

EFFECTS OF INSURANCE CLAIMS SETTLEMENT COST, COMMISSION EXPENSES, INSURANCE MARKET SHARE, AND REINSURANCE COSTS ON PROFITABILITY OF INSURANCE COMPANIES IN KENYA: CASE STUDY OF CIC INSURANCE COMPANIES IN EMBU COUNTY.

By

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I. DECLARATION

I, Andrew Kiprotich Cheyegon do declare that this is my original thesis and has not been presented for any other award of degree in any other institution of higher learning.

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This thesis has been submitted for examination with my approval as the university supervisor.

Signature [Signature] Date 15/4/2019

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II. DEDICATION

I dedicate this work to my uncle Winston Ndiema and my friends for their help in my life and to whom I always got inspiration to keep putting more effort in my studies. I really feel indebted for their unequal moral support whenever I fell despondent and their superb financial support to enhance my smooth stay in the university.

III. ACKNOWLEDGEMENT

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IV. ABSTRACT

The main objective of this study was to establish the effects of claim cost settlement, commission expenses market share, and reinsurance costs on profitability in the insurance sector in Kenya. In spite of the sector recording significant growth in gross written premium during the period 2013 to 2017, the state of profitability remained a matter of concern. Low solvency and liquidity ratios could mean that the financial health of the sector was in doubt. Hence, the sector's ability to meet both short-term and long-term financial commitments and obligations could be called into question. Moreover, this could be an indicator that while companies endeavored to expand their market shares, they gave little attention to profitability objectives. So, it was important to identify the effects of claim costs, commission expenses, market share and reinsurance costs in the insurance sector. This study was an attempt to explore factors that had direct significant influence on the companies' profitability for the period 2016 and 2017. The study drew the sample of the study from 3 CIC insurance companies found in Embu. Qualitative primary data was collected using questionnaires administered through a combination of judgmental and snowball sampling methods and the response rate achieved was 35 (or 28 respondents out of the possible 66). Quantitative secondary data was obtained from annual financial statements of the insurance companies and the success rate achieved was 90.9% (or 15 companies out possible 16). Collected data was processed and analyzed by descriptive statistical techniques such as frequency distribution tables, descriptive summary statistics, and scatter plots derived with the help of Statistical Package for Social Sciences (SPSS version 20) to explain the nature and extent of relationship between the dependent variable, profitability, and the independent variables: claim