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**FACTORS INFLUENCING THE LEVEL OF PREPAREDNESS TO ADOPT IFRS 17 IN
INSURANCE FIRMS IN KENYA**

**ROSE MUSUKI MUTUKU
ADMISSION NUMBER: 099762**

**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD DEGREE OF MASTER OF COMMERCE AT
STRATHMORE UNIVERSITY.**



**STRATHMORE BUSINESS SCHOOL
STRATHMORE UNIVERSITY
NAIROBI, KENYA**

MAY 2024

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.

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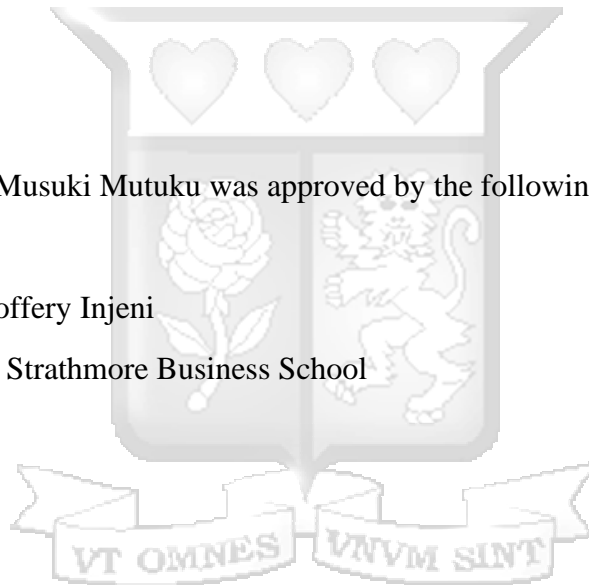
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I would like to give thanks to the almighty for giving me guidance and excellent health, which have enabled me to complete this journey successfully. My supervisor, Dr. Geoffrey Injeni, has my sincere gratitude for his thorough analysis, counsel, and encouragement. Lastly, I would like to thank all of my classmates for their support and encouragement throughout this journey.



DEDICATION

I dedicate my thesis work to my mom Anne and my dad Vincent whose love and support have nourished my spirit and motivated me to undertake this research.



ABSTRACT

Financial reporting by insurance companies has been a challenge for a long time and the initial proposal was to have IFRS 4 provide minimal guidelines on these reporting complexities. After a long duration of stakeholder engagement, IFRS 17 came into effect in 2023 although it was approved for implementation in 2018 to assist in accounting and reporting critical issues in complex insurance contracts and features. However, in the close of the year 2023 only 14 insurance firms had fully adopted IFRS 17. The main question of the study therefore was why are insurance firms taking too long to fully adopt IFRS 17? What were the impending factors affecting the level of preparedness to adopt IFRS 17? The drive of this study was therefore to assess factors influencing the level of preparedness to adopt IFRS 17 in insurance companies in Kenya and the specific objectives were to assess the effect of board characteristics on the level of preparedness to adopt IFRS 17, to establish the effect of financial metrics on the level of preparedness to adopt IFRS 17, to evaluate the effect of type of insurance business on the level of preparedness to adopt IFRS 17 and to establish management views on the challenges and strengths facing the level of preparedness to adopt IFRS 17 on Kenyan insurance companies. The organizational readiness for change theory and the absorptive capacity theory functioned as the study's guiding theories. The population of the study comprised of all 56 licensed insurance companies in Kenya regulated by the Insurance Regulatory Authority of Kenya. It was through structured surveys that primary data was gathered. Secondary data was taken from the Insurance Regulatory Authority's annual published supervisory reports and insurance companies final financial statements using a data collection sheet covering the five-year period from 2018 to 2022. Panel data regression analysis, correlation analysis and descriptive statistics were used to analyze the data. Inferential results showed that taking all factors, *ceteris paribus* (solvency ratios, liquidity ratios, earnings ratios, profitability ratios, board size, board composition, number of females in the board, board independence and type of business) the level of preparedness to adopt IFRS 17 in insurance companies in Kenya would be 0.637. The data results analyzed also showed that the seven independent variables had a positive influence, while two had negative influence on the level of preparedness to adopt IFRS 17 in insurance companies in Kenya. Additionally, the ANOVA analysis showed a significant difference between the groups confirming that all the nine variables were fit in the regression equation. Findings also indicated that unit growths in the seven variables (solvency ratios, liquidity ratios, earnings ratios, profitability ratios, board size, board independence and female in the board) would result in a positive growth on the level of preparedness to adopt IFRS 17. On the contrary, a unit growth in board composition and type of business would result in a negative growth on the level of preparedness to adopt IFRS 17. The study recommendations will assist insurance firms in the process of full implementation and assist regulators in promoting stability without reducing size of the industry.

DEFINITION OF TERMS

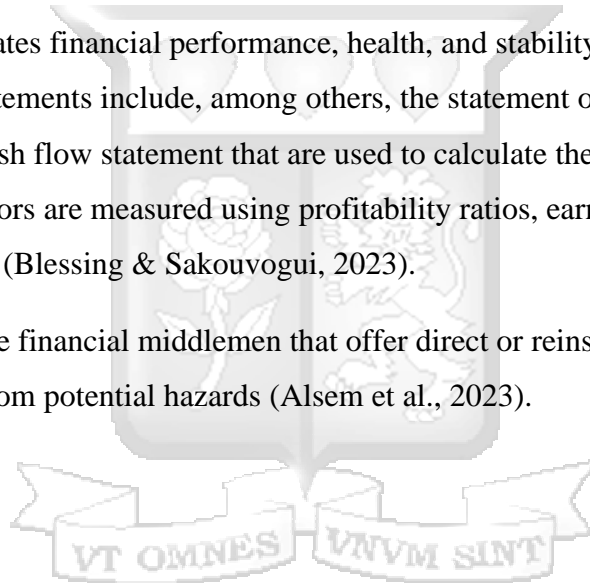
Board Characteristics These are the characteristics that the board might possess that can influence the level of IFRS 17 preparedness. Examples include board size, board composition and board independence. (Marra, Mazzola & Prencipe, 2011).

Company size refers to the magnitude of the activity of the firm. Several variables, including invested capital, market capitalization, number of employees, assets, revenue, and production will be used to gauge it in the study (Dang, Li & Yang, 2018)

Company age is how long the business has been around either currently or in the past. It is used to measure company experience and expertise in the insurance field (Ritter & Pedersen, 2020).

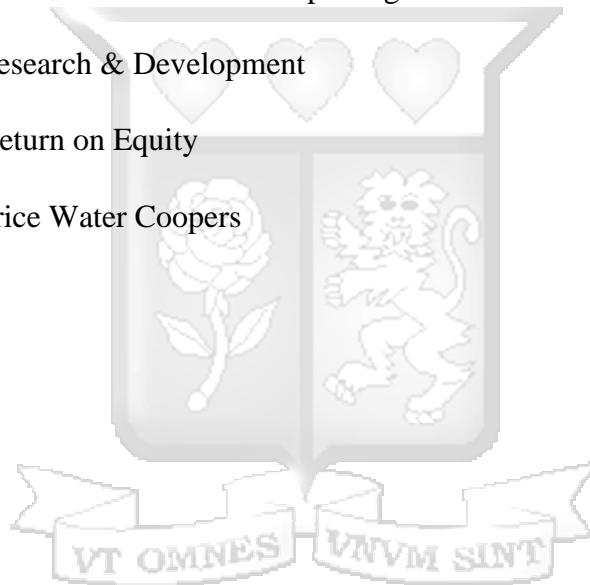
Financial Metrics evaluates financial performance, health, and stability of a business or investment. Financial statements include, among others, the statement of financial position, income statement, and cash flow statement that are used to calculate these indicators for businesses. These indicators are measured using profitability ratios, earnings ratios, solvency ratios and liquidity ratios (Blessing & Sakouvogui, 2023).

Insurance companies are financial middlemen that offer direct or reinsurance services, shielding client money from potential hazards (Alsem et al., 2023).



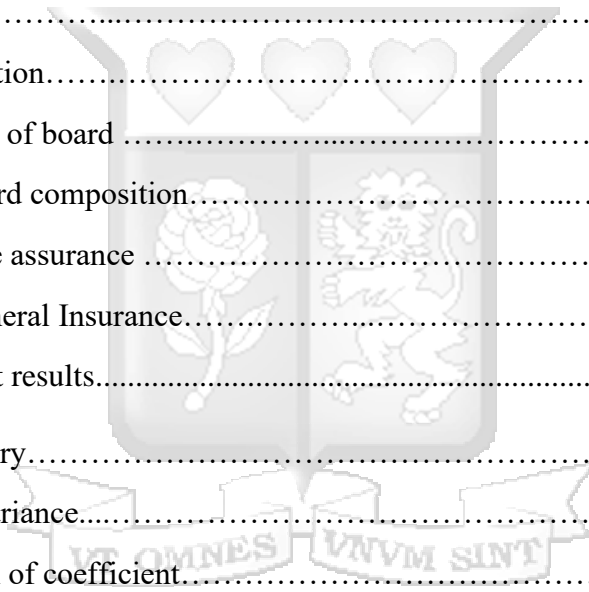
ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
EBIT	Earnings before Interest and Tax
FY	Financial Year
GCC	Gulf Cooperation Council
IASB	International Accounting Standards Board
IRA	Insurance Regulatory Authority
IFRS	International Financial Reporting Standards
R & D	Research & Development
ROE	Return on Equity
PWC	Price Water Coopers



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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

International Accounting Standards Board (IASB) released IFRS 17 in May 2017 as an International Financial Reporting Standard (IFRS). However, it was not until January 1, 2023 that IFRS 17 superseded IFRS 4 regarding accounting for insurance contracts. Since IFRS 17 has been in progress for more than 20 years, it will fundamentally alter how insurance businesses prepare their financial statements. The valuation methodologies of insurance contracts are subject to vary between insurance companies under IFRS 4, which reduces the similarity and openness of financial statements in the insurance industry. The objectives of IFRS 17 have been declared by the IASB to be financial statement harmonization, increased fiscal openness, and similarity in the insurance business (IFRS, 2016). It is easy to believe that a guideline that has been around for a while will automatically be better. On a practical level, increasing financial openness and similarity is a difficult undertaking.

The requirement for financial openness has increased, particularly in the wake of the Enron outrage and former accounting scandals that have made it clear that financial reporting needs to be accountable (Ailon, 2012). Investors seek more information when making investment decisions as the market has become more globalized (Novotný & Jaklová, 2021). To profit from a competitive advantage, an increasing number of businesses are beginning to make their operations more transparent (Merlo et al., 2018). Companies should strive for openness and similarity since they have been linked to a number of advantages (Barth et al., 2000; Hunton et al., 2006; Pankaj, 2007). According to Barth and Schipper (2008), financial openness is the degree to which financial statements make the fundamental economics of a business understandable.

The IFRS 17 accounting standard was created to address the existing anomalies in assessing insurance contracts in previous years. Contrary to IFRS 4, an interim standard that permitted insurers to use various accounting strategies to measure the same insurance agreements they write in various countries, some insurance company practices have changed to reflect local conditions, necessitating the adoption of a new accounting standard. (2017; IFRS Foundation; IFRS Principles

Fact Sheet). Since the accounting models used in the insurance business differ significantly from the IFRS Standards used by other companies in the same nation, comparisons with other industrial sectors are sometimes limited. IFRS 17 provides global rules for all aspects of accounting for insurance contracts.

The absence of standardization in accounting procedures in IFRS 4 impeded transparency and comparability. This led to the requirement for a more complete and stronger standard that could better handle the intricacies of insurance agreements (Arce, Giner & Taleb, 2023). There are various issues that IFRS 17 has introduced to cover flaws of IFRS 4. For instance, IFRS 4 permitted the application of local accounting techniques among other measurement approaches. A more standardized and open methodology is introduced by IFRS 17 which emphasizes the use of current values and risk adjustments to calculate insurance contract liabilities. The standard also introduces a consistent technique for recognizing gains over the course of the insurance contract which was absent in IFRS 4 and a more methodical and uniform approach to revenue recognition. IFRS 17 incorporates the contractual service margin (CSM), a crucial element in the long-term profit recognition process and the presentation of insurance contract revenues and expenses that was not subject to specific criteria under IFRS 4 (Yousuf et al, 2021). Therefore, by providing precise requirements for financial statement presentation, IFRS 17 improves transparency and comparability.

By removing these disparities, IFRS 17 enables analysts, investors, and other stakeholders to evaluate companies, contracts, and industries with greater accuracy (Dufrasne, 2020). To measure insurance contracts, a company is required by IFRS 17 to compute the contractual service margin, the risk adjustment for non-financial risk, and the present value of future cash flows. The timing of cash flows and any uncertainty related to insurance contracts must be considered in these updated estimates and assumptions. This rule will enable the transparent reporting of a company's risk and financial status.

Information unevenness, which happens when stakeholders do not have equal access to information about a firm's value is another effect of low openness. As a result, investors who are at a disadvantage need to pay a refund policy that rises with the risk involved in trading with stakeholders who are not publicly disclosed (Brown, Hillegeist, & Lo, 2004). For businesses, increasing fiscal openness is a challenging endeavor. As a result, they must produce more

information which raises expenses, calls for costly investments and requires them to decide which information is crucial enough to divulge and which is not. Merlo et al. (2018) claim that when openness is continually improved, there is a risk that excessive standardization and information disclosure may become an issue. The goal of openness is not met when there is too much information offered or when the material is extremely complex. Instead, there is more confusion for the information's user.

Additionally, there's no express treaty on the underlying economic principles nor on the anticipated level of skill the financial statement user is considered to possess (Barth & Schipper, 2008). Various research have been conducted in Kenya on the expected effects of IFRS 17 implementation (Rajala, 2020; Deloitte, 2020; PWC, 2023), however, little has been done on the factors affecting the level of IFRS 17 adoption in insurance companies in Kenya. This is the focus and goal of the present study.

In a study done in the United Arab Emirates (UAE), by Ernest (2023) on embracing IFRS 17: Insights from Q2 2023 in the GCC (Gulf cooperation region) found that in the GCC, the shift to IFRS 17 had proven remarkably resilient; by Q2 2023, 83% of listed insurers had adopted the new standard. Compared to the 78% reported in Q1 2023, this was a significant increase. It was admirable that they would honor regulatory deadlines without asking for extensions. Further, in a study conducted by PWC (2023) on the level of IFRS 17 adoption in insurance firms in East Africa, of those surveyed, 54% thought they have enough time to apply IFRS 17. According to the survey, 57% of participants anticipated their implementation projects will take between 13 and 24 months, 26% less than 12 months, while 13% and 4% perceived it will take 25 to 36 months and 37 or more months, respectively. The notable question is why are insurance companies in East Africa taking too long to implement IFRS 17 as compared to other regions like the UAE?

1.1.1 Factors affecting adoption preparedness.

Since IFRS 17 is implemented retroactively, insurance entities must prepare estimates for both the existing and prior accounting periods during the initial implementation of the standard. If this is not practicable, a modified, backdated, or fair value method may be used. All methods require items in the starting balance sheet and comparative information to be restated. For an organization with a year-end of December 31, 2022, this would mean January 1, 2022, if IFRS 17 is not adopted early. Most insurers' financial reporting frameworks will be significantly altered by IFRS 17,

which will also significantly alter the nature of many accounting estimates and the presentation and disclosures that go along with them.

However, 60% of insurance companies in Kenya are in the 1st stage of adoption, 25% have fully implemented, while 15% have not yet started (PWC, 2023). This is because of organizational and financial factors that need to be ironed out for the adoption of IFRS 17 to be smooth and successful (Deloitte, 2020). Some of these factors will be the point of focus in the present study. Board characteristics are one of the aspects that might affect the level of IFRS 17 adoption in insurance companies in Kenya. These are characteristics that the board might possess that influence the level of IFRS 17 preparedness. Examples include board size, board independence and board composition. The study used these variables as they have previously been used in other studies and had various inconsistencies in the research findings. Aladwey&Diab (2023) in their study on determinants and effects of the early adoption of IFRS 15 in emerging economies, out of the many governance systems examined, the study discovered that the size of the board has a considerable negative impact on the early adoption of IFRS 15. In contrast, the presence of female directors had a substantial positive influence on Egypt's early adoption of IFRS 15. On the contrary, a study by Albitar, Alqatan & Huang (2019) on the role of board characteristics on the relationship between International Financial Reporting Standards (IFRS) adoption and earnings management: Evidence from China, found that following the implementation of IFRS, earning management grew. Board independence had considerably reduced earnings management following the introduction of IFRS, although there was no correlation between board size and earnings management before after the adoption of IFRS.

