AN ASSESSMENT OF RISK MITIGATION STRATEGIES
ADOPTED BY KENYAN INSURERS IN ENHANCING
ORGANIZATIONAL EFFECTIVENESS

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UNIVERSITY.

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An assessment of risk mitigation strategies
DECLARATION

This research project report is my original work and has not been presented for a degree award in any institution to the best of my knowledge.

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D53/10716/04

Sign: ......................................................... Date: ........................................

I confirm that this research project report was written and presented for examination by the candidate under my supervision.

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Sign: ......................................................... Date: ........................................

This research project report has been submitted for examination with my approval as the chairman of the department.

Raphael Maganju
Chairman,
Department of Finance and Accounting - Kenyatta University.

Sign: ......................................................... Date: ........................................
DEDICATION

This project is dedicated to my parents Jeriah Moraa Iroga and the late Nelson Arabu Moriasi.
ACKNOWLEDGEMENT

I would like to extend my appreciation to my Supervisor, family, colleagues, friends and all those who contributed tremendous inputs towards the completion of this research project.

Special thanks to my Supervisor, Mr. James Muturi, for his tireless assistance and support on the project supervision, experience and initiatives, which guided me throughout the entire research.

Secondly, I am grateful to my MBA colleagues whose assistance on this project cannot be overlooked.

Thirdly, I am grateful for the support of my relatives, specifically my wife Anne Nyaerah and my work colleagues.

Finally, thanks to the Almighty God for giving me sufficient grace.
ABSTRACT

The objectives of this study were to identify the types of risks mitigated by the Kenyan insurers, mitigation strategies and techniques adopted, and the challenges facing the insurers in risk mitigation process. This was an exploratory study, hence survey methods were used to identify the risks in the Kenya’s insurance sub-sector and the techniques available for managing them. The target population included all the 43 licensed insurers in Kenya. Primary data was collected using self-administered questionnaires and data analyzed with the help of Statistical Package for Social Sciences (SPSS) using descriptive statistics such as frequencies, percentages, mean score and standard deviations.

The Kenyan insurance industry was mainly found to be vulnerable to economic risks and legal risks. However, the industry was also affected by political risks, technological risks, socio-cultural risks and geographical risks to a moderate extent. These were mainly mitigated using, risk avoidance, risk retention, risk transfer and risk reduction techniques. The main challenges faced by the firms in risk mitigation included lack of appropriate risk identification tools, lack of the right human resources, lack of top management support, inability to understand the nature and implication of risks, budgetary constraints and inability of sustaining mitigation strategy.

Towards ensuring sustainability in the industry, the study indicated an urgent need for the insurance firms to frequently train their staff on risk mitigation process, empower risk managers, identify and train internal risk experts, and provide adequate budgetary allocations for risk mitigation.
<table>
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<tr>
<th>AKI</th>
<th>Association of Kenya Insurers</th>
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<tr>
<td>PSV</td>
<td>Passenger Service Vehicle</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>TQM</td>
<td>Total Quality Management</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

Risk management has been practiced informally since the dawn of time. Prehistoric humans branded together in tribes to conserve resources, share responsibilities and provide some protection against uncertainties of life. However, the history of formal risk management is of much shorter duration and much narrower scope (Williams, 1998). There is little doubt that the period from 1955 to 1964 gave birth to modern risk management, both academically and professionally. Formal risk management did exist prior to this period, but the term “risk management” did not enjoy a widely agreed upon meaning to both practitioners and scholars until this period (Snider, 1991).

In the 1970 and 80s risk management started to gain momentum having derived its origin from the insurance industry. This period was characterized by a particular interest in risk financing activities- self insurance plans, captive insurance companies, finite insurance plans and risk retention groups. Its early focus was on protecting against catastrophe and later evolved to protecting unaffordable potential losses. Insurers found that their results were enhanced by encouraging customers to exercise reasonable care through rewarding good performance. And so risk management began from natural intuition and analytical thinking into a more formal process of communication and enacting controls in place to influence outcomes (Ibid).
A great contribution into the rationale of risk management was the work of Grose (1992), in his article on “technological perspectives of risk management.” He describes his entry into the field of risk management as being motivated by “moral outrage”. In his argument, risk presents a great opportunity for gain or for loss, and almost invariably these outcomes have moral or ethical implications. Further, he proposes that organizations have motives to address risk and uncertainty, and that this motivation gives rise to risk management. At its most basic level, risk management is practiced because the negative and positive possibilities of risk provide incentives for an organization to take steps to minimize the cost of risk while striving to maximize returns (Grose, 1992).

Another substantial development of the 1980s was the remarkable incorporation of Total Quality Management (TQM) in the risk management processes. The aftermath saw an evolution of a relatively fuller set of acceptable means to protecting the bottom line and assuring long-term performance. Additionally, risk management refined into a universal management process involving quality of thought, quality of process, and quality of action (Sesel, 1999).

Still in the 21st century, risk management continues to evolve into intertwined complexity. Specific duties and functions vary widely among risk managers, largely because the significance of the specific categories of risk varies substantially across organizations. Regardless of the variations, it does not seem to be clear that risk management has moved beyond its primary root of insurance buying. Both small and large organizations still manage risks through insurance (Williams, 1998).
The broadened focus and subsequent formalization of risk management as a mandatory organizational practice has culminated into the opportunity for experienced practitioners and innovative thinkers to capitalize on the latest technology and break new barriers to developing business decisions. Thus, there is an urgent need for proportional dynamism in how organizations view risks, not ignoring the scope of risk management tools that are frequently employed in dealing with both existing and emerging risks.

In Kenya, there were forty three registered and active insurers by the time the study’s actual data collection was conducted. The sub-sector was under the regulation and supervision of the commissioner of insurance, serving within the ministry of finance (Association of Kenya Insurers).

The researcher’s focal point in this study was to investigate the main strategies and their corresponding preferences employed by Kenyan insurers in mitigating different risks within the sub-sector. In order to generate a wider and accommodative picture regarding the prevailing business environment for the insurers, the study concentrated only on systematic risks whose impacts are frequently felt in the whole industry.

1.2 Statement of the Problem

Exposure to risk is created whenever an act or circumstance gives rise to possible gain or loss that cannot be predicated with clarity. Organizations have motives to address these exposures and this motivation gives rise to risk management.
At this most basic level, risk management is practiced because the negative and positive possibilities of risk as well as moral considerations provide incentives for an organization to take steps in minimizing the cost of risk while striving to maximize returns.

