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Risk Mitigation Strategies and Financial Performance of General Insurance Companies in Nairobi County, Kenya

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Abstract
This study examined the effect of risk mitigation strategies on the financial performance of general insurance companies in Nairobi County, Kenya. Guided by Enterprise Risk Management Theory, the study adopted a positivist research philosophy, descriptive and correlational research designs, and a quantitative approach. The target population comprised employees of general insurance companies operating in Nairobi County. The study issued 225 questionnaires, and 187 were returned, for an 83.0 per cent response rate. The study collected data using structured questionnaires and analysed them using descriptive and inferential statistics, including Pearson correlation and simple linear regression. The findings established a strong, positive, and statistically significant relationship between risk mitigation strategy and financial performance ($r = 0.786$, $p < 0.01$). Regression analysis further revealed that risk mitigation strategy explained 61.8 per cent of the variation in financial performance ($R^2 = 0.618$), with a positive and statistically significant regression coefficient ($\beta = 0.786$, $p < 0.001$). The study concluded that effective risk mitigation strategies significantly enhanced the financial performance of general insurance companies. The study recommended that general insurance companies strengthen underwriting controls, regularly review risk management frameworks, and enhance reinsurance arrangements. Additionally, the Insurance Regulatory Authority should strengthen regulatory guidelines and monitoring mechanisms to promote effective risk mitigation practices and improve the financial sustainability of the insurance sector. The study is significant to general insurance companies because it provides evidence on how risk mitigation strategies influence financial performance.

Key words: Financial performance, general insurance companies, reinsurance, risk mitigation strategy, underwriting.

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INTRODUCTION

This study examined the effect of risk mitigation strategy on the financial performance of general insurance companies in Nairobi County, Kenya. Kenya's general insurance industry has continued to grow, but insurers face increasing risks that threaten financial performance and long-term stability. By September 2025, general insurers had recorded Sh. 185.40 billion in gross written premiums, a 9.2 per cent increase from the same period in 2024. However, claims incurred amounted to Sh. 83.01 billion, resulting in a claims loss ratio of 71.8 per cent, compared with 69.2 per cent in 2024 (Insurance Regulatory Authority [IRA], 2026). This suggests that premium growth has not necessarily improved underwriting outcomes.

Further financial pressure was evident in the first quarter of 2025, when the industry recorded an overall combined ratio of 105.9 per cent and an underwriting loss of approximately Sh. 2.11 billion. Six of the thirteen general insurance business classes recorded combined ratios above 100 per cent, indicating that claims, commissions, and management expenses exceeded net earned premiums (IRA, 2025). The high ratios in motor private, motor commercial, and medical insurance highlight persistent underwriting and operational challenges. These trends raise concerns about the effectiveness of existing risk mitigation practices in controlling underwriting exposure, limiting claims-related losses, and protecting financial performance.

Effective risk mitigation requires underwriting controls, claims management, internal controls, reinsurance, risk diversification, and risk avoidance. Weaknesses in these practices may expose insurers to excessive claims, underwriting losses, and operational costs, thereby undermining profitability and financial sustainability. It is therefore necessary to establish whether risk mitigation strategies contribute to improved financial outcomes among general insurance companies.

Although previous studies have linked risk management to financial performance among Kenyan insurers, limited attention has focused on risk mitigation strategies among general insurance companies in Nairobi County. Kiptoo et al. (2021) found that risk management significantly affected financial performance, while Mutua et al. (2023) established that credit, liquidity, solvency, and underwriting risks significantly affected performance. However, these studies examined broader risk-management dimensions rather than the specific contribution of underwriting controls, risk reduction, reinsurance, diversification, and internal controls to the financial performance of general insurers in Nairobi County.

Insurance is an important component of modern financial systems because it protects individuals and businesses against financial losses arising from uncertain events while supporting investment, business continuity, and economic development. By pooling and transferring risk, insurance companies help households and businesses recover from unexpected losses and maintain economic activity. However, insurers operate in an increasingly complex risk environment marked by economic uncertainty, climate-related risks, technological change, cyber threats, shifting customer expectations, and financial market fluctuations. These developments have increased the need for effective risk mitigation strategies, including risk avoidance, risk reduction, risk transfer, diversification, reinsurance, and internal controls. Jurdi and AlGhnaimat (2021) found that enterprise risk management among European insurance firms was associated with improved firm value and reduced overall, systematic, and idiosyncratic risks, highlighting the importance of structured approaches to identifying and managing risks. Risk mitigation is particularly important because insurance companies face risks arising from underwriting, investment, and operational activities.

Effective risk management enables insurers to identify potential threats, minimise losses, and allocate resources more efficiently while protecting their financial capacity to meet policyholder obligations. The effectiveness of risk management, however, may differ depending on the type and magnitude of risk an insurer faces. In Kenya, Kiptoo et al. (2021), using evidence from 51 insurance firms, found that risk management significantly affected financial performance, with market, operational, and liquidity risk management positively influencing performance while credit risk had a negative effect. At the African level, Horvey and Odei-Mensah (2024) similarly established a positive relationship between enterprise risk management and the performance of South African insurers. Their findings further indicated that corporate governance strengthened the relationship between risk management and insurer performance, demonstrating that effective risk mitigation depends on appropriate institutional structures.

