21%)	53(58.21%)	22(24.21%)	4(4.41%)	3.2	0.718
Overall mean score						3.30	0.820

Source: Researcher (2022)

The findings revealed that the overall mean for performance was 3.30, the standard deviation of 0.820, and the coefficient of variation of 25%. This shows most respondents, on average, confirm that the performance of life insurance companies has grown moderately. The question “How much has your service quality improved?” had the highest mean ($Mean = 3.79, SD = 0.753$), implying that most respondents (58%) confirm there was a high improvement in service quality. However, the question “How much has the market share grown?” had the lowest mean below average ($Mean = 3.01, SD = 0.854$). This shows that the majority of the respondents (44%) say performance has moderately grown in terms of market share.

4.5.2 Regulatory Factors

Regulatory factors were investigated using parameters used by insurance companies, such as company sales growth, return on investment, market share growth, employee retention, etc. The descriptive statistics from responses on Regulatory factors are presented in Table 4.5.

Table 4.5: Regulatory Factors

Items (Cronbach's Alpha=0.833)	N	1	2	3	4	5	Mean	SD
How much has insurance regulation	90	3(3%)	9(10%)	34(37%)	38(42%)	7(8%)	3.41	0.894

contributed to your company's performance?								
How much has regulation contributed to your company's sales growth?	90	3(3%)	28(31%)	42(46%)	15(16%)	3(3%)	2.86	0.851
How much has regulation contributed to return on investment?	90	3(3%)	28(31%)	43(47%)	16(18%)	1(1%)	2.82	0.797
How much has regulation contributed to market share growth?	90	3(3%)	35(38%)	40(44%)	10(11%)	3(3%)	2.73	0.831
How much has regulation contributed to employee retention?	90	24(26%)	30(33%)	21(23%)	14(15%)	2(2%)	2.34	1.098
How much has regulation contributed to service quality?	90	3(3%)	8(9%)	44(48%)	33(36%)	3(3%)	3.27	0.804
How much has micro-insurance regulations contributed to your company's performance?	90	23(25%)	24(26%)	24(26%)	18(20%)	2(2%)	2.47	1.139
How much has regulation on data protection contributed to the performance of your company?	90	7(8%)	20(22%)	36(40%)	20(22%)	8(9%)	3.02	1.054
How much has regulation on capital requirements contributed to performance of your company?	90	4(4%)	13(14%)	34(37%)	34(37%)	6(7%)	3.27	0.944
Overall mean score	90						2.90	0.930

Source: Researcher (2022)

The findings showed most of the respondents confirmed the contributions of regulatory factors to the growth of the insurance companies were moderate(*Mean =*

2.90 \cong 3, $SD=0.93$). The question “How much have insurance regulations contributed to your company’s performance?” has the highest average ($Mean = 3.41$, $SD = 0.894$). 42% of these respondents agree that there was moderate growth in the company’s performance because of insurance regulation. The question “How much has regulation contributed to employee retention??” has the lowest average and highest standard deviation ($Mean = 2.34$, $SD = 1.094$). 33% of the respondents say that the regulation of insurance companies somewhat contributes to employee retention. A higher coefficient of variation (47%) implies that there were inconsistencies in how this question was answered hence not reliable with regards to a measure of regulatory factor.

4.5.3 Consumer Factors

Consumer factors were investigated using parameters used by insurance companies, such as company sales growth, service quality and process innovation, and product innovation and improved product quality. The descriptive statistics from responses on consumer factors are presented in Table 4.6.

Table 4.6: Consumer Factors

Items (Cronbach's Alpha=0.822)	N	1	2	3	4	5	Mean	SD
How much has the consumer attitudes and behaviours contributed to your performance of in life insurance business?	90	0(0%)	4(4%)	31(34%)	46(51%)	10(11%)	3.68	0.728
How much has the consumer attitudes and behaviours contributed to market share growth?	90	0(0%)	11(12%)	44(48%)	26(29%)	10(11%)	3.38	0.84
How much has the consumer attitudes and behaviours contributed to improved service quality and process innovation?	90	0(0%)	7(8%)	32(35%)	37(41%)	15(16%)	3.66	0.846
How much has consumer attitudes and behaviours contributed to product innovation and improved product quality?	90	0(0%)	6(7%)	36(40%)	35(38%)	14(15%)	3.63	0.825
How much has consumer attitudes and behaviours contributed to sales growth?	90	2(2%)	7(8%)	38(42%)	39(43%)	5(5%)	3.42	0.804

Overall mean score	90						3.55	0.81
--------------------	----	--	--	--	--	--	------	------

Source: Researcher (2022)

The findings revealed that the overall mean for consumer factors was 3.55, with a standard deviation of 0.81. This shows most respondents, on average, confirm that consumer factors have a higher effect on the performance of insurance companies. The question “How much has the consumer attitudes and behaviours contributed to your performance in the life insurance business?” had the highest mean ($Mean = 3.68, SD = 0.73$), implying that most respondents (51%) confirm consumer attitudes and behaviours have a higher contribution to the performance of in life insurance business. However, the question “How much have the consumer attitudes and behaviours contributed to market share growth?” had the lowest mean below average ($Mean = 3.38, SD = 0.84$). This shows that the majority of the respondents (48%) somewhat think consumer attitudes and behaviours contribute to market share growth.

4.5.4 Technological Factors

Technological factors were investigated using parameters used by insurance companies, such as company sales growth, service quality and process innovation, and product innovation and improved product quality. The descriptive statistics from responses on Technological factors are presented in Table 4.7.

Table 4.7: Technological Factors

Items (Cronbach's Alpha=0.876)	N	1	2	3	4	5	Mean	SD
How much has the technological resources, values and processes contributed to your performance in the life insurance business?	90	1(1%)	6(7%)	27(30%)	44(48%)	13(14%)	3.68	0.842
How much has the technological resources, values and processes contributed to sales growth?	90	1(1%)	8(9%)	31(34%)	43(47%)	8(9%)	3.54	0.821
How much has the technological resources, values and processes contributed to improved service quality?	90	1(1%)	4(4%)	25(27%)	46(51%)	15(16%)	3.77	0.818

How much has the technological resources, values and processes contributed to customer satisfaction?	90	2(2%))	4(4%)	23(25%))	50(55%))	12(13%))	3.73	0.83 1
How much has the technological resources, values and processes contributed to improved product quality?	90	3(3%))	6(7%)	36(40%))	38(42%))	8(9%)	3.46	0.87 3
How much has the technological resources, values and processes contributed to employee satisfaction?	90	5(5%))	18(20%))	35(38%))	22(24%))	11(12%))	3.18	1.06 0
Overall mean score							3.53	0.88 0

Source: Researcher (2022)

The findings revealed that the overall mean for technological factors was 3.53, with a standard deviation of 0.88. This shows most respondents, on average, confirm that technological factors have a higher effect on the performance of insurance companies. The question “How much has the technological resources, values and processes contributed to improved service quality?” had the highest mean ($Mean = 3.77, SD = 0.818$), implying that most respondents (51%) confirm technological resources, values, and processes have a higher contribution to the performance of in life insurance business. However, the question, “How much has the technological resources, values and processes contributed to employee satisfaction?” had the lowest mean below average with the highest standard deviation ($Mean = 3.18, SD = 1.084$). This shows that the majority of the respondents (38%) with regards to this question think the technological resources, values, and processes somewhat contribute to market share growth even though the variation among the respondents was very high.

4.5.5 Market Factors

Market factors were investigated using parameters used by insurance companies, such as the power of suppliers and buyers, availability of substitute products and services, the threat of new entrants, and rivalry between existing competitors. The descriptive statistics from responses on market factors are presented in Table 4.8.

Table 4.8: Market Factors

Items (Cronbach's Alpha=0.725)	N	1	2	3	4	5	Mean	SD
How much has the power of suppliers and buyers contributed to your performance in the life insurance business?	90	1(1%)	13(14%)	36(40%)	27(30%)	14(15%)	3.44	0.957
How much has the availability of substitute products and services contributed to your performance in life insurance business?	90	1(1%)	11(12%)	34(37%)	34(37%)	11(12%)	3.47	0.899
How much has the threat of new entrants contributed to the performance of your life insurance business?	90	7(8%)	19(21%)	34(37%)	24(26%)	7(8%)	3.05	1.047
How much has the rivalry between existing competitors contributed to the performance of your life insurance business?	90	1(1%)	5(5%)	32(35%)	33(36%)	20(22%)	3.73	0.908
Overall mean score							3.42	0.950

Source: Researcher (2022)

The findings revealed that the overall mean for market factors was 3.42, with a standard deviation of 0.95. This shows most respondents, on average, confirm that market factors have a higher effect on the performance of insurance companies. The question “How much has the rivalry between existing competitors contributed to the performance of your life insurance business?” had the highest mean ($Mean = 3.73$, $SD = 0.908$), implying that most respondents (36%) confirm the rivalry between existing competitors have a higher contribution to the performance of in life insurance business. However, the question, “How much has the threat of new entrants contributed to the performance of your life insurance business?” had the lowest mean below average with the highest standard deviation ($Mean = 3.05$, $SD = 1.047$). This shows that the majority of the respondents (37%) with regard to this question think the threat of new entrants somewhat contributes to the performance of the life insurance business.

4.6 Explorative Factor Analysis

Explorative Factor analysis was used to extract latent variables that well explain the performance of life insurance companies in Kenya. Prior to performing explorative factor analysis, the suitability of data for factor analysis was assessed. Table 4.9 shows that Kaiser- Meyer-Olkin value was above 0.5, exceeding the recommended value of .5, and Bartlett's Test of Sphericity reached statistical significance, supporting the factorability of the correlation matrix for the performance of life insurance companies in Kenya and the four factors.

Table 4.9: KMO and Bartlett's Test

Constructs	KMO	Approx. Chi-Square	df	Sig.
Performance	0.832	366.242	36	0.000
Regulatory factors	0.807	307.583	36	0.000
Consumer factors	0.746	167.069	10	0.000
Technological factors	0.836	296.087	15	0.000
Market factors	0.500	34.738	1	0.000

Source: Researcher (2022)

4.6.1 Performance of Life Insurance Companies

The principal component analysis was used to identify items that account for more variability and extract new factors based on the total variance explained, as shown in Table 4.10.

Table 4.10: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.304	47.826	47.826	4.304	47.826	47.826
2	1.626	18.063	65.889	1.626	18.063	65.889
3	0.658	7.310	73.199			
4	0.626	6.956	80.155			
5	0.487	5.413	85.568			
6	0.426	4.738	90.306			
7	0.344	3.827	94.133			
8	0.288	3.198	97.330			
9	0.240	2.670	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher (2022)

Principal Components Analysis revealed two main components that can be extracted from the performance of life insurance companies which is in line with the minimum eigenvalue value of 1.0 for analysis (Yong & Pearce, 2013). The scree plot in **Error! Reference source not found.1** revealed a clear break after the second component (Cattell, 1966).



