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Influence of Asset Quality on the Financial Performance of Insurance Companies in Kenya

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Abstract

The research aimed to investigate the influence of asset quality on the financial performance of insurance companies. The study was anchored on the efficiency structure theory. Positivism research philosophy was employed with a descriptive research design that targeted a population of 56 general insurance and life insurance firms in Kenya. Secondary balanced panel data spanning 15 years from 2008 to 2022 was also used in the study. The secondary data was sourced from the financial statements of the firms and industry publications from the Insurance Regulatory Authority (IRA). The quantitative data collected was analyzed using descriptive statistics inform of percentages, frequencies, mean, and standard deviation. Additionally, a balanced dynamic panel data regression model was performed. Prior to fitting the panel regression model, diagnostic tests were undertaken to evaluate linearity, stationarity, normality of residuals, serial correlation, and homoscedasticity. The research included 41 insurance firms that met the inclusion criteria. The study results determined that asset quality has a statistically significant and negative influence on the financial performance of insurance companies in Kenya (β = -0.1956, t = -2.93, p = 0.003). The study concluded that asset quality is a collective consideration of diversification, liquidity, risk and liability profiles and thus plays a crucial role in influencing profitability. The study recommends that additional regulations should be instituted by the IRA that entail developing a range of targets on each of the aspects of asset quality.

Key Words: Financial Performance**,** Insurance Companies, Kenya, Asset Quality, Insurance Regulatory Authority.

Introduction

The financial performance of the insurance sector has remained poor worldwide and the sector struggles to provide an adequate return on investment for its shareholders (McKinsey, 2022). In most countries globally, insurance premiums produced over the last 20 years have increased at a slower pace than the gross domestic product (GDP) growth. The nominal GDP rose at a compound annual growth rate (CAGR) of 4% in the United States (US) and Europe, above the average CAGR of the insurance industry of only 2%. Asian economies excluding Japan expanded at a CAGR of 10%, but premiums generated rose at a CAGR of just 3%. This shows that insurance firms have not kept up with the expansion of the economies in which they operate (Boston Consulting Group, 2023). Growth in insurance premiums in Africa and the Middle East has slowed down and insurers in the region find themselves at a turning point in both life and property and casualty sectors. McKinsey (2023) indicates that the insurance sector in Africa and Middle East is dealing with reduced profitability, slowing down expansion and market fragmentation.

Like its peers throughout the world, Kenya's insurance sector has had financial difficulties. The aggregate underwriting results for the sector was an underwriting loss of KES 6.3 billion (IRA, 2023), according to the industry report covering January to December 2021. This was a drop from the year 2020, which had similarly posted a loss of KES 2.2 billion, and the year 2019, which had a loss of KES 33.0 billion. With a notable drop of 57.7%, the net profit dropped to KES 15.12 billion in 2019 then to KES 6.39 billion in 2020 and to KES 8.65 billion in 2021, the industrial net profit jumped 56.5% throughout the time but still below the average cost of capital for the sector. Furthermore, the Kenyan insurance penetration rate as of 2021 was 2.24 percent. Since 2016, when the indicator came at 2.78 percent, it has been declining. Ten insurance businesses were also under statutory management for insolvency-related reasons between 2010 and 2021 (IRA, 2021). Furthermore, Kitaka et al. (2020) note that the insurance penetration rate in Kenya is lower than in other emerging African countries like Morocco (4.5%) and South Africa (13.7%).

The crucial role the insurance sector plays in providing financial resilience—a foundation of economic recovery—helps to underline its value in Kenya. With over 6.3% of the contribution to GDP in 2022 (IRA, 2022), the insurance sector in Kenya is a major contributor to the economic development of the nation. The sector enables companies to accept financial risks without requiring increased funding and thus enables business operations and economic growth. Insurance, therefore, is a risk-reducing tool that helps to facilitate economic activities and recovery in case of catastrophes (IRA, 2021). Besides, by offering long-term financial resources, the sector helps in enabling the financial stability of nations (McKinsey, 2022). Therefore, insurance firms must match their business strategy towards better financial performance and maximization of value for a financially healthy industry which in turn should satisfy the interests of important stakeholders (Siddik et al., 2022).