In the Kenyan insurance industry, indications of severe threats to insurers’ existence heightened in the year 2005. The industry suffered a big blow when a key player, United Insurance- with a Passenger Service Vehicle (PSV) stake of 45 percent- collapsed. Even before this astounding exit, other firms had similarly gone under receivership in mysterious circumstances including Stallion Assurance, Lakestar Insurance, Liberty Insurance and the Kenya National Assurance Company. They collapsed with huge amounts of policyholders’ contributions leaving in their wake a public with diminished confidence in the sub-sector’s ability to protect investments. Moreover, the industry was on the spot when leading medical insurers, Mediplus (2003) and Strategis (2005), folded up in controversial circumstances (Standard Newspaper, 20th, January, 2005).

Another factor which bedeviled the industry was that the office of the Commissioner of Insurance fell under the Ministry of Finance and lacked the muscle that was expected as an independent regulator. Critics pointed at this arrangement as limiting the regulator from enforcing specific industry requirements, hence the high exit rate. Compounding this fact was the factor that there was hardly sufficient information on the prevailing nature of frequently observable risks and how their severity could be determined. Additionally, no particular risk mitigation approaches had been developed suiting the country’s context (Ibid).
In this research study, the primary intent was to assess the risk concentration levels in Kenyan insurance industry and how firms applied risk management skills in order to remain more focused and better prepared to changing needs and priorities within the industry.

1.3 Research Objectives

The study’s objectives were stated as follows:

a) To identify the type of systematic risks facing Kenyan insurers;

b) To establish the risk mitigation strategies and techniques adopted by Kenya insurers; and

c) To identify the challenges facing Kenyan insurers in adopting the risk-mitigation strategies and techniques.

1.4 Research Questions

The study was guided to finding sufficient information necessary towards answering the following questions:

a) Which particular systematic risks prevail within the Kenyan insurance sub-sector?

b) How are the Kenyan insurers prepared toward dealing objectively with the prevailing systematic risks?

c) What challenges do Kenyan insurers face while mitigating risks facing them?
1.5 Significance of the Study

The pervasiveness and complexity of risks present strong challenges to organizational managements, one of the most important being the coordination of handling risks across areas within the organization. Thus, there is need to accessing adequate multidimensional awareness on risk issues.

Moreover, since the ultimate quality of strategic decisions widely depend on prudence levels concerning risk identification, evaluation and mitigation, then an in-depth investigation in this area is vital to proactive managers. In this limelight, the study was destined to appropriately investigate existing and potential risk factors whose impacts needed consistent recognition whilst making decisions.

Recommendations out of this study were expected to create positive awareness on existing risk scale, useful for both new entrants and competition seekers. Specifically, the study’s fundamental rationale was geared toward the following:

a) Providing guidance to Kenyan insurers in advancing the use of a more corporate and systematic approach to risk management;

b) Contributing toward building risk-smart environment that would allow for innovation and responsible risk taking while ensuring legitimate precautions were taken to protect the interest of all stakeholders; and

c) Advancing a set of risk management practices that departments would adapt to their specific circumstances and mandate.
1.7 Conceptual Framework

The fundamental nature of risk management in the current business environment is subject to endless debate. Scholars and practitioners generally agree that the practice of risk management is ever evolving, but there is a wide disagreement over where the field is going. At one end of the spectrum, there are some who believe that risk management will completely disappear. At the other end are those who believe that risk management is poised to move into an exciting new era of activity and responsibility. However, both proponents agree that the field is subtle right from identifying the exhaustive set of existing systematic risks to tested-and-true and yet to emerge mitigation techniques (Williams, 1998).

Further, Williams argues that some systematic risks are easily identifiable but only from a broad perspective. To understand their deeper meaning and impact, a clinical investigative analysis will be inevitable. Moreover, an organization’s ultimate “start-end” congruence depends on how well the non-diversifiable risks (political, legal, economic, social, technological and physical) are managed. He consequently suggested four main classes of techniques through which firms manage risks that they face:

a) Risk Avoidance,
b) Risk Reduction,
c) Risk Retention, and
d) Risk Transfer.
The above classification formed the basis for this study. Consequently, the researcher sought to investigate preference levels for each mitigation techniques in different systematic risks.

**INDEPENDENT VARIABLES**

- Risk Avoidance
- Risk Reduction
- Risk Retention
- Risk Transfer

**DEPENDENT VARIABLE**

- Organizational Efficiency

**Organizational Efficiency**

An organization is only efficient if it is consistently maintained within its operational mainstream toward the realization of both long term and intermediate goals. One sure way in accessing this status demands that managements design appropriate patterns to integrating the internal and external organizational environments. This requirement extends into readiness against any threat through competent mitigation tools.
Risk Avoidance:

Whenever an organization cannot offer a service while ensuring a high degree of safety, it should choose avoidance as a risk mitigation technique. It should not offer programs that pose too great a risk. In some cases, avoidance is the most appropriate technique especially for infant firms because they simply do not have the adequate financial resources required to fund programmes such as training, supervision, equipment, or other safety measures.

Risk Reduction:

This comprises techniques that are implemented with the intent to minimize the probability or frequency with which certain losses might occur. They ensure that adequate policies and procedures are put in place to ensure that risk exposures are contained or their severities minimized.

Risk Retention:

There are two ways to retain risk. The first is by design. A firm may decide that other available techniques are not suitable and therefore retain the risk of harm or loss. This can be a rational and appropriate approach to managing risk. Where organizations get into trouble, risk tends to be retained unintentionally. The unintentional retention of risk can be the result of failing to understand the exclusions of an insurance policy, insufficient understanding of the scope of risk an organization faces or simply because no one has taken the time to consider the risk and how it can be addressed.
Risk Transfer:

This involves sharing risks with another organization through a contract. Two common examples are insurance contracts that require an insurer to pay for claim expenses and losses under certain circumstances, and service contracts whereby a provider agrees to perform a service and assume liability for potential harm occurring in the delivery of the service.
2.0 LITERATURE REVIEW

2.1 Chapter Overview

In every activity there is an element of risk and a successful manager is the one who can look ahead, foresee the risk and eliminate or reduce their effects. Risks are no longer confined to “sharp end” and shop floor, but all parts of the organization have roles in reducing or eliminating them.

A number of specialized techniques have been developed to enable risks to be identified, assessed and either avoided or reduced, but there are other factors related to the culture of the organization and the interrelationship of those who inhabit it that have a significant role to play. An understanding of those techniques, the role and responsibilities of individuals and groups is a necessary prerequisite for high levels of performance.

This section reviews models which seek to broaden the implications of risk actually faced by decision makers, and most importantly, key steps in the risk management process that include objective formulation, risk identification, risk evaluation, technique implementation and process review.