The importance of risk mitigation has become more evident as insurers face increasing claims, operational pressures, and financial risks. Effective risk mitigation enables insurance companies to reduce potential losses, manage underwriting exposures, maintain liquidity, and preserve adequate capital levels. It also supports policyholders' confidence because insurers are expected to meet claims and other contractual obligations, even during periods of economic uncertainty. In Kenya, the Insurance Regulatory Authority (IRA, 2026) reported that total gross written premiums reached Sh. 352.29 billion by September 2025, representing an 11.2 per cent increase from the corresponding period in 2024. Gross written premiums in the general insurance segment increased by 9.2 per cent to Sh. 185.40 billion, while general insurance assets increased by 11.8 per cent, to Sh. 303.98 billion. However, claims incurred by general insurers amounted to Sh. 83.01 billion, resulting in a claims loss ratio of 71.8 per cent, compared with 69.2 per cent in the corresponding period of 2024.

The rising claims burden shows the ongoing need for effective risk mitigation to protect insurers' financial stability and performance. Recent evidence from Kenya has further demonstrated the relationship between risk management and insurance performance. Mutua et al. (2023) examined credit, liquidity, solvency, reinsurance, and underwriting risks among licensed insurance companies in Kenya and found that credit, liquidity, solvency, and underwriting risks significantly influenced financial performance. Similarly, Muiruri et al. (2025) found that risk management strategies significantly improved financial stability, profitability, and operational efficiency among insurance companies in Kenya, with risk reduction having the strongest effect. The findings emphasised the importance of proactive approaches such as structured risk assessment, loss prevention, and risk-transfer mechanisms in strengthening insurers' resilience.

Risk diversification has also emerged as an important component of risk mitigation within the Kenyan insurance sector. Muthinja et al. (2025), who specifically examined 36 licensed general insurance firms in Kenya, established a statistically significant positive relationship between risk-profile diversification and financial performance. The study showed that diversification could help insurers manage exposure to different risks and improve financial outcomes. This finding is particularly relevant to the present study because it provides evidence concerning general insurance firms rather than the broader insurance industry. It suggests that general insurers' ability to identify, distribute, and manage risk exposures may have important implications for financial performance. Despite the available evidence, limited attention has focused on general insurance companies operating specifically within Nairobi County.

Previous studies have largely examined insurance companies at the national level, including Kiptoo et al. (2021), Mutua et al. (2023), and Muthinja et al. (2025). Although these studies provide useful evidence on the relationship between risk management and financial performance, they do not specifically establish how risk mitigation strategies influence the performance of general insurance companies within Nairobi County. General insurers operating in the county face intense competition, changing customer needs, technological developments, and operational and claims-related risks. This creates a contextual gap concerning the extent to which risk mitigation strategies influence their financial performance. Therefore, the present study focuses on risk mitigation strategies and the financial performance of general insurance companies in Nairobi County, Kenya. The study seeks to establish whether effective risk mitigation contributes to improved financial performance among general insurers. The findings are expected to help insurance managers strengthen risk-management practices and provide regulatory authorities with evidence to develop policies that enhance financial stability, resilience, and sustainability in the general insurance sector.

Research Hypothesis

$H0_1$: Risk mitigation strategy had no statistically significant effect on the financial performance of general insurance companies in Nairobi County, Kenya.

LITERATURE REVIEW

Theoretical Review

Enterprise Risk Management (ERM) Theory

The Committee of Sponsoring Organisations of the Treadway Commission (COSO) advanced the Enterprise Risk Management (ERM) framework, originally introduced in 2004. Subsequently, it was updated in 2017 as Enterprise Risk Management Integrating with Strategy and Performance. The 2017 framework emphasised integrating risk management with an organisation's strategy and performance rather than treating it as a separate organisational function. It viewed risk management as a process through which organisations

identify, assess, respond to, monitor, and communicate risks to create, preserve, and realise value (COSO, 2017). The theory posited that organisations could improve their ability to achieve objectives by systematically identifying risks, assessing their potential effects, and implementing appropriate risk responses. The framework emphasised five interrelated components: governance and culture; strategy and objective-setting; performance; review and revision; and information, communication and reporting. Risk responses included accepting, avoiding, pursuing, reducing, and sharing risks depending on their potential impact and the organisation's risk appetite. The framework therefore provided a comprehensive approach for integrating risk considerations into decision-making and performance management.

Empirical evidence later supported the framework, showing that effective enterprise risk management could contribute to organisational performance. For example, research on insurance companies under the Solvency II regulatory framework, such as González et al. (2022), found that higher-quality ERM implementation was associated with better return on equity and risk-adjusted returns on assets. More recent evidence from property and liability insurers showed that firms with more mature ERM frameworks demonstrated greater resilience during the COVID-19 pandemic than insurers with less mature frameworks (Fung et al., 2025). However, critics have argued that ERM frameworks are broad and require significant organisational resources to implement effectively. Its effectiveness could also depend on the quality of risk information, management commitment, organisational culture, and the ability to assess rapidly changing risks appropriately. Despite these limitations, ERM remained appropriate for the current study because it directly explained how risk identification, assessment, response, mitigation, and monitoring could influence organisational performance.