Financial performance, health, and stability of a business or investment are evaluated and assessed using financial metrics, which is another factor that might affects the level of IFRS 17 adoption. Among the financial statements are the cash flow statement, income statement, and statement of financial position that are used to calculate these indicators for businesses. These are measured using profitability ratios, earnings ratios, solvency ratios and liquidity ratios. Tran et al. (2019) in their study on aspects affecting IFRS adoption in registered companies in Vietnam, demonstrated that key financial ratios, such as return on equity (ROE), had an effect on the adoption of IFRS in Vietnam's listed companies. On the contrast, a study by Nguyen, Hien & Van (2023) investigated variables in an emerging economy that influence the adoption of IFRS. The study found that tax

pressure and accounting psychology work against IFRS adoption and eventually against its implementation of IFRS. A study by Aladwey&Diab (2023) on factors and outcomes of emerging nations prompt adoption of IFRS 15, found that profitability and audit quality have an insignificant impact on the early adoption of IFRS 15.

There are two types of insurance business models that might affect the level of IFRS 17 adoption. These are life insurance and general insurance companies. Life insurance companies deal with life policies while general insurance companies handle both life, comprehensive and general insurance of motor vehicles. These two types of insurance models handle their policies differently, which are also different in terms of duration, scope and policy payments which might affect the level of IFRS adoption. A study by PWC (2017) on IFRS 17 insurance contracts for general insurers found that IFRS 17 will have a significant effect on the methodology and assumptions used to measure the liabilities of general insurance, as these will vary based on important policy decisions and the need to modify how reserve margins are handled.

Management views are also important as the other variables since they give an in-depth view of the challenges and strengths faced at the level of IFRS17 adoption. Walid& Ahmed (2021) in their study on the challenges and readiness for applying IFRS 17; case study of Jordanian insurance firms, found that for several reasons, Jordanian insurance firms are not yet prepared to use IFRS 17. The ability of insurance firms to identify the scope of IFRS 17, analyze the effects of IFRS 17 utilization on financial reporting and creating fresh internal oversight techniques to apply IFRS 17 is particularly weak.

1.1.2 International Financial Reporting Standards 17

For both internal and external stakeholders (such as investors, management, regulators, and analysts), financial reporting is the documentation of the financial status, performance, and changes in a company's financial activities throughout the fiscal reporting period (Robinson, 2020). The information provided by this procedure is crucial for a company's decision-making processes relating to investing, lending, merging, terminating, consulting, and paying taxes. However, there was no set measurement and handling method for insurance contracts until the end of 1990. As a result, there was a significant gap in the reporting process for insurance companies, which prompted the International Accounting Standards Board (IASB) to introduce a program specifically for insurance contracts. This program combines accounting standards with actuarial

estimates to represent each insurance contract at its fair value, thereby improving the consistency and openness of the financial reporting process (Ball & Shivakumar, 2015).

However, in March 2004, IFRS 4 was issued and became effective on 1st January 2005. IFRS 4 pertains to all contracts for insurance, including those for reinsurance, which a company issues and to reinsurance contracts that it retains, except for certain contracts covered by other standards. Other assets and liabilities of an insurer, such as its financial assets and liabilities covered by IFRS 9, are not covered by it. Additionally, policyholder accounting is not covered. An insurer is temporarily released from certain standards requirements, such as the need to complete the conceptual framework, by using IFRS 4, especially when choosing accounting policies for insurance contracts, until it adopts IFRS 17 (Dobler, 2020)

In September 2001, the IFRS 17 project was added to the IASB's agenda, taking over the analogous project initiated in April 1997 by the IASB's precursor organization, it was intended to conduct a thorough study of accounting for insurance contracts (Luccas, 2021). The task was formerly known as "IFRS 4 Phase II" during its 16 years of development. A new reporting guideline for insurance agreements, IFRS 17, has been published after much discussion and got into effect on January 1st, 2023. Its adoption aims to ensure additional transparent methods for insurance businesses to identify their earnings during the period of providing insurance services as well as to introduce a constant approach to the measuring of obligations under insurance contracts. The goal of IFRS 17 stems from its primary objective which is to standardize international accounting for insurance contracts so as to improve comparison, openness, and understanding of the financial operations, results, and any relevant uncertainties, of insurance companies. Therefore, this standard establishes several novel ideas and methods, resulting in amended claims that depend on updated computations, assumptions, and aggregations (Deloitte, 2023).

For instance, the income statement under IFRS 17 will be distinct from the current one in several significant ways. The purpose of the reform is to harmonize financial reporting and insurance practices with other types of activity that entail the delivery of financial services. A greater percentage of actuarial calculations will be used in the revised income statement. It also introduces a very definite separation amongst insurance and investing gain or loss. The biggest change, however, is the deletion of the method for recognizing income based on the premiums written

during each quarter. It makes sense to inquire what should be used in place of the previous information in this situation (Deloitte, 2023).

Based on the equality of benefits principle, IASB has a creative suggestion. It is possible to present the components that the premiums received are designed to finance rather than accounting for them as revenue. An amortization of the risk adjustment, which relates to the expiration of a portion of the risk involved in providing an insurance service during the period, CSM (fee for service performance), and the amounts of claims, benefits, and costs anticipated in the period (which represent the performance of an insurance service) will all be presented by insurance companies as a result (Deloitte, 2023).

Therefore, the present study focused on board characteristics, financial metrics, type of insurance business and management views as aspects that might affect the level of IFRS 17 adoption in insurance companies in Kenya.

1.1.3 Insurance Companies in Kenya

Considering Kenya's Central Bank's 2020 Financial Stability Report, insurance infiltration in Kenya is still low when compared to other important economies, coming in at 2.4%. (CBK, 2020). The low infiltration rate, which is under the 7.2%, average of the world, is caused by the circumstance that insurance is still considered a luxury and is typically only obtained when it is essential or required by law. There are 56 insurance companies in Kenya, offering general and life insurance services.

The COVID-19 pandemic's global social and economic shocks defined FY 2020. The insurance industry was harmed by this operating environment due to a number of factors including more insurance claims (52.69% in Q4 2020 compared to 48.78% in Q4 2019), lower premiums, and the stock market's bad performance, as seen by the NASI index falling by 8.58% in 2020. The Kenyan economy shrank by 5.7% and 1.1% in Q2'2020 and Q3'2020, respectively, with the financial services industry and the insurance sector recording slower growth of 5.79% in Q3'2020 compared to 7.89% progress in Q3'2019.

The effectiveness of the listed insurance industry is highlighted in the following table of the top five best performing insurance companies in Kenya under different parameters, which also

includes important performance takeaways and the performance as measured by several measures under IFRS 4.

According to Kenya's most recent economic study, the insurance sector has not yet developed at the same rate as the banking sector, even though the financial services industry's innovative and positive direction encourages growth and investment prospects. The penetration of insurance is still very low (PWC, 2023).

Industry gross written premium increased by 14.8% from KES 88.43 billion in Q1 2022 to KES 101.48 billion at the end of Q1 2023. From a loss of KES 510.20 million in Q1 2022 to a loss of KES 2.01 billion in Q1 2023, the general insurance industry underwriting results decreased. With 61.6% of the total premium paid, the general insurance business continued to be the biggest contributor to industry insurance premiums. 61.7% of the gross premium income under the general insurance industry is accounted for by the motor insurance and medical insurance classes of business. In Q1 2023, the reinsurers' business volume dropped by 9.5% to KES 9.57 billion (compared to KES 10.57 billion in Q1 2022). From a profit of KES 517.18 million in Q1 2022 to a profit of KES 487.88 million in Q1 2023, the reinsurers' underwriting earnings declined.

1.2 Statement of the problem.

IFRS 17 became effective on January 1, 2023. However, many insurers are still struggling to implement the new standard due to its complexity and the significant changes it requires to their systems and processes. In East Africa and more particularly in Kenya, 60% of insurance companies are at the initial stage, 25% have fully implemented, while 15% have not started (PWC, 2023). What could be the issue? Or more particularly, what factors might be affecting the level of preparedness to adopt IFRS 17 in insurance firms in Kenya? The present study sought to answer these questions by focusing on factors affecting the level of preparedness to adopt IFRS 17 in insurance companies in Kenya. In the empirical evidence that follow there are two gaps namely methodological and population gaps among others that are mentioned.

In addition, some insurers are concerned about the potential impact of IFRS 17 on their financial statements and their ability to compete in the market (Deloitte, 2023). The main advantages of IFRS 17 include improved profitability insight and more transparent financial information from insurers and reinsurers. In Kenya, the top line has traditionally been the major determinant of financial success in the insurance industry, rather than necessarily the amount of profit it makes.

Therefore, profitable insurance companies may not always be readily apparent in the market. Companies will be pushed to become more profit focused by IFRS 17 (Rajala, 2020). A methodological gap is a weakness in the methods and approaches used in earlier research that could have an impact on the accuracy and dependability of the results while a population gap is used to describe a subset of a larger population that differs from the rest of the population in terms of its unique traits or dynamics and can be used in a number of situations, including demographics or dynamics of population as demonstrated in the empirical evidences below.

Rajala (2020) conducted a study on the expected effects of IFRS 17 on the similarity and openness of insurance companies' financial statements. The study findings revealed that IFRS 17 standard is projected to increase the similarity and openness of the financial statements of insurance firms. Nevertheless, the study used Likert scale for data analysis while the current study will use both multi regression and Likert scale to analyze data bridging the methodological gap.

Alhawtmeh (2023) investigated the effect of IFRS 17 on the evolution of accounting measurement and disclosure, as well as enhancing the caliber of financial reporting, taking into account Jordanian insurance companies' adherence to IFRS 4 criteria. The findings revealed that in the insurance industry, modifying accounting procedures to comply with International Financial Reporting Standard IFRS 17 is a crucial step toward raising the caliber of financial reporting. However, the study used primary data and was conducted in Jordan. The present study will use both primary and secondary data and therefore will bridge both methodological and population gaps.

It is in light of the mentioned gaps and insight, the present study aimed at assessing the level of preparedness to adopt IFRS 17, establishing factors that influence the level of preparedness to adopt IFRS 17 and establishing management views on the preparedness to adopt IFRS 17 in insurance firms in Kenya.

1.3 General objective.

The study sought to assess factors influencing the level of preparedness to adopt IFRS 17 in insurance companies in Kenya.

1.3.1 Specific Objectives

- i. To assess the effect of board characteristics on the level of preparedness to adopt IFRS 17 in insurance firms in Kenya.
- ii. To establish the effect of financial metrics on the level of preparedness to adopt IFRS 17 in insurance firms in Kenya.
- iii. To assess the effect of the type of insurance business on the level of preparedness to adopt IFRS 17 in insurance firms in Kenya.
- iv. To establish management views on the challenges and strengths facing the level of preparedness to adopt IFRS 17 in insurance firms in Kenya.

1.4 Research questions

- i. What is the effect of board characteristics on the level of preparedness to adopt IFRS 17 in insurance firms in Kenya?
- ii. What are the effects of financial metrics on the level of preparedness to adopt IFRS 17 in insurance firms in Kenya?
- iii. What is the effect of the type of insurance business on the level of preparedness to adopt IFRS 17 in insurance firms in Kenya?
- iv. What are the management views on the challenges and strengths facing the level of preparedness to adopt IFRS 17 in insurance firms in Kenya?

1.5 Significance of the Study

The study will improve the understanding of IFRS 17's finer points and the difficulties experienced by insurance companies in implementing IFRS 17 among IFRS policy makers. This will help them improve the standard and put them in a better position to develop stronger standards.

The study, through its findings and recommendations, will assist companies which are still in the implementations stage better understand how to navigate the impediments of early adoption and implementation. It will also assist policy makers in providing refined policies which are directly associated with the needs and challenges of insurance companies.

For investors, the study is expected to shed light on cash flow forecasts and risk adjustments of insurance costs in calculating insurance profits. This will give a true representation of financial statements without window dressing and will also see investors get value for their investments in both dividends and capital gains.

The study will give the management of insurance companies that have not implemented or in the process of implementing IFRS 17 a better understanding of various implementation strategies from similar insurance companies with the same characteristics.

The results of this study will broaden the body of knowledge that academics have on the subject. The results of this study will be supported by further research on subjects like literature reviews, identifying research concerns, and problems with research techniques. As a result, the study findings will provide the theoretical framework for further scholarly investigation.

1.6 Scope of the study

The study's respondents consisted of all registered insurance companies in Kenya. According to Kenya's Insurance Regulatory Authority Register (2022), there are 56 authorized insurance providers. As stated by Mugenda and Mugenda (2003), a sample size of more than thirty individuals can be deemed sufficient for statistical analysis. The study employed total population sampling where all the 56 insurance companies formed the sample of the study, while primary and secondary data was collected by the assistance of questionnaires and company annual reports respectively. Data was analyzed using both inferential and descriptive and statistics. In addition, the study focused on a 5-year period from 2019-2023. The reason for selecting this period is because both life and general insurance companies' performance deteriorated, that is, to 5.31% in Q3'2020 compared to 7.62% growth in Q3'2019 (IRA, 2021) Another reason is because some composite insurance and general insurance companies were declared bankrupt and hence closed in the year 2022. This entails Resolution, The Monarch general, Alliance and Corporate insurance companies. Moreover, IFRS 17 was supposed to be implemented in January 2023 and therefore the study evaluated financial statements before and after IFRS implementation.

1.7 Chapter summary

The background, problem description, aims, significance, scope, restrictions, and study organization are all included in the first chapter. The second chapter examined pertinent literature that helped to create the conceptual framework. In chapter three, the researcher concentrated on the study's methodology, essentially explaining the research plan and ethical considerations that were followed.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, the parameters of the research variables were reviewed in the literature. It also contains the theory that underpins the topic being studied and forms the foundation for the problem being looked at. The conceptual framework explored the association between the independent and dependent variables and how that relationship might impact the study's conclusions was also described. The chapter concluded with a summary of the important literature that has been examined and the research gap that has been found.

2.2. Theoretical review

There are vital theories, which expound factors influencing the level of preparedness to adopt IFRS 17 in insurance companies namely: organizational readiness for change and absorptive capacity theories.

2.2.1 Organizational readiness for change theory

The developer of this hypothesis was Weiner in 2009. The theory states that all organization members must share a sense of commitment to implementing organizational change as well as confidence in their capacity to do so for the organization to be considered prepared. This way of thinking about organizational preparedness is most appropriate for the examination of organizational changes when a shift in collective behavior is necessary for the change to be implemented successfully and, in some situations, for the change to have the desired effects. To test the idea, more precise sampling decisions and measurement development would be required. This concept allows the structural and psychological theories of organizational readiness that have been previously researched to be more harmoniously combined. The theory also suggests that the tactics recommended by experts in change management can be interchangeable. Alternatively put, there is no "one best way" to improve organizational transition readiness.

There are various facets and levels to the idea of organizational transformation readiness. Being an organization-level notion, "readiness for change" refers to the collective determination of organizational members to carry out a change (called "change commitment") and their mutual trust

in their ability to do so (called "change efficacy"). Three factors are key in determining implementation capability: task requirements, resource availability, and situational factors. How well-prepared an organization is for change depends on how much its members value the change and how positively they evaluate it. An organization that is ready for change is more likely to have its members initiate change, work harder, be more tenacious, and act constructively. More efficient execution is the end outcome.

The theory views organizational members who are committed to carrying about an organizational conversion and who have faith in their combined ability to do so as being in a common psychological state known as organizational readiness. When analyzing organizational conversion when collective behavior change is required to successfully implement the conversion and, in certain cases, for the conversion to provide expected benefits, this perspective on organizational preparedness works well. It would take careful sampling choices and additional measurement development to test the concept. The concept provides a way to balance the organizational readiness theories that are present in the literature that are structural and psychological. Moreover, the idea raises the potential that the tactics suggested by specialists in change management are not exhaustive. That is, increasing organizational readiness cannot be achieved in a "one best way."

A study by Hong & Jo (2023) on development and validation of a readiness for organizational change scale, revealed that organizational readiness for change theory controls the preparedness level that can increase the likelihood of accomplishing organizational change. Assessing group- and individual-level preparedness facilitates the continuation of more methodical diagnosis and intervention. Abdel-Ghany (2014) in his study on Readiness for change, change beliefs and resistance to change of extension personnel in the New Valley Governorate about mobile extension, affirmed that in fact, ROC has an outstanding degree of accuracy in predicting behavioral resistance to change. The predictive value of the generated ROCS was shown to be significant for both change support behavior ($\beta = .82, p < .001$) and behavioral resistance to change ($\beta = -.16, p < .01$) in the least squares regression analysis. These findings demonstrated the produced scale's great predictive validity, or its ability to accurately anticipate an organizational member's conduct and attitude toward change inside the organization.

The theory is sufficient in assessment of project expectations, goals, concerns and objectives, Project governance and decision-making, flexibility in the face of change, leadership support for

the project, and other essential project requirements. The theory explains ways of handling different situations in terms of implementation and minimization of potential project failures. The theory was instrumental in assessing management views on the challenges and strengths facing the level of preparedness to adopt IFRS 17 in insurance firms, which was one of the study's specific objectives.