Figure 4.1: Performance of Life Insurance Companies Scree plot

The two-component solution explained a total of 65.89% of the variance, with Component 1 contributing 47.82% and Component 2 contributing 18.06%. To aid in the interpretation of these two components, varimax rotation was performed. The rotated solution revealed the presence of a simple structure, with this component showing several strong loadings and all variables loading substantially on the two components, as shown in Table 4.11.

Table 4.11: Rotated Component Matrix^a

	Component	
	1	2
How much has your customer satisfaction grown?	0.813	
How much has your process innovation improved?	0.806	
How much has your service quality improved?	0.805	
How much has product quality improved?	0.792	0.232
How much has your employee satisfaction improved?	0.703	0.138
How much has your product innovation improved?	0.638	0.488
How much has your return on investment grown?	0.559	0.550
How much has the market share grown?		0.869
How much have sales grown in the last five years?		0.867

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Source: Researcher (2022)

The idea of rotation is to reduce the number of factors on which the variables under investigation have high loadings. Looking at the table below, we can see that customer satisfaction growth, process innovation improvement, service quality improvement, product quality improvement, employee satisfaction improvement, product innovation improvement, and return on investment growth are substantially loaded on Factor (Component) 1. This component depicts that consumer factors, technological factors, and regulatory factors have an effect on the performance of Life insurance companies. In contrast, market share growth and sales growth in the last five years is substantially loaded on Factor 2, which shows the effect of market factors on the performance of Life insurance companies.

4.6.2 Regulatory Factors

The principal component analysis was used to identify items that account for more variability and extract new factors based on the total variance explained, as shown in Table 4.12.

Table 4.12: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.074	45.268	45.268	4.074	45.268	45.268
2	1.172	13.022	58.290	1.172	13.022	58.290
3	0.886	9.846	68.137			
4	0.786	8.736	76.873			
5	0.605	6.726	83.599			
6	0.549	6.103	89.702			
7	0.441	4.905	94.606			
8	0.278	3.085	97.692			
9	0.208	2.308	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher (2022)

Principal Components Analysis revealed two main components that can be extracted from the performance of life insurance companies which is in line with the minimum eigenvalue value of 1.0 for analysis (Yong & Pearce, 2013). An inspection of the scree plot as shown in Figure 4.2 revealed a clear break after the second component

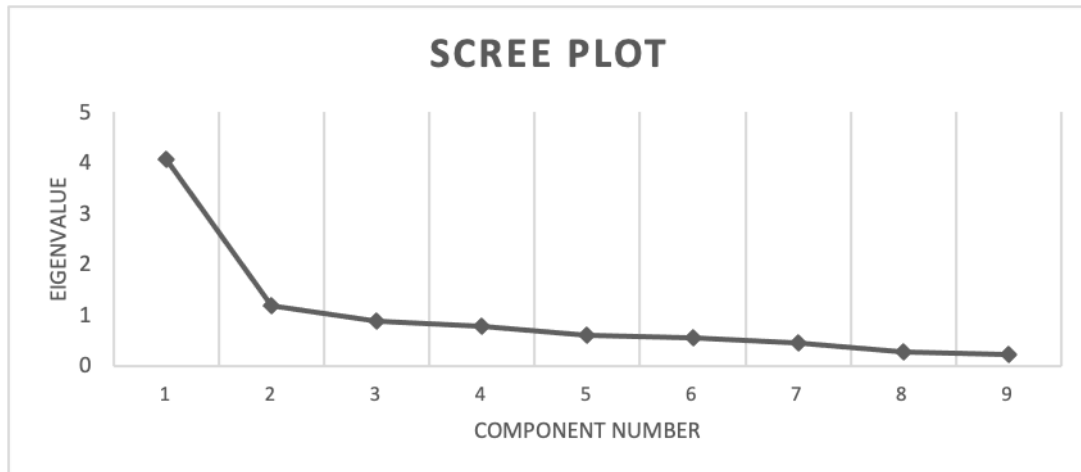


Figure 4.2: Regulatory Factors Scree plot

The two-component solution explained a total of 58.30% of the variance, with Component 1 contributing 45.27% and Component 2 contributing 13.02%. To aid in the interpretation of these two components, varimax rotation was performed. The rotated solution revealed the presence of a simple structure, with this component showing several strong loadings and all variables loading substantially on the two components as shown in Table 4.13.

Table 4.13: Rotated Component Matrix^a

	Component	
	1	2
How much has regulation contributed to return on investment?	0.838	0.142
How much has regulation contributed to your company's sales growth?	0.802	0.208
How much has regulation contributed to market share growth?	0.748	0.465
How much has regulation on capital requirements contributed to performance of your company?	0.583	0.156
How much has insurance regulation contributed to your company's performance?	0.570	0.136
How much has micro-insurance regulations contributed to your company's performance?		0.854
How much has regulation on data protection contributed to the performance of your company?	0.380	0.690
How much has regulation contributed to employee retention?	0.376	0.656
How much has regulation contributed to service quality?	0.283	0.590

Source: Researcher (2022)

4.6.3 Consumer Factors

The principal component analysis was used to identify items that account for more variability and extract new factors based on the total variance explained as shown in Table 4.14.

Table 4.14: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.926	58.522	58.522	2.926	58.522	58.522
2	0.852	17.041	75.563			
3	0.574	11.477	87.040			
4	0.361	7.230	94.270			
5	0.287	5.730	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher (2022)

Principal Components Analysis revealed that there is one main component derived from consumer factors which has an eigenvalue of 2.926 as shown in Table 4.14, explaining 58.5% of the variance. This is in line with eigenvalue minimum value of 1.0 for analysis (Yong & Pearce, 2013). An inspection of the scree plot revealed a clear break after the first component as shown in Figure 4.3.

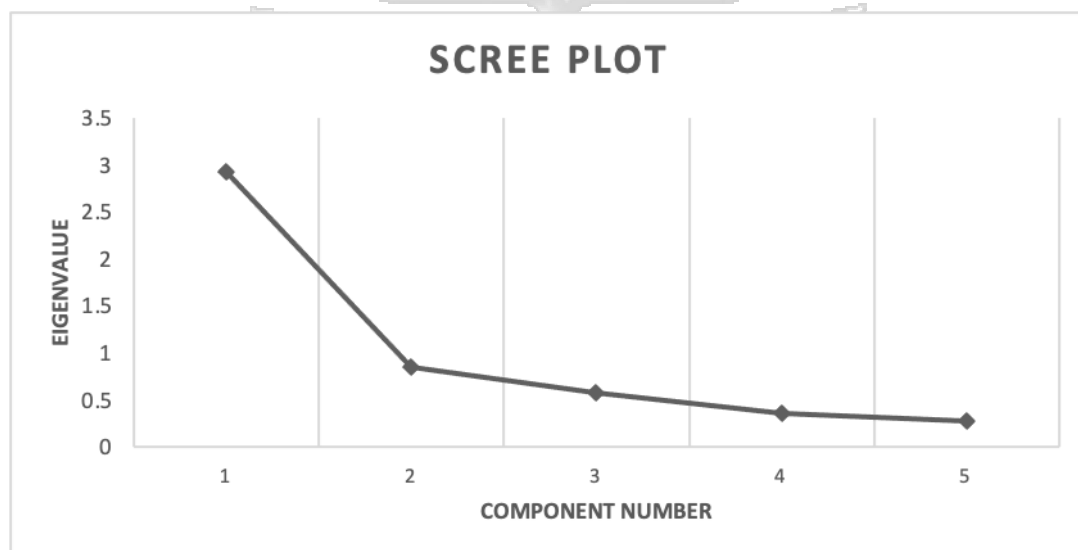


Figure 4.3: Consumer Factors Scree plot

From principal component analysis, only one component was extracted hence factor rotation was not necessary. All the questions had factor loading of more than 0.4

hence they were all used for computing a single score. The factor loadings in the factor are shown in the Table 4.15.

Table 4.15: Component Matrix^a

	Component 1
How much has the consumer attitudes and behaviours contributed to market share growth?	0.801
How much has consumer attitudes and behaviours contributed to product innovation and improved product quality?	0.758
How much has the consumer attitudes and behaviours contributed to improve service quality and process innovation?	0.757
How much has the consumer attitudes and behaviours contributed to your performance of in life insurance business?	0.755
How much has consumer attitudes and behaviours contributed to sales growth?	0.754

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: Researcher (2022)

4.6.4 Technological Factors

The principal component analysis was used to identify items that account for more variability and extract new factors based on the total variance explained as shown in Table 4.16.

Table 4.16: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.816	63.602	63.602	3.816	63.602	63.602
2	0.643	10.717	74.319			
3	0.583	9.711	84.030			
4	0.537	8.957	92.987			
5	0.237	3.945	96.932			
6	0.184	3.068	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher (2022)

Principal Components Analysis revealed that there is one main component extracted for technological factors which has an eigenvalue of 3.655 as shown in Table 4.16, explaining 63.6% of the variance. This is in line with eigenvalue minimum value of 1.0 for analysis (Yong & Pearce, 2013). An inspection of the scree plot revealed a clear break after the first component as shown in Figure 4.4.

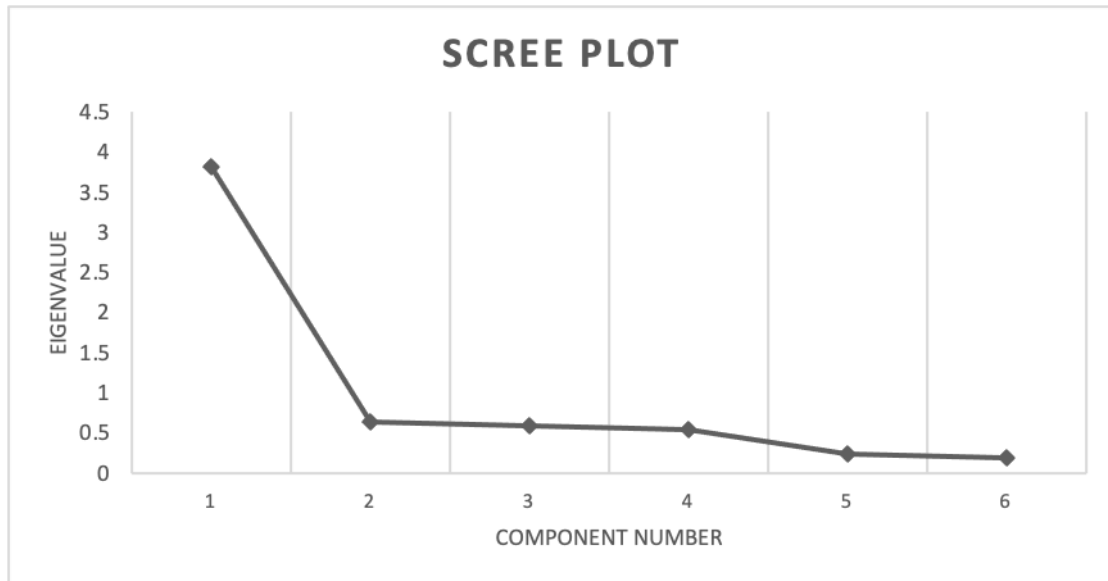


Figure 4.4: Technological Factors Scree plot

From principal component analysis, only one component was extracted hence factor rotation was not necessary. All the questions had factor loading of more than 0.4 hence they were all used for computing a single score. The factor loadings in the factor are shown in the Table 4.17.

