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Premium Growth and Underwriting Performance of Insurance Companies in Kenya

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Abstract
During 2014–2024, Kenya's insurance sector experienced premium growth alongside persistent underwriting challenges, reflected in combined ratios exceeding 100% in general-insurance, highlighting the importance of sustainable expansion. This study therefore examined the relationship between premium growth and underwriting performance among insurance companies in Kenya.The study was guided by Financial Distress Theory and Risk Capital Theory. The study adopted a convergent parallel mixed-methods design. Secondary data from Insurance Regulatory Authority reports for 2014–2024 yielded 567 company-year observations from 57 insurer licence units. Primary data comprised 194 valid questionnaires completed by insurance managers. Premium growth was measured as the annual change in gross written premiums, while underwriting performance was measured using a normalised combined ratio index and a corresponding proxy for life insurers. A bivariate fixed-effects panel regression found a negative and statistically significant relationship between premium growth and the underwriting performance index ($\beta = -0.503$, $p < 0.001$; within $R^2 = 0.082$),A 10-percentage-point increase in premium growth, measured as a decimal ratio, was associated with a 0.050 reduction in the normalised underwriting performance index. indicating stronger same-year underwriting performance as premium growth increased. Survey results were consistent, showing a positive association between managers' premium growth ratings and perceived financial performance ($r = 0.682$, $p < 0.001$; $R^2 = 0.465$). Qualitative findings highlighted competition and price sensitivity, the distinction between profitable and topline growth, and the importance of pricing discipline and portfolio quality. The study concludes that premium growth was associated with stronger underwriting performance in the year measure. Insurers should therefore pursue growth alongside sound pricing, risk selection and monitoring of subsequent claims experience.

Introduction

Premium growth is an important indicator of an insurer's ability to expand its underwriting portfolio and market presence. Growth in gross written premiums can strengthen the revenue base, support economies of scale and spread fixed operating expenses across a larger volume of business. However, premium expansion does not necessarily translate into stronger underwriting

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performance. Where growth is achieved through aggressive price competition, under-pricing or weak risk selection, the additional premium income may be insufficient to cover the claims and expenses associated with the business written. The relationship between premium growth and underwriting performance is therefore theoretically ambiguous and depends on the quality, pricing and composition of the additional business. Harrington and Danzon (1994) explain how insurers under financial pressure may cut prices to increase premium income, while Akotey et al. (2023) found that expanding market share through overtrading did not improve underwriting profitability in Ghana.

Underwriting performance is distinct from overall accounting profitability. The combined ratio, which aggregates claims and underwriting expenses relative to earned premiums, provides an underwriting-focused measure of an insurer's technical performance (Insurance Regulatory Authority, 2019). A combined ratio below 100% generally indicates an underwriting profit, whereas a ratio above 100% indicates an underwriting loss. In contrast, return on assets (ROA) and return on equity (ROE) incorporate investment income and other accounting effects and may therefore produce different conclusions about the relationship between premium growth and performance. Growth can improve the expense component of the combined ratio by spreading fixed costs over a larger premium base, but the claims generated by newly written business may emerge over subsequent periods. The timing of premium earning and claims development is consequently important when interpreting the relationship.

Despite the potential benefits of premium expansion, the Kenyan insurance industry continues to experience persistent underwriting challenges. General insurers recorded combined ratios exceeding 100% throughout 2015–2024, indicating that claims and underwriting expenses consistently exceeded net earned premiums. The industry's combined ratio was last below the 100% benchmark in 2014, at 97.7%, before rising to 102.6% in 2024 (Insurance Regulatory Authority, 2015, 2025b). This persistent pattern raises an important concern as to whether premium expansion translates into improved underwriting performance or whether growth achieved through competitive pricing and weak risk selection exposes insurers to further underwriting losses. Although premium growth has been examined in relation to broader financial performance, limited empirical evidence establishes its individual relationship with underwriting performance in Kenya using an underwriting-focused measure. This study therefore examines the relationship between premium growth and the underwriting performance of insurance companies in Kenya over the period 2014–2024.Against this background, this paper examines the individual relationship between premium growth and underwriting performance among Kenyan insurers over the period 2014–2024. It tests the following null and alternative hypotheses:

H_0: There is no significant relationship between premium growth and underwriting performance of insurance companies in Kenya.

H_1: There is a significant relationship between premium growth and underwriting performance of insurance companies in Kenya.

Literature Review

Theoretical foundation

The analysis is informed by Financial Distress Theory and Risk Capital Theory, which provides an interpretive foundation for understanding the relationship between premium growth and underwriting performance. Financial Distress Theory explains how weaknesses in a firm's financial position and growing obligations can threaten its ability to meet commitments (Altman, 1968; Gordon, 1971). In insurance, rapid premium growth may strengthen financial resilience by expanding premium income or intensify financial vulnerability when growth is achieved through inadequate pricing and poor risk selection. An insurer facing financial pressure may be tempted

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to reduce prices to attract business, potentially increasing exposure to risks for which premiums are insufficient. Risk Capital Theory emphasises that firms need to hold capital in proportion to the risks they undertake (Erel et al., 2015). From this perspective, premium growth should be supported by adequate capital, appropriate pricing and effective risk selection to ensure that the risks assumed remain within the insurer's capacity to absorb potential losses. However, since capital adequacy, solvency capacity and pricing adequacy are not independently operationalised in the present analysis, the two theories serve as interpretive background rather than empirically tested explanatory mechanisms.