The theory was therefore considered the most favourable theoretical foundation for this study because it directly supported the objective of evaluating the effect of risk mitigation strategy on the financial performance of general insurance companies in Nairobi County, Kenya. It provided a basis for examining whether systematic risk-response practices enabled general insurers to reduce potential losses, strengthen financial stability, and improve overall financial performance.

Empirical Review

Risk mitigation is an important component of organisational risk management because insurance companies operate in an environment characterised by underwriting, operational, liquidity, and investment risks that can adversely affect financial performance. Unlike broader risk management, which encompasses identifying, assessing, treating, and monitoring organisational risks, risk mitigation focuses on implementing measures to reduce the likelihood or potential impact of identified risks. Empirical studies generally establish a positive relationship between structured risk management practices and insurance company performance. However, differences remain in the specific risk management dimensions investigated, research methodologies, and performance measures adopted. Jurdi and AlGhnaimat (2021) examined enterprise risk management adoption among 80 publicly listed insurance firms across 20 European countries using financial data covering 1995 to 2018.

The researchers employed logistic regression and maximum-likelihood treatment-effects models to account for potential endogeneity between ERM adoption and firm performance. Their findings established that ERM adoption was associated with improved firm value and reductions in total, systematic, and idiosyncratic risks. Similarly, Horvey and Odei-Mensah (2024), using data from 63 South African insurers covering 2015 to 2019, employed the Generalised Method of Moments (GMM) estimation technique to examine the relationship between ERM and insurer performance, measured through underwriting performance and return on assets. Their findings established a positive relationship between ERM and both performance measures. They further demonstrated that board size, board independence, and gender diversity strengthened the ERM-performance relationship. Although both studies established the performance benefits of comprehensive risk management frameworks, their findings primarily addressed organisation-wide ERM adoption rather than the individual contribution of specific risk mitigation practices. Furthermore, Horvey and Odei-Mensah's (2024) analysis included corporate governance and showed that institutional oversight may influence the effectiveness of risk mitigation initiatives.

Evidence from Kenya provides further insights into the relationship between risk management and financial performance. Kiptoo et al. (2021) examined 51 licensed

insurance firms using audited financial statements covering the period 2013 to 2020. The study used a quantitative panel-data approach and random-effects regression to examine the relationship between credit, market, operational, and liquidity risks and financial performance, measured by return on assets. The findings showed that credit risk had a negative and significant effect on financial performance, whereas market, operational, and liquidity risk management had positive and statistically significant effects. These findings suggest that effective management of investment exposures, operational costs, and liquidity positions can improve insurers' financial outcomes, while inadequate credit management can undermine profitability. Unlike Jurdi and AlGhnaimat (2021) and Horvey and Odei-Mensah (2024), who examined comprehensive ERM frameworks, Kiptoo et al. (2021) investigated specific financial and operational risk categories using historical financial data. Although this approach provided objective evidence of the relationship between different risk exposures and performance, it did not directly establish how organisational practices such as adherence to underwriting guidelines, reinsurance arrangements, and internal controls influence financial performance. Consequently, the findings provide useful evidence on the importance of managing individual risk exposures but leave a gap concerning the contribution of specific risk mitigation practices.

Muiruri et al. (2025) further investigated the relationship between risk management strategies and the performance of insurance companies in Kenya. The study adopted a descriptive survey design targeting 56 licensed insurance firms, using a census approach and purposively identifying underwriting managers as key informants. The study collected primary and secondary data and used descriptive statistics, Pearson correlation, and regression analysis to examine the relationships between strategic risk management practices and organisational performance. The study examined four strategies: risk acceptance, risk avoidance, risk reduction, and risk transfer. The findings indicated that the four strategies positively influenced financial stability, profitability, and operational efficiency, with risk reduction recording the strongest relationship with performance. These findings suggest that proactive measures to minimise the likelihood and impact of losses are particularly important for strengthening insurance company performance. The study also recommended strengthening loss-prevention programs and expanding risk-transfer mechanisms, including reinsurance partnerships.

However, its broad focus on insurance companies across Kenya did not specifically establish the contribution of risk mitigation practices to the financial performance of general insurance companies operating in Nairobi County. In addition, the study's broad risk management categories did not separately establish the contribution of underwriting controls, reinsurance arrangements, and other internal mitigation measures to financial performance. Risk diversification has also emerged as an important mitigation mechanism within the Kenyan insurance industry. Muthinja et al. (2025) examined the effect of risk profile diversification on the financial performance of 36 licensed general insurance firms in Kenya. The study used a descriptive research design and a census approach, targeting 108 senior managers, including general managers, investment managers, and finance managers. The study collected primary data using structured questionnaires and analysed them using descriptive statistics and multiple regression.