2.2 Past Studies in the Research Area

According to Bettis (1992), performance (P) is a function of industry characteristics (IC), organizational strategy (S), and risk (R).
Mathematically expressed,

\[ P = f (IC, S, R) \]

Further, he postulates that risk is essentially an endogenous variable because strategic managers tend to assume, both explicitly and implicitly, that risk is a variable that can be managed. His model indicates that the nature of risk is itself primarily dependent on the industry characteristics and the strategy pursued.

Bettis and Hall (1982) and Bowman (1980) also support this view of risk as essentially endogenous variable and argue that a well-devised strategy could simultaneously reduce risk and increase returns. Overall, the theme of the argument on risk reduction is mainly related to the ability of the organization to reduce the variability of the returns generated.

The simplified model of risk presented by Bettis (1982) is:

\[ R = f (IC, S) \]

Where,

- \( R \) – Risk
- \( IC \) – Industry characteristics
- \( S \) – Strategy developed.

Industry characteristics according to Bettis include factors such as concentration level in the market, and size of the barriers to entry. Within the organization, he selected research and development, and capital investment as the primary measures of the characteristics of an industry. The various types of strategy were differentiated on the extent to which any new product or market area was selected to the organization’s existing or market areas.
Bowman (1980), like Bettis, recognized that corporate strategy is a means of altering both risk and returns.

Taback (1991) takes the practical view that, “before a crisis occurs, there is usually a warning period during which an astute management team can recognize the signals and events that increase the likelihood to disaster. During this period, the organization can accomplish the most at the least cost. Even if it cannot prevent the disaster, knowing it is coming makes the company better prepared.”

This means that crises do not simply happen. They arise out of the context of the business. Thus, some sense of defensive mechanism at a strategic level is sensible in order to allow the organization make a reasonably well coordinated effort in responding to the emergency at the time of maximum turmoil.

Taback, further, outlines the following stages as best risk management practices:

a) Determination of objectives,
b) Risk identification,
c) Risk evaluation,
d) Consideration of alternatives and selection of the risk treatment devices,
e) Decision implementation, and
f) Process evaluation and review.
2.3 Determination of Objectives

In Taback (1991) writing, the first step in risk management process is to determine the objectives of the risk management program, deciding precisely what it is that the organization expects its risk management program to achieve.

Thietart (1979) supports this ideal, saying that in the absence of coherent objectives, there is a tendency to view the risk management process as a series of individual isolated problems rather than one single problem, and there are no guidelines to provide for the logical consistency in dealing with risk that the organization faces. Additionally, in his treatise, “Management contingencies”, Tosi (1976) writes that risk management objectives serve as a prime source of guidelines for those charged with the responsibility for the program, and also serve as a means of evaluating performance.

Writing on the same issue, Taylor and Sparkes (1997) say that the primary objectives of the risk management effort is to preserve the operating effectiveness of the organization, to make sure that it is not prevented from attaining its other goals by pure risk or the losses arising from those risks. A requirement for this realization is to ensure that risk management objectives are formalized in a corporate risk management policy. Also, Ritchie and Marshall (1993) hint that in formulating objectives and risk management policy, strategic managers need to receive satisfactory advice from the firm risk manager who is tagged with the responsibilities of identifying and monitoring overall risk exposures.
2.4 Identification of Risk

Obviously, according to Taback (1991), before anything can be done about the risks an organization faces, someone must be aware of them. In one way or another, the risk manager must dig into the operations of the organization and discover the risks to which it is exposed. However, it is difficult to generalize about the risks that an organization is likely to face, because differences in operation and conditions give rise to different risks. Ritchie and Marshall (1993) add that to reduce the possibility of overlooking important risks, managers need to use a more systematic approach to the problem of risk identification. A few of the most important tools include insurance policy checklists, risk analysis questionnaires, flowcharts, analysis of financial statements, and inspection of the firm’s operations. Because risks may lurk in many sources, the risk manager needs a wide-reaching information system, designed to provide a continual flow of information about changes in operations, acquisition of new resources, and changing relationship with outside entities.

2.5 Evaluation of Risks

Once the risks have been identified, Taback (1991) argues the risk manager must evaluate them. This means measuring the potential size of the loss and the probability that is likely to occur. The evaluation requires some ranking of priorities. Certain risks, because of the severity of the possible loss they would entail, demand attention prior to others, and in most cases there are a number of exposures that are equally demanding.
Any exposure with the potential for a loss that would represent a financial catastrophe ranks in the same category as any other exposure equally dangerous, and there is no distinction among risks in this class.

2.6 Consideration of Alternatives and Selection of the Risk Treatment Devices

Risk management recognizes two broad approaches to dealing with risks facing an organization: risk control and risk financing. According to Taylor and Sparkes (1977), while risk control focuses on minimizing the risk of loss to which the entity is exposed, risk financing concentrates on arranging the availability of funds to meet losses arising from these risks. On Thietart (1979) standpoint, risk control and risk financing are alternatives, but they are also complementary approaches dealing with risk. More often than not, they are used in combination. In fact, it is the process of combining the application of risk control and risk financing techniques that represent the art and science of risk management.

2.7 Decision Implementation

Under this stage, Taback (1991) writes that if the ultimate plan is to include the accumulation of funds, proper administrative procedures must be set to implement the decision. If loss prevention is selected to deal with a particular risk, the proper loss-prevention program must be designed and implemented.
2.8 Process Evaluation and Review

Evaluation and review are essential to the program for two reasons. Firstly, the risk management process does not take place in a vacuum. Things change; new risks arise and old ones disappear or resist. The techniques that were appropriate in the previous years may not be the most advisable today, hence constant attention is required. Secondly, mistakes sometimes occur. Evaluation and review of the risk management program permit the manager to review decisions and to discover mistakes before they become costly.

Hull (1980) emphasizes that although the evaluation and review of the risk management operation should be a continuing function of the risk manager, some firms also hire independent consultants periodically to review their program. Such experts may be hired to evaluate the entire risk management strategy, or particular segments of it. They are employed not only by the business firms that are unable or unwilling to create the position of risk manager within the organization, but also by many companies that have a risk manager and still consider an outside review to be desirable.

Further, he opines that in order to apply risk management effectively, it is vital that a risk management culture be developed. The risk management culture supports the overall vision, mission and objectives of an organization. Limits and boundaries should be established and communicated concerning what are acceptable risk practices and outcomes.
Bettis (1982) adds that since risk management is directed at uncertainty related to future events and outcomes, it is implied that all the planning exercise encompasses some form of risk management. There is also a clear implication that risk management is everyone’s business, since people at all levels can provide some insight into the nature, likelihood and impacts of risk.

