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Diversification Strategies and Performance of Insurance Companies in Kenya

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ABSTRACT

This study sought to establish effect of diversification strategies on financial performance of insurance companies in Kenya. A census was conducted and a 5-year financial data collected on the entire population of the 55 registered and licensed insurance companies in Kenya. The results of the multiple regression model revealed that diversification positively affected performance indicated by return on assets. Particularly, concentric diversification was found to positively and significantly affect performance of insurance companies implying that insurance companies that engaged in more than one sales and promotion strategy performed better compared to companies that focused only on one strategy. Further, the study established that conglomerate diversification positively and significantly influenced the performance of insurance companies in Kenya. Geographic diversification was also found to positively and significantly affect performance of insurance companies in Kenya. Further, product diversification was also found to positively and significantly affect performance of insurance companies in Kenya. This study concluded that engaging in diversification was a positive strategic decision which would yield positive performance in insurance industry. The study advises top level manager to adopt diversification strategies to improve performance. The study findings will contribute positive insight to all insurance stakeholders including policy maker's regulator, scholars and Government.

Key Words:

Conglomerate Diversification, Geographical Diversification, Product Diversification, Concentric Diversification, Performance.

