

## **INFLUENCE OF CO-INSURANCE OF LARGE RISKS ON THE PERFORMANCE OF INSURANCE FIRMS IN KENYA**

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### **Abstract**

*The use of horizontal alliance among insurance firms creates internal capital markets that substitute for well-developed external capital and corporate debt markets. Furthermore, the risk sharing and pooling activities of the horizontal groups take over some of the functions of a market for corporate control. The objective of this paper was to establish the influence of the co-insurance of large risks of alliance partners on the performance of insurance firms in Kenya. The study used a cross-sectional descriptive survey research design and the target population was 44 insurance firms. Purposive sampling was used to select four respondents from each insurance company that is General Manager in charge of technical Operations, Underwriting Manager, Claims Manager and Marketing Manager giving a sample total of 176 respondents. This study used primary data through administration of self-designed questionnaires. Descriptive statistics conducted were frequencies, percentages, means and standard deviation while inferential statistics consisted of correlation and regression analysis. The findings indicated a strong positive significant linear relationship between co-insurance of large risks and performance of insurance firms. There is therefore a need for insurance firms to reduce premium bills, mitigate the legal costs of litigation and settlement of claims, lower operational*

*expenses owing to shared economies of scale, unravel the technical complexities of large scale projects which is achievable through co-insurance by formation of alliances.*

*Keywords: Co-insurance of large risks, Insurance Firms, Performance, Horizontal alliance, Settlement of claims*

## **INTRODUCTION**

Bengtsson and Kock (2000) observe that markets have been traditionally considered as competitive arenas for companies selling substitute or complementary products. However, competitors can simultaneously co-operate with each other in developing horizontal alliance in which the allied firms contribute similar resources in production processes or R&D (Walley, 2007), to share risks or to enjoy economies of scale, better access to raw materials, lower risks in R&D projects and general gains in productivity, for example. Horizontal alliance can be found in industries ranging from consumer goods and pharmaceuticals to automobiles and air travel (Luo, Rindfleisch & Tse, 2007).

Horizontal alliance can be used to reduce transaction costs, gain access to new technologies or resources, gain access to new geographic and product markets, achieve economies of scale and scope, reduce financial risks, integrate markets and technologies, increase the rate of new product or process development, and reduce the cost or risk of R&D (Luo *et al.*, 2007). Horizontal alliance where all partners cooperate in production and/or development but independently market their products are common in numerous industries. When products are pure substitutes, though, establishing horizontal co-operation is likely to restrict a firm's freedom to exploit alternative customer relationships. An additional problem is that in the long run, horizontal co-operation could result in the lowering of the entry barriers into its home market. Even if the partner presently does not operate in the same market, providing it with scarce skills and information might make it more apt to do so in the future (Hamel, 1991). Such long-term threats might thus restrict the intensity of horizontal co-operation.

Therefore, horizontal alliance as a market entry strategy can be risky for both parties. For instance, the host partner (the firm in the target market) may appropriate the technology of the entrant and become a stronger competitor in the marketplace (Dyer, Kale & Singh, 2001). Alternatively, the entrant firm might learn enough about the target market to go it alone at a future date. Nevertheless, Terpstra and Simonin (1993) suggest that these distribution alliances are often used to enter or expand within markets. In a study of North American, Japanese, and Western European firms, they found that over 28% of about 240 complementary partnerships

(e.g., licensing, manufacturing arrangements, and piggybacking alliances) were considered to be distribution arrangements.

The horizontal alliance seems to be an appropriate strategy for mitigating the risk for the incumbents in a market segment or product category. The flexibility intrinsic in horizontal alliance facilitates the testing with new technologies and markets. Demand uncertainty and competitive uncertainty are some of the catalysts that impel competitors into horizontal alliance with each other. Demand uncertainty that arises from unpredictable purchasing patterns and competitive uncertainty that arises from competitive interdependence are high in the initial face of the product cycle, as in the case of a new car segment (Baltas & Saridakis, 2009).

Horizontal alliance, however, is not without critics from the marketing perspective. Associating one brand with another involves a risk that should be addressed. The risk arises not only from possible alliance failure; some authors have suggested that brand alliances should be approached strategically for fear of confounding clients and diluting brand equity (Luo *et al.*, 2007). If the consumer evaluation of the alliance outputs is not favorable, it may result in a failed offering but also original brand associations may suffer. The remedy in circumstances would be for potential partners to assess their individual brand equity before forming alliances so as to put in place appropriate strategies for addressing it in a sustainable manner.