The relationship between premium growth and underwriting performance can further be understood through the underwriting-cycle literature, which distinguishes between soft and hard market conditions. During soft markets, increased competition among insurers may encourage aggressive pricing, reduced premium rates and relaxed underwriting standards as companies seek to expand market share. Such conditions may result in premium growth that is not commensurate with the risks assumed, potentially increasing claims costs relative to premiums and worsening the combined ratio. Conversely, hard market conditions are generally characterised by increased premium rates, tighter underwriting standards and more selective risk acceptance, which may support improved underwriting margins. Consequently, premium growth does not necessarily translate into improved underwriting performance, as its relationship with the combined ratio may be influenced by prevailing market conditions, pricing decisions and the quality of underwriting practices. Taken together, these theoretical and conceptual perspectives provide a basis for examining the relationship between premium growth and underwriting performance among insurance companies in Kenya.

Premium Growth and Underwriting Performance

Premium growth can influence underwriting performance through both revenue and cost channels. An expanding premium base may spread fixed management expenses over a larger volume of business and improve the expense component of the combined ratio. However, if growth is achieved through price reductions or inadequate risk assessment, the premiums collected may not be sufficient to meet future claims. Harrington and Danzon (1994) describe price cutting in liability insurance markets and provide a basis for understanding why insurers under financial pressure may pursue premium volume at the expense of adequate pricing. Akotey et al. (2023), examining 34 Ghanaian insurers from 2007 to 2017, found that expanding market share through overtrading added nothing to underwriting profitability, consistent with premiums being too low for the risks written.

These relationships can also be understood in the context of competitive underwriting-market conditions. During periods of intense competition, insurers may reduce premium rates and relax underwriting standards to attract business and increase market share. Such practices can result in premium growth that is not supported by commensurate pricing and risk selection. Conversely, disciplined premium expansion, supported by appropriate pricing and effective underwriting controls, may improve the expense efficiency of the insurance business. Harrington and Danzon (1994) provide a basis for understanding the pricing pressures that can accompany competition, while Akotey et al. (2023) demonstrate the potential underwriting implications of overtrading. These perspectives suggest that the relationship between premium growth and underwriting performance depends not only on the volume of premiums generated but also on the quality and pricing of the risks accepted.

Direct evidence on underwriting performance is mixed. Horvey and Odei-Mensah (2025) examined 62 life and 71 non-life insurers in South Africa over 2013–2019 and reported that premium growth was associated with weaker underwriting performance in both segments. Their dynamic approach allowed underwriting performance to persist over time and therefore captured a different temporal relationship from a same-year static model. Chen and Shiu (2025), examining

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US property-casualty insurers, expected premium growth to raise the combined ratio but did not report a statistically significant relationship. These findings indicate that the relationship may depend on market conditions, insurance segment and the timing over which premiums and claims are observed.

Akotey et al. (2023) provide further evidence from an African insurance market, demonstrating that premium expansion through overtrading does not necessarily translate into improved underwriting profitability. Their findings are particularly relevant because they relate premium growth to underwriting outcomes rather than relying exclusively on broader accounting profitability measures. Taken together, the findings of Horvey and Odei-Mensah (2025), Akotey et al. (2023), and Chen and Shiu (2025) demonstrate that premium growth does not have a uniform relationship with underwriting performance. While some studies identify adverse relationships associated with under-pricing and overtrading, others report statistically insignificant relationships, suggesting that the relationship warrants examination within different insurance markets and regulatory environments.

Studies using accounting profitability measures have more often reported positive or mixed relationships. Mukami (2022), studying 56 Kenyan insurers from 2015 to 2020, found that premium growth had a positive and statistically significant relationship with financial performance. Agboola et al. (2020) reported a positive and significant relationship between premium growth and financial performance among listed Nigerian insurers. Pramusinta and Aryani (2023) found a positive relationship between net premium growth and financial performance among selected ASEAN insurers, while Sasidharan et al. (2023) found that premium growth was positively related to ROA among Indian general insurers but was not among the significant determinants of ROE. These studies are relevant but use profitability outcomes that incorporate investment income and other accounting effects; they do not directly establish the relationship with underwriting performance.

Additional Kenyan evidence is provided by Wainaina (2023), who examined premium growth alongside underwriting risk, solvency and firm size, with market share as a moderating variable. The study reported a positive and statistically significant relationship between premium growth and financial performance in the baseline model, although the relationship was no longer statistically significant after incorporating market share. This finding illustrates how the relationship between premium growth and broader financial performance may vary with model specification. Morara and Sibindi (2021) also provide relevant Kenyan evidence by examining underwriting risk using the combined ratio alongside broader profitability measures. However, their study does not directly establish the individual relationship between premium growth and underwriting performance. These Kenyan studies provide useful contextual evidence, but their different explanatory variables and performance measures limit the extent to which their findings can be directly compared with studies examining premium growth against underwriting performance.