2.2.2 Absorptive capacity theory

The idea, which Cohen and Levinthal developed in 1990, has been extensively applied to organizational learning, strategic management, and innovation management. According to the notion, an organization's absorptive capacity—also known as its capacity to assimilate new information—is finite. By defining four unique scopes of absorptive capacity— transformation, acquisition, assimilation, and exploitation. High ranks of knowledge are necessary for firms to function in a fiercely competitive market; this makes knowledge one of their greatest valuable resources (Liao and Wu, 2010). Businesses must improve their absorptive skills to vigorously source knowledge so that they can compete; they cannot merely bank on their external knowledge network (Matthyssens et al., 2005; Sancho Zamora et al., 2021). This calls for methods and systems that support learning so they may share and use the information that will give them new ideas for organizational innovation (Daghfous, 2004). Furthermore, the firm's ability to absorb information determines how this knowledge is consolidated (Sun and Anderson, 2010).

Therefore, in order to enhance their performance in innovation, firms must possess and cultivate internal absorptive capacity. This is significant because, according to Cockburn and Henderson (1998), this kind of capacity may affect how successful innovation-related initiatives are. According to Camisón and Forés (2010), this approach sees absorptive capacity as a by-product of R&D undertakings as well as the variety or extensiveness of the organization's knowledge base, its former learning experience, a shared language, the presence of cross-functional interfaces, the members' mental models, and their ability to solve problems. Thus, the ability to absorb information is a crucial component for businesses to leverage outside expertise and subsequently foster internal innovation (Dutse, 2013).

The greatest valuable resource for businesses today is knowledge; in R&D departments, external knowledge about technologies and markets is deemed necessary for the creation of internal knowledge (Cassiman and Veugelers, 2006). Firms can convert external knowledge into

innovation by using their absorptive capacity (Saebi and Foss, 2015). First, absorptive ability begins with gathering environmental information and concludes with using it (George and Zahra, 2002; Jansen et al., 2006). Businesses are better positioned to generate any form of innovation thanks to this dynamic capacity (Andriopoulos and Lewis, 2009).

Zahra & George (2002) in their study on absorptive capacity: a review, reconceptualization, and extension, concluded that it is encouraging to know that scholars from a variety of organizational disciplines have acknowledged the explanatory value of absorption capacity theory and that the concept's several dimensions have a stronger impact on establishing and maintaining a competitive advantage. A study by Pu & Liu (2023) on is absorptive capacity the "panacea" for organizational development. A META analysis of absorptive capacity and firm performance from the perspective of constructivism, concluded that the theory underlying absorptive capacity is based on a linear cognitive information processing process that concentrates on the internal cognitive structure and process of the subject. The concept of absorptive capacity is rooted in cognitivism and therefore, the study context, the economic environment, and the sample context all have significant but different moderating impacts on absorptive capacity and firm performance. These contextual factors are among the important contextual features of the function of absorptive capacity on firm performance.

The theory was instrumental in assessing the effect of type of business, financial metrics and board characteristics on the level of preparedness to adopt IFRS 17 in insurance companies, which were the study's specific objectives.

2.3 Empirical review

2.3.1 Board characteristics

These are the characteristics that the board might possess that can influence the level of IFRS 17 preparedness. Examples include board size, board composition and board independence as discussed in the following empirical evidence.

2.3.1.1 Board independence and level of preparedness to adopt IFRS 17 in insurance companies

Aliqatan, Albitar and Huang (2019) investigated the influence of attributes of the board on the correlation between international financial reporting standards (IFRS) compliance and earnings

management in China. For a sample of Chinese listed companies from 2003 to 2013, with the exception of 2007, To determine if the level of earnings management is significantly lower after the adoption of IFRS and if the influence of board independence and size on constraining the earnings of management is higher after IFRS adoption, univariate testing and multivariate regression analysis were used, following the adoption of IFRS. The implementation of IFRS resulted in an improvement in earning management, per the empirical data. Although there is no correlation between board size and earnings management before or after the adoption of IFRS, board autonomy has significantly decreased earnings of management in China following the implementation of the new standard. Nevertheless, the study used univariate and multivariate regression model while the present study used panel data regression model and thereby bridging both methodological and population gaps.

Almaqtari, Hashed and Shamin (2021) studied an analysis comparing the United Arab Emirates, Saudi Arabia, and Oman to determine the effect of corporate governance mechanisms on the adoption of IFRS. The findings showed that compared to other corporate governance structures, the audit committee's characteristics have a bigger effect on IFRS compliance and the accuracy of financial reporting. In addition, the outcomes demonstrate that there is little proof to suggest that the transition from Saudi GAAP to IFRS has impacted the overall influence of corporate governance procedures. The study used corporate governance as the main independent variable while the present study used board characteristics such board size, board independence, board composition among other variables as independent variables. The study was also conducted in Saudi Arabia, United Arab Emirates and Oman while the current study will be conducted in Kenyan insurance companies. Therefore, the present study will seek to bridge both conceptual and geographical gaps.

2.3.1.2 Board size and level of preparedness to adopt IFRS 17 in insurance companies

Aladwey and Diab (2023) explored the factors and outcomes of emerging nations' prompt adoption of IFRS 15. Out of the many governance systems examined, the study discovered that the size of the board has a considerable negative influence on the early adoption of IFRS 15. In contrast, the prompt acceptance of IFRS 15 in Egypt is significantly influenced favorably by the presence of female directors. In terms of the influence of firm characteristics, the study discovered that financial leverage, firm size, and firm age all significantly increase the likelihood that IFRS 15

will be adopted in a timely manner. Profitability and audit quality, in contrast, have a negligible impact on the early adoption of IFRS 15. In conclusion, the study discovered a sizable earnings differential between IFRS 15 early adopter organizations and non-early adopters. This outcome demonstrates the economic benefits of adopting IFRS standards and its revisions early in developing economies like Egypt. However, the study used multi regression while the current study used panel data regression linking both methodological and population gaps.

2.3.1.2 Board composition and level of preparedness to adopt IFRS 17 in insurance companies

A study on effect of board composition on financial performance of listed firms in Nairobi Securities Exchange, was conducted by Cherotich and Obwogi (2018). The study findings established that there is a significant positive relationship between board gender composition and the financial performance of the listed firms in Kenya and a significant positive relationship between board independence and the financial performance of the listed firms in Kenya. The study concluded that that CEO duality, board gender composition and board independence as board composition components had a significant effect on the financial performance. However, the study's dependent variable was financial performance and the present study dependent variable is level of preparedness to adopt IFRS 17, which demonstrates a conceptual gap.

2.3.2 Financial metrics

Financial Metrics evaluates financial performance, health, and stability of a business or investment. Financial statements include, among others, the statement of financial position, income statement, and cash flow statement that are used to calculate these indicators for businesses. These indicators are measured using profitability ratios, earnings ratios, solvency ratios and liquidity ratios which are discussed in the empirical evidence below.

2.3.2.1 Solvency ratios and level of preparedness to adopt IFRS 17

Tran et al. (2019) investigated variables that influence IFRS adoption in listed firms in Vietnam. The study employed a mixed research methodology with a logistic regression model. In 2018, information was gathered from 152 audited financial statements. The findings demonstrated that key financial ratios, including solvency ratios and return on assets (ROA), influenced the adoption of IFRS in Vietnam's listed firms. Therefore, the study concluded that if Vietnamese listed corporations are to effectively embrace IFRS in the future, the Ministry of Finance should

promulgate legislation requiring the adoption of IFRS by major firms with high rates of profitability on equity, while also boosting the quality of auditing organizations and audit programs that are based on IFRS standards. Nonetheless, the study used logistic regression model while the current study used panel data regression model thereby linking both methodological and population gaps.

Ernest (2023) conducted a study on Market impact of IFRS 17 and IFRS 9. Significant changes occurred in the GCC insurance market, one of which was the downgrade of a fifth carrier. The revelation of substantial accounting misstatements for earlier years, which significantly impacted its solvency status, served as the impetus for this downgrading. In addition, there were still solvency issues for at least eight other UAE insurers. However, the study was conducted in the UAE while the present study was conducted in Kenya, demonstrating a geographical gap.

2.3.2.2 Liquidity ratios and level of preparedness to adopt IFRS 17

Ali (2022) conducted a study on the effect of IFRS on the financial ratios: Evidence from banking sector in the emerging economy. The study findings revealed that IFRS has a significant effect on the liquidity ratio, return on equity, and leverage ratio of banks in Ethiopia. However, the study was conducted in Ethiopia, revealing a geographical gap.

Nguyen, Hien and Van (2023) investigated variables in an emerging economy that influence the adoption of IFRS. There is proof to back up the assertion that government directives and accounting regimes, managers' viewpoints and abilities, adherence to accounting rules, solvency ratios, liquidity ratios and accountant education and experience, and the advantages of IFRS adoption all have a beneficial effect on the adoption of IFRS. However, the study was done in Vietnam, while the present study was done in Kenya, bridging the population gap

2.3.2.3 Earnings ratios and level of preparedness to adopt IFRS 17

A study was conducted on insurers' half-year reporting under IFRS 17 and IFRS 9 by KPMG (2023). The study findings established that the impact varies. From a population of 26 insurers that disclosed the FY 2022 EPS on an IFRS 17 basis, more than half showed decreases. However, the study population was half of the present study population, which might demonstrate a population gap.

2.3.2.4 Profitability ratios and level of preparedness to adopt IFRS 17

Ernest (2023) conducted a study on market updates on impact of IFRS 17 and IFRS 9. The findings established that there have been difficulties with the transition to IFRS 17. The data indicates a 21% decline in net profit during Q2 2023 when compared to the same quarter in 2022. This illustrates that even though insurers are adjusting to the new reporting requirement, some modifications are necessary. However, the study used secondary data while the present study used both primary and secondary data.

KPMG (2023) conducted a study on insurers' half-year reporting under IFRS 17 and IFRS 9. The findings established that Insurance companies calculate OPAT (or comparable metrics) differently. Under IFRS Accounting Standards, they all begin with profit but make different adjustments after that. Insurers have not yet said much about what, if any, adjustments have been made to the OPAT computation because of the adoption of IFRS 17 and IFRS 9. The study's population was half of the present study population, which might demonstrate a population gap.

Alhawtmeh (2023) studied the influence of IFRS 17 on the advancement of accounting measurement and disclosure, as well as enhancing the caliber of financial reports, considering Jordanian insurance firms' adherence to IFRS 4 regulations. According to the study, more research is required to determine how adopting the IFRS 17 International Financial Reporting Standard will affect report quality and how it will help overcome challenges like existing legal restrictions, the credentials of those who prepare reports for insurance firms and the situation of auditors. There are numerous ways that incorporating IFRS 17 and IFRS 4 principles into the accounting course curriculum can help to close the distance between academic study and real-world application: application in the real world, relevance to industry, compliance and legislation, career prospects, and the dynamic nature of accounting. An essential step in the sphere of insurance business to raise the caliber of financial reporting is the requirement to modify accounting procedures in harmony with International Financial Reporting Standard IFRS 17. Nonetheless, the study used Likert scale for data analysis while the present study used both panel data regression and Likert scale to analyze data bridging the methodological gap.

2.3.3 Type of insurance business and the level of preparedness to adopt IFRS 17 in insurance companies

There are two types of insurance businesses or sectors in insurance namely general insurance and life assurance which are discussed in the empirical evidence below.

A study by PWC (2017) on IFRS 17 insurance contracts for general insurers found that IFRS 17 will have a significant effect on the methodology and assumptions used to measure the liabilities of general insurance, as these will vary based on important policy decisions and the need to modify how reserve margins are handled. However, the study was conducted on insurance contracts for general insurance while the present study was done on both types of insurance businesses thereby bridging the population gap.

PWC (2023) conducted a survey on East Africa IFRS 17 readiness survey. The survey revealed that most insurance firms in East Africa are at an initial stage of IFRS 17 execution and a concerning proportion seem not to have started the execution expedition at all. Based on the outcomes of more than 50 survey responses from senior management, board directors and key teams in the insurance industry in Tanzania, Kenya, Uganda, Rwanda, Mauritius and Zambia, it is evident how much work needs to be done here when comparing the current situation to the level of readiness in more developed markets, where insurance firms typically started the execution process far earlier. The study conducted a survey on East African insurance companies while the present study was more focused on Kenyan insurance companies thereby bridging the methodological gap.

Nurunnabi, Eva and Han (2020) studied on implementing IFRS 17 in Saudi Arabia: evidence from publicly operated firms. The survey concentrated on the effects of IFRS 17 conversion on businesses, their accounting, and their financial strategies. The advantages and difficulties of adopting IFRS 17 are examined, issues relating to the degree of familiarity and knowledge with IFRS, opinions on the standard of IFRS 17, and the effects of adopting IFRS 17 on consolidated net income and equity. The results show that most respondents are in favor of moving to IFRS 17 because it produces higher-quality financial reporting. The most significant anticipated advantages of adopting IFRS 17 are improved similarity with other companies and greater reporting openness. Other anticipated advantages include synchronization of external and internal reporting and more opportunities for cross-border investment. Moreover, the IFRS 17 process is expensive and takes

up funds because of its complexity. However, the authors discover substantial support for IFRS 17 among those who create financial accounts, as shown by survey respondents' greater agreement with the advantages of adopting IFRS 17 than with the drawbacks.

The study used only primary data and Likert scale analysis while the present study made use of primary and secondary data and panel data regression model. The current study purposed to bridge the methodological gap that existed.

Koskipalo and Petriina (2022) studied IFRS 17 Insurance contracts: putting the standard into practice and how it affects financial reporting and insurance contracts measurement. This study evaluates the effect of IFRS 17 adoption on how insurers quantify the insurance contracts they have distributed or purchased, as well as how the profits or losses that follow from those contracts are reported in financial statements. From the three measuring methodologies used to determine the carrying amounts of insurance contracts, it focuses on the key ideas and goals of IFRS 17. The change requirements and the three transition strategies that insurers employed are then examined to determine how to measure current insurance contracts to obtain the proper opening balances prior to the effective date. Finally, it discusses the major modifications that IFRS 17 makes to the way financial statements are presented and the disclosure requirements. Nevertheless, the study used primary data in Sweden while the current study made use of primary and secondary data in Kenya thereby bridging the methodological and geographical gaps.

2.3.4 Establish management views on the preparedness of insurance companies in adopting IFRS 17

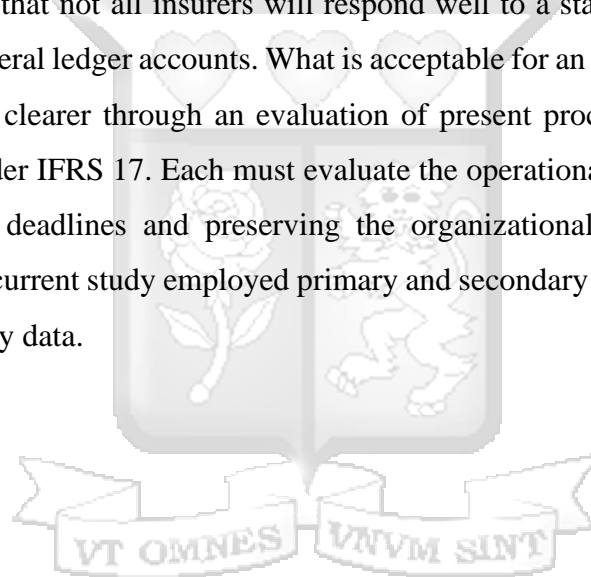
Management views are opportunities and problems that the management faces in their day-to-day work of planning and directing personnel, operations, and workflow to achieve organizational objectives. These views are discussed in the following empirical evidence.

Walid and Ahmed (2021) investigated the case of Jordanian insurance firms: preparedness and obstacles for implementing IFRS 17. The findings showed that, for several reasons, Jordanian insurance firms are not yet prepared to use IFRS 17. The ability of insurance firms to identify the range of IFRS 17, analyze the effects of IFRS 17 application to financial reporting, and create fresh internal oversight techniques to apply IFRS 17 is particularly weak. The data problem is the main obstacle to implementing IFRS 17, followed by those associated with initial implementation,

systems, results and presentation. The study was conducted in Jordan though the current study was conducted in Kenya, thereby bridging the geographical gap.

Rajala (2020) conducted a study on the likely effects of IFRS 17 on the openness and similarity of insurance firms' financial statements. The study findings revealed that IFRS 17 standard is projected to increase the openness and similarity of financial statements of insurance firms. However, the study used Likert scale for data analysis while the current study used both panel data regression and Likert scale to analyze data bridging the methodological gap.

Deloitte (2020) conducted a study on IFRS 17 business impacts. Study findings showed that Industry participants have been working together to analyze and comprehend IFRS 17's standards and effects. It is evident that not all insurers will respond well to a standardized strategy, set of guidelines or chart of general ledger accounts. What is acceptable for an insurer's size and business complexity will become clearer through an evaluation of present processes against the "to be" sustainable condition under IFRS 17. Each must evaluate the operational risks, costs and rewards while adhering to tight deadlines and preserving the organizational strategy. To bridge the methodological gap, the current study employed primary and secondary data whereas the previous study only used secondary data.



