

**EFFECT OF REINSURANCE ON FINANCIAL STABILITY OF INSURANCE COMPANIES.
A CASE OF GA INSURANCE LIMITED.**

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

I dedicate this research project to my beloved husband Mr. Moses Ponda Samini, my children Liam Gandi Ponda and Nathaniel Hinzano Ponda.

ACKNOWLEDGEMENT

I am grateful to my supervisor, Mr. Cliff Onsongo, for his guidance throughout the research process. I appreciate my colleagues at GA Insurance Company Ltd for their encouragement and support.

ABSTRACT

This study examined the effect of reinsurance on the financial stability of insurance companies, focusing on GA Insurance Company Limited. The study was guided by four objectives: to investigate the impact of reinsurance diversification, assess the influence of the reinsurance utilization ratio, evaluate the effect of reinsurance recoverables, and examine how the frequency of reinsurance use affects financial stability. A descriptive research design was adopted, targeting 200 employees from executive, mid-level, and junior management, from which a sample of 100 respondents was selected using stratified random sampling. Out of these, 40 valid responses were obtained, representing an 80% response rate. Primary data was collected using structured questionnaires containing both open-ended and closed-ended questions and analyzed using SPSS through descriptive statistics such as frequencies and percentages, with findings presented in tables and charts. The results revealed that reinsurance significantly enhances financial stability, with 95% of respondents indicating that it improves risk management and solvency. Reinsurance diversification reduced exposure to major losses and improved risk distribution, although its effectiveness depended on geographic and economic factors. The reinsurance utilization ratio enhanced underwriting capacity and supported optimal risk retention, while reinsurance recoverables improved liquidity and showed minimal default risk despite possible concentration risks among a few reinsurers. Frequent use of reinsurance also stabilized underwriting performance and strengthened financial resilience. The study concludes that an integrated reinsurance strategy involving diversification, optimal utilization, effective management of recoverables, and consistent application is essential for improving financial stability.

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ACRONYMS AND ABBREVIATIONS

MUA Management University of Africa

LS Loss Ratio

SL Stop Loss

CRR Claim Retention Ratio

CAR Capital Adequacy Ratio

FAC Facultative

BIA Basic Indicator Approach

RETRO Retrocession

FS Financial Stability

LS Loss Ratio

ROP Return On Premium

ROE Return On Equity

XL Excess Of Loss

OPERATIONAL DEFINATION OF TERMS

Cedent	A cedent refers to the primary insurer that transfers part of its risk exposure to a reinsurer under a reinsurance agreement in exchange for a premium (International Association of Insurance Supervisors [IAIS], 2018).
Reinsurance	Reinsurance is a contractual arrangement in which a reinsurer agrees to assume all or part of the risks originally underwritten by a primary insurer (cedent) in exchange for a premium, thereby enabling risk sharing and capital protection within the insurance system (Swiss Re, 2019).
Reinsurance Diversification	Reinsurance diversification refers to the practice of spreading reinsurance exposure across multiple reinsurers, geographic regions, or different classes of insurance risks in order to reduce concentration risk and enhance overall risk management efficiency (Organisation for Economic Co-operation and Development [OECD], 2021).

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, statement of the problem, research objectives, research questions, significance of the study, scope, and limitations of the study.

1.1 Background of the Study

The insurance industry plays a vital role in supporting global economic stability by facilitating risk transfer, encouraging investment, and providing financial protection to individuals, businesses, and governments (Swiss Re, 2023). However, insurers operate in an inherently uncertain environment characterized by catastrophic losses, volatile claims patterns, and asset-liability mismatches, all of which may threaten their solvency and operational continuity (Gerber, 1979; Doherty, 2000).

To mitigate these risks, insurers rely on reinsurance, which is commonly described as “insurance for insurers.” Through reinsurance, primary insurers (cedants) transfer part of their risk exposure to reinsurers in exchange for a premium, thereby enhancing capital protection and improving financial resilience (Hartwig & Wilkinson, 2014). Globally, reinsurance is recognized as a key mechanism for strengthening financial stability within the insurance sector by reducing exposure to large and unexpected losses (Cummins, Dionne, Gagné, & Noura, 2009).

At the regulatory level, financial stability is a major concern for insurance supervisors worldwide. Institutions such as the International Association of Insurance Supervisors (IAIS) emphasize the importance of solvency, capital adequacy, and risk management in ensuring insurer stability (IAIS, 2018). In addition, regulatory frameworks such as those implemented by national authorities require insurers to maintain sufficient capital buffers to withstand shocks and protect policyholders. Despite these measures, insolvency risk remains a major concern in the industry, particularly during periods of economic instability or large-scale catastrophic events (Cummins, Lewis, & Phillips, 2017).

The effectiveness of reinsurance in promoting financial stability depends on several factors, including reinsurance diversification, the proportion of risk ceded (reinsurance utilization ratio), the structure of reinsurance contracts, and the frequency of reinsurance use (Cole & McCullough, 2006; Froot, 2001). While many studies confirm that reinsurance improves financial resilience and stabilizes earnings, others highlight potential challenges such as counterparty default risk, moral hazard, and increased operational costs (Doherty & Smetters, 2005; Garven & Lamm-Tennant, 2003).