The distinction between underwriting performance and accounting profitability is particularly important when interpreting these findings. Although premium growth may increase revenue and the funds available for investment, this does not necessarily indicate that the additional insurance business generates adequate underwriting margins. ROA and ROE incorporate investment income and other accounting components, whereas the combined ratio focuses on claims and underwriting expenses relative to earned premiums. Consequently, positive relationships reported in studies using accounting profitability measures cannot automatically be interpreted as evidence of improved underwriting performance.

The evidence therefore does not support a uniform conclusion. Positive relationships reported in studies using ROA or broader financial performance measures may reflect the contribution of premium growth to revenue and investment funds, while direct underwriting studies identify the

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risk that growth may be achieved through underpricing or may bring claims that emerge later. The Kenyan evidence is particularly relevant but remains limited in relation to underwriting-focused performance measurement. Mukami (2022) and Wainaina (2023) establish that premium growth has been examined among Kenyan insurers, although their studies use broader financial performance measures. Morara and Sibindi (2021) incorporate the combined ratio in examining underwriting risk, but do not directly investigate premium growth as an individual explanatory variable for underwriting performance. Furthermore, the direct underwriting performance evidence from Ghana, South Africa and the United States cannot automatically be generalized to Kenya because of differences in market structures, regulatory frameworks and insurance business composition. The empirical gap therefore concerns the limited evidence establishing the individual relationship between premium growth and underwriting performance among Kenyan insurers using an underwriting-focused performance measure.

The present study addresses this empirical and measurement gap by examining the relationship between premium growth and underwriting performance among insurance companies in Kenya over the period 2014–2024. Underwriting performance is measured using a normalised index derived from the combined ratio and a corresponding proxy for life insurers. By focusing on underwriting outcomes rather than conventional accounting profitability measures, the study provides evidence on whether premium expansion is associated with changes in underwriting performance within the Kenyan insurance market.

Research Gap and Hypothesis

The empirical gap concerns the limited evidence on the individual relationship between premium growth and underwriting performance in Kenya. The contextual gap arises because direct findings from South Africa, Ghana and the United States may not transfer to Kenya, where market structure, pricing conditions and the mix of life and general business differ. The measurement gap arises because Kenyan studies, including Mukami (2022) and Wainaina (2023), have principally examined accounting financial performance rather than a direct underwriting performance measure. This paper addresses these gaps by testing the relationship between premium growth and underwriting performance among Kenyan insurers over 2014–2024. The null hypothesis is: H03: There is no significant relationship between premium growth and underwriting performance of insurance companies in Kenya.

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Method

Research Design and Data

The study used a convergent parallel mixed-methods design. The secondary panel data were the principal basis for testing the hypothesis, while survey responses and open-ended comments provided complementary evidence. The target population comprised 59 insurer licence units held by 56 companies licensed by the Insurance Regulatory Authority in 2025. Secondary data were extracted from the Authority's annual reports and statistics for 2014–2024. The final analytical panel contained 567 complete company-year observations from 57 licence units (See appendix A). The primary data were collected through structured questionnaires administered to senior

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managers responsible for finance, risk and compliance, investment and underwriting. The primary data were collected using a semi-structured questionnaire administered to managers of insurance companies in Kenya. The sampling frame comprised 224 managerial positions across 56 distinct insurance companies, with four targeted managers per company drawn from the finance, underwriting, risk and compliance, and investment functions. These respondents were purposively selected based on their managerial responsibilities and involvement in relevant financial and operational decisions. The sampling approach ensured that participants possessed the knowledge and experience necessary to provide informed assessments of capital adequacy, claims reserves, premium growth, reinsurance, regulatory reforms and financial performance. Of the 224 targeted managers, 194 returned valid questionnaires, representing a response rate of 86.61%. The questionnaire was developed around the study objectives, conceptual framework and selected study variables. It comprised closed-ended statements and open-ended questions to capture both measurable assessments and managers' explanations of the factors influencing insurance company performance. The closed-ended statements were measured using a five-point Likert scale ranging from 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree) to 5 (strongly agree). The instrument was subjected to expert review by academic supervisors and insurance and finance practitioners to establish content validity. A pilot study involving 22 managers from six insurance companies was conducted between 7 and 21 January 2026. Feedback from the pilot informed minor refinements to the wording and clarity of selected questions before the main survey.

The reliability of the questionnaire was assessed using Cronbach's alpha coefficients based on the pilot responses. The results demonstrated acceptable internal consistency across all constructs: capital adequacy ($\alpha = 0.754$), premium growth ($\alpha = 0.840$), claims reserve adequacy ($\alpha = 0.831$), reinsurance practices ($\alpha = 0.716$), regulatory reforms ($\alpha = 0.745$) and financial performance ($\alpha = 0.916$). Construct validity was further assessed using the Kaiser-Meyer-Olkin (KMO) measure, Bartlett's test of sphericity and communalities. The KMO values ranged from 0.646 to 0.729, while Bartlett's tests were statistically significant across all constructs ($p < 0.05$), supporting the suitability of the items for factor analysis.