Table 4.17: Component Matrix^a

	Component 1
How much has the technological resources, values and processes contributed to improved service quality?	0.874
How much has the technological resources, values and processes contributed to your performance in the life insurance business?	0.865
How much has the technological resources, values and processes contributed to customer satisfaction?	0.839
How much has the technological resources, values and processes contributed to sales growth?	0.799
How much has the technological resources, values and processes contributed to improved product quality?	0.717
How much has the technological resources, values and processes contributed to employee satisfaction?	0.670

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: Researcher (2022)

4.6.5 Market Factors

The principal component analysis was used to identify items that account for more variability and extract new factors based on the total variance explained as shown in Table 4.18.

Table 4.18: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.570	78.489	78.489	1.570	78.489	78.489
2	0.430	21.511	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher (2022)

Principal Components Analysis revealed that there is one main component driving empowerment which has an eigenvalue of 1.570 as shown in Table 4.18, explaining 78.5% of the variance. This is in line with eigenvalue minimum value of 1.0 for analysis (Yong & Pearce, 2013). From principal component analysis, only one component was extracted hence factor rotation was not necessary. All the questions had factor loading of more than 0.4 hence they were all used for computing a single score. The factor loadings in the factor are shown in the Table 4.19.

Table 4.19: Component Matrix^a

	Component
	1
How much has the power of suppliers and buyers contributed to your performance in the life insurance business?	0.88594
How much has the availability of substitute products and services contributed to your performance in life insurance business?	0.88594

Extraction Method: Principal Component Analysis.

a. 1 component extracted.

Source: Researcher (2022)

4.7 Inferential Statistics

Inferential statistics is a field of statistics that deals with inferences, generalizations, estimates, and approximations based on sample data (Mugenda & Mugenda, 2003). Based on information gathered from that target population, it is utilized to make decisions concerning that population. Correlation analysis was used to apply inferential statistics and determine the nature of the relationship between the dependent variable and the independent variables as well as whether there was statistical significance.

4.7.1 Normality tests

A normality tests was carried out to determine whether to perform parametric or non-parametric tests. Specifically, a Shapiro Wilk test was performed on the constructs. The findings in table 4.20 indicate that Regulatory factors, Consumer factors and Technological factors follow a normal distribution, *since the p value* > 0.05 while Performance and Market distributions did not follow normal distributions. Further analysis using skewness and kurtosis showed that all the constructs were skewed hence nonparametric tests were adopted for inferential statistics.

Table 4.20: One-Sample Shapiro Wilk Test

	N	Mean	Std. Deviation	Skewness	Kurtosis	S-W	Asymp. Sig. (2-tailed)
Performance	90	3.3	0.55928	0.356	1.17	0.947	0.001
Regulatory factors	90	2.7889	0.76337	0.212	-0.542	0.975	0.079
Consumer factors	90	3.56	0.61968	0.173	-0.48	0.978	0.126
Technological factors	90	3.559	0.69429	-0.26	0.271	0.982	0.244
Market factors	90	3.4611	0.82526	-0.149	-0.111	0.960	0.007

Source: Researcher (2022)

4.7.2 Correlation Analysis

The general objective of this research was to explore effects of non-financial factors on the performance of life insurance companies in Kenya. Spearman Correlation analysis was first used to determine the association between all factors and the performance of life insurance companies in Kenya. Correlation analysis is a measure of association or relationship between two variables. Spearman rank correlation coefficient is used since the constructs derived from factor analysis did not follow a normal distribution.

4.7.2.1 Regulatory factors and performance of life insurance companies

Spearman Rank correlation analysis was used to determine the relationship between regulatory factors and the performance of life insurance companies in Kenya. The null hypothesis was that there is no relationship between regulatory factors and the performance of life insurance companies in Kenya. The findings of the correlation analysis are presented in Table 4.21.

Table 4.21: Regulatory factors and performance Spearman's rho Correlations

		Performance	Regulatory factors
Performance	Pearson Correlation	1	.505**
	Sig. (2-tailed)		0.000
	N	90	90
Regulatory factors	Pearson Correlation	.505**	1
	Sig. (2-tailed)	0.000	
	N	90	90

** . Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher (2022)

It is observed in Table 4.21 there was a moderate positive correlation ($r=0.505$) between regulatory factors and the performance of life insurance companies in Kenya. This means increasing regulatory factors, the more likely the performance of life insurance companies will increase. The null hypothesis that of no relationship regulatory factors and the performance of life insurance is rejected at 95% confidence level where $R(90)= 0.505$, $p\ value < 0.05$ at 5% level of significance. This means the correlation between regulatory factors and the performance of life insurance is statistically significant.

4.7.2.2 Consumer factors and performance of life insurance companies

The second objective of this study was to determine the relationship between Consumer factors and the performance of life insurance companies in Kenya. The null hypothesis was that there is no relationship between Consumer factors and the performance. The findings in Table 4.22 above shows that there was a weak positive correlation ($r=0.378$) between Consumer factors and the performance. This means the more consumer factors are factored in, the more likely performance will improve. The null hypothesis that there is no relationship between consumer factors and the performance is rejected at 95% confidence level where $R(990)= 0.378$, $p\ value < 0.05$ at 5% level of significance. This means the relationship between consumer factors and the performance is statistically significant.

Table 4.22: Consumer factors and performance Spearman's rho Correlations

		Performance	Consumer factors
Performance	Correlation	1	.378**
	Coefficient		
	Sig. (2-tailed)		0.000
	N	90	90
Consumer factors	Correlation	.378**	1
	Coefficient		
	Sig. (2-tailed)	0.000	
	N	90	90

** . Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher (2022)

4.7.2.3 Technological factors and performance of life insurance companies

The third objective of this study was to determine the relationship between Technological factors and the performance. The null hypothesis was that there is no relationship between technological factors and the performance. Table 4.23 indicates a moderate positive correlation ($r=0.506$) between Technological factors and the performance. This means increasing technological factors while results in increase in performance of life insurance companies. The null hypothesis that there is no relationship between Technological factors and the performance is rejected at 95% confidence level where $R(90)= 0.506$, p value < 0.05 at 5% level of significance. This means the correlation between Technological factors and the performance of life insurance companies in Kenya is statistically significant.

Table 4.23: Technological factors and performance Spearman's rho Correlations

		Performance	Technological factors
Performance	Correlation	1	.506**
	Coefficient		
	Sig. (2-tailed)		0.000
	N	90	90
Technological factors	Correlation	.506**	1
	Coefficient		
	Sig. (2-tailed)	0.000	
	N	90	90

** . Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher (2022)

4.7.2.4 Market factors and performance of life insurance companies

The third objective was to determine the relationship between market factors and the performance. The null hypothesis was that there is no relationship between Market factors and the performance. Table 4.24 shows a weak positive correlation ($r=0.037$) between market factors and performance. This means increasing market factors will increase life insurance companies' performance. The null hypothesis that there is no relationship between Market factors and the performance is not rejected at 95% confidence level where $R_{90} = 0.506$, $p \text{ value} > 0.05$ at 5% level of significance. This means there is no sufficient evidence to suggest that correlation between Market factors and the performance of life insurance companies in Kenya is statistically significant.

Table 4.24: Market factors and performance Spearman's rho Correlations

		Performance	Market factors
Performance	Correlation Coefficient	1	0.037
	Sig. (2-tailed)		0.730
	N	90	90
	Correlation Coefficient	0.037	1
Market factors	Sig. (2-tailed)	0.730	
	N	90	90

**. Correlation is significant at the 0.05 level (2-tailed).

4.7.3 Diagnostics tests

This section entails the diagnostic tests carried out before the multiple regression analysis.

4.7.3.1 Test for Heteroscedasticity

Scatter plot in Figure 4.5 suggests no relationship between the residuals and fitted values of dependent variable hence heteroscedasticity is not a concern. A further analysis using white confirms no presence of heteroscedasticity (LM stat = 0.05, $p > 0.05$).

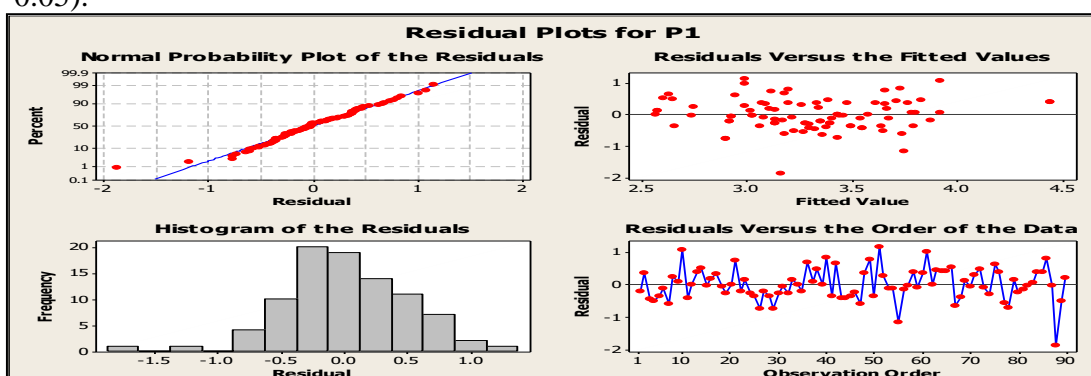


Figure 4.5: Residual plots for Performance.

4.7.3.2 Test for Normality

A histogram was used to check for normality by having a normality curve drawn on the histogram. If the histogram is well covered by the normality, density curve it implies the data is normal. From Figure 4.6, the histogram seems to have a normal distribution since a belly shaped curve can be fitted. Also, the normal P-P plot shows that the variable has a normal distribution since it falls along the straight line.