### **Statement of the Problem**

Markets have been traditionally considered as competitive arenas for firms selling substitute or complementary products. However, competitors can simultaneously co-operate with each other in developing horizontal alliance in which the allied firms contribute similar resources in production processes, to share risks or to enjoy economies of scale, better access to raw materials, lower risks in R&D projects and general gains in productivity. Further, alliances make it possible to access and exploit resources owned by other parties and to link the parties' activities together. Co-insurance is an appropriate strategy for mitigating the risk for the incumbents in a market segment or product category. Byeongyong *et al.*, (2013) findings on reinsurance indicate that on average, small insurers relied more on reinsurance and that reinsurance utilization had a statistically significant positive relation to liquidity creation 95% percent of the time. Lydeka and Adomavičius (2007) explored how cooperation between competing firms in Lithuania could be (Confirm APA tense) successfully executed. Their study focused on the international cargo transports sector, but was recommended as applicable to other industries as the factors under investigation were mainly psychological and therefore, universal parameters. Demand uncertainty that arises from unpredictable purchasing patterns and competitive uncertainty that arises from competitive interdependence are high in the initial

face of the product cycle, as in the case of a new car segment thus the need for co-insurance. Despite the fact that studies have been done on the influence of coinsurance of large risks on the performance of insurance firms, very little if any is documented in Kenya. As a result, this study attempts to fill the gap in literature by determining the influence of coinsurance of large risks on the performance of insurance firms in Kenya.

### **Objective of the Study**

The objective of the study was to establish the influence of the co-insurance of large risks of alliance partners on the performance of insurance firms in Kenya.

### **Hypothesis**

$H_{01}$ : There is no significant influence of co-insurance of large risks of alliance partners on the performance of insurance firms in Kenya.

## **LITERATURE REVIEW**

### **The Syncretic Paradigm**

This study adopted the syncretic paradigm which, as Lado, Boyd and Hanlon (1997) observe, holds that in order to achieve above average performance, firms should pursue both competitive and cooperative strategies simultaneously. The syncretic paradigm espouses the benefits offered by both competition and collaboration and points out the risk that managers focusing on competition may tend to ignore the benefits that are offered by collaboration. The syncretic paradigm is a middle ground between the competitive paradigm and the cooperative paradigm. The former holds that firms attain competitive advantage in two key ways, either through achieving some advantageous position in the industry such as cost leadership, differentiation or focus, or through developing and using core competencies to develop superior products and services (Prahalad & Hammel, 1990).

The cooperative paradigm, on the other hand, holds that firms exist in networks characterized by interdependent relationships motivated by a desire to gain collaborative advantages through strategic collaboration (Kanter, 1994). Thus, the syncretic paradigm is a hybrid paradigm that trumpets the benefits of both approaches, which then sees firms as deploying their core competencies to maximize value for both themselves and their competitors. This approach is applicable in the global airline industry.

The syncretic paradigm will be very useful in this study owing to the fact that in reality, firms will always seek innovative ways of operating, in their capacity as independent legal entities. Thus, insurance firms engaged in horizontal alliance will seek to also optimize their

profitability through maintaining and growing their individual market share. Firm performance was a consequence of both competitive and collaborative behavior. The shareholder theory discussed in the next section aptly captures this concern through the observation that managers was motivated to maximize value for shareholders and avoided any alliances that may dilute the market value of the firms stocks. Thus, alliance formation only gains prominence where the firm's management sees opportunities for growth, but does not in any way substitute the firms strategic intent at the point of inception.

### **The Institutional Theory of the Regulatory Authority**

The moderating influence of the regulator (IRA) will be explained through the Institutional Theory. Scott (2008) notes that the institutional theory refers to the role of regulatory policy in exercising control over industries, executed through the formal and legal aspects of Government infrastructure. The theory examines the processes through which Government infrastructure and authority forms an authoritative guideline for institutional and social behavior. In order to survive, and earn legitimacy, insurance firms must conform to the rules and belief systems prevailing in the environment.