2.4 Research gaps

There are methodological, population and other conceptual gaps in the current study as well as the highlighted local and global studies. Nurunnabi, Eva and Han (2020) and Alhawtmeh (2023) conducted studies on executing IFRS 17 in Saudi Arabia: evidence from publicly operated firms and an analysis on the adoption of IFRS 17 and the Effect of IFRS 17 on the Evolution of Accounting Measurement and Disclosure, along with Enhancing the Quality of Financial Reports, Taking IFRS 4 Compliance in Jordanian Insurance Companies Into Consideration respectively. Both studies used Likert scale analysis to predict the outcome. The studies' methodology in analysis is quite different from the present study which used panel data regression analysis. Aliqatan, Albitar and Huang (2019) and Aladwey and Diab (2023) explored investigated the impact of board attributes on the association between the adoption of international financial reporting standards (IFRS) and Chinese earnings management and examined the impact of board attributes on the association between the aforementioned factors and Chinese earnings management respectively. Both studies used both primary multi regression analysis while the present study used primary and secondary data and panel data regression analysis. This demonstrates both methodological and population gaps.

Nguyen, Hien and Van (2023) and Tran et al. (2019) conducted an investigation of elements affecting the acceptance of IFRS in an emergent economy and variables affecting IFRS adoption in listed firms in Vietnam respectively. Both studies are analysis of secondary data of IFRS 17 while the present study is an analysis of both secondary and primary data thereby linking the conceptual gap.

The current study sought to bridge conceptual, geographical, methodological and population gaps in assessing factors influencing the level of preparedness to adopt IFRS 17 in insurance companies in Kenya.

Table 2.1 Summary of research gaps

AUTHOR	YEAR	TOPIC	FINDINGS	RESEARCH GAP
PWC	2023	East Africa IFRS 17 readiness survey	The survey indicates that most East African insurance companies are in the early stages of IFRS17 implementation, with a significant percentage not starting the process.	The study surveyed East African insurance companies, while this focuses on Kenyan insurance companies to fill methodological and geographical gaps
Nurunnabi, Eva and Han	2020	Saudi Arabia's adoption of IFRS 17: evidence from publicly traded enterprises	Most respondents support IFRS 17 adoption due to its superior financial reporting quality, improved similarity with other companies, and increased openness.	The study used primary data only and Likert scale analysis while the present study used both primary and secondary data and panel data regression model.
Koskipalo and Petriina	2022	Insurance contracts under IFRS 17: Applying the standard and how it affects financial reporting and insurance contract measurement	The study examines transition requirements and three strategies for insurers to measure current insurance contracts and obtain opening balances before the effective date.	The study bridged the methodological and geographic gap by using primary data in Sweden, whereas the current study used primary and secondary data in Kenya.
Tran et al	2019	Factors influencing Vietnam's listed firms' adoption of IFRS	The findings demonstrated that key financial ratios, such as return on equity (ROE), affected the listed companies in Vietnam's implementation of IFRS.	Whereas the current study will utilize a panel data regression model, the previous study used a logistic regression model.

Aliqatan, Albitar and Huang	2019	The influence of board composition on the connection between China's earnings management and the acceptance of international financial reporting standards (IFRS).	Earnings management improved with the adoption of IFRS 17. Since the implementation of IFRS 17, board autonomy has significantly decreased earnings management in China.	The study used univariate and multivariate regression model while the present study used panel data regression model and thereby bridging both methodological and population gaps.
Almaqtari, Hashed and Shamin	2021	This study aimed to compare the special effects of corporate governance mechanisms on the adoption of IFRS in Saudi Arabia, Oman, and the United Arab Emirates.	Findings showed that compared to other corporate governance structures, the qualities of the audit committee have a bigger influence on IFRS compliance and the accuracy of financial reporting	The study used corporate governance as the main the independent variable while the present study used board characteristics as independent variables. The study was also conducted in Saudi Arabia, United Arab Emirates and Oman while the current study will be conducted in Kenyan insurance companies.
Walid and Ahmed	2021	Eagerness and obstacles for applying IFRS 17; the case of Jordanian insurance industry.	The study indicates that Jordanian insurance firms are not at this time prepared to implement IFRS 17.	The study was conducted in Jordanian while the present study will be conducted in Kenya, thereby bridging the geographical gap.
Rajala	2020	likely effects of IFRS 17 on similarity and openness of the financial statements of insurance firms	Study findings revealed that IFRS 17 standard is projected to improve the openness and similarity of	The study used likert scale for data analysis while the present study used both panel data regression and likert

			financial statements of insurance firms	scale to analyze data bridging the methodological gap.
Deloitte	2020	IFRS 17 business impacts	Study findings showed that Industry participants have been working together to analyze and comprehend IFRS 17's standards and effects.	In order to close the methodological gap, the current study will combine primary and secondary data in addition to the secondary data used in the previous one.
Aladwey and Diab	2023	The factors that led to and resulted from emerging nations implementing IFRS 15 early.	Out of the many governance systems examined, the study discovered that the size of the board has a considerable detrimental effect on the early adoption of IFRS 15	The current study will bridge methodological and population gaps by utilizing panel data regression in place of the previous multi regression study.

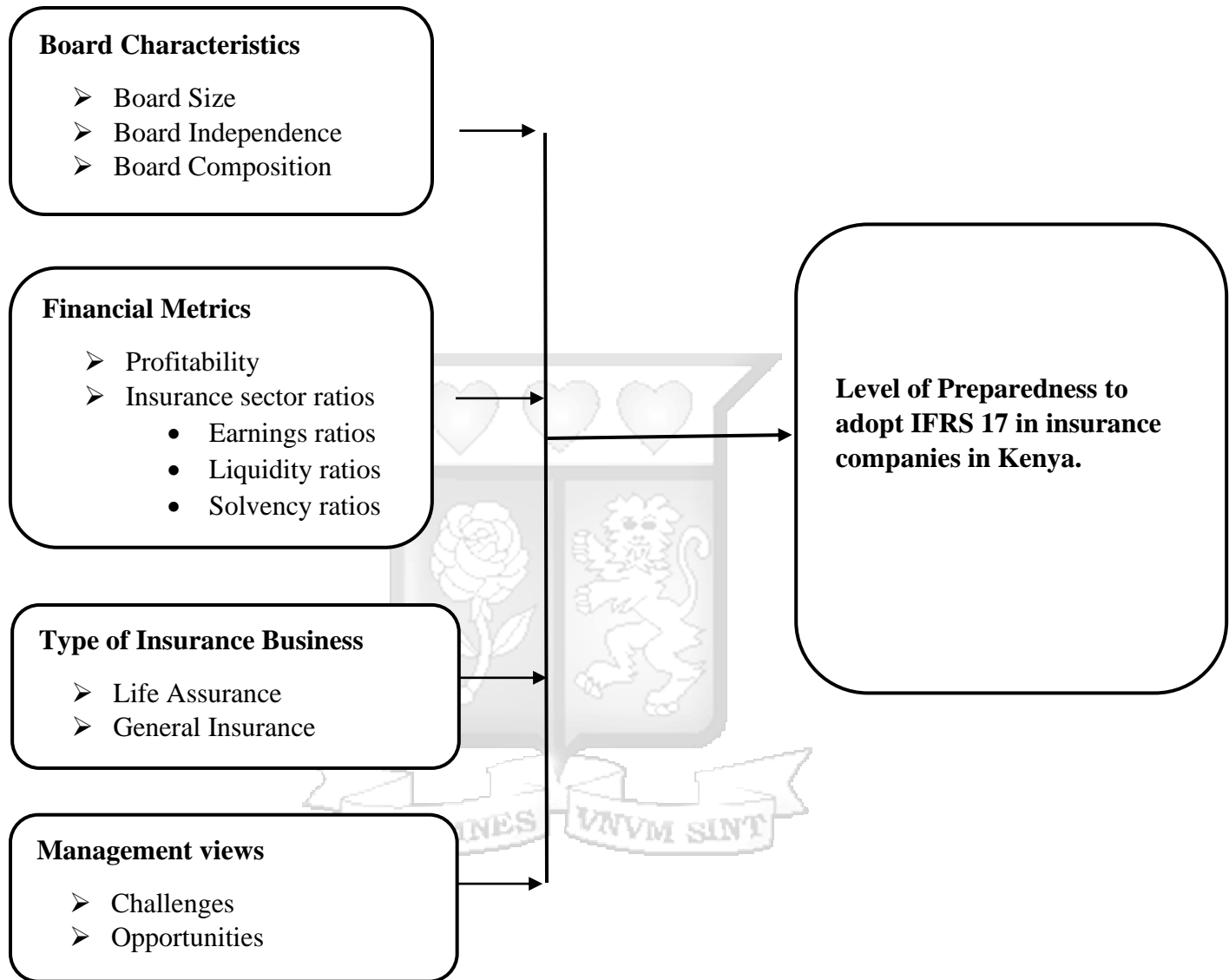
2.5 Conceptual Framework

A schematic chart that illustrates the relationship between the independent and dependent variables is called a conceptual framework. A conceptual framework, according to Oso and Onen (2013), is a diagrammatic presentation of the theory that shows the relationships between independent, unrelated, and dependent variables. Level of Preparedness to adopt IFRS17 will be the dependent variable whereas factors that influence the level of preparedness to adopt IFRS 17 and management views on the preparedness to adopt IFRS 17 in insurance companies in Kenya will form the independent variables. Moderating variables will be Company size and Company age. The link between the dependent and independent variables is seen in Figure 2.1 below.

Figure 2.1 Conceptual Framework

Independent Variables

Dependent Variable



Source: Researcher (2023)

2.6 Operationalization of variables

Table 2.2 Operationalization table

No.	Variable	Codes	Measurement	Priori Sign	Source
1.	Level of Preparedness	LOP	Scale of 1-3 <ul style="list-style-type: none"> ➤ 1- Not Prepared ➤ 2- Partially Prepared ➤ 3- Fully Prepared 	+ ve	PWC (2023) Ernest (2023)
2.	Board Characteristics	BC	Board composition (0 non-gender equality, 1 gender equality) Board independence (0 nominal independence, 1 real independence) Board size (0 less than 5, 1 more than 5),		Aladwey and Diab (2023)
3.	Financial Metrics	FM	<ul style="list-style-type: none"> ➤ Profitability ratios Net profit to outstanding shares ratio, ➤ Earnings ratios Price to earnings per share ratio. ➤ Solvency ratios. EBIT to Interest payments ratio ➤ liquidity ratios current assets to current liabilities ratio 	+ ve	Alhawtmeh (2023) Tran.et al. (2019)
4.	Type of business	TOB	1- Life assurance 0- General insurance		PWC (2017)

2.7 Chapter summary

The study was guided by two theories which are organization readiness for change theory and the absorptive capacity theory. The empirical reviews were also discussed where various gaps were highlighted which include geographical, empirical, conceptual and methodological gaps. The conceptual framework was well articulated bringing out the various measurements of the study variables which are board characteristics, financial metrics, type of insurance business and management views on the challenges and strengths on level of preparedness to adopt IFRS 17 in insurance companies in Kenya.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section provides the study's methodology. The chapter discusses the target population, the research design, the sample and the sampling process. It also provides an explanation of the techniques and data that were used in the study and for analysis.

3.2 Research Philosophy

A research philosophy is an underlying idea and assumptions that a researcher holds on knowledge generation and establishment that guides how data for a study will be acquired, evaluated, and interpreted (J. Creswell, 2009). Philips and Burbules (2000) state that research tries to create meaningful statements that can explain the circumstance of concern or clarify the causal relationship of interest. According to Creswell (2009) post positivists reflect on the importance of identifying and assessing the causes that influence outcomes. This study used a post positivist philosophy as it attempted to establish objective facts from the study variables by empirically demonstrating the influence of type of business, financial metrics and board characteristics on the level of preparedness to adopt IFRS 17.

3.2 Research Design

The research used a descriptive cross-sectional research design to evaluate implementation of IFRS 17 in insurance companies in Kenya. The investigator looked into detail the Level of Preparedness to adopt IFRS17, factors that influence the level of preparedness to adopt IFRS 17 and management views on the preparedness to adopt IFRS 17 in Kenyan insurance companies. A descriptive cross-sectional design sought to supply information about the whole group being studied (Alreck & Settle, 2004). The design was used to support causal conclusions and to characterize a few demographic traits. Consequently, a descriptive cross-sectional design allowed the scholar to collect data about the population being studied, freeing up the researcher to focus more on giving accurate and relevant information.

3.3 Target Population

The group under examination consisted of all licensed insurance companies in Kenya. Mugenda and Mugenda (2013) asserts that total population sampling gives more accurate research findings.

In Kenya, there are 56 licensed insurance firms, according to the insurance regulatory authority registration (2022).

3.4 Sample size and Sampling procedure

This study used all licensed insurance companies in Kenya as the sampling frame, where total population sampling was used to form study samples. It is feasible to gain in-depth insights into the phenomenon you are interested in since every member of the population of interest is included in the complete population sampling (Khan, 2014). Because of the wide coverage of the population, there is also less likelihood of missing important insights from people who are not included. Judgmental sampling technique was used. The sampling units included one departmental manager, one assistant manager, and one policy officer from each insurance firm selected. The study proposed to use a sample size of 56 insurance companies which represents approximately (100%) of the licensed insurance companies in Kenya. As stated by Mugenda and Mugenda (2003), a sample size of more than thirty individuals can be deemed sufficient for statistical analysis. Furthermore, the degree of precision increases with sample size. However, the expense of gathering data goes up with a big sample size. These details supported the study's determination that a sample size of 168 respondents is sufficient. Every member of the population of interest was included in the complete population sampling.

3.5 Data Collection

Secondary as well as primary data were employed in the data gathering strategies. The current study used secondary based data specifically annual audited reports publicly published by the firms in the period 2019-2023 to gather information on financial metrics, specifically profitability ratios, earnings ratios, solvency ratios and earnings ratios from each of the insurance firms under study. Published yearly reports were obtained from Insurance Regulatory Authority Report (IRA). Annual documents are an essential form of insurance companies financial reporting requirement according to IFRS 4 standard before the year 2023 and IFRS 17 standard after 2023 (PWC, 2023). Moreover, majority of secondary data is readily available, and researchers can save time by not having to gather new data. Questionnaires were sent to study participants, from which the main data was collected including level of preparedness and board composition, board independence, board size and the type of business which includes life assurance and general insurance types of business. The questionnaires had close-ended questions and the researcher interviewed the

respondents guided by the questionnaires while filling in the relevant sections covering the specific objectives. Primary data is more accurate, dependable, and pertinent to your study issue or goal. Using primary data, you may obtain a detailed and accurate insight into the needs, tastes, and habits of your target audience.

3.6 Reliability

Cronbach's alpha, which assesses internal consistency of the items and consistency of measures (values from 0.8 are deemed to have extremely good reliability), is a tool used to assess dependability. When an item's Cronbach's alpha score is more than 0.7—acceptable range: 0.6 to 0.8—it is deemed dependable. A Cronbach's alpha score larger than 0.8 is therefore considered good. When several Likert items in a survey or questionnaire combine to form a scale and you want to know if the scale is dependable, you most frequently use Cronbach's score. An instrument's level of reliability is determined by how consistently its output remains after multiple applications (Babbie& Mouton, 2001). Reliability of the questionnaire was achieved by resting the Cronbach alpha values of the variables using SPSS version 29.

3.7 Validity

Confirming the reliability of the tools used to collect data, as described by Drost (2018), involves confirming whether the research tools measure the intended aspects. To guarantee that the instruments accurately measure the degree of correlation between type of business, financial metrics, board characteristics and level of preparedness to adopt IFRS 17, the study assessed the instruments in this regard. Construct content validity was employed to validate the accuracy of the data collection instruments (Suhaini, Ahmad & Bohari, 2021). Construct validity assessed how well the research translates underlying concepts into practical realities, while content validity focused on the precision of the data collection tools in measuring and representing the research domains.

3.8 Data analysis and Presentation

To evaluate the data, descriptive as well as inferential statistics were applied. This defined measurement using statistics in a useful way, explained the kind and strength of associations between the dependent and independent factors and provided the basis for the findings reached in response to the research objectives of the study.

Independent variables including financial metrics, type of insurance business and board characteristics were given scores of 0 or 1 according to each variable. Financial metrics were used as calculated from financial statements using ratios, type of business (0 implied general insurance, 1 life assurance) and board characteristics; size of board (0 less than 5, 1 more than 5), board composition (0 implied non-gender equality, 1 gender equality) and board independence (0 nominal independence, 1 real independence). The dependent variable, having scores of 1-3 was for descriptive analysis to differentiate the level of preparedness. However, in the analysis scores were given in terms of (0 implied not prepared, 1 partially prepared, 2 fully prepared).