Asset quality for insurance companies determines their robustness against loss of value in their assets and their capacity to pay their liabilities as and when they fall due. Asset quality also indicates the overall risk attached to the various assets held by an insurance company and depicts its capacity to earn returns in the future (Abdeljawad et al., 2020). According to Vigneswara (2020), asset quality is gauged by the level and severity of non-performing assets, adequacy of provisions, recoveries, and distribution of assets. The quality of assets particularly, insurance products and investments, would depend largely on the risk management system of the firms (Kitaka et al., 2020). Popular indicators are non-performing insurance products to advances, insurance products default to total advances, and recoveries to insurance default products ratios (Eladly, 2021). According to Lucky and Nwosi (2020), asset quality is an important measure that is useful in evaluating the performance of an organization. However, most studies on asset quality such as Wambugu and Mungai (2019), Kirimi et al. (2022) and Ndonye and Ambrose (2023) are undertaken in the commercial banking sector leaving the asset quality in the insurance sector under-researched.

Tsvetkova et al. (2021) have characterized the insurance industry as a value-diminishing sector, in which half of the investors fail to realize their cost of equity. This is a global industry-wide issue, as 54% of listed insurers have achieved a Return on Equity (ROE) that is less than the cost of equity over the past five years. This has prompted concern regarding the industry's long-term economic viability, which necessitates an even greater sense of urgency in light of the highly uncertain macroeconomic and geopolitical landscape (Mckinsey, 2022). The global insurance industry's total shareholder return (TSR) in 2022, which was 8%, failed to cover investors' cost of equity, thereby continuing a trend that has been noticeable in recent years. The industry's five-year annual TSR from 2018 through 2022, which was a disappointing 3.9%, further underscored this challenge. This figure was substantially lower

than the all-industry average of 6.6%. Additionally, the global insurance industry's market capitalization remained stagnant at approximately $2.2 trillion during the same period. To enhance the profitability and expansion of the global insurance sector, it is imperative to resolve this stagnation and underperformance (Boston Consulting Group, 2023).

The IRA insurance industry report for the period from January to March 2023 confirms the industry's historically negative financial performance trends. The General insurance business underwriting results experienced a decline during the quarter, from a loss of KES 510.20 million in a comparable quarter in 2022 to a loss of KES 2.01 billion in Q1 of 2023 (IRA, 2023). The motivation for this study is the insurance industry's poor financial performance in Kenya, which serves to undermine its ability to contribute to the national economic growth agenda. It is essential to comprehend the factors that influence its performance to assist industry stakeholders in taking the necessary actions. Despite the significance of the insurance industry, the interventions implemented by the IRA and the government have not resulted in increased profitability in the sector. In addition, the majority of prior research on the profitability of insurance companies such as Mutumira (2019), Morara and Sibindi (2021), and Kamau et al. (2021) considered other financial factors but excluded asset quality.

This study tested the following null hypothesis:

H_0: Asset quality has no significant effect on the financial performance of insurance companies in Kenya.

Literature Review

Theoretical Review

This study applied the efficiency structure theory that was developed by Demsetz (1973). This theory postulates that the efficiency of any given firm has a direct impact on the market structure and performance of that firm. Firms with high-level management, high-quality assets, and advanced technology of production tend to have lower costs of production and thus higher profits. Mensi and Zouari (2010) highlight different dimensions of efficiency namely; the production technique dimension, the resource allocation dimension, and the production scale dimension. The resource allocation dimension relates to asset quality since efficiency in allocating assets in high returns and low-risk investments would enhance the firm’s profitability. This theory has been previously applied in assessing profitability where Ortyński and Wołoszyn (2022) investigated the technical efficiency and asset quality of life insurance companies in Poland. Further, according to Athanasoglou et al. (2006), there are two approaches to the efficiency structure; the x-efficiency and the scale efficiency hypothesis. The x-efficiency approach tends to be more efficient thus lowering costs of production and allocation of assets, and in return achieving more profit.