The role of Government, both as a facilitator and regulator, exerts a lot of influence on the performance of firms in the insurance sector. This normative influence of government, extended through support and sanction of players in the industry, ensures fair-play, promotes constructive competition and sanctions anti-competitive behavior. Political, economic, social, technological, environmental and legal factors, as manipulated through the legislative mechanism, create industry-centric factors conducive for business (Porter, 1990). This in turn creates competitive advantage for firms that choose to exploit opportunities in these market segments, either singly or through alliances.

Kelly (2004) observes that large risks pose a formidable possibility of loss to both the insurer and the insured, and require a different approach from the traditional insurance arrangement scenario. An example is the insurance of large scale projects such as infrastructure arrangements which require large capital outlays, involve multiple stakeholders and subsequently, require huge insurance covers. In insuring large risks, the traditional approach of providing insurance covers may result in duplication whereby different stakeholders take out and maintain policies that overlap in the risks they cover. Thus, in order to protect themselves and their clients, insurers engage in ceding activities resulting in the use of co-insurance, variously known also as project-, controlled-, consolidated-, wrap-up- or portfolio-insurance (El Adaway & Kandil, 2010).

Ndekugri, Daeche and Zhou (2013) conducted a study entitled the project insurance option in infrastructure procurement. The study employed an exploratory survey research design, with the main research tool being a postal questionnaire. The methodology applied non-probability sampling techniques, these mainly being a combination of accidental, purposive and snowball sampling, while the analysis focused on non-parametric techniques. Among the key respondents were prime/main contractors/sub-contractors/designers; project owners; insurers; and solicitors/project managers.

Co-insurance was found to be an ideal situation given the trend of rising insurance premiums hence the need to reduce premium bills, the need to mitigate the legal costs of litigation and settlement of claims, lower operational expenses owing to shared economies of scale, the need to unravel the technical complexities of large scale projects e.g. design issues in infrastructure, the need to reduce policy excess on premiums paid, reduce exposure to risks posed by moral hazard and adverse selection, and the ability to provide customized covers owing to the use of a few well worded polices (Ndekugri, et al., 2013).

## **RESEARCH METHODOLOGY**

A research design is a plan showing how the research problem will be solved. This study adopted a cross-sectional descriptive survey research design. The study was a cross-sectional survey study since it involves the analysis of data that was collected from a population, or a representative subset, at one specific point in time. The descriptive design was used in this study because of its appropriateness in establishing relationships between variables and facilitating the collection of information for determining the population parameter. This involves quantitative approaches that utilize techniques such as closed ended questionnaires to collect data.

The target population for this study was 44 insurance firms in Kenya and classified into three key sub sectors -General business, Life business and in Composite business. Purposive sampling technique was used to select four respondents from each insurance company. The four respondents were General Manager in charge of technical Operations, Underwriting Manager, Claims Manager and Marketing Manager. This was adopted because of the technical nature of information to be derived from the respondents and there were possibilities that those respondents have adequate knowledge about the influence of horizontal alliance on firm performance in the insurance industry in Kenya.

Table 1: Sample Size

Management Level	Sample per registered Insurance companies (40)	Sample Size
General Manager Operations	1	44
Underwriting Manager	1	44
Claims Manager	1	44
Marketing Manager	1	44
<b>Total</b>	<b>4</b>	<b>176</b>

This study used self-designed questionnaire to collect data. Primary data was collected using a questionnaire, which Pycszak (2010) highlights gives respondents' adequate time to give well thought out answers. The questions in the questionnaire were closed-ended questions. Kothari (2008) noted that using a pre-designed questionnaire ensures that information sought is relevant to the objectives of the research, is standard and focuses the research on collecting the information rather than thinking about what information to collect. Data analysis was executed using descriptive and inferential statistics. Quantitative data analysis was done using Statistical Package for the Social Sciences (SPSS) software Version 22. Descriptive statistics that were used include mean, standard deviation, frequencies and percentages. According to Babbie (2007), descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices or statistics. Mean values informed the researcher on the expected score or measure from a group of scores in a study. Standard deviations will inform the analyst about the distribution of scores around the mean of the distribution. The frequency distribution and percentages recorded the number of times a score occurs and the extent of occurrence of a particular observation respectively.

Inferential analysis included correlation analysis and simple linear regressions helped the researcher understand the causal relationship between firm performance and the independent variables (Sprinthall, 2011).