In the Kenyan context, the insurance industry has experienced increased competition, evolving regulatory requirements, and emerging risks such as climate-related losses and economic uncertainty. These developments have made risk management through reinsurance even more critical for insurers operating in the market.

GA Insurance Limited, a leading insurance provider in Kenya, represents an important case for examining these dynamics. The company operates in a competitive environment and maintains extensive reinsurance arrangements to support its underwriting capacity and financial stability. Understanding how reinsurance practices influence its financial performance provides valuable insight into the broader insurance industry in Kenya.

The target group of this study comprises employees within GA Insurance Limited, particularly those in underwriting, claims, reinsurance, and finance departments. These personnel are directly involved in risk assessment, reinsurance placement, and financial decision-making, making them well positioned to provide relevant information on how reinsurance affects financial stability.

1.1.1 Reinsurance Diversification

Reinsurance diversification involves spreading risk across different reinsurers, geographic regions, or types of policies to reduce exposure and stabilize performance. Effective diversification reduces the probability of severe losses from single catastrophic events (Cummins & Weiss, 2000). Geographic diversification is critical for catastrophe coverage, though over-diversification may reduce efficiency (Froot & O'Connell, 2008). Strong underwriting discipline must complement diversification to optimize financial stability (Farny, 2011; Braun et al., 2021).

1.1.2 Reinsurance Utilization Ratio

The Reinsurance Utilization Ratio (RUR) measures the extent to which an insurer transfers risk to reinsurers,

This is commonly expressed as:

$$\text{Reinsurance Utilization Ratio(RUR)} = \frac{(\text{Reinsurance Premiums Ceded})}{(\text{Gross Written Premiums})} \times 100$$

High RUR indicates reliance on reinsurance, often reflecting risk aversion or limited capital. Low RUR suggests stronger internal capital capacity or a more aggressive risk approach (Cummins & Weiss, 2000; Froot, 2001). RUR affects financial leverage, loss volatility, and responsiveness to large-loss events (Adams, Hardwick, & Zou, 2008; Cole & McCullough, 2006).

1.1.3 Reinsurance Recoverable

Reinsurance recoverables represent amounts due from reinsurers for claims already paid or outstanding. They are key assets supporting liquidity and solvency. While recoverables enhance capital adequacy and mitigate risk exposure, they introduce counterparty and liquidity risks if reinsurers default or delay payments (Eling & Pankoke, 2016; Liu et al., 2021). Credit risk, if a reinsurer is financially weak, the insurer may not recover the amounts due, potentially undermining its financial stability (Liu et al., 2021). Liquidity risk, Delays in recoveries can strain the insurer's cash flows, especially when large claims arise (Swiss Re Institute, 2019). Transparency issues, Lack of disclosure or inadequate valuation of reinsurance recoverables can mask the true financial position of the insurer (Cummins & Weiss, 2014). Insurance companies must carefully assess the collectability of reinsurance recoverables. International Financial Reporting Standards (IFRS 4 and IFRS 17) require disclosure of the nature and extent of reinsurance recoverables, and any impairments recognized (IASB, 2017).

1.1.4 Frequency of Reinsurance Use

Frequency reflects how often insurers employ reinsurance. Usage depends on company size, risk appetite, capital structure, and regulatory frameworks. Frequent reinsurance stabilizes earnings, increases underwriting capacity, and ensures compliance with solvency requirements (Outreville, 1990; Cummins & Weiss, 2000; Skipper & Kwon, 2007). Recent trends show higher reinsurance adoption following global catastrophes and pandemic-related losses (Swiss Re, 2021; OECD, 2014). According to Cummins and Weiss (2000), reinsurers play a critical role in supporting catastrophe insurance markets globally. Regulatory solvency frameworks, like Solvency II in Europe and Risk-Based Capital (RBC) requirements in the USA, promote or mandate the use of reinsurance to help insurers maintain adequate capital levels. Skipper and Kwon (2007) emphasize that reinsurance is used not only for risk transfer but also to stabilize earnings, increase underwriting capacity, and comply with regulatory capital requirements. These needs drive frequent use of reinsurance by insurers, especially in volatile or emerging markets. Swiss Re (2021) observed a rise in reinsurance purchases following global pandemic losses and increased natural catastrophe claims. The frequency and intensity of reinsurance usage reflect not only risk exposure but also the sophistication of insurers in capital and risk management.(OECD (2014)

1.1.5 General Accident Insurance Company

GA Insurance Limited, formerly known as General Accident Insurance Company of Kenya, is one of the oldest and most respected general and medical insurance providers in Kenya. With roots passing from General Accident UK, GA established its Kenyan operations in 1979 and has operated in East Africa for over seven decades. In 2006, GA Insurance became part of the I&M Bank Group, a diversified conglomerate with operations in banking, real estate, bottling, and manufacturing. GA has since expanded regionally with GA Life Assurance Limited launched in 2013 (life insurance and retirement solutions), GA Insurance Tanzania Limited established in 2014 and GA Insurance Uganda Limited acquired in 2019.

In October 2022, Global Credit Rating upgraded GA Insurance's financial strength rating to AA–(KE) from A+(KE), reflecting its sustained profitability, strong liquidity, and positive operational cash flows.