The main survey was administered between February and April 2026 using both electronic and paper-based approaches. Fifty-nine valid questionnaires were received through Google Forms between 25 February and 10 March 2026, while a further 135 valid questionnaires were collected through the drop-and-pick method, supported by four trained research assistants. The respondents comprised 99 males (51%) and 95 females (49%). In terms of organisational position, 123 (63.4%) were middle-management employees, while 71 (36.6%) held senior-management positions. Regarding educational attainment, 70.1% held bachelor's degrees, 13.9% master's degrees, 7.2% diplomas, 4.1% doctorates and 4.6% other professional qualifications. The largest age group was 30–39 years (36.6%), followed by 40–49 years (35.1%), 50–59 years (22.7%), below 30 years (4.6%) and 60 years and above (1.0%).

Ethical approval was obtained from the USIU-Africa Institutional Scientific and Ethics Review Committee (ISERC) on 15 December 2025 (Approval No. USIU-A/ISERC/US1258-2025), followed by a research licence from the National Commission for Science, Technology and Innovation (NACOSTI) on 7 January 2026 (Licence No. NACOSTI/P/26/4183119). Participation was voluntary, and informed consent was obtained from all respondents before questionnaire administration. Confidentiality and anonymity were maintained, and the collected information was used exclusively for academic purposes. All 194 respondents answered the premium growth questions, including the open-ended question on the main challenges or influences relating to premium growth. The qualitative responses were analysed thematically to identify recurring issues concerning market competition and price sensitivity, profitable growth versus topline growth, and pricing discipline and portfolio quality. These responses provided contextual explanations of the quantitative findings on premium growth and underwriting performance.

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Measurement of Variables

Premium growth was measured as the annual percentage change in gross written premiums, calculated as a decimal ratio, with 0.10 representing a 10-percentage-point increase; it was retained in its original level form because it was stationary and was not detrended. Unit-specific linear trends were removed from the capital adequacy, claims reserve and reinsurance ratios while retaining their means. Underwriting performance was measured using the combined ratio for general insurers, calculated as net claims incurred plus underwriting and management expenses divided by net earned premium. For life insurers, a corresponding proxy was used, based on net claims incurred, net commissions and management expenses related to net premiums. Specifically, the 567 combined ratio observations for both general and life insurers across the 2014–2024 period were ranked jointly from lowest to highest, and each rank was converted into its corresponding standard normal score using the rank-based inverse normal transformation, \(Y=\Phi^{-1}[(r-0.5)/N]\), where \(r\) represents the rank and \(N=567\). Thus, the index was pooled across both classes of business and all study years rather than standardised separately by segment or year. Given the differences between the general-insurance combined ratio and the life insurance proxy, the analysis was also conducted separately for general and life insurers to assess whether the relationships were consistent across the two classes of business. Extreme observations were not winsorised; instead, a sensitivity analysis excluded observations outside the 1st and 99th percentiles. Year effects were included in the robustness moderation model to account for common annual shocks, including the 2023 IFRS 17 transition. The fixed-effects specification was retained over random effects following significant Hausman and robust Mundlak tests, which indicated that unobserved insurer-specific effects were correlated with the explanatory variables (Hausman: $\chi^2(4) = 31.23$, $p < 0.001$; Mundlak: $\chi^2(4) = 38.36$, $p < 0.001$).

Analytical Strategy

For the survey strand, Pearson correlation and simple linear regression were used to assess the relationship between managers' premium growth practice ratings and perceived financial performance. Descriptive statistics summarised managers' views on premium growth, pricing discipline and portfolio management. Open-ended responses were analysed thematically. The panel model determined the hypothesis decision, while the survey and qualitative findings were used to corroborate and explain the result.

The relationship between premium growth and underwriting performance was estimated using the following fixed-effects panel regression equation:

$$Underwriting\ Perfomance\ it = \beta 0 + \beta 1 Premium\ Growth + \mu i + \varepsilon it$$

Standard errors were clustered at the insurer licence-unit level to account for potential heteroscedasticity and serial correlation within insurers over time. The model was deliberately specified as a bivariate fixed-effects regression to examine the individual within-insurer relationship between premium growth and underwriting performance. Other financial stability factors and additional firm-level or macroeconomic variables were not included as controls because the paper focuses on the individual relationship between premium growth and underwriting performance. Consequently, the coefficient is interpreted as a within-insurer association rather than a causal effect.

Diagnostic Checks for the Survey Regression

Diagnostic tests were conducted to assess the assumptions and adequacy of the simple linear regression model. The Shapiro–Wilk test ($W = 0.983$, $p = 0.020$) and Kolmogorov–Smirnov test ($D = 0.105$, $p < 0.001$) rejected residual normality, although the distribution showed modest skewness (−0.36) and kurtosis (3.06). The Ramsey RESET test was statistically significant ($F(2, 190) = 6.44$, $p = 0.002$), indicating possible model misspecification; consequently, the estimated coefficient is interpreted as an average association. The Breusch–Pagan test did not indicate heteroscedasticity ($\chi^2(1) = 0.94$, $p = 0.333$). The Durbin–Watson statistic was 1.168, suggesting possible within-

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company dependence. Examination of influential observations showed that the largest absolute standardised residual was 2.98, with no observation exceeding ±3, while the maximum Cook's distance was 0.027, indicating no evidence of an unduly influential observation.