Empirical Review

Eladly (2021) conducted a study to analyze the impact of asset quality on the profitability and liquidity of 19 insurance companies in Egypt over the period from 1999 to 2019. The study used panel data analysis, with financial performance measured by profitability (return on equity and return on investment). The results showed that asset quality had no significant effect on profitability. Another study by Muchie et al. (2021) investigated the influence of various microeconomic or firm-level variables on the profitability of 17 insurance companies in Ethiopia from 2005 to 2020. The study used an econometric panel model that incorporated panel data regression analysis. The results indicated that the tangibility of assets had a significant impact on insurance company profitability. It further found that the tangibility of the assets ratio, which measures the proportion of fixed assets to total assets, plays a role in enabling firms to obtain credit more easily as they serve as collateral and thus earn more

returns. Besides, Vigneswara (2020) conducted a study concerning the various asset quality determinants of the firm and profitability in India. Using empirical evidence from a panel data set of 2,500 Indian firms over a decade (2005-2015), the study examined the theoretical model of the interrelationship between asset quality and profitability. The results revealed a positive and significant effect of asset quality on profitability, as well as a feedback effect of profitability on asset quality. Moreover, the study shows that the asset quality-profitability nexus is contingent on the industry and ownership characteristics of the firms.

Kitaka et al. (2020) investigated the impact of asset quality, which is the ratio of an insurer's assets to its liabilities, on the sustainability of insurance companies in Kenya. The study followed a positivist research philosophy and used a descriptive research design. The study uses data from 30 insurance companies that were registered by the Insurance Regulatory Authority of Kenya (IRA) as of 31st December 2016. The study applied multiple regression analysis and the findings revealed that asset quality has a positive and significant influence on the financial sustainability of insurance companies in Kenya. Another study with comparable findings was by Lucky and Nwosi (2020) who evaluated the effect of asset quality on the productivity of the 15 commercial banks in Nigeria from 1993 to 2013. A CAMELS criterion for asset quality was applied and the findings were that there was a positive relationship between asset quality and productivity. Another study by Wambugu and Mungai (2019) analyzed the relationship between asset quality and the financial performance of selected commercial banks in Kenya. The study's target population was 43 commercial banks for the period 2013 to 2017. Secondary data was used, and a regression model was utilized to determine the effects of asset quality on financial performance. The study concluded that asset quality significantly explains changes in the financial performance of commercial banks in Kenya, with a negative and significant relationship between asset quality and return on equity.

Conceptual Framework

The study's conceptual framework is provided in Figure 1 and provides the hypothesized relationship between asset quality and financial performance.