The findings established a statistically significant positive relationship between risk profile diversification and financial performance, with a correlation coefficient of 0.512 and a coefficient of determination of 0.262. This indicated that risk profile diversification explained 26.2 per cent of the variation in financial performance. The study demonstrated that distributing investments across different risk categories could strengthen insurers' financial outcomes. Its findings are particularly relevant because the study focused specifically on general insurance firms rather than the entire insurance industry. However, its emphasis on diversification across investment risk categories provides limited evidence on other risk mitigation practices, particularly underwriting controls, risk reduction, reinsurance arrangements, and internal controls. Furthermore, its national coverage did not specifically establish whether the relationship between risk mitigation and financial performance differed among general insurance companies operating in Nairobi County.

International evidence has further demonstrated the importance of comprehensive risk management in strengthening insurers' resilience during periods of uncertainty. Fung et al. (2025) examined the relationship between ERM maturity and the performance of listed property and liability insurers during the COVID-19

pandemic. The study employed an international panel dataset and applied propensity-score matching alongside a doubly robust estimation approach to address potential selection and estimation biases. The findings showed that insurers with less mature ERM frameworks performed worse during the pandemic, while those with more mature frameworks were comparatively resilient. Importantly, the study found that individual ERM components did not independently enhance resilience; rather, their collective implementation contributed to insurers' ability to withstand pandemic-related disruptions. These findings complement Jurdi and AlGhnaimat (2021) by showing that comprehensive risk management contributes to both financial performance and organisational resilience. However, Fung et al. (2025) focused on overall ERM maturity and resilience during an exceptional global crisis rather than examining how individual risk mitigation practices contribute to routine financial performance. The findings therefore suggest the importance of coordinated risk mitigation practices but do not establish the specific contribution of underwriting controls, reinsurance arrangements, or claims management practices.

A critical synthesis of the reviewed studies reveals three important issues. First, studies generally agree that effective risk management and mitigation practices improve financial performance and organisational resilience among insurance companies. However, Kiptoo et al. (2021) show that the effects may vary by the nature of risk exposure, while Muiruri et al. (2025) identify risk reduction as particularly important among the broader risk management strategies examined. Second, the studies differ methodologically. Whereas Jurdi and AlGhnaimat (2021), Kiptoo et al. (2021), and Fung et al. (2025) relied on historical financial or panel data and advanced econometric techniques, Horvey and Odei-Mensah (2024) combined ERM survey information with dynamic panel estimation.

In contrast, Muiruri et al. (2025) and Muthinja et al. (2025) used descriptive survey approaches based on primary data collected from insurance industry managers. These methodological differences shape the evidence generated: archival studies provide objective measures of financial performance. In contrast, survey-based studies capture organisational risk management practices that may not be directly observable in financial statements. Third, despite previous contributions, gaps remain regarding specific risk mitigation practices and their influence on financial performance. Although Muthinja et al. (2025) examined general insurance firms in Kenya, the study concentrated on risk profile diversification rather than a broader assessment of risk mitigation strategy. Similarly, Kiptoo et al. (2021) examined different categories of financial and operational risks without directly measuring the implementation of specific mitigation practices. Muiruri et al. (2025) examined risk acceptance, avoidance, reduction, and transfer. Still, they did not specifically isolate the contribution of individual underwriting and internal control measures within general insurance companies in Nairobi County. Consequently, empirical evidence remains limited on how the specific risk mitigation practices examined in the present study influence financial performance in this geographical and institutional context. The present study sought to address this empirical and contextual gap by examining the effect of risk mitigation strategies on the financial performance of general insurance companies in Nairobi County, Kenya.

Conceptual Framework

The conceptual framework illustrates the relationship between risk mitigation strategy and the financial performance of general insurance companies in Nairobi County, Kenya. Risk mitigation strategy represents the independent variable and is operationalised through three dimensions: documented mitigation strategies, underwriting controls, and reinsurance coverage. These dimensions are measured through indicators relating to documentation, employee awareness and application, regular review of mitigation strategies, adherence to underwriting guidelines, control of high-risk clients, evaluation of underwriting controls, adequacy of reinsurance arrangements, assessment of risk exposure, and regular adjustment of reinsurance coverage. Financial performance represents the dependent variable and is measured using return on assets (ROA), return on equity (ROE), and underwriting profitability.