Results

Survey Perceptions of Premium Growth

The aggregate mean for the five premium growth statements was 3.51 (SD = 0.64), indicating that respondents generally regarded premium growth as an important factor in insurers' financial performance. The highest mean was recorded for the statement that growth in premiums enhances financial performance (M = 3.76, SD = 0.64). Portfolio mix management to support sustainable growth (M = 3.61) and disciplined pricing strategies (M = 3.60) were also rated positively. Consistent growth in gross written premiums recorded a mean of 3.57 (SD = 0.68). However, the statement that high premium growth improves underwriting results recorded the lowest mean (M = 3.03, SD = 0.52), suggesting that respondents did not necessarily associate higher premium growth with improved underwriting outcomes.

Table 1: Descriptive statistics for premium growth (primary data)

Statement	N	Mean	SD
Gross written premiums have increased consistently over recent years	194	3.570	0.681
Growth in premiums enhances the company's financial performance	194	3.760	0.640
High premium growth improves underwriting results	194	3.030	0.523
Premium growth is supported by disciplined pricing strategies	194	3.600	0.670
Portfolio mix is actively managed to support sustainable premium growth	194	3.610	0.698
Aggregate	194	3.514	0.642

Note. The statements were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

The descriptive findings indicate that managers viewed premium growth as important to financial performance, while recognising that growth must be supported by disciplined pricing and effective portfolio management. The relatively low mean for the statement that high premium growth improves underwriting results reinforces the distinction between increasing premium volume and achieving technically sound growth.

Correlation and Survey Regression

The correlation between managers' premium growth ratings and perceived financial performance was positive and statistically significant ($r = 0.682$, $p < 0.001$; $N = 194$). The simple regression model had $R = 0.682$ and $R^2 = 0.465$, indicating that premium growth explained 46.5% of the variation in managers' perceived financial performance. The model was statistically significant, $F(1, 192) = 167.058$, $p < 0.001$. The premium growth coefficient was $B = 0.598$ ($SE = 0.046$; $\beta = 0.682$; $t = 12.925$; $p < 0.001$).

Table 2: Correlation and regression results for premium growth and perceived financial performance

Statistic	Estimate
Pearson correlation (r)	0.682 ($p < 0.001$; $N = 194$)
Model R	0.682
R^2 / Adjusted R^2	0.465 / 0.462
F statistic	167.058 ($df = 1, 192$; $p < 0.001$)
Regression coefficient (B)	0.598 ($SE = 0.046$)
Standardised coefficient (β)	0.682
t statistic	12.925 ($p < 0.001$)
Constant	1.574 ($SE = 0.164$; $p < 0.001$)

The coefficients show a positive association between managers' premium growth ratings and perceived financial performance. A one-unit increase in the premium growth score was associated with an increase of 0.598 in the perceived financial performance score. This survey result concerns

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managers' perceptions and is supplementary; the hypothesis is tested using the secondary panel data.

Panel Regression: Premium Growth and Underwriting Performance

The bivariate fixed-effects panel model used 567 company-year observations from 57 licence units. The coefficient on the detrended premium growth rate was −0.503 (robust SE = 0.108; t = −4.67; p < 0.001; 95% CI [−0.719, −0.287]). Because a higher normalised index represents a higher combined ratio and weaker underwriting performance, the negative coefficient indicates that higher premium growth was associated with stronger underwriting performance within insurers over time. Premium growth was measured as a decimal ratio rather than a percentage expressed on a 0–100 scale. Accordingly, a ten-percentage-point increase in premium growth corresponds to a 0.10 increase in the measured variable. Given the estimated coefficient of −0.503, this increase was associated with a reduction of approximately 0.050 index units (0.10 × −0.503 = −0.0503) in the normalised underwriting performance index. Since the index has a standard deviation of approximately 1.00, this represents a change of approximately 0.05 standard deviations. Relative to the within-insurer standard deviation of premium growth (1.6678), a 0.10 increase represents approximately 0.06 standard deviations. The magnitude is therefore modest, although the relationship is statistically significant (p < 0.001).The within R^2 was 0.082, indicating that premium growth alone explained 8.2% of the within-insurer variation in underwriting performance. The model F statistic was 21.77 (p < 0.001).

Table 3: Bivariate fixed-effects panel regression: premium growth and underwriting performance

Statistic	Estimate
Premium growth coefficient	−0.503
Cluster-robust standard error	0.108
t statistic	−4.67
p-value	<0.001
95% confidence interval	−0.719 to −0.287
Constant	0.092
Observations	567
Licence units	57
Within R^2	0.082
Between R^2	0.022
Overall R^2	0.025
F(1, 56)	21.77
Prob > F	<0.001

Note. Dependent variable: normalised combined ratio index. Standard errors clustered by licence-unit.