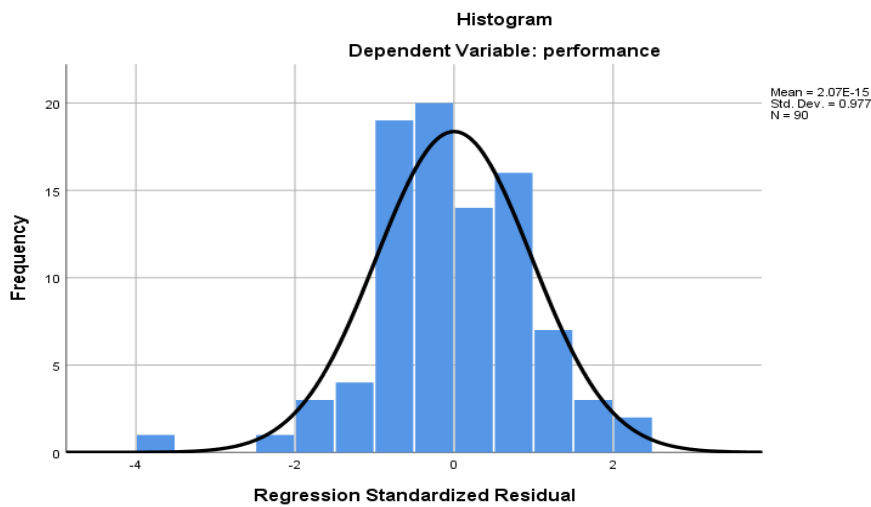


Figure 4.6: Histogram plot for residuals

4.7.3.3 Test for Autocorrelation

Autocorrelation refers to a situation where the residuals in our model are correlated which will have a negative influence in our model that is correct inference cannot be made. The null hypothesis is there is no autocorrelation. Durbin Watson statistic was used to test for autocorrelation. If the calculated Durbin Watson statistics are closer two, we reject the null hypothesis. Table 4.25 presents the DW statistics = 1.74. \cong 2 hence we reject the null hypothesis and conclude that there is no autocorrelation.

Table 4.25: Durbin Watson statistic

Alpha	0.05
D-stat	1.740018
D-lower	1.54202
D-upper	1.7758
Sig	No autocorrelation

Source: Researcher (2022)

4.7.3.4 Multi-collinearity

Multi-collinearity refers to situations where there is a high correlation between independent variables in our model, which results in a high coefficient of determination. Variance inflation factor (VIF) was used to test whether the presence of multicollinearity is statistically significant. Table 4.26 shows $VIF < 10$ (Cater & Lee, 2001) hence we can conclude that the presence of multicollinearity is not statistically significant.

Table 4.26: VIF and Tolerance level

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Regulatory factors	0.648	1.543
Consumer factors	0.625	1.601
Technological factors	0.568	1.760
Market factors	0.737	1.357

a. Dependent Variable: performance
Source: Researcher (2022)

4.7.4 Regression Analysis

Multiple regression analysis was carried out to explain further the relationship between the factors and performance of life insurance companies. The independent variables of the study were Regulatory, Consumer, Technological, and Market factors while outcome variable was Performance. The model summary results in Table 4.27 show that a considerable proportion of the variance in the performance of life insurance companies was attributed to the Regulatory factors, Consumer factors, Technological factors and Market factors. The study found that they explained 37.8% of the performance of life insurance companies in Kenya.

Table 4.27: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.615 ^a	0.378	0.349	0.50277	1.742

a. Predictors: (Constant), market factors, regulatory factors, consumer factors, technological factors

b. Dependent Variable: performance

Source: Researcher (2022)

The analysis of variance (ANOVA) results in Table 28 show the model on relationship between non-financial factors and performance of life insurance companies in Kenya was significant as shown by ($F(4,89) = 12.919, p < 0.01$).

Table 4.28: Analysis of Variance (ANOVA)

Model	Sum of		Mean		
	Squares	df	Square	F	Sig.
1 Regression	13.063	4	3.266	12.919	.000 ^b
Residual	21.486	85	0.253		
Total	34.549	89			

a. Dependent Variable: performance

b. Predictors: (Constant), market factors, regulatory factors, consumer factors, technological factors

Source: Researcher (2022)

Table 4.29 shows the effect of each independent variable on the performance. Regulator factor had a positive and significant influence on performance of life insurance companies as given by ($\beta = 0.217, t = 2.507, p < 0.05$). The implication of this finding was that a unit increase in regulations would lead to increase in performance of life insurance companies in Kenya. The study also found that consumer factors positively and significantly influenced performance of life insurance companies in Kenya ($\beta = 0.200, t = 1.842, p < 0.05$). Hence, increased consumer attitudes and behaviours a unit would result to an increase in the in performance of life insurance companies in Kenya by 0.200 units.

Findings further found that technological factors use had a positive significant influence on the performance of life insurance companies in Kenya ($\beta = 0.314, t = 3.082, p < 0.05$). This meant that a unit increase in technological resources, values and processes would lead to increase in performance of life insurance companies in Kenya by 0.314 units. Finally, market factors had a negative significant influence on the performance of life insurance companies in Kenya ($\beta = -0.179, t = -2.386, p < 0.05$). This meant that a unit increase in market factors would lead to reduction in performance of life insurance companies in Kenya by 0.179 units.

Table 4.29: Regression Coefficients

Model	Unstandardized Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	1.487	0.347	4.288	0.000
Regulatory Factors	0.217	0.087	2.507	0.014
Consumer Factors	0.200	0.109	1.842	0.009
Technological Factors	0.314	0.102	3.082	0.003
Market Factors	-0.179	0.075	-2.386	0.019

a. Dependent Variable: performance

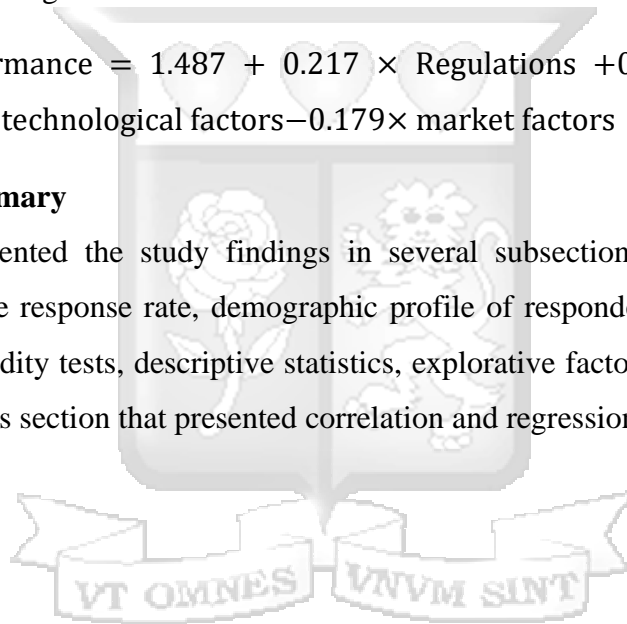
Source: Researcher (2022)

Therefore, the final regression model will be

Estimated Performance = 1.487 + 0.217 × Regulations + 0.200 × consumer factors + 0.314 × technological factors – 0.179 × market factors

4.8 Chapter Summary

This chapter presented the study findings in several subsections. These included subsections for the response rate, demographic profile of respondents, results of the reliability and validity tests, descriptive statistics, explorative factors analysis, and an inferential statistics section that presented correlation and regression analysis findings.



CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.0 Introduction

In this chapter, a summary of the research is given followed by a discussion of findings per the four research objectives on which the study's conclusions are also based. The recommendations are also presented along each of these objectives followed by limitations experienced during this study and areas of further research are suggested.

5.1 Summary

The study assessed non-financial factors that influence on the performance of life insurance companies in Kenya. The non-financial factors were grouped under regulatory, consumer, technology, and market factors and are selected as the study's independent variables. Subjective measures of performance were selected as the dependent variable. Public interest theory, disruptive innovation theory, Porter's five forces model, and the theory of planned behaviour made for the theoretical framework.

The positivist research paradigm was adopted while a descriptive research design was used. The 24 life insurance firms were selected as units of analysis from which management staff were selected as units of observation. Census sampling techniques involved the selection of all 120 respondents into the sample size. A structured questionnaire was used to collect data and its reliability and validity were tested using Cronbach's Alpha statistic. In analysing data, descriptive and inferential analysis was employed with findings presented in figures and tables.

Out of 120 questionnaires, 90 were returned implying a response rate of 75% was achieved. The majority of staff were in a management positions. More respondents had worked in life insurance for 6-10 years (39.9 %) with a small minority for less than one year (3.3%) while 28.9 % had worked in the industry for more than 11 years and 2-5 years respectively. More staff worked in operations followed by (37.8%), business development (33.3%), support services (13.3%), client service and retention (10.0%), and finance (5.6%). The overall mean scores for variables were:

performance (M=3.30, SD=0.820), regulatory factors (M=2.90, SD=0.930), consumer factors (M= 3.55, SD = 0.810), technological factors (M= 3.53, SD = 0.880), and market factors (M= 3.42, SD = 0.950).

The multiple regression analysis showed regulatory factors ($\beta = 0.217, t = 2.507, p < 0.05$), consumer factors ($\beta = 0.200, t = 1.842, p < 0.05$), and technological factors ($\beta = 0.314, t = 3.082, p < 0.05$) positively and significantly influenced the performance of LICs in Kenya. This meant that a unit increase in regulatory, consumer, and technological factors would yield an increase in performance of LICs. However, market factors ($\beta = -0.179, t = -2.386, p < 0.05$) had a negative and significant influence on the performance of LICs implying a unit increase in market factors would lead to a reduction in performance.

5.2 Discussion

5.2.1 Regulatory Factors and Performance of Life Insurance Companies

The first objective assessed the relationship between regulatory factors and the performance of life insurance companies in Kenya. The descriptive statistics show respondents were in moderate agreement that regulation had contributed to service quality (M=3.27, SD=0.804), while regulation on data protection (M=3.02, SD=1.054), and capital requirements (M=3.27, SD = 0.944), had contributed to the performance of LICs. In terms of microinsurance regulations, the results indicate respondents disagreed that microinsurance regulations had contributed to LIC performance (M=2.47, SD=1.139).

Overall, regulatory factors were found to have a positive and significant influence on the performance of life insurance companies as given by ($\beta = 0.217, t = 2.507, p < 0.05$). The implication of this finding was that a unit increase in regulations would lead to an increase in the performance of life insurance companies in Kenya. This finding is aligned with the principles of the public interest theory (Pigou, 1938). The model emphasizes that government intervention through regulatory rules seeks the protection and benefit of the public at large.