Model 1 – effect of Co insurance of large risks of alliance partners on the performance of insurance firms in Kenya.

$$Y_1 = \beta_0 + \beta_1(X_1) + e \dots\dots\dots(i)$$

Where:

Y = Firm Performance

X<sub>1</sub> = Co insurance of large risks

β<sub>0</sub> = Model intercept.

β<sub>1</sub> = The beta coefficient of Co insurance of large risks

e = Error term of the model.



## FINDINGS

### Reliability

Kothari (2008) emphasizes the role of piloting in ascertaining the validity and reliability of research instruments. Reliability is a statistical measure of the reproducibility of study data. For quantitative data, reliability was assessed by examining the internal consistency of the study questions. In this study, internal consistency was measured by calculating a statistic known as Cronbach's coefficient alpha. Coefficient alpha measures internal consistency among a group of questions combined to form a single scale. It is a statistic that reflects the homogeneity of the scale. A Cronbach's Alpha coefficient of .70 (70%) or higher was sufficient for the purpose of this evaluation (Kothari, 2008). Results in Table 2 shows that the cronbach's alpha coefficient was 0.839 and was accepted.

Table 2: Co-insurance of large risks

Variable	Cronbach's Alpha	Number of items	Comment
Coinsurance of Large risks	0.839	4	Accepted

### Descriptive Statistics for co-insurance of large risks and the performance of insurance firms in Kenya

The study sought to establish the influence of co-insurance of large risks of alliance partners on the performance of insurance firms in Kenya. The results are shown in Table 3. 55% of the respondents strongly agreed, 25% agreed, 11% neither agreed nor disagreed, 4.7% strongly disagreed and 3.9% disagreed that increased ability to unravel the technical complexities of large scale projects, through co-insurance, increases earnings before profits and taxes, by at least five percent. This implied that most of the respondents strongly agreed that increased ability to unravel the technical complexities of large scale projects, through co-insurance, influences the performance of insurance firms in Kenya.

The research endeavored to find out if re-insurance arrangements occasioned by co-insurance, increases earnings before profits and taxes, by at least five percent. Results indicated that 37% strongly agreed, 44% agreed, 7.9% disagreed, 7.1% strongly disagreed and 4.7% neither agreed nor disagreed. This showed that most respondents agreed that re-insurance arrangements occasioned by co-insurance, increases earnings before profits and taxes in the insurance firms

Regarding whether co-operation between alliance partners occasioned by co-insurance increases earnings before profits and taxes, by at least five percent, results indicated that 50% strongly agreed, 36% agreed, 7.9% disagreed, 3.9% neither agreed nor disagreed and 2.3%



strongly disagreed. The results showed that lowered operational expenses, occasioned by co-insurance, leads to increased underwriting margins in insurance companies since 86% of the respondents were in agreement with the statement.

The study examined whether psychological parameters occasioned by co-insurance, increases earnings before profits and taxes, by at least five percent. Results indicated that 45% of the respondents strongly agreed, 37% agreed, 7.1% strongly disagreed, 5.5% neither agreed nor disagreed and 4.7% disagreed. This implied that majority of the respondents strongly agreed that Psychological parameters occasioned by co-insurance, increases earnings before profits and taxes in insurance firms. The mean was 5 (Strongly Agree) suggesting that majority strongly agreed with the statement with a small variation of 1 (standard deviation is 1). This agrees to the Kelly (2004) discovery that there is a need to change approaches towards large risks from traditional arrangements to alliances that help share the risk among institutions. This is necessitated by the need to protect insurance firms from possible significant risk that would alter firm's operations from a single settlement claim (El Adaway & Kandil, 2010).

Table 3: Co-insurance of Large Risks Indicators

<b>Co-insurance of Large Risks Indicators</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>SD</b>	<b>Total %</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>			<b>%</b>
Increased ability to unravel the technical complexities of large scale projects, through co-insurance, increases earnings before profits and taxes, by at least five percent	4.7	3.9	11	25	55	5	1	100
Re-insurance arrangements occasioned by co-insurance, increases earnings before profits and taxes, by at least five percent	7.1	7.9	4.7	44	37	4	1	100
Co-operation between alliance partners occasioned by co-insurance increases earnings before profits and taxes, by at least five percent	2.3	7.9	3.9	36	50	5	1	100
Psychological parameters occasioned by co-insurance, increases earnings before profits and taxes, by at least five percent	7.1	4.7	5.5	37	45	5	1	100

(Strongly Disagree- SD, Disagree- D, Nether Agree nor Disagree- N, Agree- A, Strongly Agree-SA)

### **Descriptive Statistics for Insurance Firm Performance**

The study examined performance issues as measured by investment returns, profitability, market share and expeditious claims settlement in the insurance firms in Kenya and the results are shown in Table 4. Regarding increased number of business lines has led to increased growth of market share, 55% strongly agreed, 29% agreed, 7.1% neither agreed nor disagreed, 5.5% disagreed and 3.9% strongly disagreed. The results suggest that respondents strongly agreed that introducing new insurance products has led to the growth of market size/share of insurance firms.