At the 5% significance level, the null hypothesis of no significant relationship was rejected *(coefficient = −0.503, p < 0.001).*

Premium Growth and Underwriting Performance by Class of Business

To further examine whether the relationship between premium growth and underwriting performance differs between general and life insurers, the study estimated separate fixed-effects regression models for the two classes of business. The results are presented in Table 4.

Table 4: Fixed-Effects Results for Premium Growth by Class of Business

Variable	General insurers	Life insurers
Premium growth	−0.402 (0.250)	−0.455*** (0.112)
Observations	346	221
Licence units	34	23
Within R-squared	0.120	0.164

*Note: Coefficients are reported with clustered standard errors in parentheses. *** p < 0.01; ** p < 0.05.*

At the 5% significance level, premium growth has a statistically significant negative relationship with the normalised combined ratio index among life insurers, but not among general insurers.

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Since a lower index indicates stronger underwriting performance, the findings suggest that premium growth is associated with stronger underwriting performance among life insurers, but the evidence is insufficient to establish a statistically significant relationship among general insurers.

Qualitative Findings

All 194 respondents answered the open-ended question on premium growth. The responses were transcribed verbatim and analysed using reflexive thematic analysis, following Braun and Clarke's (2022) six phases: familiarisation with the data, generation of initial codes, construction of candidate themes, review of themes against the data, definition and naming of themes, and writing up. The analysis involved reading the responses in full, identifying recurring patterns, grouping related codes and reviewing the resulting themes against the original responses. Verbatim extracts were retained to illustrate the themes and preserve respondents' perspectives. Three themes emerged from the open-ended responses: market competition and price sensitivity; profitable growth versus topline growth; and pricing discipline and portfolio quality. Respondents acknowledged that premium growth expands the revenue base and can support financial performance, but emphasised that growth must be sustainable and technically sound. They distinguished between increasing gross written premiums and achieving growth that improves underwriting and profitability. The first theme concerned market competition and price sensitivity. Respondents described aggressive competition, customer bargaining behaviour and limited willingness to pay for insurance. They noted that competition can pressure insurers to reduce premiums to retain or attract business, potentially weakening pricing discipline. The second theme was profitable growth versus topline growth. Respondents cautioned that growth achieved through under-pricing or poor risk selection may increase exposure to high-risk policies without adequate premiums. The third theme was pricing discipline and portfolio quality. Managers emphasised disciplined pricing, strong underwriting controls and active portfolio mix management, noting that not all premium income represents equally good business. These themes indicate that growth contributes to performance when the risks written are appropriately selected and priced.

Integration of Primary and Secondary Findings

The primary and secondary findings provide complementary insights into the relationship between premium growth and performance, although they measure different constructs and use different units of analysis. The survey findings indicate a positive association between managers' ratings of premium growth and their perceived financial performance ($r = 0.682$, $p < 0.001$), with the simple regression also showing a positive and statistically significant coefficient ($B = 0.598$, $p < 0.001$; $R^2 = 0.465$). However, these results reflect managers' perceptions rather than objectively measured underwriting performance. Furthermore, the survey item relating specifically to underwriting results had a mean score of 3.03, which is close to the midpoint of the measurement scale and does not provide clear support for the panel finding.

In contrast, the secondary panel analysis established a negative and statistically significant relationship between detrended premium growth and the normalised combined ratio index ($B = -0.503$, $SE = 0.108$, $t = -4.67$, $p < 0.001$). Since lower values of the index represent stronger underwriting performance, the result indicates that higher premium growth was associated with stronger underwriting performance within insurers over the study period. The within R^2 of 0.082 indicates that premium growth alone explained 8.2% of the within-insurer variation in the index. The qualitative findings provide further context for interpreting these results. Managers distinguished between profitable growth and growth achieved through under-pricing, emphasizing the importance of pricing discipline, risk selection and portfolio quality. These explanations help contextualise the panel findings by highlighting the conditions under which premium growth may be associated with stronger underwriting performance. Nevertheless, the qualitative and survey findings do not independently establish the relationship observed in the

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panel analysis. The null hypothesis was therefore rejected based on the secondary panel results, which indicated a statistically significant relationship between premium growth and underwriting performance. This finding should be interpreted as an association within the year in which growth occurs and does not establish that growth will improve underwriting performance over the full period in which claims from newly written business emerge.

Discussion

The panel analysis established a negative and statistically significant relationship between premium growth and the normalised underwriting performance index among Kenyan insurers over 2014–2024 ($\beta = -0.503$, $p < 0.001$). Since a lower index represents a lower combined ratio and stronger underwriting performance, the finding indicates that faster premium growth was associated with stronger underwriting performance in the year of growth. The survey evidence points in the same direction: managers who rated their companies' premium growth more favourably also reported better financial performance ($B = 0.598$, $p < 0.001$). Premium growth was the strongest relationship in the survey and the only significant factor when the four survey scores were entered together. The within R^2 of 0.082 nevertheless indicates that premium growth alone explains a limited share of within-insurer variation; underwriting performance is also influenced by claims experience, expenses, pricing, portfolio composition and other factors.