GA Insurance was founded with the strategic objective of establishing itself as the most reliable and trusted insurance provider within its market. The company's vision reflects its long-term commitment to building credibility, strengthening customer confidence, and delivering consistent value through high-quality insurance products and services. GA received multiple notable awards in 2023 for being the General Insurer of the Year, Medical Underwriter, Most Customer-Centric Underwriter among others and earned "Super brand" status in East Africa for brand excellence. GA also integrates societal impact in its culture, actively supporting initiatives in education, environment, and water access. Its CSR efforts include contributing 2% of net profits annually toward community development, particularly in education and clean water

GA's strengths lie in its diversified product portfolio, strong financials, and brand reputation. Enjoying premium growth exceeding 25–30% annually, the company boasts robust solvency margins, net equity, and assets. GA Insurance maintains reinsurance treaties with a consortium led by Africa Re, a reinsurer rated "A" by AM Best and S&P Global. This strong arrangement bolsters GA's risk handling capability which also contributes to GA's upgraded financial strength (AA–), as it reduces volatility, conserves capital, and ensures solvency under stress events.

1.2 Statement of the Problem

Financial stability is essential for insurance companies as it determines their ability to honor claims, maintain solvency, and continue operating under adverse economic and underwriting conditions (Cummins & Weiss, 2000). Despite this importance, insurer instability remains a persistent challenge globally, with regulatory reports indicating that failures in risk management and inadequate capital protection mechanisms contribute significantly to financial distress in the insurance sector (IAIS, 2018). This highlights a critical concern in ensuring that insurers maintain sufficient financial resilience to withstand large and unexpected losses.

Reinsurance is widely adopted as a key mechanism for reducing exposure to catastrophic risks and stabilizing insurer performance. However, its effectiveness is not guaranteed and varies depending on how it is structured and applied. Empirical studies show that reinsurance outcomes are influenced by diversification across reinsurers, the proportion of risk ceded (utilization ratio), the nature of reinsurance agreements, and the frequency of reinsurance use (Cole & McCullough, 2006; Froot, 2001). Inadequate or poorly structured reinsurance arrangements may fail to provide the intended financial protection, thereby exposing insurers to solvency risks.

Despite its importance, empirical evidence on the relationship between specific reinsurance strategies and financial stability remains limited and inconclusive (Garven & Lamm-Tennant, 2003). Some insurers tend to over-rely on reinsurance, which increases counterparty risk and potential exposure to reinsurer default, while others underutilize reinsurance, leaving themselves vulnerable to severe underwriting losses and capital erosion (Cummins et al., 2001). Furthermore, inappropriate management of reinsurance recoverables may create liquidity pressures, especially when reinsurers delay or fail to honor claims obligations (Liu et al., 2021).

Additionally, the type of reinsurance arrangement adopted whether proportional (e.g., quota share) or non-proportional (e.g., excess of loss) has been found to have different implications for capital adequacy, earnings volatility, and profitability (Cummins & Weiss, 2009). However, there is limited empirical consensus on how these reinsurance dimensions collectively influence financial stability, particularly within developing insurance markets.

In the Kenyan insurance industry, firms face increasing exposure to catastrophic risks, tightening regulatory capital requirements, and heightened competition, all of which demand effective reinsurance strategies to ensure financial resilience. Despite GA Insurance Limited maintaining reinsurance arrangements with reputable international reinsurers, there is insufficient empirical evidence on whether its reinsurance diversification, utilization ratio, recoverables, and frequency of use effectively translate into enhanced financial stability.

It is therefore not clearly established how reinsurance diversification, reinsurance utilization ratio, reinsurance recoverables, and frequency of reinsurance use affect the financial stability of insurance companies, creating a significant empirical and policy gap. This study therefore seeks

to address this gap by examining the effect of reinsurance on the financial stability of GA Insurance Limited.

1.3 Objective of the study

The general objective of this study is to examine the effect of reinsurance on the financial stability of insurance companies, with a focus on GA Insurance Limited, Nairobi.

1.3.1 Specific Objectives

- i). To investigate the impact of reinsurance diversification on the financial stability of GA Insurance Limited.
- ii). To assess the influence of the reinsurance utilization ratio on the financial stability of GA Insurance Limited.
- iii). To evaluate the effect of reinsurance recoverables on the financial stability of GA Insurance Limited.
- iv). To examine how the frequency of reinsurance use affects the financial stability of GA Insurance Limited.

1.4 Research Questions

- i). How does reinsurance diversification, through the use of multiple reinsurers, influence the financial stability of GA Insurance Company Ltd?
- ii). What is the relationship between the reinsurance utilization ratio and the financial stability of GA Insurance Company Ltd?
- iii). In what ways do reinsurance recoverables affect the financial stability of GA Insurance Company Ltd?
- iv). How does the frequency of reinsurance use impact the financial stability of GA Insurance Company Ltd?

1.5 Significance of the Study

This study is conducted to examine the effect of reinsurance on the financial stability of insurance companies, with a focus on GA Insurance Limited. The findings are expected to be useful to different stakeholders in the insurance industry, regulators, and the academic community by providing evidence on how reinsurance practices influence financial stability.

The study will provide GA Insurance Limited with empirical insights on how reinsurance diversification, utilization ratio, recoverables, and frequency of use influence its financial stability. This will assist management in improving reinsurance decision-making, strengthening risk management strategies, enhancing profitability, and reducing exposure to large and unexpected losses.