Therefore, public interest theory confirms the hypothesis that regulators promote the public interest with respect to cost, demand, and quality of firm behaviour (Muriuki &

Mutugi, 2017). Industry regulators, such as IRA, in this case, exist to serve the public interest and, therefore, regulate LICs to improve or protect public safety, increase social welfare, and prevent market failure (Kelly et al., 2012). The outcome was further substantiated by respondents agreeing that regulators contributed to consumer welfare in terms of service quality, data protection, and capital requirements.

These findings corroborate past studies that found a positive effect of the legislative framework on LIC performance. In India, Chandrapal (2019) provided evidence that the liberalisation of the life insurance sector positively impacted performance dimensions that consisted of service quality, awareness of insurance, and marketing mix. In Kenya, the results agree with those of Makau and Okeyo (2021) that indicated insurance regulations had a positive moderating effect on the nexus between underwriting and insurance performance, implying that insurance regulations enhanced the operational efficiencies of insurance companies, thus improving their financial performance.

The findings go against those of Iheanacho (2018) that revealed the liquidity ratio had a negative but insignificant effect on total insurance income while the loan to depositors ratio had an exact negative and statistically significant influence on total insurance income. However, this outcome can be attributed to the source of data used in the study; primary data from the respondent was used in the present study while Iheanacho (2018) used secondary data and thus explaining the disagreements in findings. Similarly, findings disagree with those of Muriuki and Mutugi (2017) that revealed insurance penetration was affected by the IRA regulatory framework by having a negative effect on pricing. This disagreement can be attributed to the fact that insurance penetration was the only indicator used to measure performance while the present study adopted several measures of performance.

5.2.2 Consumer Factors and Performance of Life Insurance Companies

The second objective was to analyse the relationship between consumer factors and the performance of life insurance companies. Descriptive results show respondents were in moderate agreement that consumer attitudes and behaviours had contributed to the performance of in life insurance business by improving service quality (M= 3.66, SD =0.846), improved product quality (M=3.63, SD=0.825), sales growth

(M=3.42, SD=0.804), and market share growth (M= 3.38, SD =0.84). This implies that consumer factors contributed to service quality, product quality, sales growth, and market share growth to a moderate extent. In regression analysis, consumer factors positively and significantly influenced the performance of LICs in Kenya ($\beta = 0.200$, $t = 1.842$, $p < 0.05$). Hence, a unit increase in consumer attitudes and behaviours would result in a 0.200 unit increase in the performance of LICs.

The outcome of the analysis mirrors the principles of the TPB model. More specifically, consumer attitude and behaviour as the primary key drivers of consumption can be used to predict the consumption of life insurance products. Positive consumer attitude towards an insurer increases their motivation to engage with the brand thus resulting in better performance of the company. As descriptive statistics suggest, positive consumer attitudes and behaviours contribute to the performance of life insurance business by improving service quality, product quality, sales growth, and increased market share.

This result is also in agreement with past studies such as Basaula's (2017) research in Nepal that established the creation of new products and increasing institutional delivery channels would result in the repurchase of life insurance policies thereby improving the performance of LICs. In another study, Upadhyay and Adhikari (2021) assessed the impact of service quality on the firm performance of LICs finding that tangible reliability, empathy, responsiveness, and assurance contributed positively to Nepalese LICs. The positive effect of consumer factors on performance among LICs was also reported in Ghana as Abaidoo (2016) found that perceptions of the public, service delivery, awareness, education, sustainability, and growth explained the performance of LICs through customer satisfaction.

Nebo and Okolo's (2016) research in Nigeria also established positive effects of consumer factors consisting of prompt settlement of claims, quality insurance products, fair premiums, prompt attendance to customer complaints, timely communication of policy renewal notices, thorough explanation of policies, explanation of product benefits, and understandable policy documents on LICs performance. In Kenya, Nderitu et al. (2018) research revealed respondents' agreement that the price of life insurance influences the uptake of life insurance

implying a strong relationship between life insurance uptake and predicted life insurance price.

5.2.3 Technological Factors and Performance of Life Insurance Companies

The third objective aimed to examine the relationship between technological factors and the performance of life insurance companies. Summary findings show technological resources, values and processes contributed to improved service quality (M=3.77, SD=0.818), customer satisfaction (M= 3.73, SD =0.831), sales growth (M = 3.54, SD = 0.821), product quality (M = 3.46, SD = 0.873), employee satisfaction (M = 3.18, SD = 1.060) to a moderate extent.

Overall, technological factors had a positive significant influence on the performance of LICs ($\beta = 0.314$, $t = 3.082$, $p < 0.05$). This meant that a unit increase in technological resources, values and processes would increase performance by 0.314 units.

This finding supports Christensen's (1997) theory of disruptive innovation which asserts that the fast pace of technological change, different types of technologies, and business models all conspire together to demand a new way of conducting business. The relevance of the theory of disruptive innovation is substantiated by the views that technological resources, values, and processes contribute to improving product and service quality, customer satisfaction, and employee satisfaction. According to Cappiello (2020), technology has disrupted the insurance industry and forced radical change upon corporate culture, products and processes, customer relationships, and relations with the sector's various competitors.

This finding supports other previous studies that have found a positive effect of technological factors on the performance of LICs. Hossinpour et al. (2014) research in Iran confirmed a significant relationship between using the internet for marketing activities for distribution channels, clients, and marketing research, which consequently resulted in life insurance sales. In Kenya's context, Otiso (2020) found that the application of technology resulted in enhanced performance of LICs as document management systems, customer management systems, business process management systems, and financial management systems were widely adopted in the insurance sector contributing to its performance positively. In later research, Mulumbi

(2021) established positive and significant effects of disruptive changes and external opportunities arising from digitalization with the growth of life insurance firms.

The findings go against past studies that revealed the negative effects of technological factors on LICs performance. One such study was conducted in the SSA region by Akinlo (2021). The Internet was found to have an insignificant influence on life insurance while mobile phones negatively affected life insurance while fixed telephones significantly contributed to life insurance performance. Fixed telephones significantly contributed to life insurance performance implying that the use of modern technology based on the Internet and mobile communications had little or no effect on the performance of LICs. These little or no effects of technology on the performance of LICs were also evidenced in Kenya, Ngiri (2021) found that digitization of claims processing, digital fraud detection, and customer relationship management systems all had weak relationships with the underwriting process and therefore did little to have an effect on the performance of LICs.

5.2.4 Market factors and Performance of Life Insurance Companies

The fourth objective was to measure the relationship between market factors and the performance of life insurance companies. Based on Porter's model, the respondents were in moderate agreement that the performance of LICs was influenced by the rivalry between existing competitors ($M=3.73$, $SD=0.908$), availability of substitute products and services ($M=3.47$, $SD=0.899$), power of suppliers and buyers ($M=3.44$, $SD=0.957$), and the threat of new entrants ($M=3.05$, $SD=1.047$).

Overall, market factors had a negative significant influence on the performance of LICs ($\beta = -0.179$, $t = - 2.386$, $p <0.05$). This meant that a unit increase in market factors would lead to a reduction in the performance of LICs by 0.179 units. The results agree with other studies such as that of Banerjee and Savitha (2021) in India which demonstrated firms in the life microinsurance industry (LMI) market scored better on profitability measures whenever competitive pressures were lower.

Nevertheless, the findings do agree with the five forces model developed by Porter (1980) where rivalry among existing competitors, new entrant threat, supplier and buyer power, and substitute products and services all can either present threats or

opportunities for firms to improve performance by enhancing their competitive advantage in the market.

However, the majority of literature finds that market forces have a positive effect on the performance of LICs. In a sample of EU countries, Cummins et al. (2017) observed that market competition increased the soundness of life insurance, suggesting that efficiency is the mechanism via which competition results in insurer solvency. Kasman et al. (2019) research in Turkey found that life insurer firms were more stable in a highly competitive and more concentrated market. This was evident in India's life insurance sector where Reddy et al. (2019) revealed that banking sector development had a significant and positive force on the life insurance business thus enhancing the performance of the life insurance subsector.

Likewise, Alhassan and Biekpe (2016) found a positive effect of competition on cost and profit efficiency to validate the “quiet-life” hypothesis which posits that competition improves the efficiency of life insurance thereby enhancing their performance in South Africa. In Kenya, Turayishimye's (2015) findings indicated market forces, competition, the power of buyers and suppliers, and the threat of new entrants all influenced the performance of LICs by their market penetration. Mweu (2021) found that market segmentation, niche marketing, and marketing development positively influenced the non-financial performance of insurance firms in Kenya.

5.2 Conclusion

5.2.1 Regulatory factors and performance of life insurance companies

The first objective assessed the relationship between regulatory factors and the performance of life insurance companies in Kenya. Regulatory factors were found to have a positive and significant influence on the performance of life insurance companies. The study, therefore, concludes that regulatory factors have an effect on the performance of life insurance companies.

5.2.2 Consumer factors and performance of life insurance companies

The second objective was to analyse the relationship between consumer factors and the performance of life insurance companies. Consumer factors positively and significantly influenced the performance of life insurance companies. Therefore, the

study concludes that consumer factors positively affect the performance of life insurance companies.

5.2.3 Technological factors and performance of life insurance companies

The third objective aimed to examine the relationship between technological factors and the performance of life insurance companies. Overall, technological factors had a positive significant influence on the performance of life insurance companies. Therefore, this study concludes that technological factors positively affect the performance of life insurance companies in Kenya.

5.2.4 Market factors and performance of life insurance companies

The fourth objective was to measure the relationship between market factors and the performance of life insurance companies. Overall, market factors had a negative significant influence on the performance of life insurance companies. Therefore, the study concludes that market factors had a negative effect on life insurance companies' performance in Kenya.

5.4 Recommendations

Overall, the study ascertained that non-financial factors greatly influence the performance of life insurance companies. The regression analysis found that these factors were responsible for 37.8% of the performance of life insurance companies, which is significant. Therefore, life insurance companies should start paying more attention to non-financial factors – regulatory frameworks, market forces, technological factors, and consumer factors. The study recommends that these companies start reflecting these factors in their annual reports and their roles in their overall performance.

The study also found that the degree of impact these factors have varies. For instance, while regulatory frameworks, consumer factors, and technological factors positively impact life insurance companies, market factors have a negative impact. In addition, among the three sets of positive factors, the impacts of technological and regulatory factors are more pronounced (coefficients .314 and .217). The study recommends that life companies prioritize leveraging these factors to optimize their performance. For example, monitor the tech sector to identify and adopt emerging and innovative solutions to enhance their service quality and customer satisfaction.