In accordance with Shamoo and Resnik (2009) data analysis using statistical techniques like regression, correlation, analysis of variance (ANOVA) and t-tests tests is useful to draw inductive inferences and distinguish real phenomena from random fluctuations. This study applied both quantitative and qualitative data analysis specifically descriptive statistics was adopted to describe level of preparedness to adopt IFRS 17 using measures like mean and standard deviations. Ibrahim and Aboud (2023) used bivariate analysis conducted through the Pearson Correlation test to determine the type of significance in the associating variables influencing a similar test for the study. Panel regression analysis was used to examine the link between the study’s financial metrics, type of insurance business, board characteristics and level of preparedness to adopt IFRS 17. The scores were panel regressed against the independent variables, using the following equation: -

$$Y = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i} + \beta_7 X_{7i} + \beta_8 X_{8i} + \beta_9 X_{9i} + \epsilon_i \quad (\text{Daniel \& Sock, 2007}) \dots \text{Model 1}$$

Where; -

Y= Level of preparedness of IFRS 17 adoption, measured by not prepared, partially and fully prepared

β_0 = Constant

β_1 - β_9 = Beta coefficients

X_{1i} = Earnings ratios observation i

X_{2i} = Liquidity ratios for observation i

X_{3i} = Solvency ratios for observation i

X_{4i} = Profitability ratios for observation i

X_{5i} = Board size for observation i

X_{7i} = Board independence for observation i

X_{8i} = Number of female in the board for observation i

X_{8i} = Board composition for observation i

X_{9i} = Type of business for observation i

ε_i = Error Term

3.9 Diagnostic tests

To ensure there is homogeneity in the results, the data was subjected to diagnostic tests to determine whether the laid assumptions were satisfied or violated. For normality tests, it is assumed that data should be normally distributed in a linear regression (Schmidt and Finan, 2018). The error term shows the factors that should be considered in the study but have been assumed by the researcher in developing the model. In panel data there must be a normal distribution of the error.

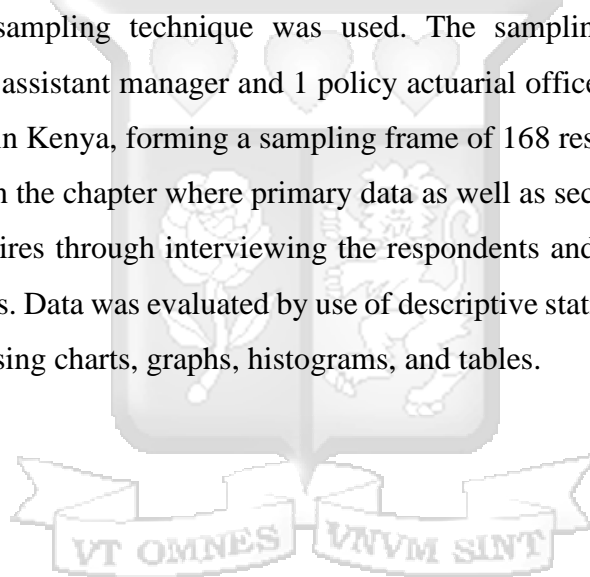
Multi-collinearity makes the coefficient of regression to be indeterminate (Adepoju & Ojo, 2018). Multi-collinearity also makes the standard errors to be infinite. To check for the presence of multi-collinearity, Pearson correlation test was used. The degree of the linear link between two variables was gauged by the Pearson correlation. Its value ranges from -1 to 1, where a value of -1 indicates a completely negative linear correlation, a value of 0 indicates no correlation, and a value of + 1 indicates a fully positive correlation.

3.10 Ethical Considerations

Data was collected from both annual reports and surveys after authorization from the relevant companies and the Strathmore University Ethical Committee. A formal letter from the university and an introduction from the researcher helped to streamline the procedure. All information gathered will be kept private and secret by the researcher. Data was utilized for educational reasons and only findings, not unprocessed information, will be published.

3.11 Chapter Summary

The chapter covered the research design (descriptive cross-sectional research design) that was used by the researcher, sample and sampling techniques of the study and sampling frame. The study used total population sampling where all the 56 licensed insurance firms will form the sample of the study. Judgmental sampling technique was used. The sampling frame consisted of 1 departmental manager, 1 assistant manager and 1 policy actuarial officer from the each of the 56 licensed insurance firms in Kenya, forming a sampling frame of 168 respondents. Data collection tools were also covered in the chapter where primary data as well as secondary data were used by administering questionnaires through interviewing the respondents and secondary data from the companies' annual reports. Data was evaluated by use of descriptive statistics as well as inferential statistics and presented using charts, graphs, histograms, and tables.



CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS AND RESULTS

4.1 Introduction

The general objective of this study was to assess factors influencing the level of preparedness to adopt IFRS 17 in insurance companies in Kenya. The specific objectives were to assess the level of preparedness to adopt IFRS 17 in insurance companies, to establish factors that influence the level of preparedness to adopt IFRS 17 in insurance companies while the third sought to establish management views on the preparedness to adopt IFRS 17 in insurance companies in Kenya. Data was collected from departmental managers, assistant managers and policy officers and was analyzed using both descriptive and inferential statistics. The chapter is organized in two sections descriptive findings and inferential findings.

4.2 Response Rate

With the use of a descriptive study, questionnaires were administered to each of the 168 respondents who were the focus of this investigation. A total of 91 respondents completed or replied to the questionnaires, resulting in a 55% response rate. Bell (2012) states that data analysis is possible with a 50% response rate. Consequently, a response rate of 55% was deemed suitable for the research and adequate to ensure a precise analysis. The contributory ratios of the replies that were received from the respondents are displayed in Table 4.1.

Table 4.1: Response Rate

Category	Frequency	Percentage
Male	58	64%
Female	33	36%
Total	91	100

This showed that majority of the respondents were male (64%).

4.3 Demographic Variables

Information was gathered about the type of insurance, years of operation, respondents' years worked in the firm, department and position in the firm. Results pertaining to this are presented in this section.

4.3.1 Years worked in the firm

Table 4.2 Years worked in the firm.

Years worked in the firm	NUMBER	PERCENTAGE
Less than 1 year	1	1%
1-3 yrs.	31	34%
4-5 yrs.	27	30%
6-8 yrs.	20	22%
Above 8yrs	12	13%
TOTAL	91	100

Figure 4.1 Number of years worked in the firm



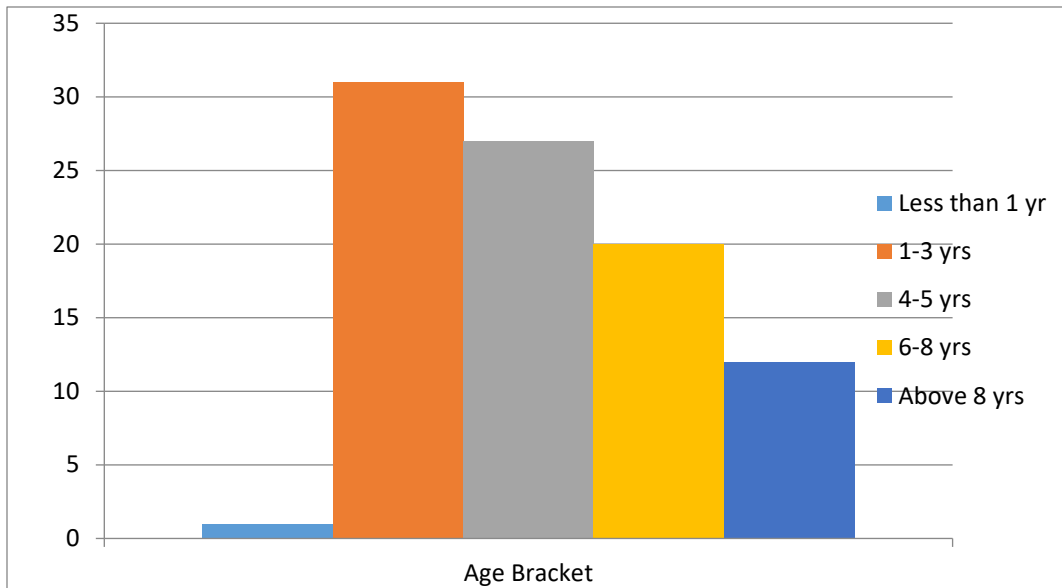


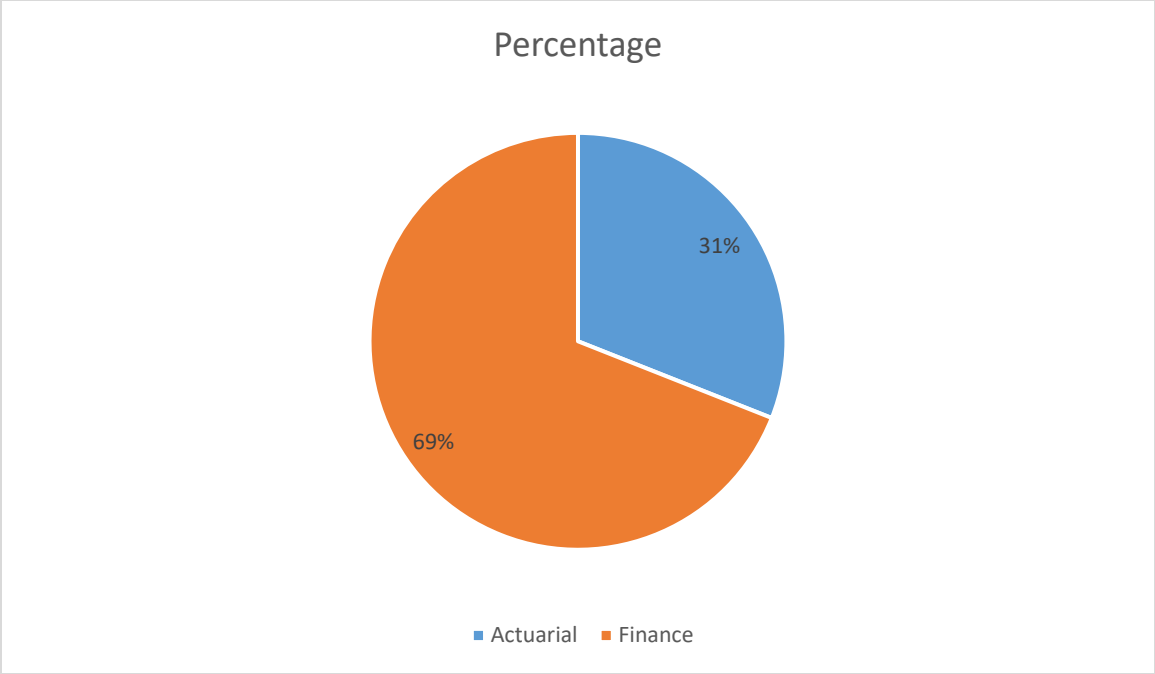
Figure 4.1 shows that the majority (34%) of the respondents had worked in the insurance firms between 1-3 years, 30% between 4-5 years, 22% between 6-8 years, 13% between above 8 years and 1% less than 1 year. This is a clear indicator that most of the respondents were new in the insurance firms.

4.3.2 Department

Table 4.3 respondents' departments

Department	Number	Percentage (%)
Actuarial	28	31%
Finance	63	69%
Total	91	100%

Figure 4.2 respondents' department



The figure above shows that most of the respondents (69%) worked in the finance department while 31% worked in the actuarial department. This shows that most of the respondents worked in the finance department.

4.3.3. Position worked in the firm

Table 4.4 position worked in the firm

Position in the firm	Number	Percentage (%)
Accountant	27	30%
Assistant Accountant	39	43%
Finance officer	15	16%
Analyst	10	11%
Total	91	100%

Figure 4.3 Position worked in the firm

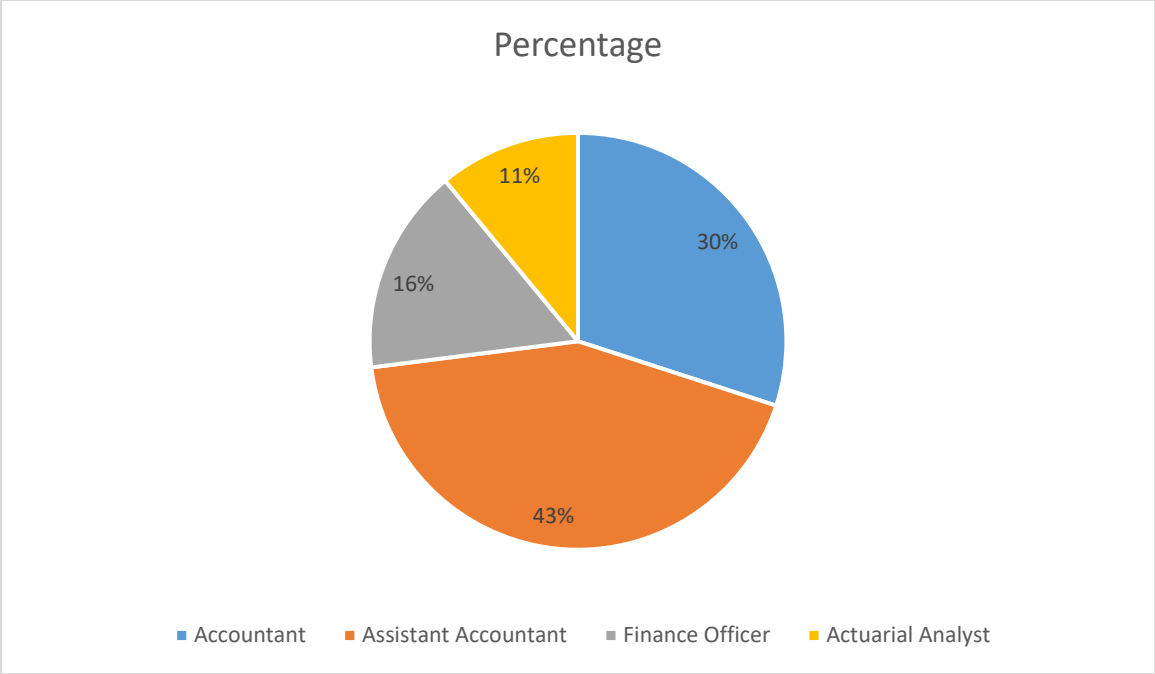


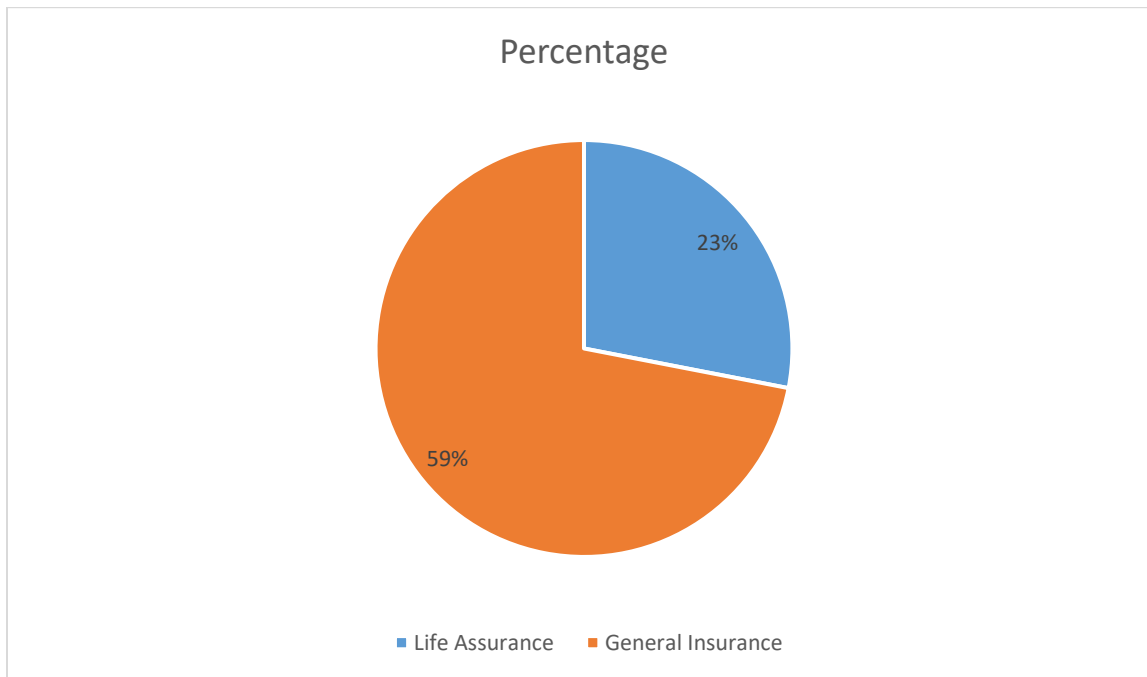
Figure 4.3 above shows that most of the respondents (43%) were assistant accountants, 30% were accountants, 16% were finance officers and 11% were actuarial analysts. This shows that most of the respondents were assistant heads of departments.

4.3.4 Type of insurance firm

Table 4.5 Type of insurance firm

Type of insurance firm	Number	Percentage (%)
Life Assurance	23	41%
General Insurance	33	59%
Total	56	100%

Fig 4.4 Type of insurance firm



The figure above shows that the majority of the insurance firms (59%) were general insurance firms while 23% were life assurance firms. This shows that majority of the firms deal with general insurance business.