Moreover, in accordance with Borch and Mossin (1968), risk management is about making decisions that contribute to the achievement of an organization’s objectives by applying it both at individual activity level and in functional areas. It assists with decisions such as the reconciliation of science-based evidence and other factors; costs with benefits and expectations in investing limited public resources; and the governance and control structures needed to support due diligence, responsible risk taking, innovation and accountability.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Research Design

Being an exploratory study, survey methods were used to identify the risk types, mitigation strategies adopted by Kenya’s insurance sub-sector and the various challenges faced in the process.

3.2 Target Population

The study’s target population included all the forty four (44) licensed insurers in Kenya as at September 2006, when actual data collection was conducted. In the quest of achieving a wider scope of relevant information and minimum possible error, the researcher opted for conducting a census rather than focusing on a sample. However, in cases of failed responses, the researcher targeted working with a minimum of thirty firms, a number far above the one-third population recommended for survey analysis by Bell (1993).

3.3 Data Collection Instruments

The research instrument used in the study was the self-administered questionnaires, involving both structured and semi-structured question items. The structured items were designed to enable the researcher tabulate and analyze data with ease, whilst the semi-structured ones were meant to facilitate in-depth responses. All question items were validated to address the variables that formed the basis of the study.
The questionnaires sought information pertaining to risk concentration, mitigation techniques and challenges faced by Kenyan insurers while dealing with risk.

3.4  Pilot Study

Prior to final questionnaire administration, the validity and reliability of the used items were thoroughly investigated. This was done on a one-on-one basis with a fifth of the proposed sample, which was randomly decided. According to Mugenda and Mugenda (1999), one percent to ten percent of the population may be selected for use as a pre-test sample. The pre-testing was mainly geared toward revealing the instrument items’ deficiencies. Also, it helped in making structural changes for purposes of improvement and refinement before final usage. Most significantly, it gave the researcher first hand experiences in administering the questionnaire.

3.5  Data Collection Procedures

In the quest of accessing relevant primary data for the study, the researcher designed one set of questionnaires to be filled by firms’ risk managers. The researcher first sought the permission of the firms’ top managements prior to ultimate questionnaire administration. Thereafter, on cordial agreement, follow-up dates were set at the convenience of both the researcher and respondent. And, in ensuring high degree representativeness, the researcher ensured that a response rate of at least thirty firms was attained within the time limit before final analysis was accomplished.
3.6 Data Analysis Techniques

After the data had successfully been collected, analysis was performed using descriptive statistics with the help of Statistical Package for Social Sciences (SPSS). The researcher designed tables for easier interpretation, drawing of conclusions and formulation of appropriate recommendations. Descriptive statistics such as frequency distributions, measures of dispersion (such as standard deviation) and measures of central tendency were highly useful in data reduction and item analysis. They gave a clearer picture of the shape of the distribution of data and general impressions of values that could be seen as common or average.
CHAPTER FOUR

4.0 DATA ANALYSIS AND FINDINGS

4.1 Introduction
This chapter contains summaries of data findings together with their possible interpretations. The chapter is divided into two sections one of which is related to the objectives of the study. The first section analyses the demographic information of the insurance companies, while the second section analyses the risks mitigated, mitigation techniques and challenges faced by the Kenyan insurers in adopting the risk mitigation strategies and techniques.

4.2 Response Rate
Forty three (43) questionnaires were distributed to the respondents out of which thirty three (33) responded by completing and returning the questionnaires. However, one (1) questionnaire was discarded due to incompleteness and inconsistency. This gave a response rate of 74%, which reflected a fair presentation of the firms studied.

4.3 Demographic Information of the Firms
The demographic information of the respondents considered in the study included the ownership structure, companies' operational duration in the Kenyan insurance industry, range of business transacted and current number of employees. The results are presented below:
4.3.1 Ownership Structure of the Firm

The respondents were to indicate the ownership structure of their firms as either locally owned, foreign or both locally and foreign owned.

<table>
<thead>
<tr>
<th>Ownership Structure</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally owned</td>
<td>13</td>
<td>41</td>
</tr>
<tr>
<td>Foreign owned</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>Both Locally and Foreign owned</td>
<td>14</td>
<td>43</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research data

Graph 4.3.1: Ownership Structure of the Firms

Source: Research data

23
From the findings 41% of the insurance firms which responded were locally owned, 16% foreign owned while both the locals and foreigners owned 43% of the firms. This showed that majority of firms were either owned by the locals or by both the locals and foreigners.

4.3.2 Operational Duration in the Kenyan Insurance Industry

The respondents were to indicate the duration their firms had been in the insurance industry in Kenya.

<table>
<thead>
<tr>
<th>Table 4.3.2: Duration of being in the Kenyan Insurance Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>Between 5 – 9 Years</td>
</tr>
<tr>
<td>Between 10 – 14 Years</td>
</tr>
<tr>
<td>More than 14 Years</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Research data
Graph 4.3.2: Duration of being in the Kenyan Insurance Industry

The findings indicated that 17% of the firms had been in the industry for between 5-9 years, 26% between 10 - 14 years while 57% had been in the industry for more than 14 years. This showed that majority of the firms had been in the insurance industry for more 14 years, thus were in a better position to understand risk associated with insurance industry in Kenya.

4.3.3 Range of Business Transacted
The respondents were to indicate the range of business transacted by their firms in three categories, namely life, general and composite.
Table 4.3.3: Business Transacted

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>General</td>
<td>23</td>
<td>72</td>
</tr>
<tr>
<td>Composite</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research data

Graph 4.3.3: Business transacted

Source: Research data

The findings indicated that a paltry 3% of the firms transacted life, 72% general while 25% transacted composite business. This implied that most of the firms transacted general businesses thus were faced with variety of risks.
4.3.4 Current Number of Employees

The respondents were to indicate the current number of employees in the firms. This would show the employment capacity in the insurance industry.

Table 4.3.4: Current Number of Employees

<table>
<thead>
<tr>
<th>Range</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 101 – 300</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>Between 301 – 400</td>
<td>11</td>
<td>34</td>
</tr>
<tr>
<td>Between 401 – 500</td>
<td>16</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Research data*

Graph 4.3.4: Current Number of Employees

No. of Employees

*Source: Research data*
From the findings, 16% of the firms had between 101 – 300 employees, 34% between 301 – 400 employees, whereas 50% had between 401 – 500 employees. This shows that majority of the insurance firms employed more 400 employees thus the industry was a major employer.

4.4 Risk Management

The classical definition of risk was provided by Knight (1994) as the situation in which the decision maker has the advantages of knowledge of the problem structure, understanding of the complete range of possible outcomes and ability to objectively assess the likelihood of each outcome occurring. At its simplest level, Knight (1994) saw risk as a form of measurable as opposed to un-measurable uncertainty.