The study determined whether investment returns occasioned by increased underwriting premiums increases earnings before profits and taxes, by at least five percent. Results indicated that 41% strongly disagreed, 39% agreed, 11% disagreed, 5.5% strongly disagreed and 3.1% neither agreed nor disagreed. The findings imply that investment returns occasioned by increased underwriting premiums increases earnings before profits and taxes since 80% of the respondents agreed with the statement.

The study sought to find out if ability to manage operational risks and underwriting losses leads to profitability. 44% of the respondents strongly agreed, 37% disagreed, 7.1% neither agreed nor disagreed, 6.3% strongly disagreed and 5.5% disagreed. The result implies that majority of the respondents agreed that ability to manage operational risks and underwriting losses leads to profitability.

In regard to whether expeditious claims settlement enhances performance, 41% strongly agreed, 33% agreed, 10% neither agreed nor disagreed, 7.9% disagreed and 7.1% strongly disagreed. This implies that majority of the respondents agreed that expeditious claims settlement enhances performance in insurance firms.

According to Pauwels, Silva-Risso, Srinivasan and Hanssens (2003), product introductions have positive effects on the firm's top-line and bottom-line financial performance and on the firm value both in the short-run and long-run. Further, there is evidence showing the relevance of prone risk firms in the attainment of results. The achievement of firms' goals is sometimes based on a great deal of uncertainty, thus bold decisions and actions are many times a necessary condition.

Eventually, firms that are strategic and are risk takers improve their market share and perform very well compared to them that shun risk taking (Ling, Simsek, Lubatkin, & Veiga., 2008).

Table 4: Firm Performance

Performance Statements	SD	D	N	A	SA	Mean	SD	Total %
	%	%	%	%	%			
Increased number of business lines has led to increased growth of market share	3.9	5.5	7.1	29	55	5	1	100
Investment returns occasioned by increased underwriting premiums increases earnings before profits and taxes, by at least five percent	5.5	11	3.1	39	41	5	1	100
Ability to manage operational risks and underwriting losses leads to profitability	6.3	5.5	7.1	37	44	5	1	100
Expeditious claims settlement enhances performance	3.1	6.3	7.9	44	39	5	1	100

(Strongly Disagree- SD, Disagree- D, Nether Agree nor Disagree- N, Agree- A, Strongly Agree-SA)

### Model Summary of the Regression Analysis between co-insurance of large risks and performance

In the regression analysis conducted to determine the influence of co-insurance of large risks of alliance partners on the performance of insurance firms in Kenya,  $R=0.936$  as shown in Table 5, indicating a strong positive relationship between underwriting capacity and performance of insurance firms.  $R^2= 0.876$  indicates that 87.6% of the variation in firms performance can be explained by a unit change in co-insurance of large risks. The remaining 12.4% is explained by other independent variables.

Table 5: Model Summary of the Regression Analysis between co-insurance of large risks and performance

Model	R	R Square
1	.936 <sup>a</sup>	.876

a. Predictors: (Constant), Co-Insurance of Large Risks

b. Dependent Variable: Performance

### ANOVA Results for Co-Insurance of Large Risks and performance

**Hypothesis  $H_{01}$ :** There is no significant influence of co-insurance of large risks of alliance partners on the performance of insurance firms in Kenya.

F test was carried out to test the null hypothesis that there is no significant effect of co-insurance of large risks of alliance partners on the performance of insurance firms in Kenya. The results of ANOVA test in Table 6 show that the F value is 807.571 with a significance p value= 0.000 which is less than 0.05, meaning that the null hypothesis is rejected and concludes that there is a significant relationship between co-insurance of large risks and the performance of insurance firms in Kenya.