4.3.5 Number of years in operation

Table 4.6 Number of years in operation

Number of years in operation	Number	Percentage (%)
1-3 yrs	9	16%
4-6 yrs	7	13%
7-10 yrs	24	43%
Over 10 yrs	16	28%
Total	91	100%

Fig 4.5 Number of years in operation

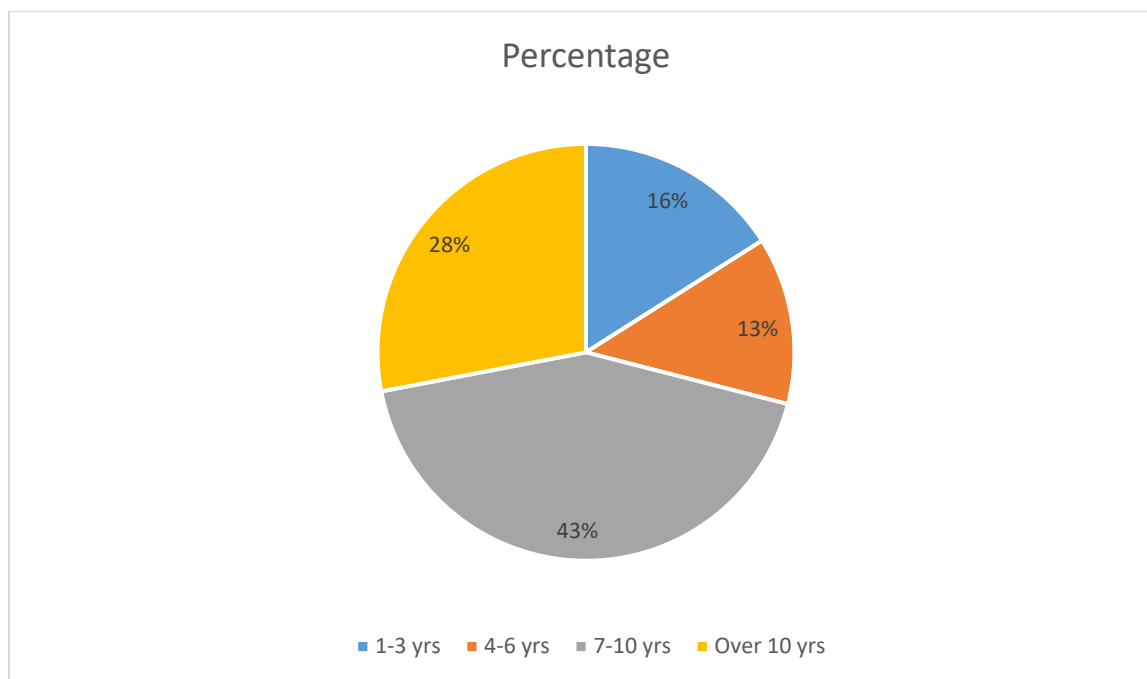


Figure 4.5 above shows that the majority (43%) of the firms had operated between 7-10 years, 28% over 10 years, 16% between 1-3 years and 13% between 4-6 years. This shows that most of the insurance firms are old in the insurance industry.

4.3.6 Level of IFRS 17 preparedness

Table 4.7 Level of IFRS 17 preparedness

Level of IFRS 17 preparedness	Number	Percentage (%)
Not Prepared (Scale 0)	0	0%
Partially Prepared (Scale 1)	21	37%
Fully Prepared (Scale 3)	35	63%
Total	56	100%

Fig 4.6 Level of IFRS 17 preparedness

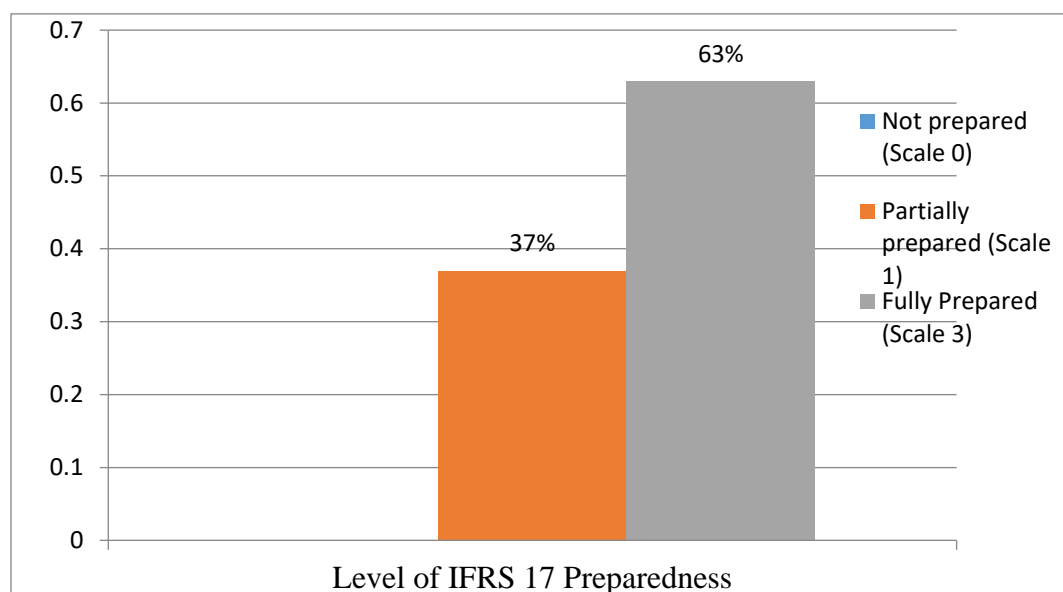


Figure 4.6 above shows that the majority (63%) of the firms are fully prepared for IFRS 17 implementation, 37% were partially prepared while 0% were not prepared. This shows that most of the firms are prepared in the implementation of IFRS 17.

4.3.7 Board characteristics

Table 4.8 Size of board

Size of board	Number	Percentage (%)
8	4	7.5%
9	7	12.5%
10	45	80%
Total	56	100%

Table 4.8 shows that the majority (80%) of the firms had a board size of 10 members, 12.5% 9 members and 7.5% 8 members.

Table 4.9 Board composition

Board composition	Number	Percentage (%)
More male than female	53	95%

More female than male	0	0%
Fifty-fifty	3	5%
Total	56	100%

Fig 4.7 board composition

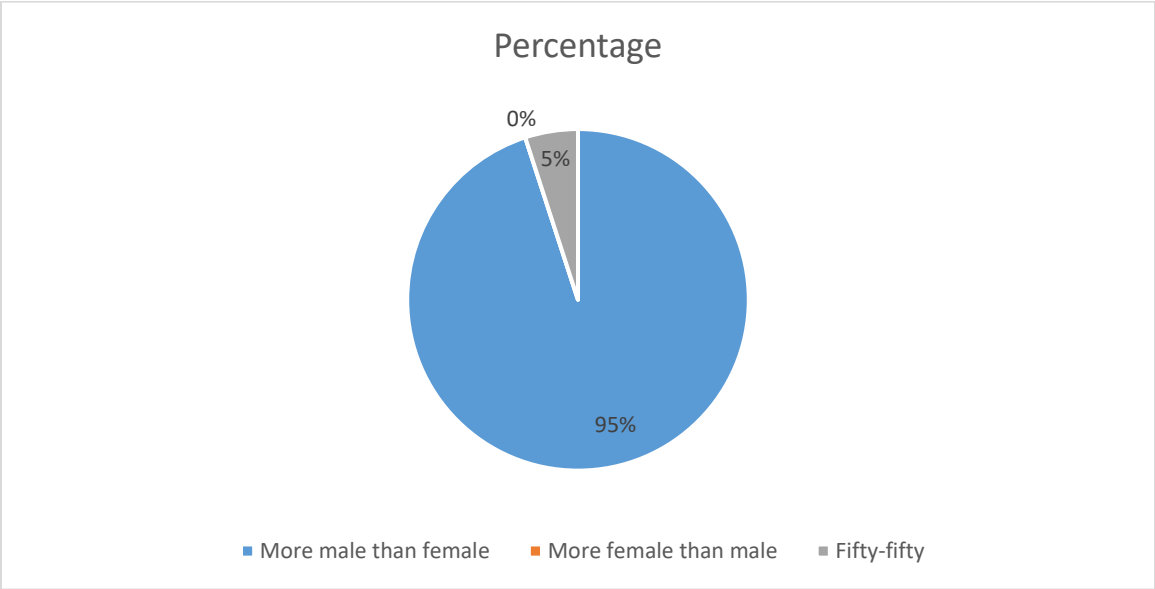


Figure 4.7 shows that majority of the firms (95%) had a board composition of more male than female, 5% on fifty-fifty percentage of male and female while 0% had more female than male.

4.3.8 Level of influence of board characteristics on the level of IFRS 17 preparedness

Table 4.10: Rating on size of board

Rating	Frequency	Percentage
Very Strongly	76	84%
Strongly	12	13%
No effect	3	3%
Weak	0	0%
Very weak	0	0%
Total	91	100%

The table above shows that majority (95%) of the respondents perceived that size of board very strongly influences the level of IFRS 17 preparedness, 13% strongly influences, 3% has no effect and 0% weakly and very weakly influences the level of IFRS 17 preparedness respectively.

Table 4.11: Rating on board composition

Years	Frequency	Percentage
Very Strongly	60	66%
Strongly	18	20%
No effect	5	5%
Weak	6	7%
Very weak	2	2%
Total	91	100%

The table above shows that majority (66%) of the respondents felt that size of board very strongly influences the level of IFRS 17 preparedness, 20% strongly influences, 5% has no effect and 7% and 2% weakly and very weakly influences the level of IFRS 17 preparedness respectively.

4.3.9 Level of type of business on the level of IFRS 17 preparedness

Table 4.12: Rating on Life Assurance

Years	Frequency	Percentage
Very Strongly	86	95%
Strongly	5	5%
No effect	0	0%
Weak	0	0%
Very weak	0	0%
Total	91	100%

The table above shows that majority (95%) of the respondents perceived that life assurance type of business very strongly influences the level of IFRS 17 preparedness, 5% strongly influences, while 0% has no effect, weakly and very weakly influences the level of IFRS 17 preparedness respectively.

Table 4.13: Rating on General Insurance

Years	Frequency	Percentage
Very Strongly	81	89%
Strongly	9	10%
No effect	1	1%
Weak	0	0%
Very weak	0	0%
Total	91	100%

The table above shows that majority (89%) of the respondents perceived that general insurance type of business very strongly influences the level of IFRS 17 preparedness, 9% strongly influences, 1% has no effect, while 0% weakly and very weakly influences the level of IFRS 17 preparedness respectively.

4.3.10 Management experience in the preparation of IFRS 17 adoption

4.3.10.1 Opportunities encountered in the preparation of IFRS 17 adoption

The study enquired on the opportunities presented by the adoption of IFRS 17 and from the findings 35% of the respondents perceived that IFRS 17 presented more learning opportunities of the current standard, 20% perceived employment opportunities for IFRS 17 conversant finance officers and actuaries, 17% perceived it will change the pricing of risks, 13% perceived that it will be an opportunity to reassess the firm's products i.e. those making profits and those making losses, 10% perceived it will enhance transparency, while 5% perceived it will build customer confidence in the financial statements reports.

4.3.10.2 Challenges encountered in the preparation of IFRS 17 adoption

The study sought to establish whether there were any challenges encountered in the preparation of IFRS 17 adoption. Findings showed that, 40% of the respondents perceived that it is capital intensive as the organization had to hire new staff qualified to undertake the implementation, 26% perceived that the company incurred high costs in purchase of the software designed for the implementation, 12% perceived that the level of risk is high, 10% perceived that transitioning to IFRS 17 may impact reported financial results, potentially affecting key performance indicators and financial ratios, 6% perceived that IFRS 17 introduces a more complex accounting framework, requiring insurers to assess and account for various components of insurance contracts in a detailed manner, 4% perceived that adequate and accurate data is crucial for IFRS 17 compliance, while 2% perceived that gathering, organizing, and maintaining the required data can be challenging for some firms.

Table 4.14 Reliability test results

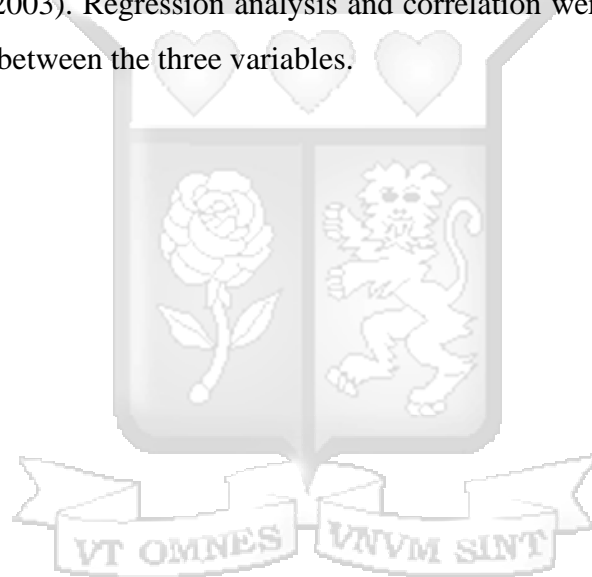
To ensure the reliability of the data collection instrument, a Cronbach's alpha test was conducted. Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. A value of 0.8 and above is considered acceptable, indicating that the questionnaire items have relatively high internal consistency.

Scale	Cronbach's Alpha
Level of Preparedness to adopt IFRS 17	0.892
Solvency Ratios	0.825
Profitability ratios	0.868
Earnings per share ratios	0.815
Liquidity Ratios	0.836
Board Independence	0.847
Board Size	0.812
Female in Board	0.831
Board Composition	0.804
Type of Business	0.821

The reliability test results indicate that the questionnaire used for this study is reliable, with all items showing good internal consistency, as all the Cronbach's alpha values are above the acceptable threshold of 0.8.

4.4 Inferential statistics

Research or study inferences are conclusions drawn from observations of a phenomenon being studied or from analyses of a sample or population collected during the study's duration. To accomplish the study's goals and investigate the link between the dependent and independent variables, the researcher employed panel data regression analysis and descriptive statistics (Mugenda & Mugenda, 2003). Regression analysis and correlation were utilized in this study to evaluate the relationship between the three variables.



4.4.1 Correlation

Table 1: Pearson Correlation

4.4.1 Correlation

Table 1: Pearson Correlation

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Variable  LevelP  SolvencyR  LiquidityR  ProfitR  EarningsR  BoardS  NumberF  BoardI  BoardC  ToB
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=====
LevelP    1.000
SolvencyR 0.173  1.000   -0.135   -0.183   -0.152    0.173   0.072   0.157  -0.071  0.173
LiquidityR 0.135  0.012   1.000    0.005   -0.044   -0.105   0.012   0.101   0.057  0.135
ProfitR    0.183  0.005   0.082    1.000    0.082    0.006   0.068   0.151   0.138  0.069
EarningsR 0.152 -0.044   0.082    0.110    1.000    0.075  -0.001   0.007   0.033  0.110
BoardS     0.173 -0.105   0.006    0.075    1.000    1.00    0.192   0.319   0.276  0.157
NumberF    0.072  0.012   0.068   -0.001    0.192    0.263   1.000   0.263   0.204  0.041
BoardI     0.157  0.101   0.151    0.007    0.319    0.263   0.018   1.000   0.424  0.019
BoardC    -0.071 -0.057   0.138    0.033    0.276    0.204   0.424   0.075   1.000  0.065
ToB        0.1    -0.135   0.069    0.110    0.157    0.041   0.019   0.065   0.018  1.000
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The results of the study variables correlation are summarized in Table 1. The Pearson correlation test was used to investigate the relationship between the variables under study. Finding issues with multicollinearity between the variables under study is another benefit of correlation analysis. A test to determine whether the independent variables are correlated is called multicollinearity. The results of the study variable's correlation were summarized in Table 1. A high degree of multicollinearity suggests that the data collection has a collinearity issue. The Pearson pair-wise correlation between the independent variables was carried out to first test multicollinearity. There was a low correlation between the independent variables, as shown by the test results in Table 1. According to Farber and Glauber (1967), no correlation coefficient is greater than the acceptable threshold of 0.8 for a subsequent statistical test. The findings indicate weak positive correlations

between solvency ratios ($r= 0.178$, $p<0.001$), liquidity ratios ($r=0.135$, $p<0.001$), profitability ratios ($r= 0.183$, $p<0.001$), earnings ratios ($r=0.152$, $p<0.001$), board size ($r=0.173$, $p<0.001$), number of female ($r=0.072$, $p<0.001$), board independence ($r=0.157$, $p<0.001$), and type of business ($r=0.1$, $p<0.001$) with the level of IFRS 17 preparedness. The findings also revealed a weak negative correlation between board composition and level of IFRS 17 preparedness ($r=-0.071$, $p<0.001$).

4.5 Regression Analysis

The panel data regression model predicts a linear relationship between the dependent variable and many predictor variables. The researcher considered the three predictors of the elements that influence the level of preparedness to adopt IFRS 17 in insurance companies in Kenya. The panel data regression models' findings were shown in this part along with an explanation and some conclusions.