In this research study, factors considered under risk management included: how the insurance companies viewed risks; duties performed by risk managers, sources of risks, concentration level of risks, types of risks, risk mitigation strategies and challenges facing the companies in risk mitigation process.

4.4.1 Companies’ View on Risks

The respondents were to indicate how their firms viewed risks.

<table>
<thead>
<tr>
<th>Table 4.4.1: Companies View on Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Opportunity</td>
</tr>
<tr>
<td>Threat</td>
</tr>
<tr>
<td>Both opportunity &amp; threat</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Research data
The findings showed that, 22% of the firms viewed risks as an opportunity, 34% as threat while 44% viewed risk as both threat and opportunity. This implied that risk presented both positive and negative effects to industry players.

### 4.4.2 Presence of Full Time Risk Manager

**Table 4.4.2: Presence of a Risk Manager**

<table>
<thead>
<tr>
<th>Presence of a Risk Manager</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>23</td>
<td>72</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Research data*

The responses showed that 72% of the firms had a full time risk manager while the remaining 28% did not have a full time risk manager. This showed that most firms valued the contributions of risk managers.

### 4.4.3 Duties Performed by Risk Managers

The respondents were to rate the extent to which the following duties were performed by the risk managers in their firms on a five point Likert scale, where 5 equaled **very large extent** and 1, **no extent at all**. A standard deviation greater that one would imply a major variance on the opinion of the respondents.

**Table 4.4.3: Duties performed by risk managers**

<table>
<thead>
<tr>
<th>Duties</th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying the risk faced by the firm</td>
<td>4.12</td>
<td>0.56</td>
</tr>
<tr>
<td>Measuring the potential effect of each risk</td>
<td>4.23</td>
<td>0.49</td>
</tr>
<tr>
<td>Determining and monitoring of exposures</td>
<td>4.46</td>
<td>0.46</td>
</tr>
<tr>
<td>Creating need for risk recognition in decision-making</td>
<td>3.56</td>
<td>0.56</td>
</tr>
<tr>
<td>Provision of leadership in risk management</td>
<td>4.11</td>
<td>0.71</td>
</tr>
<tr>
<td>Formulation of risk mitigation strategy</td>
<td>3.69</td>
<td>0.42</td>
</tr>
<tr>
<td>Coordination of risk management strategy</td>
<td>4.39</td>
<td>0.37</td>
</tr>
</tbody>
</table>

*Source: Research data*
The findings showed that to a large extent, the risks managers were involved in identifying the risk faced by the firms (4.12), measuring the potential effect of each risk (4.23), determining and monitoring exposures (4.46), providing of leadership in risk management (4.11) and coordination of risk management strategy (4.36). However, to a moderate extent the risk managers created need for risk recognition in decision-making (3.56) and formulated risk mitigation strategy (3.69).

### 4.4.4 Sources of Risks

The respondents were to rank on a five point scale the sources of risks according to their frequency of occurrence in the firm.

<table>
<thead>
<tr>
<th>Sources of Risk</th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business partners (interdependency, confidentiality, cultural conflict, contractual risks)</td>
<td>3.44</td>
<td>0.57</td>
</tr>
<tr>
<td>Competition (market share, price wars, industry trial espionage, antitrust allegations)</td>
<td>3.69</td>
<td>0.61</td>
</tr>
<tr>
<td>Customers (product liability, credit risk, poor market timing, inadequate customer support)</td>
<td>4.23</td>
<td>0.53</td>
</tr>
<tr>
<td>Financial (Foreign exchange, portfolio, cash, interest rate, stock market)</td>
<td>3.61</td>
<td>0.59</td>
</tr>
<tr>
<td>Regulatory and legislative (antitrust, export licensing, jurisdiction, reporting and compliance, environmental)</td>
<td>3.67</td>
<td>0.69</td>
</tr>
<tr>
<td>Reputations (Corporate image, brands, reputations of key employees)</td>
<td>2.34</td>
<td>0.39</td>
</tr>
<tr>
<td>Technological (Complexity, obsolesce, virus attacks, work force skills)</td>
<td>3.49</td>
<td>0.91</td>
</tr>
<tr>
<td>Political (civil unrest, war, terrorism, enforcement of intellectual property, change in leadership, revised economic policies)</td>
<td>4.39</td>
<td>0.77</td>
</tr>
</tbody>
</table>

**Source:** Research data
Sources of risks which occurred to a large extent were customer related risk factors, which included product liability, credit risk, poor market timing, inadequate customer support (4.23); and political factors that included civil unrest, war, terrorism, enforcement of intellectual property, change in leadership, revised economic policies (4.39).

To a moderate extent, business partners with issues relating to interdependency, confidentiality, cultural conflict, contractual risks (3.44); competition, which encompassed market share, price wars, industry trial espionage, antitrust allegations (3.69); financial that included foreign exchange, portfolio, cash, interest rate, stock market (3.61); regulatory and legislative encompassing antitrust, export licensing, jurisdiction, reporting and compliance, environmental (3.67); and technological which included complexity, obsolescence, virus attacks, work force skills (3.49) contributed to risks in the insurance firms. Reputations (2.34), which included corporate image, brands and reputations of key employees were noticeable, but to a minimal extent.

### 4.4.5 Concentration Level of Risks in Kenyan Insurance Industry

The respondents were to show how they viewed risk concentration level in the Kenyan insurance industry.

<table>
<thead>
<tr>
<th>Table 4.4.5: Concentration level of risks in Kenyan insurance industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Very high</td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td>Moderate</td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

*Source: Research data*
From the findings, 28% of the firms rated the risk concentration level in Kenya as very high, 41% as high, 22% as moderate and 9% as low. This showed that the risk concentration level in the Kenyan insurance industry was relatively high.

**4.5 Risk Mitigation**

**4.5.1 Ease of Risk Mitigation in Kenya**

The respondents were to give their view on how easy it was to mitigate risks in Kenya.

<table>
<thead>
<tr>
<th>Complexity and Cost</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complex and costly</td>
<td>9</td>
<td>28</td>
</tr>
<tr>
<td>Complex but cheap</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>Simple and cheap</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Simple but costly</td>
<td>14</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Research data*

From the findings, 28% of the respondents stated that risk mitigation was complex and costly; in 22%, risk mitigation was complex but cheap, in 6% of the firms, it was simple and cheap while in 44% risk mitigation was simple but costly. This showed that majority of the firms understood the nature of risk dominating the industry but limited in terms of resources.