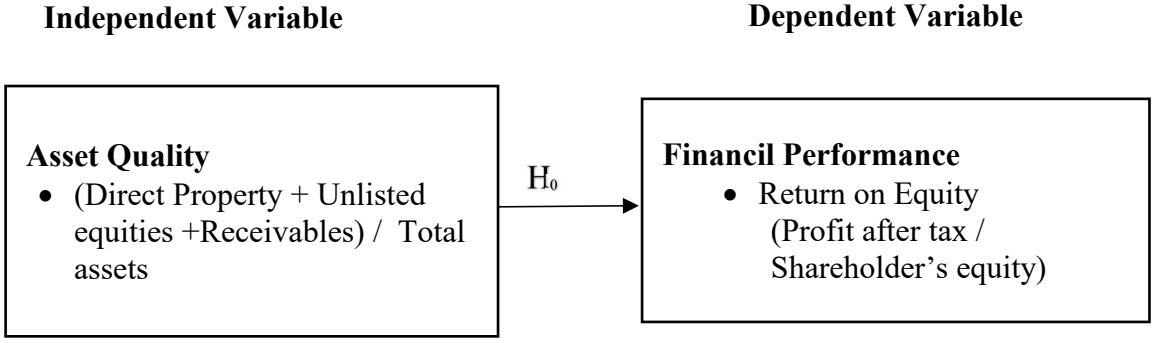

Figure 1. Conceptual Framework

The asset quality rating evaluates the level of asset risk associated with investment portfolios, other real estate held, and other assets, including off-balance sheet transactions (Ortyński, & Wołoszyn, 2022). This is also where the management's capacity to recognize and handle asset risk is shown. When evaluating the quality of assets, it is important to assess if the provision for losses is sufficient and to assess the risk of default by counterparties, issuers, or policyholders under real or implied contractual commitments. It is important to take into account any additional risks that might impact the worth or marketability of an insurance company's assets, such as operational, market, reputation, strategic, or compliance risks (Vigneswara, 2020). The assessment of an insurance company's asset quality is based on

many evaluation variables, which include but are not limited to the sufficiency of underwriting criteria, integrity of receivable management procedures, and suitability of risk assessment methods. Others include the presence of significant asset concentrations in direct property, unlisted equities and receivables. Asset quality in this study was measured by dividing the sum of direct property, unlisted equities, and receivables by total assets. A high asset quality ratio indicates an increased risk of the firm to cater for its short-term actuarial liabilities (Muchie & Sun, 2021). The financial performance of the insurance companies was measured using ROE.

Methodology

This study used a positivist mindset to collect data on the robustness of management and assess its impact on the financial performance of insurance businesses. The study employed a descriptive research design approach and conducted a correlational analysis of the variables to determine their strength of association. The research included all 56 insurance businesses in Kenya, both listed and unlisted, that were officially registered with the Insurance Regulatory Authority (IRA) and had been operational from 2008 to 2022 (IRA, 2022). The research inclusion criterion was limited to insurance companies that had maintained continuous operations for all 15 years. As a result, 41 insurance firms were included. The research collected secondary data from the audited yearly financial statements of the insurance firms and IRA annual reports. The researcher performed panel regression analysis on the secondary dynamic panel data that was collected. The panel was well-balanced since it consisted of 41 enterprises that have functioned continuously from 2008 to 2022.

Results

General Information

The study gathered secondary data for asset quality and financial performance from 56 insurance companies in Kenya that had been operational for a period of 15 (T) years (2008 – 2022). Of the 56 insurance companies that were considered in the study, 41(n) satisfied the inclusion criteria as they were operational for 15 years and this resulted in 615 (N) observations.

Descriptive Analysis of Asset Quality and Financial Performance

This section covers the descriptive analysis of the secondary data gathered in the study regarding asset quality and financial performance. The descriptive analysis for the panel data gathered includes means, standard deviations, maxima, and minima. Asset quality was measured as a ratio of the sum of direct property, unlisted equities, and receivables to total assets. Descriptive statistics were used to compute summary statistics for asset quality over 15 years and the findings are summarized in Table 1.

Table 1. Summary Statistics for Asset Quality

Variable		Mean	Std. Dev.	Min	Max	Observations
Asset Quality	Overall	0.1272	0.0981	0.0021	0.2431	N = 615
	Between		0.1196	0.0059	0.1964	n = 41
	Within		0.1128	0.0621	0.1711	T = 15

The average asset quality ratio for the sample of 615 observations is 0.1272. This suggests that, on average, 12.72% of the firms' assets are classified as non-performing or of lower quality. The standard deviation of 0.0981 indicates a moderate level of variation in asset

quality across firms. This suggests that while some firms have a relatively high proportion of non-performing assets, others have a much lower proportion. The minimum value of 0.0021 implies that some firms have a very low proportion of non-performing assets, indicating strong asset quality. The maximum value of 0.2431 suggests that some firms have a significant portion of their assets classified as non-performing, indicating potential asset quality issues. The between-group variation in asset quality (0.1196) is relatively small compared to the within-group variation (0.1128). This suggests that while there are some differences in asset quality across firms, the primary driver of variation in asset quality is changes within firms over time. The within-group standard deviation (0.0621) indicates a moderate level of fluctuation in asset quality for individual firms over the 15 years. This might be due to factors such as economic cycles, receivable risk management practices, or changes in the policyholder portfolio.