4.5.1 Panel data Regression Model

As a metric of factors influencing the level of preparedness to adopt IFRS 17 in insurance companies in Kenya, the researcher took board characteristics (Board composition, board size, number of female and board independence), financial metrics (profitability ratios, earnings ratios, solvency ratios and liquidity ratios) and type of insurance business (life and general) into consideration. The measure of factors influencing the level of preparedness to adopt IFRS 17 in insurance companies in Kenya, which is board characteristics, financial metrics and type of insurance business are more comprehensive. The regression model was fitted using the average panel data and the model summary in Table 4.11, following the same modeling methodology for each firm.

To investigate the association between the independent variables, a panel data regression analysis was performed (profitability ratios, earnings ratios, solvency ratios, liquidity ratios, board composition, board size, number of females, board independence and type of insurance) and dependent variable (level of preparedness to adopt IFRS 17 in insurance companies in Kenya). The measures of the regressions for the study were coded, entered, and computed using the Statistical Package for Social Sciences (SPSS).

Table 2: Model Summary

Model Summary							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	Sig. F Change
1	.846	.716	.053	.47543	.716	3.540	.001

a. Predictors: (Constant), TypeB, Bindependence, ProfitabilityR, SolvencyR, BoardF, LiquidityR, Bcomposition, EarningsR, BoardS

The coefficient of determination indicates the proportion of variation in the dependent variable that can be accounted for by the independent variables or the degree to which changes in the independent variables may account for changes in the dependent variable (solvency ratios, liquidity ratios, profitability ratios, earnings ratios, board size, number of females in the board, board composition and type of insurance business).

According to the R squared, the independent variables under investigation only account for 71.6% of the influence of the level of preparedness to adopt IFRS 17 in insurance companies in Kenya. This indicates that 28.4% of the factors influencing the level of preparedness to adopt IFRS 17 in insurance companies in Kenya are attributable to other factors not covered in this study.

4.5.2 Analysis of Variance (ANOVA)

Table 3: Analysis of Variance (ANOVA)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.727	9	.303	3.540	.001 ^b
	Residual	10.398	46	.226		
	Total	13.125	55			

a. Dependent Variable: Preparedness

b. Predictors: (Constant), TypeB, Bindependence, ProfitabilityR, SolvencyR, BoardF, LiquidityR, Bcomposition, EarningsR, BoardS

Given that the significance value is 0.001, which is smaller than 0.05, the model can statistically predict how board characteristics, financial metrics and type of business influence the level of

preparedness to adopt IFRS 17 in insurance companies in Kenya. At the 5% level of significance, the F critical value was 0.529. The computed F value of 3.540 is more than the F critical value, indicating the significance of the model.

4.5.3 Beta coefficients

Standardized coefficients, or beta coefficients, are a useful tool for analyzing how important each independent variable is in predicting the dependent variable while accounting for other variables in the model. The strength of the correlations between the predictor and outcome variables can be compared on a standardized scale attributable to these coefficients. The beta coefficients of the study variables are shown in Table 3, specifically solvency ratios, liquidity ratios, profitability ratios, earnings ratios, board size, number of females in the board, board composition and type of insurance business. The regression model was as follows.

$$Y = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \epsilon_i$$

Where Y was the dependent variable (LOP),

Where β_0 was the regression constant (coefficient of intercept),

Where $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9$ were coefficients of the independent variables namely solvency ratios, liquidity ratios, profitability ratios, earnings ratios, board size, number of females in the board, board composition and type of insurance business.

Where $X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8, X_9$ represented the independent variables (solvency ratios, liquidity ratios, profitability ratios, earnings ratios, board size, number of females in the board, board composition and type of insurance business.)

ϵ represented the error term

4.5.4 Panel Regression

Table 3.

Dependent variable: Level of Preparedness to adopt IFRS 17

Model: Panel Regression

Variable	Coefficient	Std. Error	t-statistic	P-value
Constant	0.637	0.098	2.876	0.000
Solvency Ratio	0.157	0.082	1.915	0.000
Liquidity Ratio	0.250	0.051	0.490	0.000
Profitability Ratio	0.430	0.094	0.459	0.000
Earnings Ratio	0.090	0.021	0.422	0.000
Board Size	0.012	0.037	0.324	0.000
Female in the Board	0.025	0.046	0.543	0.000
Board Independence	0.380	0.029	1.310	0.000
Board Composition	-0.014	0.027	-0.522	0.000
Type of Business	-0.103	0.089	-1.157	0.000

R-squared: 0.716

Adjusted R-squared: 0.533

F-statistic: 3.540

Prob (F-statistic): 0.001

The regression model was fitted as follows: -

$$Y = 0.637 + 0.157SR + 0.25LR + 0.43PR + 0.09ER + 0.012BS + 0.025FiB + 0.38BI - 0.014BC - 0.013ToB$$

The interpretation drawn from the model suggests that when solvency ratios, liquidity ratios, profitability ratios, earnings ratios, board size, number of females in the board, board composition and type of insurance business are held constant, the level of IFRS 17 preparedness would remain at a constant of 0.637. The findings revealed that solvency ratios, liquidity ratios, profitability ratios, earnings ratios, board size, number of females in the board, board composition and type of insurance business had statistically significant p-values, all of which were less than the selected

significance level of 0.05 (Sig. < 0.05). This indicates that all predictor variables (independent) had a significant positive influence on the dependent variable, employee retention intention. In other words, the relationship between the independent variables and the dependent variable is unlikely to be attributed to chance.

The regression results indicate that solvency ratios, liquidity ratios, profitability ratios, earnings ratios, board size, number of females in the board, board composition and type of insurance business are significant predictors of level of IFRS 17 preparedness. The model explains 71.6% of the variance in purchase intention ($R^2 = 0.716$), indicating a substantial effect of solvency ratios, liquidity ratios, profitability ratios, earnings ratios, board size, number of females in the board, board composition and type of insurance business on the level of IFRS 17 preparedness. Each of the factors has a significant effect on the level of IFRS 17 preparedness with profitability ratios having the highest beta coefficient ($\beta = 0.43$), indicating a unit change in profitability ratios will result to a 0.43 unit change in level of IFRS 17 preparedness, followed by board independence ($\beta = 0.38$), signifying that a unit change in board independence will result to a 0.38 unit change in level of IFRS 17 preparedness, followed by liquidity ratios ($\beta = 0.25$), demonstrating that a unit change in liquidity ratios will result to a 0.25 unit change in level of IFRS 17 preparedness, followed by solvency ratios ($\beta = 0.157$), indicating that a unit change in solvency ratios will result to a 0.16 unit change in level of IFRS 17 preparedness, followed by earnings ratios ($\beta = 0.09$), indicating that a unit change in earnings ratios will result to a 0.09 unit change in level of IFRS 17 preparedness, followed by number of female in the board ($\beta = 0.025$), indicating that a unit change in number of female in the board will result to a 0.025 unit change in level of IFRS 17 preparedness, followed by board size ($\beta = 0.012$), indicating that a unit change in board size will result to a 0.012 unit change in level of IFRS 17 preparedness, followed by type of business ($\beta = -0.013$), indicating that a unit change in type of business will result to a -0.013 unit change in level of IFRS 17 preparedness and lastly board composition ($\beta = -0.014$), indicating that a unit change in board composition will result to a -0.014 unit change in level of IFRS 17 preparedness.

4.6 Chapter summary

The chapter covered research findings and results of the study. The study found a low correlation between the variables as none of the correlation tests surpasses the 0.8 threshold and therefore the variables were statistically viable. The study, using panel data, found that that solvency ratios,

liquidity ratios, profitability ratios, board size, number of female in the board, board independence and earnings ratios had a positive effect on the level of preparedness to adopt IFRS 17, while board composition and type of insurance business had negative effects on level of preparedness to adopt IFRS 17.



CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS & RECOMMENDATIONS

5.1 Introduction

Determining factors influencing the level of preparedness to adopt IFRS 17 in insurance companies in Kenya was the study's main goal. Based on the study's objectives, this chapter discusses the findings, conclusions, and recommendations of the study. The significance of the findings from Chapter 4 is thoroughly explained in this section. It goes into great depth about the significance of the findings and how level of preparedness to adopt IFRS 17 is influenced by solvency ratios, liquidity ratios, profitability ratios, earnings ratios, business size, number of females in the board, board independence, board composition and type of insurance business. It comprises a summary of the main points of the study's objectives as inferred from the total inquiry and its suggestions.

5.2 Summary

In accordance with the study's hypotheses, the researcher outlined the main conclusions drawn from the data analysis. Data analysis was done to make judgments about the factors influencing the level of preparedness to adopt IFRS 17 in insurance companies in Kenya that were supported by facts. The study findings revealed that there are 33 general insurance companies and 23 life assurance firms. The inferential statistics indicated a positive relationship between solvency ratios, liquidity ratios, profitability ratios, board size, number of female in the board, board independence and earnings ratios and level of IFRS 17 preparedness and a negative relationship between type of business, board composition and level of IFRS 17 preparedness.

The study findings revealed that a unit change in solvency ratios, liquidity ratios, profitability ratios, board size, number of female in the board, board independence and earnings ratios would result in a positive change in the level of IFRS preparedness while a unit change in type of business and board composition would result in a negative change in level of IFRS 17 preparedness.

5.2.1 The level of preparedness to adopt IFRS 17 in insurance companies in Kenya

Among the 56 insurance firms in Kenya, 59% were general insurance while 41% were life insurance firms. This shows that the majority of the firms deal with general insurance business. However, on the level of preparedness to adopt IFRS 17, from the study findings, 63% which translates to 35 out of the 56 insurance firms are fully prepared for IFRS 17 implementation, while

37% (21 out of the 56 insurance firms in Kenya) were partially prepared while 0% were not prepared. This shows that most of the insurance firms are prepared in the implementation of IFRS 17 in Kenya.

The panel data regression model shows keeping all factors constant, the level of preparedness to adopt IFRS 17 will be 0.63 which translates to 63%. The findings are inconsistent with PWC (2023) survey findings on East Africa IFRS 17 readiness survey. The survey revealed that majority of insurance firms in East Africa are at an initial stage of IFRS 17 execution and Walid and Ahmed (2021) study findings also showed that, for several reasons, Jordanian insurance firms are not yet prepared to use IFRS 17.

5.2.2 Influence of board characteristics on the level of preparedness to adopt IFRS 17 in insurance companies in Kenya

The study findings revealed that board size has a significant impact on the level of preparedness to adopt IFRS 17. This is consistent with the findings of Aliqatan, Albitar and Huang (2019) study which found that board size had significantly influenced adoption of IFRS 17 in listed companies in China. Almaqtari, Hashed & Shamin (2021) study also revealed that committee's characteristics have a bigger effect on IFRS compliance and the accuracy of financial reporting and Aladwey and Diab (2023) study findings revealed that IFRS 15 in Egypt is significantly influenced favorably by the presence of female directors.

Board independence on the hand, according to the study findings positively influence the level of preparedness to adopt IFRS 17. The study findings are consistent with Rouhou, Douagi and Hussainey (2015) study findings on the effect of IFRS enforcement factors on analysts' earnings forecasts accuracy and Elshandidy and Hassanein (2014) study findings.

Also, the study found that board composition negatively influences the level of preparedness to adopt IFRS 17. The study findings are consistent with the findings of Rotich (2017) study on the effect of board composition on quality of financial reporting among firms listed in Nairobi securities exchange.

5.2.3 Influence of financial metrics on the level of preparedness to adopt IFRS 17 in insurance companies in Kenya

The regression model showed that solvency ratios positively influence the level of preparedness to adopt IFRS 17. The study findings are consistent with the study findings of Nguyen, Nguyen and Van (2023) on analysis of factors affecting the adoption of IFRS in an emerging economy. The study findings also revealed that liquidity ratios positively influence the level of preparedness to adopt IFRS 17 which was consistent with Ali (2022) study findings on the effect of IFRS on the financial ratios: Evidence from banking sector in the emerging economy.

The findings also revealed that profitability ratios have a positive influence on the level of preparedness to adopt IFRS 17 which indicated consistency with the findings of Ernest (2023) study on Market updates on impact of IFRS 17 and IFRS 9.

Consequently, the study findings established positive influence of earnings ratios on the level of preparedness to adopt IFRS 17. This was consistent with the study findings of KPMG (2023) and Ernest (2023) on insurers' half-year reporting under IFRS 17 and IFRS 9 and study on Market updates on impact of IFRS 17 and IFRS 9 respectively.

5.2.4 Influence of type of business on the level of preparedness to adopt IFRS 17 in insurance companies in Kenya

The study findings revealed that type of business has a negative influence on the level of IFRS 17 preparedness. The study findings were inconsistent with study findings of PWC (2017) on IFRS 17 insurance contracts for general insurers that found that IFRS 17 will have a significant effect on the methodology and assumptions used to measure the liabilities of general insurance, as these will vary based on important policy decisions and the need to modify how reserve margins are handled.

5.2.5 Management views on challenges and opportunities in IFRS implementation

The study also revealed several challenges and opportunities encountered by the management of the firms under study which can be summarized as; More learning opportunities of the current standard, employment opportunities for IFRS 17 conversant finance officers and actuaries, it will change the pricing of risks, it will be an opportunity to reassess the firm's products i.e. those making profits and those making losses. Enhanced transparency and customer confidence in the financial statements reports which is similar with Rajala (2020) study that found that IFRS 17

standard is projected to increase the openness and similarity of financial statements of insurance firms in Kenya. Deloitte (2020) study revealed what is acceptable for an insurer's size and business complexity will become clearer through an evaluation of present processes against the "to be" sustainable condition under IFRS 17 in insurance firms in Kenya, while the challenges were; it is capital intensive as the organization had to hire new staff qualified to undertake the implementation, the company incurred high costs in purchase of the software designed for the implementation, the level of risk is high, transitioning to IFRS 17 may impact reported financial results, potentially affecting key performance indicators and financial ratios, IFRS 17 introduces a more complex accounting framework, requiring insurers to assess and account for various components of insurance contracts in a detailed manner and adequate and accurate data is crucial for IFRS 17 compliance while gathering, organizing, and maintaining the required data can be challenging for some firms. This is like Walid& Ahmed (2021) study that revealed data problem is the main obstacle to implementing IFRS 17, followed by those associated with initial implementation, systems, results, and presentation in Jordanian insurance firms.

Inferential results showed that taking all factors constant (solvency ratios, liquidity ratios, profitability ratios, earnings ratios, business size, number of females in the board, board independence, board composition and type of business), the level of preparedness to adopt IFRS 17 in insurance companies in Kenya is 63.7% or 0.637. The data results analyzed also showed that seven independent variables had a positive influence on the level of preparedness to adopt IFRS 17 in insurance companies in Kenya, while two had a negative influence. Board size findings in the study agree contrast with Aladwey and Diab (2023) study, which revealed the size of the board, has a considerable negative influence on the early adoption of IFRS 15 in firms in Egypt. Additionally, the ANOVA analysis showed a significant difference between the groups ($F = 3.78$, $p = 0.006$), confirming that the nine variables should be included in the regression equation.

5.3 Conclusions

Factors influencing the level of preparedness in insurance companies in Kenya was examined using a panel data analysis. According to the analysis, seven variables have a positive influence while two variables have a negative influence on the level of preparedness in insurance companies in Kenya.

63% of the firms are fully prepared to implement IFRS 17 as the core financial reporting standard, while 37% are in the process of full preparation. However, several variables are either positively or negatively influencing the level of preparedness, for example, board size and composition of the board, type of business, either general or life assurance etc. According to the regression model, the level of preparedness to adopt IFRS 17 shows a positive linear link between profitability ratios, solvency ratios, earnings ratios, liquidity ratios, board independence, number of female in the board and board size and a negative correlation with board composition and type of business.

The study findings show that there are other factors not captured in the study that account for 28.4% of the variables that have an influence on the level of preparedness to adopt IFRS 17. However, the findings also show that 71.6% of the variables have an influence on the level of preparedness to adopt IFRS 17.

The organizational readiness for change theory assisted was instrumental in the achievement of both financial metrics and board characteristics effect on level of preparedness to adopt IFRS 17 which is consistent with Abdel-Ghany (2014) study findings on Readiness for change, change beliefs and resistance to change of extension personnel in the New Valley Governorate about mobile extension, affirmed that in fact, ROC has an outstanding degree of accuracy in predicting behavioral resistance to change. The findings demonstrated affirmed that organizational readiness for change theory produced great predictive validity and its ability to accurately anticipate an organizational member's conduct and attitude toward change inside the organization. The present study validated the organizational readiness for change theory.

5.4 Recommendations

The researcher suggests the following recommendations to stakeholders based on the inferences drawn under findings. Based on the descriptive statistics and regression models in the report, the conclusions of the current study are reflected in the recommendations. The following are policy recommendations.