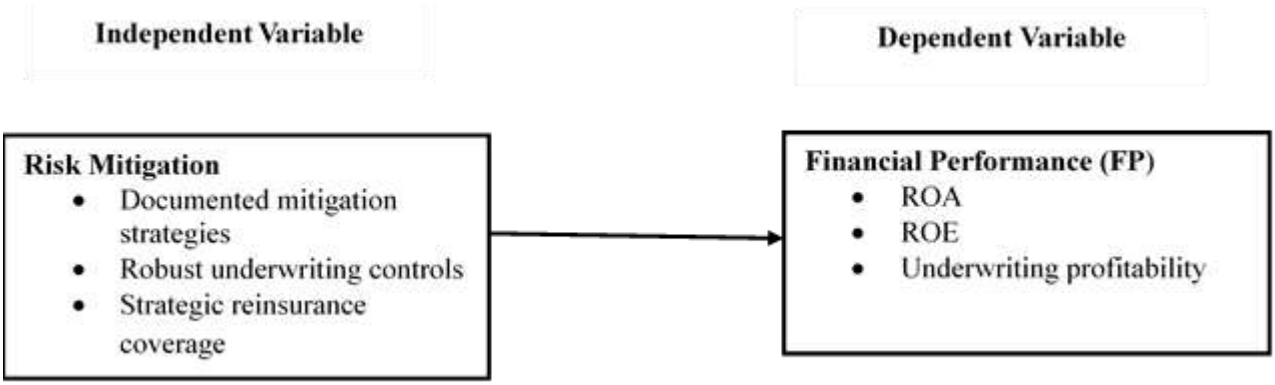


Figure 1: Conceptual Framework

METHODOLOGY

The study adopted a positivist research philosophy, which was appropriate because it sought to objectively measure and establish the effect of risk mitigation strategies on the financial performance of general insurance companies in Nairobi County, Kenya. The study employed a descriptive and correlational research design to describe the risk mitigation practices adopted by insurance companies and determine their relationship with financial performance. The study used a quantitative research approach, collecting numerical data from respondents and subjecting it to statistical analysis. The target population comprised 36 general insurance companies operating in Nairobi County, Kenya. The study targeted 225 respondents drawn from key functional areas, namely risk management, finance, underwriting, and management, because of their knowledge of organisational risk mitigation practices and financial performance. The sampling frame comprised the 36 general insurance companies operating in Nairobi County and their respective staff records, which provided the basis for identifying eligible respondents from the selected functional areas.

The study targeted respondents in key functions such as risk management, finance, underwriting, and management because they were knowledgeable about their organisations' risk mitigation practices and financial performance. The researchers used an appropriate sampling procedure to ensure adequate representation of the target population. Primary data were collected using a structured questionnaire with closed-ended statements measured on a five-point Likert scale ranging from strongly disagree to agree strongly. A pilot study was conducted before the main data collection to assess the instrument's clarity, reliability, and suitability.

The collected questionnaires were checked for completeness, coded, and entered into the Statistical Package for the Social Sciences (SPSS) for analysis. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarise respondents' views on risk mitigation strategy. Inferential statistics involved Pearson correlation analysis to establish the direction and strength of the relationship between risk mitigation strategy and financial performance. Simple linear regression analysis was further conducted to determine the extent to which risk mitigation strategy explained variations in financial performance.

The regression model was specified as:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where Y represented financial performance, X_1 represented risk mitigation strategy, β_0 represented the constant, β_1 represented the regression coefficient, and ε represented the error term. The study tested the relationship's significance at the 5 per cent level, rejecting the null hypothesis when the p-value was below 0.05. The study assessed the assumptions underlying simple linear regression, including residual normality, linearity, homoscedasticity, independence of errors, and influential observations. Normality was assessed using the Shapiro–Wilk test and normal probability plots, while linearity and homoscedasticity were examined using residual scatterplots. We evaluated independence of errors using the Durbin–Watson statistic and used Cook's distance to identify potentially influential observations. The diagnostic results were examined to determine whether the data satisfied the assumptions required for

reliable regression analysis. The study observed ethical considerations throughout the research process, including informed consent, confidentiality, voluntary participation, and protection of respondents' information.

FINDINGS AND DISCUSSION

This section presents the findings in relation to the study objective, which sought to evaluate the effect of risk mitigation strategies on the financial performance of general insurance companies in Nairobi County, Kenya. The findings are organised into descriptive and inferential analyses. Descriptive statistics, comprising frequencies, percentages, means, and standard deviations, are presented to establish the extent to which general insurance companies implemented risk mitigation strategies. Inferential analysis follows, presenting Pearson correlation results to establish the strength and direction of the relationship between risk mitigation strategy and financial performance, followed by simple linear regression results to determine the explanatory effect of risk mitigation strategy on financial performance. Finally, the regression results are used to test the null hypothesis that risk mitigation strategy has no statistically significant effect on the financial performance of general insurance companies in Nairobi County, Kenya.

Response Rate

The study issued 225 questionnaires to respondents from general insurance companies in Nairobi County, Kenya. Of these, 187 questionnaires were completed and returned, representing a response rate of 83 per cent. The response rate achieved was considered adequate for statistical analysis and provided sufficient data to address the study objectives.

Table 1. Response Rate

Response Rate	Frequency	Percentage (%)
Questionnaires returned	187	83.0
Questionnaires not returned	38	17.0
Questionnaires issued	**225**	**100.0**

Table 1 shows that of the 225 questionnaires issued, 187 were completed and returned (83%), while 38 (17%) were not returned. The study achieved a response rate of 83.0 per cent, which was considered adequate for the analysis. Fincham (2008) noted that response rates of about 60 per cent should be the target for most survey research, while rates of 80 per cent or higher are expected in studies requiring broad population representation. Therefore, the 83.0 per cent response rate exceeded these benchmarks and provided a substantial proportion of completed questionnaires for the planned statistical analysis. Nevertheless, the adequacy of the findings also depends on the representativeness of the respondents and the potential for non-response bias.