Financial performance was the dependent variable in the study and it was measured using ROE. The ROE was computed as the profit before tax divided by the average of shareholder funds for the year. Table 2 provides the descriptive study findings.

Table 2. Descriptive Analysis of Financial Performance

Variable		Mean	Std. Dev.	Min	Max	Observations
ROE	Overall	.0785	0.1182	-0.4727	0.3978	N = 615
	Between		0.0977	0.0246	0.2257	n = 41
	Within		0.0656	0.0525	0.1015	T = 15

The findings in Table 2 reveal both average profitability across all firms and periods, as well as variations in ROE between different firms and within each firm over time. Overall, the average firm has a ROE of 0.0785, indicating an average profitability across all firms and periods. There is also some variability in ROE performance, with a standard deviation of 0.1182. The minimum ROE of -0.4727 suggests that some firms experienced significant losses, while the maximum ROE of 0.3978 indicates that others achieved substantial profitability.

The 'Between' statistics summarize the average ROE across different firms (41 in total). The higher mean ROE of 0.0977 compared to the overall mean suggests that some firms have consistently stronger profitability over time. There is also less variation in ROE between firms (standard deviation of 0.0246) compared to the overall variation across all observations. The 'Within' statistics focus on the variation in ROE within each firm over the 15 time periods. The mean ROE of 0.0656 within firms suggests an average level of profitability within each firm over time. The standard deviation of 0.0525 reflects the degree to which ROE fluctuates within each firm over the observed periods.

Diagnostic Tests for Panel Data Regression

The study applied panel regression analysis and this necessitated the diagnostic tests that included the stationarity test, linearity test, serial correlation test, the test of normality of residuals, homoscedasticity tests, and Hausman test. The research used the Augmented Dickey-Fuller (ADF) test to assess stationarity. The ADF test results for asset quality indicate that the absolute value of the test statistic (5.578) was greater than the absolute value of its 5% critical value (2.908). Furthermore, the findings indicate that the Mackinnon approximation Z (t) p-value (p = 0.0000) falls below the 5% significance criterion. This indicates that the asset quality series met the condition for stationarity. Further findings

showed that the absolute values for ROE (4.613) exceeded the absolute 5% critical value (2.908). Furthermore, the research findings indicate that the Mackinnon approximation Z (t) p-value ($p < 0.05$) for ROE was below the 5% threshold of significance. This indicates that the series for these variables were similarly stationary and thus, they could be fitted in a panel linear regression analysis without the need for any differentiating.

Test of linearity was undertaken using the analysis of variance (ANOVA) deviation from linearity test to assess the assumption of linearity between asset quality and financial performance. The findings indicated that asset quality was linearly related to ROE ($F = 2.002$, $p = 0.092$). The test for serial correlation was also undertaken using the Wooldridge test for autocorrelation in panel data. The findings demonstrate the absence of autocorrelation ($F = 2.187$, $p = 0.211$). The heteroscedasticity test was conducted using the modified Wald test for groupwise heteroscedasticity. The findings indicated homoscedasticity (chi-square = 2.085, $p = 0.271$). This suggests that the variability of residuals was consistent for all the predicted values of ROE. Moreover, the research conducted a test to assess the normal distribution of the regression residuals, and the Shapiro-Wilk test was used. The findings indicated that the regression residuals followed a normal distribution ($z = 0.411$, $p = 0.2257$).