The findings will help reinsurers understand how their arrangements with primary insurers affect financial stability and risk exposure. This knowledge can support the development of more effective reinsurance contracts, improve risk-sharing relationships, and strengthen long-term partnerships with insurance companies.

The study will also provide regulators such as the Insurance Regulatory Authority with evidence on how reinsurance practices affect insurer solvency and financial resilience. This may support the formulation and improvement of regulatory frameworks that promote financial stability, protect policyholders, and reduce systemic risk within the insurance sector.

Furthermore, the study will contribute to existing academic literature on reinsurance and financial stability, particularly in emerging markets such as Kenya. It will serve as a reference for future studies and provide a foundation for comparative research across different insurance markets and regulatory environments.

1.6 Scope of the Study

The study was conducted between August 2025 and April 2026 at GA Insurance Limited head office on Ralph Bunche Road in Nairobi. It examined the effects of reinsurance on the financial stability of insurance companies. The target population consisted of 200 employees from the underwriting, claims, reinsurance, and finance departments, with a sample of 100 respondents selected for the study.

1.7 Summary of the Chapter

This chapter introduced the study by presenting the background, problem statement, objectives, research questions, significance, and scope of the study. It also highlighted the key reinsurance factors under investigation and established the need to examine their effect on the financial stability of insurance companies, with a focus on GA Insurance Limited.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature on the influence of reinsurance on the financial stability of insurance companies. It presents the theoretical and empirical literature, identifies key research gaps, and develops a conceptual framework linking reinsurance dimensions to financial stability. It further outlines the operationalization of variables used in the study and concludes with a summary.

2.1 Theoretical Literature Review

This study is grounded in two key theoretical perspectives that explain the relationship between reinsurance and the financial stability of insurance companies. The principal framework is Risk Transfer Theory, which provides the core analytical foundation for understanding how reinsurance mechanisms redistribute risk and enhance insurers' financial stability. This theory directly informs the study's research questions by explaining how reinsurance dimensions such as diversification, utilization, recoverables, and frequency of use influence the ability of insurers to manage risk and maintain solvency.

This is further supported by a complementary theory that broadens the conceptual understanding of financial stability within insurance operations. Together, these theories provide an integrated framework for examining how reinsurance practices contribute to or constrain financial stability, thereby guiding the analysis of the study's research questions. A detailed examination of these theories is presented in the subsequent section.

2.1.1 Risk Transfer Theory

Risk Transfer Theory offers a rigorous analytical foundation for examining the contribution of reinsurance to the financial stability of insurance companies. The theory is rooted in the economic argument advanced by Kenneth Arrow (1963), who posited that risk-averse individuals derive greater utility from certainty than from uncertainty. Consequently, reallocating risk to entities with superior capacity to absorb potential losses enhances overall economic welfare. Within insurance markets, this principle manifests through contractual arrangements that shift the financial consequences of uncertain events from the insured to an insurer with adequate capital and risk

management expertise. As articulated by Vaughan and Vaughan (2014), risk transfer constitutes the foundational mechanism upon which insurance operations are structured.

Reinsurance represents an extension of this mechanism, operating at an institutional level by redistributing aggregated or catastrophic risks from primary insurers to reinsurers. According to Cummins and Weiss (2000), such redistribution enhances the capacity of insurers to underwrite policies while mitigating the probability of financial distress arising from concentrated exposures. Through this layered allocation of risk, reinsurance reduces volatility in claims experience and strengthens insurers' solvency positions.

Beyond conventional insurance contracts, risk transfer may also occur through alternative risk management instruments. Doherty (1997) observes that financial innovation has expanded the range of mechanisms available for reallocating risk, including catastrophe bonds and derivative instruments that enable exposure to be transferred to capital market participants. These developments broaden the scope of risk-bearing beyond traditional insurance entities, thereby deepening risk-sharing capacity within the financial system.

Notwithstanding its advantages, Risk Transfer Theory acknowledges inherent limitations. One such limitation is moral hazard, whereby the transfer of risk may reduce incentives for loss prevention. Rejda and McNamara (2017) contend that when individuals or institutions are insulated from the full consequences of loss, risk-taking behaviour may increase. Adverse selection presents an additional challenge, particularly in contexts characterized by asymmetric information, where higher-risk participants are more likely to seek coverage. Moreover, risk transfer arrangements are seldom absolute; contractual features such as deductibles, exclusions, co-insurance, and policy limits ensure that some degree of risk retention persists. Vaughan and Vaughan (2013) emphasize that partial retention is often intentional, serving to align incentives and moderate behavioural distortions. The effectiveness of any risk transfer arrangement further depends on the financial soundness of the counterparty. As noted by Harrington and Niehaus (2004), counterparty insolvency risk may undermine the reliability of risk transfer, particularly in relation to high-severity, low-frequency events.

Risk Transfer Theory provides a coherent explanation of how reinsurance enhances the financial resilience of insurance firms. By dispersing catastrophic exposures such as those arising from

natural disasters, pandemics, or large-scale industrial losses reinsurance mitigates the likelihood that a single insurer will experience destabilizing capital erosion. This supports sustained solvency and ensures the fulfillment of contractual obligations to policyholders. In addition, reinsurance arrangements contribute to earnings stabilization by smoothing fluctuations in claims experience, thereby promoting more predictable underwriting outcomes. Empirical analyses by Cummins and Weiss (2009) indicate that reduced volatility strengthens financial ratios and enhances long-term planning capacity.