**4.5.2 Risks within the Kenyan Insurance Industry**

The respondents were to rate the identifiable systematic risks within Kenyan insurance industry in accordance with severity levels.
The Kenyan insurance industry was vulnerable to economic risks (4.11) and legal risks (4.23) to a large extent. However, the industry was also vulnerable to political risks (3.57), technological risks (3.76), socio-cultural risks (3.16), geographical risks (3.41), but to a moderate extent.

4.5.3 Who Mitigates Risks?

From the findings, in 72% of the firms, risk mitigation was done by the internal risk managers, in 34% by expatriates, in 50% by the board of directors, and in all the firms the top managers participated in the risks mitigation. This showed that risks mitigation was not only the duty of the internal risk manager, but also involved the top managerial inputs.
4.6 Risk Mitigation Strategies

The respondents were to indicate the reliability of using the following strategies to mitigate against the identified risks.

<table>
<thead>
<tr>
<th>Table 4.4.9: Strategies used to Mitigate Economic risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk transfer</td>
</tr>
<tr>
<td>Risk avoidance</td>
</tr>
<tr>
<td>Risk reduction</td>
</tr>
<tr>
<td>Risk retention</td>
</tr>
<tr>
<td>Risk retention</td>
</tr>
</tbody>
</table>

Source: Research data

To a large extent, risk transfer (4.23), reduction (4.19) and risk retention (4.13) were used to mitigate economic risks, whereas risk avoidance (2.79) was used to a small extent. Moreover preferences on risk avoidance were widely dispersed, with a standard deviation of 0.98, while close commonality was recorded in risk reduction. This could indicate that economic risks did not hinder investment decisions in the industry.

<table>
<thead>
<tr>
<th>Table 4.4.10: Strategies used to mitigate Political Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk transfer</td>
</tr>
<tr>
<td>Risk avoidance</td>
</tr>
<tr>
<td>Risk reduction</td>
</tr>
<tr>
<td>Risk retention</td>
</tr>
<tr>
<td>Risk retention</td>
</tr>
</tbody>
</table>

Source: Research data

In mitigating the political risks, risk avoidance (4.12) and risk reduction (4.61) were used to a large extent. On the other hand, risk transfer (2.49) and risk retention were used to a small extent. Respondents closely preferred managing political risks through avoidance, given the recorded 0.33 standard deviation.
Relatively high disparity was, however, noted on using risk reduction technique. This could indicate the willingness of isolating the industry from political interferences.

### Table 4.4.11: Strategies used to mitigate Technological Risks

<table>
<thead>
<tr>
<th></th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk transfer</td>
<td>3.32</td>
<td>0.69</td>
</tr>
<tr>
<td>Risk avoidance</td>
<td>3.79</td>
<td>0.44</td>
</tr>
<tr>
<td>Risk reduction</td>
<td>3.64</td>
<td>0.39</td>
</tr>
<tr>
<td>Risk retention</td>
<td>3.61</td>
<td>0.52</td>
</tr>
</tbody>
</table>

Source: Research data

Risk transfer (3.32), risk avoidance (3.79), risk reduction (3.64) and risk retention (3.61) were used to a moderate extent to mitigate technological risks. However, most firms closely preferred risk reduction, with a standard deviation of 0.39, to other techniques. Relatively wider differences were recorded on risk transfer technique whose calculated standard deviation was 0.69.

### Table 4.4.12: Strategies used to mitigate Legal Risks

<table>
<thead>
<tr>
<th></th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk transfer</td>
<td>2.31</td>
<td>0.42</td>
</tr>
<tr>
<td>Risk avoidance</td>
<td>4.36</td>
<td>0.31</td>
</tr>
<tr>
<td>Risk reduction</td>
<td>3.12</td>
<td>0.56</td>
</tr>
<tr>
<td>Risk retention</td>
<td>2.11</td>
<td>0.32</td>
</tr>
</tbody>
</table>

Source: Research data

To mitigate legal risks, risk avoidance was used to a large extent (4.36), while risk reduction was used to a moderate extent (3.12). However, risk transfer (2.31) and risk retention (2.11) were used to a small extent. Minimal disparities were noted in using risk avoidance (0.31) and risk retention (0.32) techniques.
Table 4.4.13: Strategies used to mitigate Socio- Cultural risks

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk transfer</td>
<td>2.66</td>
<td>0.36</td>
</tr>
<tr>
<td>Risk avoidance</td>
<td>4.27</td>
<td>0.12</td>
</tr>
<tr>
<td>Risk reduction</td>
<td>4.28</td>
<td>0.36</td>
</tr>
<tr>
<td>Risk retention</td>
<td>2.33</td>
<td>0.12</td>
</tr>
</tbody>
</table>

Source: Research data

To large extent risk avoidance (4.27) and risk reduction (4.28) were used to mitigate Socio- Cultural risks. However, risk transfer (2.66) and risk retention (2.33) were used to a small extent to Socio- Cultural risks.

Table 4.4.14: Strategies used to mitigate Geographical risks

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk transfer</td>
<td>2.14</td>
<td>0.59</td>
</tr>
<tr>
<td>Risk avoidance</td>
<td>3.16</td>
<td>0.67</td>
</tr>
<tr>
<td>Risk reduction</td>
<td>3.78</td>
<td>0.39</td>
</tr>
<tr>
<td>Risk retention</td>
<td>2.16</td>
<td>0.46</td>
</tr>
</tbody>
</table>

Source: Research data

Risk avoidance (3.16) and risk reduction (3.78) were used to a moderate extent to mitigate (3.78) geographical risks. On the hand, risk transfer (2.14) and retention (2.16) were used to a small extent to mitigate geographical risks.

4.7 Challenges Facing Companies in Risk Mitigation

Table 4.4.15: Challenges facing companies in risk mitigation

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of appropriate risk identification tools</td>
<td>14</td>
<td>44</td>
</tr>
<tr>
<td>Lack of the right human resources</td>
<td>17</td>
<td>53</td>
</tr>
<tr>
<td>Lack of top management support</td>
<td>19</td>
<td>59</td>
</tr>
<tr>
<td>Inability to understand the nature &amp; implication of risks</td>
<td>16</td>
<td>50</td>
</tr>
<tr>
<td>Budgetary constraints</td>
<td>32</td>
<td>100</td>
</tr>
<tr>
<td>Inability of sustaining mitigation strategy</td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research data
The main challenges faced by the firms in risk mitigation were established to be budgetary constraints (100%) and inability of sustaining mitigation strategy (100%). The other challenges included lack of appropriate risk identification tools (44%), lack of the right human resources (53%), lack of top management support (59%), and inability to understand the nature & implication of risks (50%).