Table 6: ANOVA Results for Co-Insurance of Large Risks and performance

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	396.427	1	396.427	876.571	.000
	Residual	56.079	124	.452		
	Total	452.506	125			

### **Coefficients for Regression between Co-Insurance of Large Risks and Performance**

To test for the significance of regression relationship between Co-Insurance of Large Risks and the performance of insurance firms, regression coefficients, the intercept and the significance of all the coefficients in the model were subjected the t-test to test the null hypothesis that the coefficient is zero. The null hypothesis stated that beta ( $\beta$ ) =0, meaning there is no significant relationship between co-insurance of large firms and performance of insurance firms as the slope beta ( $\beta$ ) =0 (no relationship between two variables).

The results on the beta coefficient of the resulting model in Table 7 shows that the constant = 1.933 is significantly different from 0, since the p value= 0.000 is less than 0.05. The t value for the constant is 12.775, while the t value for the co-insurance of large firms is 24.739, which indicates they are significant. This implies that the null hypothesis that ( $\beta$ ) =0 is rejected and the alternative hypothesis accepted indicating that the model  $Y = 1.933 + 0.569$  (co-insurance of large firms), is significantly fit. This confirms a positive linear relationship between co-insurance of large firms and performance. Also, the beta value of 0.569 implies that a unit change in co-insurance of large firms will lead to 0.569 units change in the firm performance. Past scholars has found co-insurance to be an ideal situation given the trend of rising insurance premiums-hence the need to reduce premium bills, the need to mitigate the legal costs of litigation and settlement of claims, lower operational expenses owing to shared economies of scale, the need to unravel the technical complexities of large scale projects e.g. design issues in infrastructure, the need to reduce policy excess on premiums paid, reduce exposure to risks

posed by moral hazard and adverse selection, and the ability to provide customized covers owing to the use of a few well worded policies (Ndekugri, et al, 2013).

Table 7: Coefficients for Regression between Co-Insurance of Large Risks and Performance

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	1.993	.156		12.775	.000
	Co-insurance of large risks	.569	.023	.436	24.739	.000

## SUMMARY

An evaluation on the influence of the co-insurance of large risks of alliance partners on performance of insurance firms in Kenya was conducted.  $R^2$  was 0.876 indicating that 87.6% of the variation in firms' performance can be explained by a unit change in co-insurance of large risks. The remaining 12.4% is explained by other independent variables. The results on the beta coefficient of the resulting model showed that the constant was 1.933 which was significantly different from 0, since the p value of 0.000 was less than 0.05. The t value for the constant was 12.775, while the t value for the co-insurance of large firms was 24.739, which indicated that they were significant. The results of ANOVA test showed that the F value was 807.571 with a significance p value of 0.000 which was less than 0.05, meaning that the null hypothesis was rejected and the conclusion was that co-insurance of large risks significantly affects the performance of insurance firms in Kenya. Also, correlation results showed that there was a strong positive relationship between co-insurance of large risks and performance. This relationship was illustrated by correlation coefficient of 0.936 at 0.05 significant levels.

## CONCLUSION

In establishing the influence of co-insurance of large risks of alliance partners on performance of insurance firms in Kenya, the study found that the F value was 807.571 with a significant p value of 0.000 confirming that co-insurance of large risks significantly affects the performance of insurance firms in Kenya. This study has brought out peculiarity of horizontal alliance in the Kenyan economy compared to other world economies. Although the research reached its objectives there were some unavoidable limitations. The questionnaires used were self-designed by the author a certain degree of subjectivity can be found. The study also experienced limitations where confidential financial information was requested from the

insurance firms. Respondents displayed discomfort especially when requested to complete a questionnaire that required disclosure of their financial firm performance. To mitigate this shortcoming respondents were assured of confidentiality and ethical handling of the information provided.

## RECOMMENDATIONS

An evaluation on the influence of co-insurance of large risks of alliance partners on the performance of insurance firms revealed a significant positive effect. Further, co-insurance through horizontal alliance was found to be an ideal situation given the trend of rising insurance premiums. There is therefore need for insurance firms to reduce premium bills, mitigate the legal costs of litigation and settlement of claims, lower operational expenses owing to shared economies of scale, unravel the technical complexities of large scale projects which is achievable through co-insurance by formation of alliances. The study findings might arouse the interest of insurers and academic researchers to carry out more studies in the context of the developing economies especially those in Africa.

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