The finding differs from the direct underwriting performance evidence reported by Horvey and Odei-Mensah (2025), who found that premium growth was associated with weaker underwriting performance in both life and non-life insurers in South Africa. Akotey et al. (2023) also found that market share expansion through overtrading did not improve underwriting profitability in Ghana. These results need not be irreconcilable. The present study estimates a static same-year relationship, whereas a dynamic approach can capture the persistence of underwriting performance and the later emergence of claims associated with newly written business. Growth may improve the combined ratio in the year it is written because premium is earned and fixed expenses are spread over a larger base, while under-priced growth may weaken underwriting results when claims emerge in subsequent years. The present study did not test that later effect. Chen and Shiu (2025) did not find a statistically significant relationship between premium growth and the combined ratio among US property-casualty insurers, illustrating that the relationship is not uniform across markets and specifications. Kenyan evidence from Mukami (2022) is directionally consistent, although that study used broader financial performance measures. The qualitative findings in the present study reinforce the importance of distinguishing profitable growth from topline growth: competition and price sensitivity can encourage under-pricing, while disciplined pricing, sound risk selection and portfolio quality determine whether growth creates value.

Conclusion

The study found a statistically significant relationship between premium growth and underwriting performance of insurance companies in Kenya. The negative coefficient on the normalised combined ratio index (-0.503, $p < 0.001$) indicates that faster premium growth was associated with stronger underwriting performance in the year of growth. The survey findings corroborated this relationship, while managers' qualitative responses emphasised that premium growth must be supported by pricing discipline and portfolio quality. H03 was rejected. The conclusion is limited to the contemporaneous relationship examined: the study did not establish whether growth is followed by weaker underwriting results as claims from newly written business emerge in later years.

Theoretical Implications

The findings are consistent with the conditional logic of Financial Distress Theory and Risk Capital Theory. Growth can strengthen an insurer's revenue base and spread fixed expenses, but growth that is not supported by adequate pricing, risk selection and capital may increase financial

vulnerability. The observed same-year relationship suggests that the revenue and expense effects associated with premium growth were reflected in underwriting performance within the period measured. However, this finding should not be interpreted as empirical support for the conditional propositions of Financial Distress Theory or Risk Capital Theory, since the study did not measure or test capital adequacy, pricing adequacy or financial distress as conditioning factors in the relationship. Rather, the theories provide a conceptual basis for understanding the potential relationship between financial stability factors and underwriting performance, while the present findings establish only the observed association between premium growth and underwriting performance within the study period. The theories should therefore not be interpreted as predicting that premium expansion is automatically beneficial; the quality and risk characteristics of the additional business remain important.

Managerial Implications

Insurers should pursue premium growth while maintaining pricing discipline and sound risk selection. Growth targets should be assessed alongside the adequacy of premiums relative to expected claims and underwriting expenses, rather than by gross written premium volume alone. Management should monitor the claims experience and combined ratios of new business over subsequent years, separately by class of business and distribution channel, to identify whether rapid growth is followed by adverse underwriting outcomes. Portfolio mix, underwriting controls and claims trends should inform decisions on where and how to expand.

Policy Implications

The Insurance Regulatory Authority should emphasise sound underwriting practices and prudent premium growth, given the significant relationship between premium growth and underwriting performance established in this study. Regulatory oversight should encourage appropriate pricing and risk selection to ensure that premium expansion is accompanied by sound underwriting practices. The Authority could also consider using portfolio-level IFRS 17 information to monitor growth, pricing adequacy and claims experience across business classes over successive reporting years. However, this proposed monitoring approach extends beyond the present study, which used company-level aggregated data and did not examine business-class performance or subsequent claims effects.

Limitations and Suggestions for Further Research

This study was limited by the use of company-level aggregated data, which did not allow premium growth and underwriting performance to be examined across individual business classes, products or distribution channels. Furthermore, the analysis focused on the contemporaneous relationship between premium growth and underwriting performance and did not establish the effects of growth on subsequent claims experience. The findings should therefore be interpreted within the scope of the data and period examined. Future studies should examine whether premium growth is followed by weaker underwriting results in later years as claims from newly written business emerge. Dynamic panel models could distinguish the contemporaneous relationship from lagged effects. Further research should also disaggregate premium growth by life and general business, product class, distribution channel, renewal and new business, and pricing adequacy. Such analysis would help establish whether the observed same-year relationship persists over the full development period of the business written.