4.8 Establishment of Common Risk Culture in an Organization

Table 4.4.16: Establishment of common risk culture in an organization

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of common risk language</td>
<td>32</td>
<td>100</td>
</tr>
<tr>
<td>Regular monitoring and documentation of risk indicators</td>
<td>32</td>
<td>100</td>
</tr>
<tr>
<td>Immediate communication</td>
<td>27</td>
<td>84</td>
</tr>
<tr>
<td>Frequent training</td>
<td>17</td>
<td>53</td>
</tr>
<tr>
<td>Empowerment of risk managers</td>
<td>19</td>
<td>59</td>
</tr>
<tr>
<td>Identifying and training internal risk experts</td>
<td>11</td>
<td>34</td>
</tr>
<tr>
<td>Aligning risk management with company culture</td>
<td>29</td>
<td>91</td>
</tr>
<tr>
<td>Including risk management activities in job description</td>
<td>28</td>
<td>88</td>
</tr>
</tbody>
</table>

Source: Research data

The insurance firms mainly practiced use of common risk language (100%), regular monitoring and documentation of risk indicators (100%), immediate communication (84%), aligning risk management with company culture (91%) and including risk management activities in job description (88%) in order to create common risk culture in an organization. Other practices included frequent training (53%), empowerment of risk managers (59%), and identifying and training internal risk experts (34%).
CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

This chapter summarizes the findings as well as the conclusions gathered from the analysis of data. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations are given.

5.1 Summary of Findings and Conclusions

5.1.1 Summary of Findings

The firms evaluated the risk concentration level as high, simple but costly in the Kenyan insurance industry. The Kenyan insurance industry was vulnerable to economic risks and legal risks to a large extent. However, the industry was also vulnerable to political risks, technological risks, socio-cultural risks and geographical risks, to a moderate extent. The internal risk managers, the board of directors and the top managers were the parties mainly involved in risk mitigation. However, only a few firms involved the expatriates in handling the risk mitigation activities.

Economic risks were mainly mitigated using risk transfer, reduction and risk retention.

In mitigating the political risks, risk avoidance and risk reduction were used to a large extent. Technological risks were mitigated, at relatively equivalent level, using risk transfer, risk avoidance, risk reduction and risk retention.
Legal risks were mainly mitigated using risk avoidance and risk reduction techniques. Risk avoidance and risk reduction were predominantly used to mitigate socio-cultural risks and finally, geographical risks were mitigated using risk avoidance and risk reduction.

The main challenges faced by the firms in risk mitigation were budgetary constraints and inability of sustaining mitigation strategy. Other challenges included lack of appropriate risk identification tools, lack of the right human resources, lack of top management support and inability to understand the nature and implication of risks.

The insurance firms mainly practiced use of common risk language, regular monitoring and documentation of risk indicators, immediate communication, aligning risk management with company culture and including risk management activities in job description in order to create common risk culture in an organization. Other practices done by a few firms included, frequent training, empowerment of risk managers, identifying, and training internal risk experts.

5.1.2 Conclusions

The Kenyan insurance industry was mainly vulnerable to economic risks and legal risks. However, the industry was also vulnerable to political risks, technological risks, socio-cultural risks, geographical risks, management risks and personnel risks to a moderate extent.
These were mainly mitigated using, risk avoidance, risk retention, risk transfer and risk reduction. This implied that all-risk encompassing strategies are required if risk mitigation is to be successful.

The leading challenges that faced most firms in risk mitigation included lack of appropriate risk identification tools, lack of the right human resources, lack of top management support, inability to understand the nature and implication of risks, budgetary constraints and inability of sustaining mitigation strategy.

5.2 Recommendations

Insurance firms are tasked with protecting other organizations from pure risks and to achieve their goal of enhanced returns, they need to reactivate client confidence which had vanished due to evident high exit rates from the industry. Therefore, there is an urgent need for the insurance firm managements to mobilize resources toward mitigating risks which frequently threaten their existence.

Risk management should be regarded as an organization-wide activity if the firms are to induce high standards of competitiveness within the industry. Thus, all employees should be appropriately trained on risk management issues and given necessary facilities in order to fend their firms against pure risks.

Since risk management is quite primary in determining an organization’s ultimate effectiveness, insurance firm managements should get deeply involved in the process.
This can be actuated through provision of adequate risk management funds, empowering risk managers’ potential and linking their firms to outside partners such as Government and Association of Kenya Insurers for the common goal.

The Kenyan Government, through the commissioner of insurance, and in conjunction with the insurers’ association should formulate and implement a mechanism that independently regulates the industry without any perceived prejudices and arbitrary law enforcement.

5.3 Limitations of the Study

The study dealt with internal strategies of the firms which were regarded confidential to the firm’s management and this could have influenced the responses given by the respondents.

The study was designed to conduct an analysis in all Kenyan insurance firms. However, respondents from ten firms did not complete and return the questionnaires. On this basis, only one pure life insurance firm responded.

Some firms did not have risk managers who explicitly understood all the aspects reflected in the questionnaires and as a result some inconsistencies were detected but not to an extent of invalidating the study generalizations.
5.4 Suggestions for Further Research

The study dealt with general risks facing the insurance industry, thus providing base for enhanced research on individual risks in the industry.

The study also only investigated preference levels on different risk mitigation strategies in different firms. In order to achieve a clearer understanding, an in-depth study on individual mitigation strategies could be carried out.

Since risks and their corresponding mitigation techniques frequently emerge, researchers in Kenya with interest in the area could find this study’s findings handy in analyzing trends of change in the risk field.

Finally, a comparative analysis could be conducted between Kenyan risk mitigation practices and other economies on the basis of this study’s findings. Such analysis would be influential in uplifting internal practices to keep pace with the outside environments.
REFERENCE