Furthermore, robust reinsurance structures signal sound risk management practices to key stakeholders. The International Association of Insurance Supervisors (2012) underscores that effective reinsurance programmes are integral to prudent solvency management and regulatory compliance. Such arrangements enhance credibility among policyholders, investors, and rating agencies, thereby reinforcing market confidence. Similarly, industry analyses by Swiss Re (2013) highlight that stable capital positions supported by reinsurance enable insurers to pursue strategic initiatives, including product diversification, technological advancement, and geographic expansion.

Risk Transfer Theory provides a comprehensive and academically robust framework for evaluating the relationship between reinsurance and financial stability. By facilitating the redistribution of risk, moderating earnings volatility, and strengthening solvency, reinsurance aligns with the theoretical proposition that effective risk allocation enhances institutional resilience and long-term sustainability.

2.1.2 Financial Stability Theory

Financial Stability Theory provides an analytical perspective on the manner in which reinsurance enhances the financial soundness of insurance institutions. The theory posits that reinsurance arrangements enable insurers to withstand large or unforeseen losses, thereby safeguarding solvency, preserving liquidity, and ensuring the timely fulfillment of obligations to policyholders. As discussed by Vaughan and Vaughan (2014), reinsurance functions as a structured mechanism through which insurers redistribute portions of their underwriting risk in order to protect their capital base and sustain operational continuity.

From a theoretical standpoint, Financial Stability Theory views reinsurance as a strategic risk management instrument that strengthens institutional resilience. By ceding part of their exposure to reinsurers, insurance companies reduce the volatility associated with high-severity, low-frequency events. This redistribution of risk contributes to more stable earnings patterns, improved cash flow management, and enhanced capacity to meet regulatory capital requirements. Empirical insights by Cummins and Weiss (2009) indicate that reinsurance supports capital adequacy and lowers the likelihood of insolvency, thereby reinforcing the stability of both individual firms and the broader financial system.

Notwithstanding its relevance, the theory acknowledges several limitations. First, the effectiveness of reinsurance in promoting financial stability is contingent upon the financial strength of the reinsurer. Should the reinsurer fail to honor its obligations, the ceding insurer remains exposed to residual losses, potentially undermining its solvency position, as noted by Cummins and Weiss (2009). Second, the cost of reinsurance premiums may constrain profitability, particularly for smaller insurers with limited capital resources. Vaughan and Vaughan (2014) observe that excessive reliance on reinsurance can reduce underwriting margins and affect competitive positioning. Third, in the aftermath of extreme catastrophic events involving multiple claims, delays in reinsurance recoveries may exert short-term pressure on liquidity, thereby limiting the immediate stabilizing effect anticipated by the theory.

Within contemporary insurance markets characterized by escalating exposure to systemic and catastrophic risks including climate-related events, pandemics, and large-scale industrial losses Financial Stability Theory remains highly pertinent. It offers a conceptual framework for understanding how structured risk transfer mechanisms contribute to long-term sustainability. By absorbing substantial loss exposures that could otherwise impair balance sheets, reinsurance enhances earnings stability, strengthens liquidity management, and supports compliance with solvency regulations.

Accordingly, Financial Stability Theory serves as a critical framework for evaluating the role of reinsurance in promoting institutional durability. In increasingly complex and interconnected risk environments, insurers rely on reinsurance not only to mitigate immediate financial shocks but

also to maintain stakeholder confidence, uphold regulatory standards, and sustain long-term strategic objectives.

2.2 Empirical Literature Review

The empirical literature review is structured in line with the study objectives and conceptual framework. It critically examines existing empirical evidence on reinsurance diversification, utilization ratio, recoverables, and frequency of use, focusing on methodologies employed, key findings, and research gaps.

2.2.1 Effect of reinsurance diversification on financial stability

Empirical studies on reinsurance diversification have predominantly used panel regression analysis, stress testing techniques, and cross-sectional financial analysis to examine its impact on insurers' financial performance and stability.

Sing'ombe (2016) employed an analytical survey design and regression analysis using secondary financial data from Kenyan insurance companies. The study found that well-structured reinsurance programmes reduce insolvency risk and enhance underwriting capacity. However, profitability effects were not consistently significant, indicating that diversification contributes more to stability than short-term earnings.

Van Lelyveld (2011) applied supervisory exposure data and scenario-based stress testing on Dutch insurers to evaluate reinsurance risk. The study established that diversification reduces earnings volatility and mitigates systemic risk, even under simulated reinsurer default scenarios.

Park et al. (2021) used a large international dataset of 11,894 firm-year observations and applied dynamic panel regression models. The study found that non-affiliated reinsurance diversification negatively affected performance, while affiliated diversification improved financial outcomes, highlighting the importance of organizational structure.

Maharjan (2023), using regression analysis on Nepalese insurers, found that reinsurance diversification enhances capital relief, profitability, and solvency, thereby strengthening financial resilience in emerging markets.

Regele and Wandt (2022) used empirical modelling to show that diversification reduces financial distress probability through risk-sharing mechanisms and lowers systemic risk exposure.