Descriptive Statistics

Descriptive statistics summarised respondents' perceptions of implementing risk mitigation strategies in general insurance companies in Nairobi County, Kenya. The analysis presented frequencies, percentages, means, and standard deviations for questionnaire statements on documented mitigation strategies, underwriting controls, and reinsurance coverage. Because the data came from self-reported responses on a five-point Likert scale, the findings reflect respondents' assessments of how fully these practices were implemented in their organisations and should not be interpreted as independently verified organisational practices. The analysis presented frequencies, percentages, means, and standard deviations for the statements measuring risk mitigation practices, providing an overview of the extent to which the companies adopted strategies to identify, reduce, control, and transfer risks.

Risk Mitigation Strategy

Respondents were asked to indicate the extent to which risk mitigation strategy was practised in their organisations using a five-point Likert scale (1 = Not at All (NA), 2 = Small Extent (SE), 3 = Moderate Extent (ME), 4 = Large Extent (LE), and 5 = Very Large Extent (VLE)). Table 2 presents the results.

Table 2. Descriptive Statistics for Risk Mitigation Strategy (N = 187)

Statement	VLE (5)	LE (4)	ME (3)	SE (2)	NA (1)	Mean	SD
Our organisation has clearly documented mitigation strategies for managing major risks.	70 (37.4%)	49 (26.2%)	32 (17.1%)	23 (12.3%)	13 (7.0%)	3.75	1.27
Employees are aware of and consistently apply the documented mitigation strategies.	72 (38.5%)	45 (24.1%)	30 (16.0%)	25 (13.4%)	15 (8.0%)	3.72	1.32
The documented mitigation strategies are regularly reviewed and updated to address emerging risks.	78 (41.7%)	43 (23.0%)	28 (15.0%)	21 (11.2%)	17 (9.1%)	3.77	1.35
Our underwriting processes include strong controls that help minimise exposure to high-risk clients.	71 (38.0%)	48 (25.7%)	33 (17.6%)	24 (12.8%)	11 (5.9%)	3.77	1.24
Underwriting guidelines are consistently followed across all departments.	82 (43.9%)	46 (24.6%)	27 (14.4%)	20 (10.7%)	12 (6.4%)	3.89	1.24
The organisation regularly reviews underwriting controls to ensure they remain effective.	41 (21.9%)	79 (42.2%)	29 (15.5%)	22 (11.8%)	16 (8.6%)	3.57	1.21
Our organisation maintains appropriate reinsurance arrangements to protect against significant financial losses.	44 (23.5%)	64 (34.2%)	35 (18.7%)	25 (13.4%)	19 (10.2%)	3.48	1.30
Reinsurance decisions are based on a clear evaluation of the company's risk exposure.	71 (38.0%)	42 (22.5%)	33 (17.6%)	23 (12.3%)	18 (9.6%)	3.67	1.36
The organisation reviews and adjusts its reinsurance coverage regularly to match current risk levels.	47 (25.1%)	74 (39.6%)	31 (16.6%)	21 (11.2%)	14 (7.5%)	3.64	1.22
Overall Mean and S.D						**3.70**	**1.28**

Table 2 showed that general insurance companies in Nairobi County implemented risk mitigation strategies to a large extent, as reflected in an overall mean score of 3.70 (SD = 1.28). Respondents generally agreed that their organisations had clearly documented mitigation strategies for managing major risks (M = 3.75, SD = 1.27). This suggested that organisations had integrated formal risk mitigation policies into their risk management practices. Employees also perceived that organisations were aware of and consistently applied documented mitigation strategies (M = 3.72, SD = 1.32). Further, regular review and updating of mitigation strategies to address emerging risks had a mean of 3.77 (SD = 1.35), indicating that organisations recognised the importance of adapting their risk responses to changing risk conditions.

The findings also showed that underwriting controls were a major component of risk mitigation. Respondents agreed that underwriting processes incorporated strong controls to minimise exposure to high-risk clients (M = 3.77, SD = 1.24). Consistent adherence to underwriting guidelines across departments had the highest mean score (M = 3.89, SD = 1.24), suggesting that standardised underwriting procedures were widely followed and contributed to consistent risk acceptance decisions. Regular reviews of underwriting controls recorded a mean of 3.57 (SD = 1.21), which, although comparatively lower, still indicated that organisations regularly assessed their underwriting controls to ensure continued effectiveness.

Reinsurance practices recorded relatively lower mean scores compared with the other risk mitigation measures. Maintaining appropriate reinsurance arrangements to protect against significant financial losses recorded the lowest mean (3.48; SD = 1.30). This suggested that although reinsurance arrangements were in place, they were comparatively less emphasised. Reinsurance decisions based on clear evaluation of risk exposure recorded a mean of 3.67 (SD = 1.36), while the regular review and adjustment of reinsurance coverage to match current risk levels recorded a mean of 3.64 (SD = 1.22). These results indicated that companies generally considered their risk exposure when making reinsurance decisions and periodically adjusted their coverage.