The diagnostic tests were followed by a Hausman test that was performed to ascertain if random effects or fixed effects panel data models were the most suitable for the data. The Hausman test identifies endogenous predictor variables, which are variables that are influenced by other components in the regression model. These factors may be used to enhance the precision of forecasts. The study results indicate that the null hypothesis, which states that the difference in coefficients is not systematic, was rejected based on the statistical analysis (Chi-square = 146.53, $p < 0.05$). This supported the deduction that the fixed effects model was a suitable fit for the empirical data. The fixed effects model allows for the adjustment of unit-specific properties that are not apparent across time. This model assumes that there is a relationship between these qualities and the predictor variables it uses.

Fixed Effects Model

This section presents the findings of the fixed effects model that was fitted to test the effect of asset quality on the financial performance of insurance companies. A total of 615 observations were used over 15 years (2008 to 2022) from the 41 insurance companies in Kenya that met the inclusion criteria. The research used standard errors in the process of fitting the model, and the outcomes of the fixed effects model are shown in Table 3.

Table 3. Fixed Effects Model for Asset Quality on Return on Equity

Fixed-effects (within) regression				Number of obs	=	615
Group variable: Insurance Company				Number of groups	=	41
R-sq				Obs per group		
Within	= 0.6512			min	=	15
Between	= 0.6083			avg	=	15.0
Overall	= 0.3379			max	=	15
				F (1, 614)	=	13.27
Corr (u_i, Xb) = 0.5618				Prob > F	=	0.0000

ROE	Coef.	Std. Err.	t	P > | t |	[95% conf.	Interval]
Asset Quality	-.1956	.0668	-2.93	0.003	-.3215	-.0805
_Cons	.1811	.1304	1.39	0.216	-.0411	.3156
sigma_u	.2163					
sigma_e	.1972					
rho	.3714	(fraction of variance due to u_i)				
F test that all u_i = 0:	F = 12.71			Prob > F = 0.0000		

The findings shown in Table 3 indicate that the model had a good fit, and management soundness exerted a significant influence on the ROE ($F = 13.27$, $p < 0.05$). This indicates that the model can forecast financial performance (ROE) based on a firm's management soundness. The coefficient of determination within the 15 years (r squared within) of 0.6502 shows that the fixed effects model accounted for 65.12% of the variation in the ROE of the insurance companies across the 15-year research period. In addition, the coefficient of determination between (r squared between) of 0.6083 indicates that the fixed effects model accurately accounted for 60.83% of the variability in the financial performance (ROE) among different insurance companies. Further, the coefficient of determination overall (R-squared overall) of 0.3379 suggests that if the pooled ordinary least squares regression model had been used, it would have been able to account for just 33.79% of the variation in the financial performance of the insurance companies over the 15-year study period. This highlights the suitability of the fixed effects model in the study. The correlation between the errors with the regressors in the fixed effects model [Corr (u_i, Xb) = 0.5618] shows that the errors had a significant correlation with the regressors. Besides, the findings of the intraclass correlation (rho = 0.3714) show that 37.14% of the differences in ROE were due to the differences across panels.

The study results provided in Table 3 indicate that asset quality has a statistically significant and negative influence on the financial performance (ROE) of insurance companies in Kenya. The beta coefficient (β) is -.1956, the t-value is -2.93, and the p-value is 0.003 which is less than 0.05. These findings indicate that a change in the asset quality of an insurance company is expected to significantly influence its financial performance negatively. The results moreover showed that a 1% change in the asset quality of insurance companies is expected to lead to a 0.20% change in financial performance. Therefore, the study findings indicate that a 1% rise in asset quality leads to a 0.20% decrease in ROE, and vice versa. These findings were used to test the null hypothesis of the research, which was;

Ho: Asset quality has no statistically significant effect on the financial performance of insurance companies in Kenya.

The results lead to the rejection of the null hypothesis and the inference that asset quality has a negative and statistically significant effect on the financial performance of insurance companies in Kenya.