2.2.2 Effect of reinsurance Utilization ratio on financial stability

Dansu Studies on reinsurance utilization ratios commonly employ econometric models, panel regression techniques, and cross-sectional analysis using insurance financial data.

Dansu and Obalola (2018) used regression analysis on Nigerian insurers and found a significant positive relationship between reinsurance utilization and premium growth as well as loss ratios, indicating improved operational performance.

Hafez Mohamed (2019) applied panel regression analysis on Egyptian insurers and found that higher reinsurance ratios negatively affect ROA but show mixed effects on other performance indicators, suggesting trade-offs between cost and stability.

Abass and Olubusade (2023), using econometric modelling, found that reinsurance utilization significantly affects financial leverage but has an insignificant effect on ROA, indicating its role in capital structure management.

Chen, Hamwi and Hudson (2001) used cross-sectional regression on U.S. regulatory data and found that higher reinsurance utilization is associated with weaker capital positions, suggesting dependence on reinsurance may signal financial fragility.

Shim (2015) reviewed empirical evidence and noted inconsistent results, where utilization improves solvency in some cases but increases vulnerability in others due to counterparty risk and reduced risk retention.

2.2.3 Effect of the frequency of reinsurance use on financial stability

Empirical studies on frequency of reinsurance use mainly apply panel regression models, correlation analysis, and longitudinal financial data analysis.

Sing'ombe (2016), using regression analysis of Kenyan insurers' financial statements, found that frequent reinsurance use stabilizes underwriting outcomes but does not significantly improve profitability.

Mutua (2023), using panel data regression, found a positive but statistically insignificant relationship between routine reinsurance use and financial performance, suggesting that frequency alone does not guarantee financial stability.

Park, Choi, and Ho (2021), using dynamic panel regression on multinational insurers, found that frequent internal reinsurance enhances stability, while external reinsurance produces mixed effects depending on control mechanisms.

Hafez Mohamed (2019) found that frequent reinsurance use reduces profitability but improves claims efficiency, indicating a trade-off between operational stability and earnings retention.

2.2.4 Effect of reinsurance recoverable on financial stability

Empirical studies on reinsurance recoverables have mainly used supervisory data analysis, panel regression, and risk exposure modelling. Cummins and Weiss (2014), using NAIC statutory data and regression analysis, found that high concentrations of recoverables increase exposure to reinsurer default risk and weaken solvency. Lei (2019), using panel regression models, found that higher recoverables intensity reduces risk-adjusted returns, indicating weaker financial performance and stability. Van Lelyveld (2011), using stress-testing techniques, found that large recoverables increase counterparty exposure despite diversification benefits. OECD (2003), using supervisory evidence, found that recoverables significantly weaken insurer solvency during reinsurer distress. IAIS (2012), using global insurance data, found that concentrated recoverables increase systemic risk and contagion effects during crises. Shim (2015), using U.S. insurer data, found that recoverables increase underwriting risk while reducing capital adequacy.

2.3 Summary and Research Gaps

Despite extensive empirical research on reinsurance and financial stability, several gaps remain that justify the need for the current study. First, most existing studies examine reinsurance diversification, utilization ratio, recoverables, and frequency of use in isolation, with limited integration of these variables into a single analytical framework. As a result, the combined effect of these dimensions on overall financial stability remains insufficiently understood.

Second, prior research has largely focused on profitability and solvency as standalone outcomes, with limited consideration of broader financial stability indicators such as liquidity and earnings

volatility. This narrow focus limits a comprehensive understanding of how reinsurance influences the overall financial resilience of insurance companies.

Third, much of the available empirical evidence is derived from developed markets, making it difficult to generalize findings to emerging insurance markets where risk structures, regulatory environments, and capital constraints differ significantly.

Fourth, variables such as frequency of reinsurance use and reinsurance recoverables have often been treated as secondary or control variables, with limited in-depth analysis of their direct impact on financial stability.

Finally, existing studies on reinsurance recoverables mainly emphasize solvency risk and counterparty exposure, with limited attention to liquidity resilience and recoverability timing, particularly in developing economies.

These gaps collectively demonstrate the need for a comprehensive study that simultaneously examines multiple dimensions of reinsurance and their joint effect on the financial stability of insurance companies.

Table 1: Summary of Research Gaps

Research Title	Authors Name	Study variable	Key findings	Identified research Gap
Reinsurance Programmes and Financial Performance of General Insurance Companies in Kenya	Sing'ombe (2016)	Reinsurance Diversification	Reinsurance arrangements reduce insolvency risk, enhance underwriting capacity, and stabilize claims experience, though profitability effects are mixed	Focuses mainly on solvency and performance without integrating broader financial stability dimensions such as liquidity and earnings volatility.