Overall, the findings indicated that general insurance companies in Nairobi County had adopted a range of risk mitigation practices, particularly documented risk strategies, underwriting controls, and reinsurance mechanisms. The overall mean of 3.70 (SD = 1.28) showed that these practices were largely implemented. The findings further suggested that while underwriting-related mitigation practices were relatively strong, there was greater opportunity to strengthen reinsurance arrangements and their regular review. Strengthening these areas could improve general insurance companies' capacity to absorb significant losses and maintain stable financial performance.

Correlation Analysis

Pearson Product-Moment correlation analysis was conducted to establish the strength and direction of the relationship between risk mitigation strategy and financial performance among general insurance companies in Nairobi County, Kenya. The analysis used responses from 187 respondents, and Table 3 presents the results.

Table 3. Correlation Analysis

Variables	Risk Mitigation Strategy	Financial Performance
Risk Mitigation Strategy	1	0.786**
Financial Performance	0.786**	1
Sig. (2-tailed)	—	0.000
N	187	187

Note: *Correlation is significant at the 0.01 level (2-tailed).*

Table 3 showed that risk mitigation strategy had a strong, positive, and statistically significant relationship with financial performance ($r = 0.786$, $p < 0.01$). This indicated that general insurance companies with stronger risk mitigation practices tended to report better financial performance. The strong correlation suggested that practices such as documented risk mitigation strategies, effective underwriting controls, and appropriate reinsurance arrangements were associated with improved financial outcomes. Because the significance value was below 0.01, the relationship was statistically significant, providing evidence that risk mitigation strategy was an important factor associated with the financial performance of general insurance companies in Nairobi County.

Model Summary

A simple linear regression analysis was conducted to determine the extent to which risk mitigation strategy explained variations in the financial performance of general insurance companies in Nairobi County, Kenya. Table 4 presents the results.

Table 4. Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.786	0.618	0.616	0.618

Table 4 shows that the regression model recorded an R value of 0.786, indicating a strong positive relationship between risk mitigation strategy and financial performance. The R-squared value of 0.618 indicated that risk mitigation strategy explained 61.8 per cent of the variation in financial performance among general insurance companies in Nairobi County. This demonstrated that risk mitigation practices accounted for a substantial proportion of the differences in financial performance across the organisations studied. The remaining 38.2 per cent of the variation was attributable to factors not included in the model. The adjusted R-squared of 0.616 indicated that the model retained a strong explanatory power after adjustment for the number of predictors. The standard error of the estimate of 0.618 represented the average extent to which the observed financial performance values differed from the values predicted by the regression model. Overall, the results suggested that the risk mitigation strategy strongly predicted financial performance among general insurance companies in Nairobi County.

Analysis of Variance (ANOVA)

An Analysis of Variance (ANOVA) was conducted to determine whether the regression model significantly explained the variation in financial performance based on risk mitigation strategy among general insurance companies in Nairobi County, Kenya. Table 5 presents the results.

Table 5. Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	114.307	1	114.307	299.293	0.000
Residual	70.656	185	0.382		
Total	**184.963**	**186**			

Table 5 shows that the regression model was statistically significant, with $F(1,185) = 299.293$, $p < 0.001$. This indicated that the risk mitigation strategy significantly explained variations in the financial performance of general insurance companies in Nairobi County. The significant F-statistic confirmed that the regression model fit well in explaining the relationship between risk mitigation strategy and financial performance.

The results further showed that the regression component accounted for a substantial proportion of the total variation in financial performance, consistent with the R^2 of 0.618 reported in the model summary. Since the significance value of 0.000 was below the 0.05 level, the model was statistically significant, suggesting that risk mitigation strategy was an important predictor of financial performance.

Regression Coefficient

A simple linear regression analysis was conducted to determine the effect of risk mitigation strategy on the financial performance of general insurance companies in Nairobi County, Kenya. Table 6 presents the regression coefficients.

Table 6. Regression Coefficients

Model	Unstandardised B	Std. Error	Standardised Beta (β)	t	Sig.
(Constant)	0.684	0.168	—	4.071	0.000
Risk Mitigation Strategy	0.812	0.047	0.786	17.300	0.000

Table 6 showed that the risk mitigation strategy had a positive and statistically significant effect on financial performance ($\beta = 0.786$, $t = 17.300$, $p < 0.001$). This indicated that improvements in risk mitigation practices were associated with improvements in the financial performance of general insurance companies in Nairobi County. The unstandardized coefficient ($B = 0.812$) implied that a one-unit increase in risk mitigation strategy was associated with an estimated 0.812-unit

increase in financial performance, holding other factors constant.

The regression equation was therefore:

$$Y = 0.684 + 0.812X_1 + \varepsilon$$

Where Y represented financial performance, and X_1 represented risk mitigation strategy. The significance value of 0.000 was below the 0.05 significance level, confirming that risk mitigation strategy was a significant predictor of financial performance. These results were consistent with the correlation and model summary findings, which demonstrated a strong positive relationship and substantial explanatory power of risk mitigation strategy.