Taking advantage of the regulatory factors involves recognizing the benefits of the legal and regulatory environment. Life insurance companies should identify ways in which elements of law and regulations fit into their strategic plans and adopt robust systems to leverage these elements. This can include ensuring regulatory compliance at all times.

Though not quite as significant as regulatory and technological factors, the study found consumer factors to have a reasonable impact on the performance of life insurance companies. Therefore, they should leverage the knowledge of consumer behavior and preferences in the life insurance sector. In so doing, they can adjust and respond to the changing consumer needs and expectations.

The study found market factors to have a negative impact on the performance of life insurance companies. As such, the approach to these factors should differ from the other non-financial factors. The findings of the analysis suggest that life insurance companies should adopt a proactive model in strengthening their position in the market. Besides offering high-quality services at affordable rates, they should consider powerful competitive strategies such as mergers and acquisitions (M&A) to edge out potential rivals.

In light with the recommendations above, policymakers should develop comprehensive and countrywide measures designed to facilitate the performance of life insurance companies. For instance, modifying existing and introducing new laws in favour of consumers as well as individual companies would go a long way in improving the life insurance sector. Good examples include creating an environment that facilitates easy adoption of insurance tech, intensifying insurance supervision, and protecting the local market from unhealthy competition from foreign rivals.

5.5 Limitations of the Study

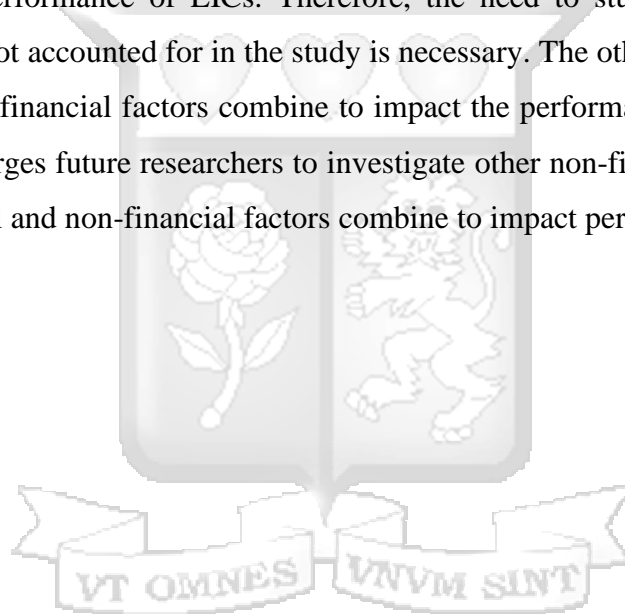
Although measures were taken to improve the quality of the study, it may have encountered some limitations. This study was limited to subjective measures of performance and did not use secondary data to examine the performance of life insurance companies. Subjective measures suffer from systematic bias related to order, scale, and halo-effects (Jahedi & Méndez, 2014). The study was also not examining the performance of life insurance firms under specific duration; thus, the findings were limited to respondents' perceptions. Relying on respondents' perceptions and views, on a self-reporting basis, can compromise the reliability and

quality of an investigation due to bias. Participants can sometimes second-guess what a researcher is after and change their answers and behaviors in different ways.

5.6 Areas for Future Research

This inquiry focused on the non-financial factors affecting the performance of life insurance companies. This was justified by the disproportionate focus of the current body of empirical framework on financial factors. Therefore, the study has contributed immensely in filling the empirical gap regarding the knowledge of non-financial drivers of life insurance companies' performance. However, in so doing, two research problems emerge.

The study found regulatory, consumer, technological, and market factors explained only 37.8% of performance of LICs. Therefore, the need to study the other non-financial factors not accounted for in the study is necessary. The other problem is how financial and non-financial factors combine to impact the performance of LICs. As a result, the study urges future researchers to investigate other non-financial factors and how both financial and non-financial factors combine to impact performance of LICs.



REFERENCES

- Abachi, J. (2018). *Factors That Influence Pricing Of Life Insurance Products: A Case Study Of ICEA Lion Life Assurance*. Unpublished research project. United States International University-Africa. Nairobi. Kenya.
- Abaidoo, G. (2016). Customer Satisfaction Strategies for Life Insurance Growth in Ghana. *Journal of Functional Education*, 3(1), 1-18.
- Ahmed, N., Ahmed, Z., & Usman, A. (2011). Determinants of performance: A case of life insurance sector of Pakistan. *International Research Journal of Finance and Economics*, 6(1), 123-128.
- Ajzen, I. (1991). The theory of planned behavior. *Organizational behavior and human decision processes*, 50(2), 179-211.
- Akinlo, T. (2021). Information technology and insurance development in Sub-Saharan Africa. *Information Development*. <https://doi.org/10.1177/02666669211028960>
- Akotey, J. O., Sackey, F. G., Amoah, L., & Manso, R. F. (2013). The Financial Performance of Life Insurance Companies in Ghana. *Journal of Risk Finance*, 14(3), 286-302.
- Alhassan, A. L., & Biekpe, N. (2016). Competition and efficiency in the non-life insurance market in South Africa. *Journal of Economic Studies*, 43(6), 882 – 909.
- Alunge, R. (2020, March). Consolidating the right to data protection in the information age: A Comparative appraisal of the adoption of the OECD (Revised) guidelines into the EU GDPR, the Ghanaian Data Protection Act 2012 and the Kenyan Data Protection Act 2019. In *International Conference on Innovations and Interdisciplinary Solutions for Underserved Areas* (pp. 192-207). Springer, Cham.
- Arnab, R. (2019). *Survey Sampling Theory and Applications*. London, UK: Academic Press.
- Association of Kenya Insurers (2019). *2019 Insurance Industry Report*. Nairobi. Kenya. Association of Kenya Insurers.
- Association of Kenya Insurers (2020). *Agency retention and persistency study report*. Nairobi. AKI.

- Bacon, C. R. (2023). *Practical portfolio performance measurement and attribution*. John Wiley & Sons.
- Banerjee, S., & Savitha, B. (2021). Competition reduces profitability: the case of the Indian life microinsurance industry. *The Geneva Papers on Risk and Insurance - Issues and Practice*, 46, 383–39.
- Barry, B. (2017). The public interest. In *Pluralism in Political Analysis* (pp. 159-177). Routledge.
- Basaula, D. (2017). Customers Satisfaction towards Life Insurance Claim Settlement in Nepal. *Janapriya Journal of Interdisciplinary Studies*, 6, 29-44.
- Bernard, P. I., Godsal, J., Kotanko, B., & Reich, A. (2020). The future of life insurance.
- Bernstein, M. H. (2015). *Regulating business by an independent commission* (Vol. 2324). Princeton University Press.
- Brahmana, R. K., Brahmana, R. K. M., & Memarista, G. (2018). Planned behaviour in purchasing health Insurance. *The South East Asian Journal of Management (SEAM)*, 12(1), 53-64.
- Cappiello, A. (2018). Technology and Insurance. In *Technology and the Insurance Industry* (pp. 7-28). Palgrave Pivot, Cham.
- Casteel, A., & Bridier, N. L. (2021). Describing populations and samples in doctoral student research. *International Journal of Doctoral Studies*, 16, 339-362.
- Chandrapal, J. D. (2019). Impact of liberalization on Indian life insurance industry: A truly multivariate approach. *IIMB Management Review*, 31, 283–297.
- Chaudhary, S. (2016). Consumer perception regarding life insurance policies: A factor analytical approach. *Pacific Business Review International*, 9(6), 52-61.
- Collins, C. S., & Stockton, C. M. (2018). The central role of theory in qualitative research. *International journal of qualitative methods*, 17(1), 1609406918797475.
- Cummins, J. D., Rubio-Misas, M., & Vencappa, D. (2017). Competition, efficiency and soundness in European life insurance markets. *Journal of Financial Stability*, 28(C), 66–78.
- Deloitte & Touche (2020a). *2021 insurance outlook: Accelerating recovery from the pandemic while pivoting to thrive*. Retrieved from <file:///C:/Users/User/Downloads/2021%20insurance%20outlook%20Acceleratin>

[g%20recovery%20from%20the%20pandemic%20while%20pivoting%20to%20thrive2431.pdf](https://www2.deloitte.com/content/dam/Deloitte/ke/Documents/financial-services/Insurance%20Outlook%20Report%20EA%202020.pdf)

- Deloitte & Touche (2020b). *Insurance Outlook Report 2020/21: East Africa*. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/ke/Documents/financial-services/Insurance%20Outlook%20Report%20EA%202020.pdf>
- Dhanabhakym, M., Anitha, V., & Kavitha, S. (2019). Applying knowledge management in the life insurance industry. *International Journal of Marketing and Technology*, 2(1), 231.
- Esau, E. Y. R. (2015). Factors affecting consumer purchase decision on insurance product in PT. Prudential Life Assurance Manado. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 3(3).
- Ghazali, N. H. M. (2016). A Reliability and Validity of an Instrument to Evaluate the School-Based Assessment System: A Pilot Study. *International Journal of Evaluation and Research in Education*, 5(2), 148-157.
- Giri, M. A (2019). *Behavioral Study of Life Insurance Purchase Decisions*. Unpublished Thesis. Indian Institute of Technology Kanpur. Kalyanpur, Kanpur.
- Global Data. (2022). Kenya Life Insurance – Key Trends and Opportunities to 2025. Retrieved 2022 from <https://www.globaldata.com/store/report/kenya-life-insurance-market-analysis/>
- Hamal, J. B. (2020). Impact of Firm Specific Factors on Financial Performance of Life Insurance Companies in Nepal. *Interdisciplinary Journal of Management and Social Sciences*, 1(1), 39–52.
- Hole, Y., & Bhaskar, M. P. (2019). Porter's Five Forces Model: Gives You A Competitive Advantage. *Journal of Advanced Research in Dynamical & Control Systems*, 11(4), 1436-1448.
- Hossinpour, M., Hasanzade, M., & Feizi, M. (2014). E-marketing effect on life and investment insurance sales. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 3(8), 235-245.
- Howell, K. E. (2013). *An introduction to the philosophy of methodology*. London, UK: SAGE Publications.