The commitment of full implementation of IFRS 17 in insurance companies in Kenya was a mirage some time back but is slowly coming to realization. Insurance companies should work tirelessly to ensure they maintain healthy solvency ratios, liquidity ratios and earnings ratios. Some of the insurance firms had not achieved the industry benchmark ratios and should therefore focus in

achieving these benchmark ratios to fully propel towards full preparedness in implementation of IFRS 17.

To increase after-tax profits and investment income the affected firms should appoint competent management teams and strengthen internal controls. Insurance firms have battled throughout time to control rising expenses that have decreased their profit margins. Uncontrolled expenses lead to losses, which lower after tax profits and income. It is also a reality that the problem may have been exacerbated by changes in the macroeconomic climate.

To ensure their long-term stability, affected insurance firms should create a balance between debt financing and equity financing which has affected some of the insurance firms. Consequently, some of the insurance firms should focus on maintaining liquidity levels by striking a balance on current ratios to ensure the smooth daily operation of the business.

There should be well defined and adhered to rules on the composition of the board and size to ensure that there are competent directors in the various fields of both academia and experience. These, in combination with gender rule, will ensure a smooth transition from IFRS 4 to IFRS 17 and will also contribute positively to the general performance of these insurance companies.

To prevent suffocating the industry, as it did during and slightly after the year 2020 during which the performance of the insurance industry continued to fall, the regulator should work to establish more comprehensive and integrated regulations. Regulations should promote stability without reducing the size of the industry.

5.5 Limitations of the Study

There are quite a few limitations that the researcher acknowledges were an impediment in undertaking this study. The study had limitations as some of the respondents were not available and the questionnaires had to be given to their assistants. It was also evident that some of the respondents wanted to know how the study would be directly beneficial to them in the short term which was a cause of non-participation. In addition, there were issues with getting appointments with some of the respondents.

5.6 Areas for Further Research

Gaining a more thorough and universal grasp of the variables might benefit from filling in research gaps on the variables' influencing elements. Additionally, it appears that market trends and patterns

affect changes in the variables. The regression model's ability to predict outcomes can be enhanced by identifying and separating the contribution that market factors make. However, the incorporated factors have noticeably higher performance prediction accuracy.

To further increase the predicted accuracy of the model, academia might look at intervening variables that affect the relationship between level of preparedness to adopt IFRS 17 and the three predicting variables in this study. The primary significant predictors of profitability according to the study were board characteristics, financial metrics and type of business. The analysis can be strengthened by finding additional variables that represent 14.4% of the predictors that were not captured in the study.



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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION



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18th January 2024

To Whom It May
Concern,

**RE: FACILITATION OF RESEARCH – ROSE
MUSUKI**

This is to introduce Rose Musuki Mutuku who is a Master of Commerce (MCOM) Student at Strathmore University Business School, admission number MCOM/99762. As part of our MCOM Programme, Rose is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MCOM course. To this effect, Rose would like to request appropriate data from your organization.

Rose is undertaking a research paper on **“FACTORS INFLUENCING THE LEVEL OF PREPAREDNESS TO ADOPT IFRS17 IN INSURANCE FIRMS IN KENYA.** “The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MCOM Programme sought to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would

be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

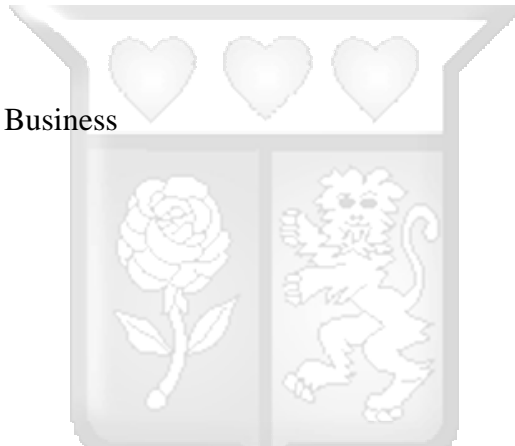
Yours sincerely,



iagiri

Manager–Graduate
Programmes

Strathmore University Business
School.



Strathmore Business School is a Proud member of;



APPENDIX II: QUESTIONNAIRE

This questionnaire is aimed for collecting data for a research study on factors affecting the level of preparedness to adopt IFRS 17 in insurance firms in Kenya. Please fill this out with a checkmark (✓) or an explanation if needed.

All submitted answers will be kept completely private and used exclusively for scholarly research. We will be very grateful for your cooperation.

SECTION A: DEMOGRAPHIC SURVEY

Name of Insurance Company (optional)

.....

Type of Insurance Company

.....

Please tick (✓) as applicable

1. What is the duration of the insurance firm's operation

1-4 years

5-7 years

8-10 years

More than 11 years

2. For what duration have you been employed by the company?

Less than 1 year

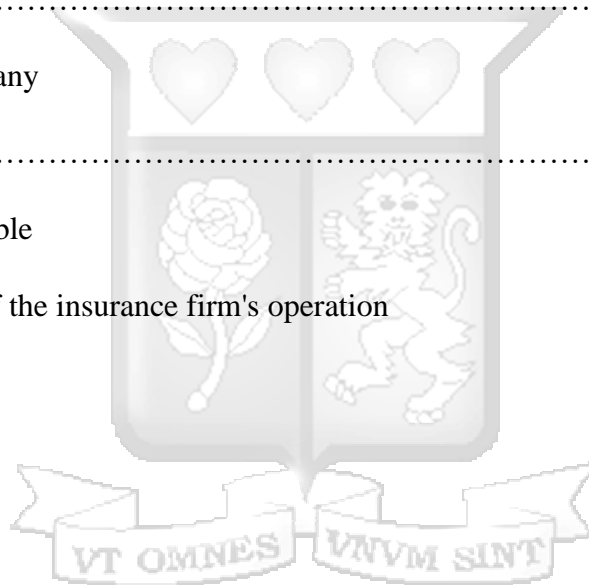
1 - 4 years

5 - 7 years

7 – 10 years

Over 11 years

3. Which department do you work?



.....
 4. Which Position do you work in the company?

.....

SECTION B: ORGANIZATION SURVEY

5. In your expert experience what is the level of IFRS 17 preparedness in a scale of 1-10

Scale 1-3 (Not prepared) Scale 5-7 (Partially prepared) Scale 8-10 (Fully prepared)

.....

6. In your expert opinion, what is the size of your board characteristics in terms of: -

Size of Board

Board composition (Profession, Gender)

7. In your expert opinion, how do you rate the level of influence of board characteristics on the level of IFRS 17 preparedness?


Company Resources	Very Strongly	Strongly	No effect	Weak	Very Weak
Size of Board					
Board composition					
Board independence					
Any other					

8. In your expert opinion, how do the following variables affect the level of IFRS 17 preparedness?

Company Resources	Very Strongly	Strongly	No effect	Weak	Very Weak
Life Assurance					
General Insurance					

9. What is your management experience in the preparation of IFRS 17 adoption in the following aspects; -

i) Opportunities



.....

.....

.....

.....

ii) Challenges



.....

.....

.....

.....

*****THANK YOU FOR YOUR PARTICIPATION*****

APPENDIX III: CONSENT FORM

PARTICIPANT INFORMATION AND CONSENT FORM

TITLE OF STUDY: FACTORS INFLUENCING THE LEVEL OF PREPAREDNESS TO ADOPT IFRS 17 IN INSURANCE COMPANIES IN KENYA

SECTION 1: INFORMATION SHEET

Investigator: Rose Musuki Mutuku

Institutional affiliation: Strathmore Business School (SBS)

SECTION 2: INFORMATION SHEET–THE STUDY

2.1: Why is this study being carried out?

This study will be useful in pinpointing the main challenges and opportunities in the implementation of IFRS 17 that when fully implemented, will provide consistent guidelines for all facets of insurance contract accounting. IFRS 17 eliminates inconsistencies and makes it possible for analysts, investors, and other stakeholders to compare businesses, contracts, and industries in a meaningful way

2.2: Do I have to take part?

No. Taking part in this study is entirely optional and the decision rests only with you. If you decide to take part, you will be asked to complete a questionnaire to get information on IFRS 17 adoption and implementation. If you are not able to answer all the questions successfully the first time, you may be asked to sit through another. Informational session after which you may be asked to answer the questions a second time. You are free to decline to take part in the study from this study at any time without giving any reasons.

2.3: Who is eligible to take part in this study?

- Departmental managers
- Assistant departmental managers
- Policy Officers
- Actuaries

2.4: Who is not eligible to take part in this study?

- Non- insurance workers

2.5: What will taking part in this study involve for me?

You will be approached by myself (Researcher) and my research assistants and requested to take part in the study. If you are satisfied that you fully understand the goals behind this study, you will be asked to sign the informed consent form (this form) and then taken through a questionnaire to complete.

2.6: Are there any risks or dangers in taking part in this study?

There are no risks in taking part in this study. All the information you provide will be treated as confidential and will not be used in any way without your express permission.

2.7: Are there any benefits of taking part in this study?

The information will be used in pinpointing the main challenges and opportunities in the implementation of IFRS 17 in Kenyan Insurance companies that when fully implemented, will provide consistent guidelines for all facets of insurance contract accounting. After data analysis, the study findings will be sent to the heads of the IFRS 17 task team for the information to be shared among the teams' members as feedback of the study.

2.8: What will happen to me if I refuse to take part in this study?

Participation in this study is entirely voluntary. Even if you decide to take part at first but later change your mind, you are free to withdraw at any time without explanation.

2.9: Who will have access to my information during this research?

All research records will be stored in securely locked cabinets. That information may be transcribed into our database, but this will be sufficiently encrypted and password protected. Only the people who are closely concerned with this study will have access to your information. All your information will be kept confidential.

2.10: Who can I contact in case I have further questions?

You can contact me, Rose Musuki Mutuku, at SBS, or by e-mail rose.mutuku@strathmore.edu , or by phone 0715-316-038. You can also contact my supervisor, Dr. Geoffery Injeni Strathmore Business School, Nairobi, or by e-mail geoffery.injeni@strathmore.edu , or by phone 0722-292-195.

If you want to ask someone independent anything about this research please contact: The Secretary–Strathmore University Institutional Ethics Review Board, P. O. BOX 59857, 00200, Nairobi, email ethicsreview@strathmore.edu Tel number: +254 703 034 375

I, _____, have had the study explained to me. I have understood all that I have read and have had explained to me and had my questions answered satisfactorily. I understand that I can change my mind at any stage.

Please tick the boxes that apply to you.

Participation in the research study

I AGREE to take part in this research.

I DO DON'T AGREE to take part in this research.

Storage of information on the completed questionnaire

I AGREE to have my completed questionnaire stored for future data analysis.

I DO NDON'T AGREE to have my completed questionnaire stored for future data analysis.

Participant's Signature:

Date: ____/____/____

DD / MM / YEAR

Participant's Name:

Time: ____/____

(Please print name) HR / MN

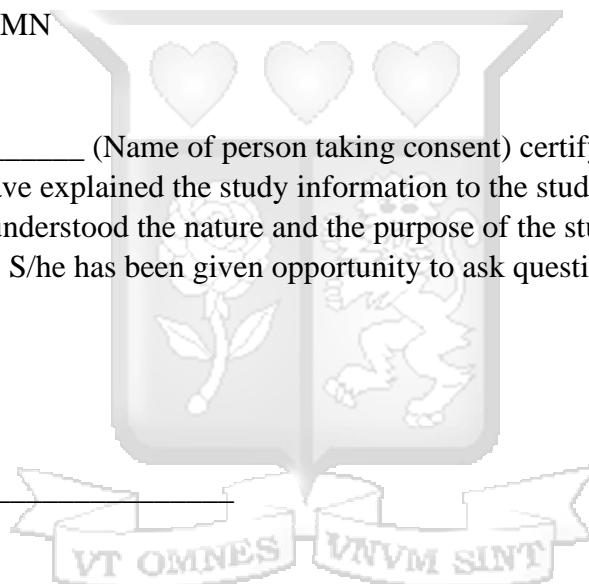
I, _____ (Name of person taking consent) certify that I have followed the SOP for this study and have explained the study information to the study participant named above, and that s/he has understood the nature and the purpose of the study and consents to the participation in the study. S/he has been given opportunity to ask questions which have been answered satisfactorily.

Investigator's Signature:

Date: ____/____/____

DD / MM / YEAR

Investigator's Name:



APPENDIX IV: ETHICS APPROVAL LETTER



8th February 2024

Ms. Mutuku,
rose.mutuku@strathmore.edu

Dear Ms. Mutuku,

RE: Factors Influencing the Level of Preparedness to Adopt IFRS 17 in Insurance Firms in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** research proposal. Your application reference number is **SU-ISERC1978/24**. The approval period is from **8th February 2024 to 7th February 2025**.

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-ISERC.
- 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-ISERC within 72 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- ISERC within 72 hours.
- v. Clearance for the 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 the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU- ISERC.

Before 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,


**Mr Ambrose
Rachier,
Chairperson; SU-
ISERC**



Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254(0)703034000

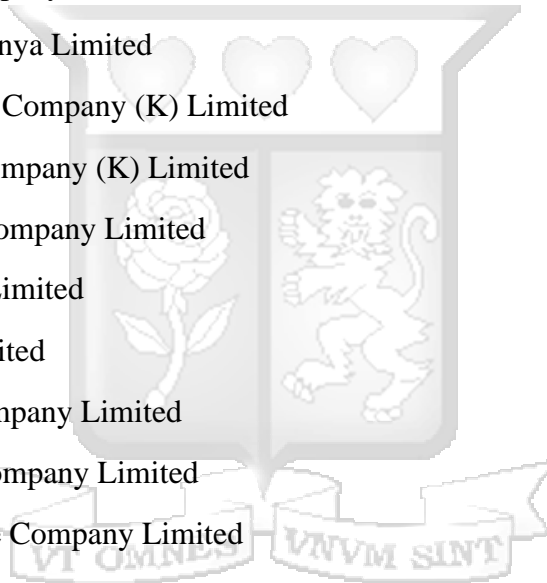
Email admissions@strathmore.edu www.strathmore.edu

APPENDIX V: NACOSTI RESEARCH LETTER

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 205433	Date of Issue: 14/February/2024
RESEARCH LICENSE	
	
This is to Certify that Ms.. Rose Musuki Mutuku of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Factors Influencing the Level of Preparedness to Adopt IFRS 17 in insurance companies in Kenya. for the period ending : 14/February/2025.	
License No: NACOSTI/P/24/33192	
205433	
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.	
See overleaf for conditions	

APPENDIX VI: LIST OF INSURANCE COMPANIES IN KENYA

1. AAR Insurance Company Limited
2. Africa Merchant Assurance Company Limited
3. AIG Kenya Insurance Company Limited
4. Allianz Insurance Company of Kenya Limited
5. APA Insurance Limited
6. APA Life Assurance Company Limited
7. ABSA Life Assurance Kenya Limited
8. Britam General Insurance Company (K) Limited
9. Britam Life Assurance Company (K) Limited
10. Capex Life Assurance Company Limited
11. CIC General Insurance Limited
12. CIC Life Assurance Limited
13. Corporate Insurance Company Limited
14. Direct line Assurance Company Limited
15. Fidelity Shield Insurance Company Limited
16. First Assurance Company Limited
17. GA Insurance Limited
18. GA Life Assurance Limited
19. Geminia Life Insurance Company Limited
20. Geminia Insurance Company Limited
21. ICEA LION General Insurance Company Limited
22. ICEA LION Life Assurance Company Limited
23. Intra Africa Assurance Company Limited
24. Invesco Assurance Company Limited
25. Jubilee Life Insurance Limited



26. Jubilee Allianz General Insurance (K) Limited
27. Jubilee Health Insurance Limited
28. Kenindia Assurance Company Limited
29. Kenya Orient Insurance Limited
30. Kenya Orient Life Assurance Limited
31. Kuscco Mutual Assurance Limited
32. Liberty Life Assurance Kenya Limited
33. Madison Life Assurance Kenya Limited
34. Madison General Insurance Kenya Limited
35. Mayfair Insurance Company Limited
36. Metropolitan Cannon Life Assurance Limited
37. Metropolitan Cannon General Insurance Company Limited
38. MUA Insurance (Kenya) Limited
39. Occidental Insurance Company Limited
40. Old Mutual Life Assurance Limited
41. Pacis Insurance Company Limited
42. Pioneer General Insurance Limited
43. Pioneer Assurance Company Limited
44. Prudential Life Assurance Kenya Limited
45. Resolution Insurance Company Limited
46. Sanlam General Insurance Company Limited
47. Sanlam Life Insurance Limited
48. Takaful Insurance of Africa Limited
49. Tausi Assurance Company Limited
50. The Heritage Insurance Company Limited
51. The Kenyan Alliance Insurance Company Limited
52. The Monarch Insurance Company Limited
53. Trident Insurance Company Limited



- 54. UAP Insurance Company Limited
- 55. UAP Life Assurance Company Limited
- 56. Xplico Insurance Company Limited



APPENDIX VII: INSURANCE COMPANIES FINANCIAL STATEMENTS

<https://www.ira.go.ke/index.php/publications/statistical-reports/quarterly-reports>