Research Title	Authors Name	Study variable	Key findings	Identified research Gap
The Impact of Reinsurance Diversification on Profitability and Solvency of Insurance Companies in Nepal	Maharjan (2023)	Reinsurance Diversification	Diversification improves capital relief, profitability, and solvency among insurers	Does not incorporate other reinsurance dimensions within a unified financial stability framework, limiting comprehensive analysis
Effect of Reinsurance Utilization Ratio, Claim Efficiency and Financial Performance of Non-Life Insurance Companies in Nigeria	Dansu Obalola (2018)	& Reinsurance Utilization Ratio	Reinsurance utilization positively influences premium growth and loss ratios	Emphasizes short-term performance without considering long-term financial stability indicators such as liquidity and earnings sustainability
Impact of Reinsurance Use on Financial Performance of Non-life Insurers in Egypt	Hafez Mohamed (2019)	Reinsurance Utilization Ratio / Frequency	Higher reinsurance use reduces profitability (ROA) but improves claims efficiency	Provides mixed findings but lacks clarity on how reinsurance affects overall financial stability beyond profitability
Effect of Reinsurance Utilization Ratio on Capital Adequacy of Non-Life Insurers in Nigeria	Abass Olubusade (2023)	& Reinsurance Utilization Ratio	Reinsurance utilization significantly affects financial leverage but not ROA	Focuses on leverage and profitability, with limited analysis of broader financial stability measures
Impact of Reinsurance on Insurers' Risk-Return Profiles	Lei (2019)	Reinsurance Recoverables	Higher recoverables intensity is associated with lower risk-adjusted returns	Does not fully examine liquidity effects and timing of recoverables in financial stability

Research Title	Authors Name	Study variable	Key findings	Identified research Gap
Reinsurance Risk and Financial Performance of Insurance Firms	Mutua (2023)	Frequency of Reinsurance Use	Frequent reinsurance use shows a positive but insignificant effect on financial performance	Frequency is not deeply analyzed as a key determinant of financial stability
The Effects of Internal and External Reinsurance on Insurer Performance	Park et al. (2021)	Frequency of Reinsurance Use	Internal reinsurance improves stability while external reinsurance shows mixed results	Does not comprehensively assess frequency effects across multiple financial stability indicators
Reinsurance Recoverables and Insurer Solvency Risk	Cummins & Weiss (2014)	Reinsurance Recoverables	High recoverables increase exposure to reinsurer default and weaken solvency	Focuses mainly on solvency risk without considering liquidity resilience and timing effects
Supervisory Framework for Reinsurance Risk	OECD (2003); IAIS (2012)	Reinsurance Recoverables	Recoverables expose insurers to systemic and counterparty risk during financial distress	Limited empirical analysis in emerging markets and lack of focus on broader financial stability dimensions

2.4 Conceptual Framework

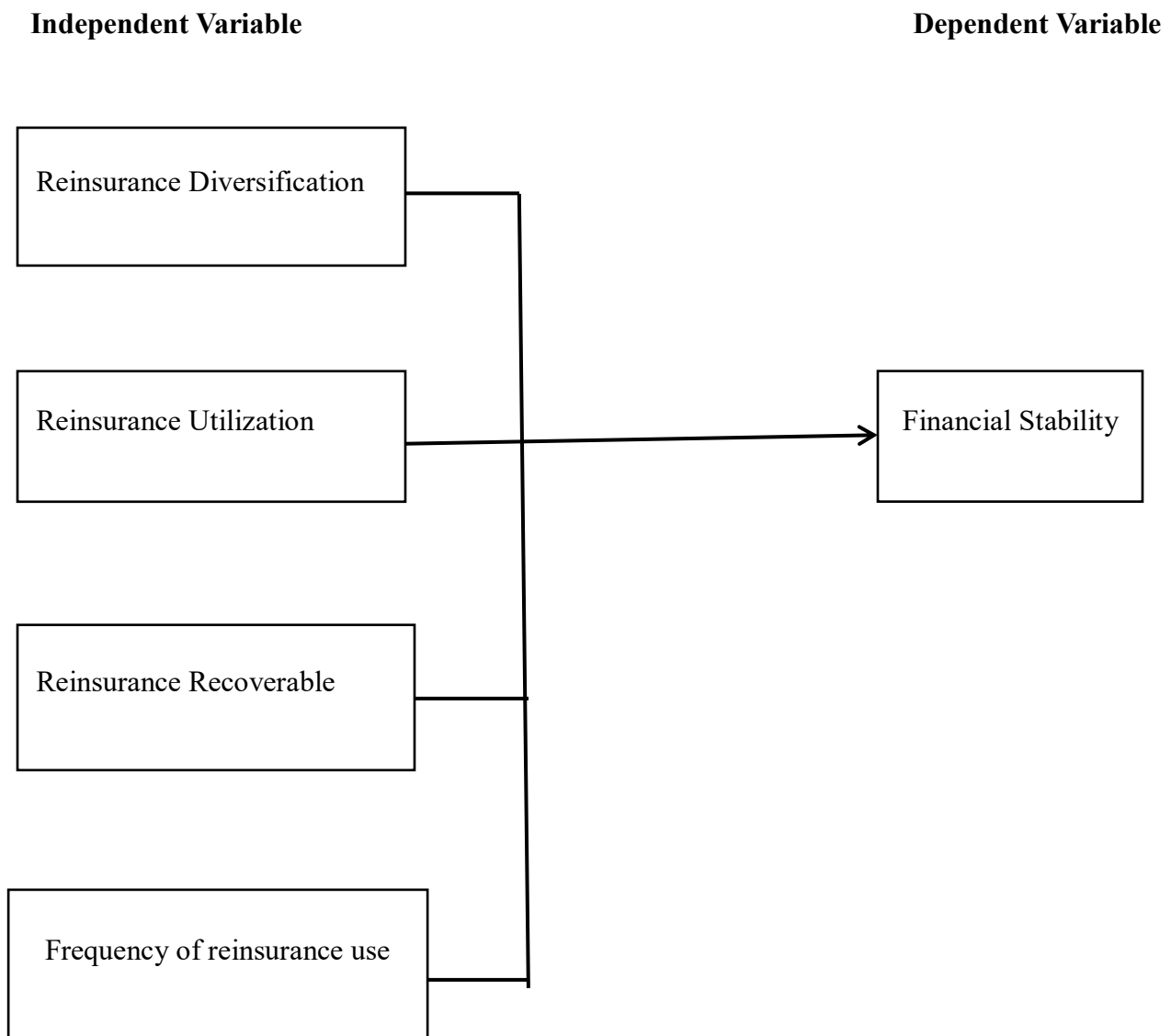
The conceptual framework illustrates the relationship between reinsurance practices and financial stability, guided by Risk Transfer Theory and Financial Stability Theory. Financial Stability is the dependent variable, representing the insurer's ability to maintain solvency, liquidity, and stable earnings.