APPENDIX I

LICENSED MEMBERS OF THE INSURANCE INDUSTRY

1. Africa Merchants Assurance Co. Ltd
2. A.I.G Kenya Insurance Co. Ltd.
3. APA Insurance Co. Ltd.
4. CFC Life Assurance Co. Ltd.
5. Apollo Insurance Company Ltd.
6. Blue Shield Insurance Co. Ltd.
7. British American Insurance Co. Ltd
8. Cannon Assurance (K) Ltd.
9. Concord Insurance Co. Ltd.
10. Co-operative Insurance Co. Ltd.
11. Corporate Insurance Co. Ltd.
12. Direct Line Assurance Co. Ltd.
13. East Africa Reinsurance Co. Ltd.
14. Fidelity Shield Insurance Co. Ltd.
15. First Assurance Co. Ltd.
17. Geminia Insurance Co. Ltd.
18. General Accidents Insurance Co. Ltd.
19. Heritage Insurance Co. Ltd.
20. Insurance Company of E.A Ltd.
21. Intra Africa Assurance Co. Ltd.
22. Invesco Assurance Co. Ltd.
23. Jubilee Insurance Co. Ltd.
24. Kenindia Assurance Co. Ltd.
26. Kenya Reinsurance Corporation Ltd.
27. Kenya Alliance Insurance Co. Ltd.
28. Lion of Kenya Insurance Company Ltd.
29. Madison Insurance Co. Ltd.
30. MayFair Insurance Co. Ltd.
31. Mercantile Life and General Assurance Co. Ltd.
32. Occidental Insurance Co. Ltd.
33. Old Mutual Insurance Company Ltd.
34. Pacis Insurance Co. Ltd.
35. Pan African Assurance Ltd.
36. Phoenix of E.A Insurance Co. Ltd.
37. Pioneer Assurance Co. Ltd.
38. Royal Insurance Co. of E.A.
40. Tausi Assurance Co. Ltd.
41. The Mornach Insurance Co. Ltd.
42. Trident Insurance Co. Ltd.
43. UAP Provincial Insurance Co. Ltd.

SOURCE: KENYA ASSOCIATION OF INSURERS (AKI)
APPENDIX III
TIME PLAN

TIME (WEEKS)

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KEY:

A  Pilot Study
B  Actual Data Collection
C  Data Organizing and Presentation
D  Data Analysis
E  Report Writing
F  Final Correction and Submission
APPENDIX IV
QUESTIONNAIRE

Section One: Company Profile

Please provide appropriate responses to the following questions:

1) Name of company (optional): ..............................................

2) What is the ownership structure of your organization?
   a) Locally owned (   )
   b) Foreign owned (   )
   c) Both locally and Foreign owned (   )

3) For how long has your organization been in the Kenyan insurance industry?
   a) Less than 1 Year (   )
   b) Between 5 – 9 Years (   )
   c) Between 10 – 14 Years (   )
   d) More than 14 Years (   )

4) Range of business transacted
   a) Life (   )
   b) General (   )
   c) Composite (   )

5) Number of branches within Kenya: ........................................

6) Current number of employees in Kenya
   a) Less than 100 (   )
   b) Between 101 – 300 (   )
   c) Between 301 – 300 (   )
   d) Between 301 – 500 (   )
   e) Over 500 (   )
Section Two: Risk Management

7) How does your company view risk?
   a) Opportunity  
   b) Threat  
   c) Both  
   Please, give brief reasons for your positions above: ........................................

8) Does your company have a full time risk manager?
   Yes  
   No  

9) Please rate the extent to which the risk managers in your firm perform the following duties. (5= Very Large extent, 4= Large Extent, 3= Moderate Extent, 2= Small Extent 1= No extent at all)

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<tbody>
<tr>
<td>Identifying the risk faced by the firm</td>
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<td>Measuring the potential effect of each risk</td>
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<td>Determining and monitoring of exposures</td>
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<td>Creating need for risk recognition in decision-making</td>
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<td>Provision of leadership in risk management</td>
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<td>Formulation of risk mitigation strategy</td>
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<td>Coordination of risk management strategy</td>
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<td>Others (specify)</td>
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10) Please rank the following sources of risks according to their frequency of occurrence in your firm. (5= Very Large extent, 4= Large Extent, 3= Moderate Extent, 2= Small Extent 1= No extent at all)

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<tr>
<td>Business partners (interdependency, confidentiality, cultural conflict, contractual risks)</td>
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<td>Competition (market share, price wars, industry trial espionage, antitrust allegations)</td>
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<td>Customers (product liability, credit risk, poor market timing, inadequate customer support)</td>
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</table>
Financial (Foreign exchange, portfolio, cash, interest rate, stock market)  
Regulatory and legislative (antitrust, export licensing, jurisdiction, reporting and compliance, environmental)  
Reputations (Corporate image, brands, reputations of key employees)  
Technological (Complexity, obsolesce, virus attacks, work force skills)  
Political (civil unrest, war, terrorism, enforcement of intellectual property, change in leadership, revised economic policies)  

11) Corporate, Public and Non-profit entities seek insurance covers to mitigate their risks. From your experience, is the Kenyan business environment supportive to the industry in meeting this obligation?  
Yes ( )  No ( )  Partly ( )  
Reasons: .............................................................................................................

12) How would you generally describe the concentration level of Kenya’s risks the insurers are subjected to?  
a) Very High ( )  
b) High ( )  
c) Moderate ( )  
d) Low ( )  
e) No idea ( )

13) How easy is it to mitigate risks in Kenya?  
Complex and costly ( )  Simple but costly ( )  
Simple and cheap ( )  Complex but cheap ( )

14) Please rate the following identifiable risks within Kenyan insurance industry in accordance with severity levels. (5 - Very high  4 - High  3 - Moderate  2 - Low  1 - No idea)
15) Who mitigates risks in your firm?
   a) Internal risk manager  
   b) Expatriates  
   c) Board of directors  
   d) Top managers  
   e) All employees  
   f) All stakeholders

16) Please indicate the reliability of using the following strategies to mitigate against the identified risks: (5= Highly reliable 4= Reliable 3= Moderately reliable 2= lowly reliable 1= not reliable at all)

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<th>Economic Risks</th>
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<td>Risk transfer</td>
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<td>Risk avoidance</td>
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<td>Risk reduction</td>
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<th>Political Risks</th>
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<td>Risk retention</td>
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<td>Risk retention</td>
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17) The following are basic suggestions that could help establish common risk culture in an organization. Please rate the extent to which your company practices them. (5 = Very Large extent 4 = Large Extent 3 = Moderate Extent 2 = Small Extent 1 = No extent at all)

### Use of common risk language

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### Regular monitoring and documentation of risk indicators

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### Immediate communication

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### Frequent training

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### Empowerment of risk managers

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### Identifying and training internal risk experts

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### Aligning risk management with company culture

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### Including risk management activities in job description

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18) What challenges face your company in risk mitigation?

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<tr>
<th>Challenge</th>
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<th>No</th>
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<td>Lack of appropriate risk identification tools</td>
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<td>Lack of the right human resources</td>
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<td>Lack of top management support</td>
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<td>Inability to understand the nature &amp; implication of risks</td>
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<td>Budgetary constraints</td>
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<tr>
<td>Inability of sustaining mitigation strategy</td>
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Section Three: Recommendations

19) What would you recommend to the following authorities on boosting the Kenyan insurance sub-sector’s risk management effort?

Government:

........................................................................................................................................
........................................................................................................................................

Commissioner of insurance:

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........................................................................................................................................

Association of Kenya Insurers:

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Others (specify):

........................................................................................................................................
........................................................................................................................................

Thank you for your contributions.