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Appendices

Appendix A: Classification of the Licence Units and Their Use in the Panel

No.	License unit	Composite	Earlier name in IRA reports	Years reported	Years used
General insurers					
1	AAR Insurance (Kenya) Limited			2014–2024 (11)	11
2	Africa Merchant Assurance Company Limited			2014–2024 (11)	11
3	NCBA Insurance Company Limited		AIG Insurance Company	2014–2024 (11)	11
4	APA Insurance Limited			2014–2024 (11)	11
5	Britam General Insurance Company (K) Limited		British American Insurance Company	2014–2024 (11)	11
6	Cannon General Insurance Company Limited		Metropolitan Cannon General Insurance	2014–2024 (11)	10
7	CIC General Insurance Limited			2014–2024 (11)	11
8	Corporate Insurance Company Limited			2014–2024 (11)	11
9	Directline Assurance Company Limited			2014–2024 (11)	11
10	Definite Assurance Company Limited			Not reported	0
11	Equity General Insurance (Kenya) Limited			2024 (1)	0
12	Fidelity Shield Insurance Company Limited			2014–2024 (11)	11
13	First Assurance Company Limited			2014–2024 (11)	11
14	GA Insurance Limited			2014–2024 (11)	11
15	Geminia Insurance Company Limited			2014–2024 (11)	11
16	ICEA LION General Insurance Company Limited			2014–2024 (11)	11
17	Intra Africa Assurance Company Limited			2014–2024 (11)	11
18	Jubilee Allianz General Insurance Limited		Jubilee Insurance Company; Jubilee General Insurance	2014–2024 (11)	10
19	Jubilee Health Insurance Limited			2019–2024 (6)	5
20	Kenindia Assurance Company Limited	Yes		2014–2024 (11)	11
21	Kenya Orient Insurance Limited			2014–2024 (11)	11
22	Madison General Insurance Kenya Limited		Madison Insurance Company	2014–2024 (11)	11
23	Mayfair Insurance Company Limited			2014–2024 (11)	11
24	MUA Insurance (Kenya) Limited		Phoenix of East Africa Assurance Company	2014–2024 (11)	9
25	Occidental Insurance Company Limited			2014–2024 (11)	11
26	Old Mutual General Insurance Kenya Limited		UAP Insurance Company	2014–2024 (11)	10
27	Pacis Insurance Company Limited			2014–2024 (11)	11
28	Pioneer General Insurance Limited		Pioneer Insurance Company	2016–2024 (9)	7
29	Sanlam General Insurance Company Limited		Gateway Insurance Company	2014–2024 (11)	11
30	Star Discover Insurance Limited			2023–2024 (2)	1 †

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No.	License unit	Composite	Earlier name in IRA reports	Years reported	Years used
31	Takaful Insurance of Africa Limited			2014–2024 (11)	11
32	Tausi Assurance Company Limited			2014–2024 (11)	11
33	The Heritage Insurance Company Limited			2014–2024 (11)	11
34	The Kenyan Alliance Insurance Company Limited	Yes		2014–2024 (11)	11
35	The Monarch Insurance Company Limited	Yes		2014–2024 (10)	9
36	Trident Insurance Company Limited			2014–2023 (10)	10
Life insurers					
1	ABSA Life Assurance Kenya Limited		Barclays Life Assurance	2015–2024 (10)	9
2	APA Life Assurance Limited			2014–2024 (11)	11
3	Britam Life Assurance Company (K) Limited		British American Insurance Company (life)	2014–2024 (11)	11
4	Cannon Life Assurance (K) Limited		Metropolitan Life Assurance; Metropolitan Cannon Assurance	2014–2024 (10)	9
5	Capex Life Assurance Company Limited			2014–2024 (11)	11
6	CIC Life Assurance Limited			2014–2024 (11)	11
7	Equity Life Assurance (Kenya) Limited			2022–2024 (3)	2 †
8	GA Life Assurance Limited			2014–2024 (11)	11
9	Geminia Life Insurance Company Limited			2014–2024 (11)	11
10	ICEA LION Life Assurance Company Limited			2014–2024 (11)	11
11	Jubilee Life Insurance Limited		Jubilee Insurance Company (life business)	2014–2024 (11)	11
12	Kenindia Assurance Company Limited	Yes		2014–2024 (11)	11
13	Kenya Orient Life Assurance Limited			2014–2024 (11)	10
14	KUSCCO Mutual Assurance Limited			2019–2024 (6)	5
15	Liberty Life Assurance Kenya Limited			2014–2024 (11)	11
16	Madison Life Assurance Kenya Limited		Madison Insurance Company (life business)	2014–2024 (11)	11
17	Old Mutual Life Assurance Kenya Limited		UAP Life Assurance Company	2014–2024 (11)	10
18	Pioneer Assurance Company Limited			2014–2024 (11)	11
19	Prudential Life Assurance Kenya Limited			2014–2024 (11)	11
20	Sanlam Life Insurance Limited		Pan Africa Insurance Company	2014–2024 (11)	11
21	Star Discover Life Insurance Limited			2023–2024 (2)	1 †
22	The Kenyan Alliance Insurance Company Limited	Yes		2014–2024 (11)	11
23	The Monarch Insurance Company Limited	Yes		2014–2024 (11)	10

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Appendix B: Company-Years by Reporting Year and Class of Business (Secondary Data)

Year	General: reported	General: used	Life: reported	Life: used	Total used
2014	31	28	19	17	45
2015	31	31	20	19	50
2016	32	31	20	20	51
2017	32	31	20	20	51
2018	32	32	20	20	52
2019	33	32	20	19	51
2020	33	33	21	20	53
2021	33	33	21	21	54
2022	32	32	22	21	53
2023	34	30	23	21	51
2024	34	33	23	23	56
Total	357	346	229	221	567