Hypothesis Test Results

The study tested the null hypothesis to determine whether a statistically significant relationship existed between risk mitigation strategy and the financial performance of general insurance companies in Nairobi County, Kenya. The study tested the hypothesis at a 5 per cent level of significance ($\alpha = 0.05$) using inferential results from Pearson correlation and simple linear regression. The null hypothesis was rejected when the p-value was less than 0.05, indicating a statistically significant relationship between the study variables. Conversely, when the p-value was 0.05 or greater, the null hypothesis was not rejected, indicating insufficient statistical evidence of a significant relationship. The hypothesis was tested at the 5 per cent level of significance, where a p-value below 0.05 indicated a statistically significant relationship.

Table 7. Hypothesis Test Results

Hypothesis	β	t-value	p-value	Decision
H_{01}: There is no statistically significant relationship between risk mitigation strategy and the financial performance of general insurance companies in Nairobi County, Kenya.	0.786	17.300	0.000	**Reject H_0**

Table 7 showed that risk mitigation strategy had a strong, positive, and statistically significant effect on financial performance ($\beta = 0.786$, $t = 17.300$, $p < 0.001$). The positive beta coefficient indicated that improvements in risk mitigation practices were associated with improved financial performance among general insurance companies. The relatively high t-value of 17.300 further demonstrated the strength of the effect. Because the p-value of 0.000 was below the 0.05 significance level, the study rejected the null hypothesis. The study therefore concluded that risk mitigation strategy significantly influenced the financial performance of general insurance companies in Nairobi County. The findings implied that effective practices such as documented risk mitigation strategies, strong underwriting controls, regular review of risk controls, and appropriate reinsurance arrangements contributed to better financial outcomes. These results also aligned with the correlation and regression findings, which showed a strong positive relationship between risk mitigation strategy and financial performance.

Summary of Findings

The study evaluated the relationship between risk mitigation strategies and the financial performance of general insurance companies in Nairobi County, Kenya. The study issued 225 questionnaires, of which 187 were returned, for a response rate of 83.0 per cent. The descriptive findings showed that respondents perceived risk mitigation strategies as largely implemented, with an overall mean of 3.70 (SD = 1.28). Consistent adherence to underwriting guidelines across departments was the highest-rated practice (M = 3.89, SD = 1.24), followed by regular review and updating of documented mitigation strategies and the use of underwriting controls to minimise exposure to high-risk clients, both recording a mean of 3.77. Maintaining appropriate reinsurance arrangements recorded the lowest mean (M = 3.48, SD = 1.30), indicating an area requiring greater attention. These findings demonstrated that documented mitigation strategies and underwriting controls were relatively well implemented, although respondents perceived room for improvement in reinsurance arrangements.

Regarding the relationship between risk mitigation strategy and financial performance, Pearson correlation analysis established a strong, positive, and statistically significant relationship ($r = 0.786$, $p < 0.01$). This indicated that higher levels of risk mitigation practices were associated with better financial performance among the surveyed companies. Regression analysis further established that risk mitigation strategy explained 61.8 per cent of the variation in financial performance ($R^2 = 0.618$). The regression model was statistically significant, $F(1, 185) = 299.293$, $p < 0.001$, and the regression

coefficient was positive and statistically significant ($\beta = 0.786$, $t = 17.300$, $p < 0.001$). Consequently, the study rejected the null hypothesis. The findings therefore demonstrated that the risk mitigation strategy had a statistically significant positive association with the financial performance of general insurance companies in Nairobi County, Kenya, thereby addressing the study objective.

CONCLUSION AND RECOMMENDATIONS

Conclusion: The study concludes that the risk mitigation strategy had a strong, positive, and statistically significant relationship with the financial performance of general insurance companies in Nairobi County, Kenya. The findings established that companies with stronger risk mitigation practices, particularly documented mitigation strategies, effective underwriting controls, and appropriate reinsurance arrangements, tended to report better financial performance. The study therefore confirmed that effective risk mitigation strategies were an important predictor of financial performance among general insurance companies.

Recommendations: The study recommends the following: first, the Insurance Regulatory Authority (IRA) should strengthen its supervisory oversight of general insurance companies by addressing gaps in the implementation of risk mitigation practices. In particular, the Authority should better monitor the adequacy of reinsurance arrangements, ensure insurers regularly review and update underwriting controls, and require periodic reviews of documented risk mitigation strategies to address emerging risks. The IRA should also strengthen compliance assessments and require regular reporting on these practices to ensure that insurance companies maintain adequate protection against significant financial losses and improve the stability of the general insurance sector.

Finally, the general insurance companies should strengthen underwriting controls by ensuring consistent adherence to underwriting guidelines, regularly reviewing underwriting procedures, and enhancing employees' awareness and application of documented risk mitigation strategies. Companies should also regularly monitor and assess risk exposures to ensure underwriting decisions and reinsurance arrangements remain aligned with their prevailing risk profiles. These measures would improve risk management practices, minimise potential financial losses, and support better financial performance.

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