Discussion of Results

The objective of the study was to evaluate the effect of asset quality on the financial performance of insurance companies in Kenya. Findings from the study indicated that asset quality has a significant negative effect on the financial performance of insurance firms in Kenya. These findings concur with findings by Eladly (2021) who conducted a study to analyze the relationship between profitability and the asset quality of 19 insurance companies in Egypt over the period from 1999 to 2019. Pearson correlation analysis revealed a significant negative linear relationship between return on investment and asset quality. The convergence in the findings can be due to the similarity in the regression models applied and the context of the two studies which was the insurance sector. The findings from the study also agrees with the findings by Muchie et al. (2021) who conducted a study to investigate the influence of various firm-level variables on the profitability of insurance companies in Ethiopia. Their results indicated that asset quality had a significant negative effect on the profitability of insurance companies in Ethiopia. Similarly, the current study has comparable findings that asset quality negatively impacts the profitability of insurance companies.

The results from the current study also agreed with the findings by Wambugu and Mungai (2019) who analyzed the relationship between asset quality and financial performance of selected commercial banks in Kenya. The study found that asset quality significantly explains changes in the financial performance of commercial banks in Kenya, with a negative and significant relationship between asset quality and return on equity. These findings despite being from a different financial sector in Kenya are comparable to the findings from the current study regarding the role played by asset quality towards the profitability of insurance companies in Kenya. However, the findings that asset quality negatively affects the profitability of insurance companies contradict the findings by Kitaka et al. (2020) who investigated the impact of asset quality on the sustainability of insurance companies in Kenya. The findings revealed that asset quality has a positive and significant influence on the financial sustainability of insurance companies in Kenya. The findings from the current study contradict the findings by Kitaka et al. (2020) due to the difference in the measurement of asset quality and the difference in data analysis techniques. The current study applied panel regression analysis and the study by Kitaka et al. (2020) used multiple regression analysis which is not efficient for panel data.

The findings from this study contradicted the findings by Lucky and Nwosi (2020) who evaluated the effect of asset quality on the productivity of the fifteen (15) commercial banks in Nigeria from 1993-2013. The study found that there was a positive relationship between asset quality and productivity. The divergence in results between the current study and the study by Lucky and Nwosi (2020) can be explained by the contextual differences and since the current study was on insurance companies in Kenyan and the study by Lucky and Nwosi (2020) was on commercial banks in Nigeria. The current study determined that asset quality has a significant negative effect on the ROE of insurance companies. These findings contradict the findings by Vigneswara (2020) who conducted a study examining the influence of asset quality on the profitability of firms in India. In this study, the results revealed a positive and significant effect of asset quality on profitability. These findings are contrary to the findings from the current study that found a negative effect of asset quality on profitability. This difference could be due to the contextual differences between the studies and the industries considered in the two studies. The study by Vigneswara (2020) was on

2,500 companies from various industries in India whereas the current study was on 41 insurance companies in Kenya.

Conclusion and Recommendations

This study concludes that asset quality has a statistically significant and negative influence on the financial performance of insurance companies in Kenya. Although, noting that asset quality is vital for insurance companies' profitability, there were some divergences concerning extant literature which were mostly due to conceptual and methodological differences. The discussion of the findings led to rejection of the null hypothesis and hence the study concluded that there is a strong negative correlation between asset quality and the financial performance of insurance companies in Kenya.

The study concluded that asset quality has a statistically significant and negative influence on the financial performance of insurance companies in Kenya. Therefore, the study makes the following recommendations.

i. Management in insurance companies should prudently manage and reduce non-performing assets which could negatively impact the profitability of their insurance companies.

ii. Management should also maintain a portfolio of high-quality assets and prioritize assessing and improving the quality of their asset portfolios.

iii. Additionally, IRA should also continually monitor, provide, and update regulatory requirements for maintaining high asset quality to safeguard the profitability and stability of insurance companies in Kenya.

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