- Husin, M., M., & Rahman, A. A. (2013). What drives consumers to participate into family Takaful schemes? A literature review. *Journal of Islamic Marketing*, 4(3), 264-280.
- Iheanacho, E. (2018). Insurance Industry Performance and the Selected Regulatory Instruments in Nigeria. *IOSR Journal of Economics and Finance*, 9(6), 67-77.
- International Association of Insurance Supervisors (2020) *Global Insurance Market Report 2019*. Switzerland. IAIS.
- Ishtiaq, N., & Siddiqui, A. D. (2019). Factors Affecting Financial Performance of Life Insurance Sector in Pakistan. *International Journal of Social and Administrative Sciences. Asian Economic and Social Society*, 4(2), 178-199.
- Jahedi, S., & Méndez, F. (2014). On the advantages and disadvantages of subjective measures. *Journal of Economic Behavior & Organization*, 98, 97-114.
- Jakes, L. V. (2018). *Success Strategies of Small Business Owners*. Unpublished Thesis. Walden University. Minneapolis. Minnesota.
- Janzen, S., Magnan, N., Mullally, C., Shin, S., Palmer, I. B., Oduol, J., & Hughes, K. (2021). Can experiential games and improved risk coverage raise demand for index insurance? evidence from Kenya. *American Journal of Agricultural Economics*, 103(1), 338-361.
- Johnson, L., Wandera, B., Jensen, N., & Banerjee, R. (2019). Competing expectations in an index-based livestock insurance project. *The Journal of Development Studies*, 55(6), 1221-1239.
- Kaguri, A. W. (2013). *Relationship between Firm Characteristics and Financial Performance of Life Insurance Companies in Kenya*. Unpublished research project. University of Nairobi. Nairobi. Kenya.
- Kasman, A., Kasman, S., & Gökalp, G. (2019). Stability, Competition, and Concentration in the Turkish Insurance Sector. *International Journal of the Economics of Business*, 27(3), 1–21.
- Kazaure, M. A. (2019). Extending the theory of planned behavior to explain the role of awareness in accepting Islamic health insurance (takaful) by microenterprises in northwestern Nigeria. *Journal of Islamic Accounting and Business Research*.
- Kiptum, G. K. (2017). *An Assessment of consumer protection in the Kenyan insurance sector* (Doctoral dissertation, Strathmore University).

- Kitaka, J. M., Kiragu, D., & Marwa, S. M. (2019). Government Regulation and Sustainability of Kenya's Insurance Companies. *International Journal of Finance and Accounting*, 4(1), 1-14.
- Kitchel, T., A., & Ball, L. (2014). Quantitative Theoretical and Conceptual Framework Use in Agricultural Education Research. *Journal of Agricultural Education*, 55(1), 186–199.
- Koijen, R. S. J., & Yogo, M. (2021). The Evolution from Life Insurance to Financial Engineering. *Geneva Risk and Insurance Review*, 46, 1-26.
- Kölln, A. K., Ongena, Y. P., & Aarts, K. (2019). The effects of sampling frame designs on nonresponse and coverage error: Evidence from the Netherlands. *Journal of Survey Statistics and Methodology*, 7(3), 422-439.
- Kulkarni, S. M. (2013). *Comparative study of satisfaction of stakeholders with Life Insurance Corporation of India*. Retrieved from file:///C:/Users/User/Downloads/comparisonStakeholders.pdf
- Kurni, M., & Mrunalini, M. (2021). Managing Health Insurance Using Blockchain Technology. In *Blockchain in Digital Healthcare* (pp. 169-194). Chapman and Hall/CRC.
- Kusi, B. A., Alhassan, A. L., Ofori-Sasu, D., & Sai, R. (2019). Insurance regulations, risk and performance in Ghana. *Journal of Financial Regulation and Compliance*, 28(1), 74-96.
- Langevoort, D. C. (2017). Cultures of compliance. *Am. Crim. L. Rev.*, 54, 933.
- Li, H., Zhang, H., Tsai, S. B., & Qiu, A. (2017). China's insurance regulatory reform, corporate governance behavior and insurers' governance effectiveness. *International Journal of environmental research and public Health*, 14(10), 1238.
- Lillykutty, M. J., & Samson, R. (2018). Selection of a quantitative research design: A delicate task. *International Journal of Development Research*, 8(5), 20573-20575.
- Low, D., Nathan, R., J., Gorgenyi-Hegyessy, E., & Fekete-Farkas, M. (2021). The demand for life insurance in a developing country and the mediating role of persuasion. *Journal of International Studies*, 14(3), 138-154.

- Magati, S. K. B. (2021). *Influence of distribution channels on consumer purchase behavior in the life insurance industry: A case of Britam Life Assurance Company Kenya*. Unpublished thesis. Strathmore University. Nairobi. Kenya.
- Makau, L. & Okeyo, W. (2021). Risk Underwriting, Crisis Management, Regulatory Framework and Performance of Insurance Companies in Kenya: A Case of Sanlam General Insurance Company. *Journal of Human Resource & Leadership*, 5(3), 96-113.
- Mamun, A. A., Rahman, M. K., Munikrishnan, U. T., & Permarupan, P. Y. (2021). Predicting the intention and purchase of health insurance among Malaysian working adults. *Sage Open*, 11(4), 21582440211061373.
- Markonah, M., Sudiro, A., Surachman, A., & Rahayu, M. (2019). The Effect of Corporate Governance and Premium Growth on the Performance of Insurance Companies in Indonesia. *European Research Studies Journal*, 22(2), 367-383.
- McGarry, B. E., Temkin-Greener, H., Chapman, B. P., Grabowski, D. C., & Li, Y. (2016). The impact of consumer numeracy on the purchase of long-term care insurance. *Health services research*, 51(4), 1612-1631.
- McKinsey & Company (2021). 2020 Global Insurance Pools statistics and trends: Life insurance. Retrieved from <https://www.mckinsey.com/~/media/mckinsey/industries/financial%20services/our%20insights/global%20insurance%20pools%20statistics%20and%20trends%20an%20overview%20of%20life%20p%20and%20c%20and%20health%20insurance/global-insurance-pools-statistics-and-trends-life.pdf>
- Meko, M., Lemie, K., & Worku, A. (2019). Determinants of life insurance demand in Ethiopia. *Journal of Economics, Business, and Accountancy Ventura*, 21(3), 293 – 302.
- Melnychuk, Y., Chvertko, L., Korniienko, T., Vinnytska, O., & Garmatiuk, O. (2019). Analysis of the factors influencing the market of insurance services in life insurance. *Tem Journal*, 8(1), 201.
- Melnyk, S. A., Bititci, U., Platts, K., Tobias, J., & Andersen, B. (2014). Is performance measurement and management fit for the future?. *Management accounting research*, 25(2), 173-186.

- Mishra, S., Sarkar, U., Taraphder, S., Datta, S., Swain, D., & Saikhom, R. et al. (2017). Multivariate Statistical Data Analysis- Principal Component Analysis (PCA). *International Journal of Livestock Research*, 7(5), 60-78.
- Muijs, D. (2011). *Doing Quantitative Research in Education with SPSS*. London, UK: SAGE Publications Ltd.
- Mulumbi, A. (2021). *Effects of Digitalization on Growth of Life Insurance Firms Listed in the Nairobi Securities Exchange in Kenya*. Unpublished dissertation. Strathmore University. Nairobi. Kenya.
- Murigu, J. W. (2014). *The determinants of financial performance in general insurance companies in Kenya* (Doctoral dissertation, University of Nairobi).
- Muriuki, W. R., & Mutugi, M. T. (2017). The Effect of IRA Regulation on Insurance Penetration in Kenya. *International Journal of Social Sciences and Information Technology*, 3(5), 2158-2169.
- Mutugi, P. M. (2012). *The Determinants of Financial performance of Life Assurance Companies in Kenya*. Unpublished research project. University of Nairobi. Nairobi. Kenya.
- Mweu, F. M. (2021). *Influence of market share determinants on the non-financial performance of insurance firms in Kenya*. Unpublished Thesis. Strathmore University. Nairobi. Kenya.
- Nderitu, F., Kung'u, J. N., & Gichuhi, D. M. (2019). Does the Price of Life Insurance Influence the Uptake of Life Insurance in Kenya? *IOSR Journal of Economics and Finance*, 9(5), 64-71.
- Nebo, G. N., & Okolo, V O. (2016). Effects of the Strategies for Customer Satisfaction on the Performance of Insurance Firms in Enugu Metropolis. *IOSR Journal of Business and Management*, 18(5), 78-90.
- Ngiri, M. S. (2021). *Effect of Technology Adoption on Underwriting Processes among Top Five Insurance Companies in Nairobi County*. Unpublished research project. United States International University-Africa. Nairobi. Kenya.
- Ngugi, N. S. (2021). *Competitive Strategies and Organisational Performance: A Case of Insurance Companies In Nyeri County, Kenya*. Unpublished research project. Kenyatta University. Nairobi. Kenya.

- Njuguna, W. (2019). *Motor Insurance Fraud in Kenya: an Analysis of the Effectiveness of the Legal and Institutional Framework in Curbing Insurance Fraud* (Doctoral dissertation, University of Nairobi).
- Nkengmenche, N. G. (2020). *Factors Affecting the Successful Uptake of Life Insurance in Cameroon: Zenithe Insurance Company, BUEA, Cameroon*. Unpublished thesis. Centria University of Applied Sciences. Kokkola, Finland
- Nzenga, M. R. (2013). *Factors Affecting the Growth of Life Insurance Business in Nairobi Kenya*. Unpublished research project. Kenyatta University. Nairobi. Kenya.
- Obilor, E. I., & Amadi, E. C. (2018). Test for Significance of Pearson's Correlation Coefficient. *International Journal of Innovative Mathematics, Statistics & Energy Policies*, 6(1), 11-23.
- OECD (2020). *Global Insurance Market Trends 2020*. OECD. Paris, France.
- Omar, O. E. (2007). The retailing of life insurance in Nigeria: An assessment of consumers' attitudes. *The Journal of Retail Marketing Management*, 1(1), 41-47.
- Omar, O. E. (2017). The retailing of life insurance in Nigeria: an assessment of consumers' attitudes. *The Journal of Retail Marketing Management Research*.
- Onsongo, B. J. (2015). *Determinants of Financial Performance for Life Insurance Companies in Kenya*. Unpublished research project. University of Nairobi. Nairobi. Kenya.
- Otiso, S. N. (2020). *Effect of Technology on the Performance of Insurance Companies in Kenya* (Doctoral dissertation, University of Nairobi).
- Otiso, S. N. (2020). *Effect of Technology on the Performance of Insurance Companies in Kenya*. Unpublished research project. University of Nairobi. Nairobi. Kenya.
- Ouma, M. O. (2016). *Competitive Strategies and performance of insurance companies in Kenya* (Doctoral dissertation, University of Nairobi).
- Patel, K., & Patel, P. (2021). Performance of Selected Life Insurance Companies – Comparative Analysis. *International Journal of Finance and Banking Research*, 7(2), 51-57.
- Phan, T. K., Nguyen, T. H. T., Dang, T. H., Tran, V. T., & Le, K. N. (2021). Non-financial factors affecting the operational performance of hospitality companies:

- Evidence from Vietnam. *Problems and Perspectives in Management*, 19(4), 48-62.
- Pigou, A. C. (1938). *The Economics of Welfare*. (4th ed). London, UK: Macmillan and Company.
- Porter, M. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. New York, NY: The Free Press.
- Porter, M. (1985). *The Competitive Advantage: Creating and Sustaining Superior Performance*. New York. NY: Free Press.
- Posen, H. A. (2015). Ridesharing in the sharing economy: Should regulators impose Uber regulations on Uber. *Iowa L. Rev.*, 101, 405.
- PWC. (2022). Kenya's insurance sector is ripe for investment and growth. *Corporate Prospects for Kenya's Insurance Industry*. Retrieved from <https://www.pwc.com/ke/en/publications/growth-prospects-for-kenyas-insurance-industry.html>
- Rai, A. K., & Medha, S. (2013). The antecedents of customer loyalty: An empirical investigation in the life insurance context. *Journal of competitiveness*, 5(2), 139-163.
- Rajasekar, J., & Rae, M. A. (2013). An analysis of the telecommunication industry in the Sultanate of Oman using Michael Porter's competitive strategy model. *Competitiveness Review: An International Business Journal*, 23(3), 234-259.
- Rao, M. V. S. S. (2017). Perceptions of stakeholders on CRM practices in life insurance sector of India. *Airo International Research Journal*, 13, 1-10.
- Reddy, V. V. N., Reddy, S. M. & Naidu, P. A. (2019). Macro-Economic Determinants of Life Insurance Business – Empirical Evidence during 2000-01 to 2015-16. *International Journal of Engineering and Advanced Technology*, 9(2), 4606-4606.
- Salim, I. M. (2017). Expanding the Islamic financial services frontier: Lessons from the Islamic finance sector in Kenya. *Journal of Islamic Banking and Finance*, 5(1), 1-6.
- Salleh, F., Kassim, D. N. H. A., Yazid, A. S., & Rashid, N. (2018). Consumer Behaviour and Insurance Claim Fraud in Malaysia. *International Journal of Academic Research in Business and Social Sciences*, 8, 12.

- Santos, J. B., & Brito, L. A. L. (2012). Toward a subjective measurement model for firm performance. *BAR-Brazilian Administration Review*, 9(6), 95-117.
- Sarker, M., & Kasem, N. (2012). Non-Financial Factor of Measuring Organizational Performance Brings Long Term Financial Capability: An Experience From Bangladesh. *International Journal of Research in Commerce & Management*, 3(5), 39-42.
- Saunders, M. N. K., Lewis, P., & Thornhill, A. (2019). *Research Methods for Business Students*. (8th edn.): Harlow, UK: Pearson Education Limited
- Schmidt, C. (2018). Insurance in the digital age. *The Geneva Association. Zurich*, 1-20.
- Sibindi, A. B. (2019). Insurance market development: an empirical study of African countries. *Risk governance & control*.
- Singh, S., Darwish, T. K., & Potocnik, K. (2016). *Measuring Organizational Performance: a Case for Subjective Measures*. *British Journal of Management*, 27(1), 214-224.
- Sulaiman, L. A., Migiro, S., & Yeshihareg, T. (2015). Investigating the factors influencing the life insurance market in Ethiopia. *Problems and Perspectives in Management*, 13(2), 152-160.
- Supriya, S. (2018). Evaluation of Financial Performance of Life Insurers in India. *International Journal of Commerce & Management*, 21-29.
- Swiss RE (2021). *World insurance: the recovery gains pace*. Retrieved from <https://www.swissre.com/dam/jcr:ca792993-80ce-49d7-9e4f-7e298e399815/swiss-re-institute-sigma-3-2021-en.pdf>
- Swiss RE (2022). *World insurance: the recovery gains pace*. Retrieved from <https://www.swissre.com/dam/jcr:ca792993-80ce-49d7-9e4f-7e298e399815/swiss-re-institute-sigma-3-20>
- Tuffour, J. K., Ofori-Boateng, K., Ohemeng, W., & Akuaku, J. K. (2021). Life Insurance Companies: Determinants of Cost Efficiency and Profitability. *Journal of Accounting, Business and Management*, 28(2), 1-19.
- Turayishimye, T. (2015). *Market Penetration Challenges by Insurance Companies in Kenya*. Unpublished Thesis. United States International University – Africa. Nairobi. Kenya.

- Upadhyay, J. P., & Adhikari, P. R. (2021). Impact of Service Quality on Customer Satisfaction and Firm Performance in Nepalese Life Insurance Companies. *International Journal of Engineering and Advanced Technology*, 10(3), 110-115.
- Vij, S., & Bedi, H. S. (2016). Are subjective business performance measures justified? *International Journal of Productivity and Performance Management*, 65(5), 603-621.
- Wang, H. (2010). *Factors influencing consumers' life insurance purchasing decisions in China* (Master's thesis).



APPENDICES

Appendix 1: Questionnaire For Life Insurance Management Staff

Section A: Background information

1. Are you in a management or supervisory role?

Yes []

No []

2. How many years have you worked in the life insurance industry?

Less than 1 year []

2 – 5 years []

6-10 years []

More than 11 years []

3. What division are you currently working in?

Division	Indicate [√]
Operations (Underwriting, Claims, Actuarial, Reinsurance)	
Client Service and Retention	
Finance	
Support services (IT, Legal, Administration, Risk, Compliance, Audit, Human Resource)	
Business Development	

Section B: Performance of Life Insurance Companies

This section of the instrument focuses on performance of life insurance companies. For all the questions answer in relations to the company you work for, over the period of the last five years. Please indicate your responses on the below table, where 1 – Not at all, 2 – Somewhat, 3 – Moderately, 4 – Highly and 5 – Exponentially

Statements	1	2	3	4	5
How much have sales grown in the last five years?					
How much has the market share grown?					
How much has your return on investment grown?					
How much has your service quality improved?					

How much has your customer satisfaction grown?					
How much has your employee satisfaction improved?					
How much has your product innovation improved?					
How much has your process innovation improved?					
How much has product quality improved?					

Section C: Non-financial factors affecting performance of life insurance companies

This section of the instrument is to measure how much each of the below factors contribute to performance of life insurance companies. For all the questions, answer based on your experience in the life insurance industry and the company where you work. Please indicate your responses on the below table, where 1 – Not at all, 2 – Somewhat, 3 – Moderately, 4 – Highly and 5 – Exponentially

Regulatory Factors	1	2	3	4	5
How much has insurance regulation contributed to your company's performance?					
How much has regulation contributed to your company's sales growth?					
How much has regulation contributed to return on investment?					
How much has regulation contributed to market share growth?					
How much has regulation contributed to employee retention?					
How much has regulation contributed to service quality?					
How much has micro-insurance regulations contributed to your company's performance?					
How much has regulation on data protection contributed to the performance of your company?					
How much has regulation on capital requirements contributed to performance of your company?					
Consumer Factors	1	2	3	4	5
How much has the consumer attitudes and behaviours contributed to your performance of in life insurance business?					

How much has the consumer attitudes and behaviours contributed to market share growth?					
How much has the consumer attitudes and behaviours contributed to improved service quality and process innovation?					
How much has consumer attitudes and behaviours contributed to product innovation and improved product quality?					
How much has consumer attitudes and behaviours contributed to sales growth?					
Technological Factors	1	2	3	4	5
How much has the technological resources, values and processes contributed to your performance in the life insurance business?					
How much has the technological resources, values and processes contributed to sales growth?					
How much has the technological resources, values and processes contributed to improved service quality?					
How much has the technological resources, values and processes contributed to customer satisfaction?					
How much has the technological resources, values and processes contributed to improved product quality?					
How much has the technological resources, values and processes contributed to employee satisfaction?					
Market Factors	1	2	3	4	5
How much has the power of suppliers and buyers contributed to your performance in the life insurance business?					
How much has availability of substitute products and services contributed to your performance in life insurance business?					
How much has the threat of new entrants contributed to the performance of your life insurance business?					
How much has the rivalry between existing competitors contributed to the performance of your life insurance business?					

Appendix 2: List Of Life Insurance Companies

	Company	Year Established
1	Absa Life Assurance Kenya	2016
2	APA Life Assurance Company	1946
3	Britam Life Insurance Company	1965
4	Capex Life Assurance Company	2000
5	CIC Life Assurance Company	1968
6	Corporate Insurance Company	1982
7	GA Life Assurance Company	1979
8	Geminia Insurance Company	1981
9	ICEA Lion Life Assurance	2011
10	Jubilee Insurance Company	1937
11	Kenindia Assurance Company	1978
12	Kenya Orient Life Assurance	1982
13	KUSCCO Mutual Assurance Limited	2019
14	Liberty Life Assurance Company	1957
15	Madison Insurance Company	1988
16	Metropolitan Cannon Insurance	1964
17	Old Mutual Life Assurance	1920
18	Pioneer Assurance Company	1930
19	Prudential Life Assurance	1930
20	Saham Assurance	1993
21	Sanlam Life Insurance	1946
22	The Kenyan Alliance Insurance	1979
23	The Monarch Insurance	1859
24	UAP Life Assurance Company	1920

Source: Insurance Regulatory Authority (2022)

Appendix 3: Ethical Approval



26th May 2022

Ms. Kimwaki, Anne Ndonu
anne.kimwaki@strathmore.edu

Dear Ms. Kimwaki,

RE: Non-Financial Factors Affecting Performance Of Life Insurance Companies In Kenya.

This is to inform you that SU-IERC has reviewed and **approved** your above **SU Masters'** research proposal. Your application reference number is **SU-IERC1356/22**. The approval period is **26th May 2022 to 25th May 2023**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 48 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 48 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.


Yours sincerely,

for: **Dr Ben Ngoye,**
Secretary; SU-IERC

Cc: Prof Fred Were,
Chairperson; SU-IERC



Appendix 4: Research Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 307920	Date of Issue: 19/May/2022
RESEARCH LICENSE	
	
This is to Certify that Ms.. ANNE Ndono KIMWAKI of Strathmore University, has been licensed to conduct research in Nairobi on the topic: NON-FINANCIAL FACTORS AFFECTING PERFORMANCE OF LIFE INSURANCE COMPANIES IN KENYA for the period ending : 19/May/2023.	
License No: NACOSTI/P/22/17463	
307920 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code 
NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.	