The independent variables are Reinsurance Diversification, Reinsurance Utilization Ratio, Reinsurance Recoverables, and Frequency of Reinsurance Use. These variables capture key dimensions of reinsurance as a risk management strategy.

The framework posits that effective risk transfer through diversification, optimal utilization, reliable recoverables, and consistent use of reinsurance enhances financial stability. Conversely, poor structuring or excessive reliance may weaken financial performance.

Thus, the independent variables are expected to directly influence financial stability.

Figure 1: Conceptual Framework



2.5 Operational Framework for Variables

Operationalization of variables involves translating the study constructs into specific, observable, and measurable indicators to facilitate empirical analysis. It ensures alignment between the conceptual framework, research objectives, and the methods of data collection and analysis.

The conceptual framework identifies the independent and dependent variables and clarifies the anticipated relationships among them. This structure provides the analytical basis for examining the influence of the independent variables on the outcome variable.

In this study, Financial Stability is the dependent variable. It is defined as the capacity of an insurance firm to maintain adequate solvency, generate sustainable earnings, meet financial obligations as they fall due, and effectively manage underwriting and operational risks over time. For purposes of this research, financial stability will be measured using relevant financial performance and solvency indicators derived from audited financial statements.

Table 2:Operational Framework

Research Variable	Key Indicator	Measurement Technique
Reinsurance Diversification	• The company engages multiple reinsurers to distribute risk exposure. • Reinsurance contracts are spread across different geographic regions • The company utilizes both treaty and facultative reinsurance arrangements • Reinsurance diversification reduces exposure to major losses	1–5 Likert Scale
Reinsurance Utilization Ratio	• A significant proportion of underwriting risk is ceded to reinsurers • Reinsurance significantly influences underwriting decisions	1–5 Likert Scale

Research Variable	Key Indicator	Measurement Technique
Reinsurance Recoverables	• The company retains an optimal level of risk after ceding • Reinsurance utilization enhances underwriting capacity	1–5 Likert Scale
	• Recoverables from reinsurers are settled in a timely manner.	
	• Recoverables contribute positively to the company's liquidity position	
	• The company experiences minimal default risk from reinsurers	
	• High concentration of recoverables among a few reinsurers increases financial risk (reverse coded)	
Frequency of Reinsurance Use	• The company purchases reinsurance consistently each year. • Reinsurance treaties are renewed regularly without disruption • Reinsurance is frequently used to manage underwriting exposure • Regular use of reinsurance stabilizes underwriting outcomes	1–5 Likert Scale
Financial Stability	• The company consistently meets its financial obligations. • The firm maintains adequate solvency margin • Earnings remain stable over time • The company maintains sufficient liquidity to absorb unexpected losses	1–5 Likert Scale

2.6 Chapter Summary

This chapter reviewed the theoretical and empirical literature on the effect of reinsurance on the financial stability of insurance companies. The chapter discussed Risk Transfer Theory and Financial Stability Theory, reviewed empirical studies on reinsurance diversification, utilization ratio, recoverables, and frequency of reinsurance use, and identified key research gaps. It also presented the conceptual framework and operationalization of variables that guide the study.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This chapter outlines the research methodology used in the study, including the research design, target population, sampling techniques, and data collection instruments. It also covers pilot testing, validity and reliability test, data collection and analysis procedures, and ethical considerations. The chapter concludes with a summary.

3.1 Research design

This study adopts a descriptive research design, which is used to systematically describe the characteristics of a phenomenon as it exists in its natural setting. According to Cooper and Schindler (2013), a research design provides a structured framework that guides the processes of data collection and analysis in order to effectively address research questions. Descriptive research is particularly concerned with portraying “what is” in relation to the variables under investigation.

Kothari (2009) further notes that descriptive research is aimed at presenting an accurate depiction of phenomena as they exist at a specific point in time, without manipulating variables. It addresses key questions such as who, what, where, when, and how within a given context (Cooper & Schindler, 2013).

This design is appropriate for the present study because it enables the researcher to provide a systematic and objective account of the prevailing conditions at GA Insurance Limited. It also facilitates a clear understanding of the relationship between reinsurance practices and financial stability, without altering the study environment.

3.2 Target Population

The target population for this study comprises employees of GA Insurance Company Limited. In line with Cooper and Schindler (2013), a population refers to the complete set of elements from which a researcher seeks to draw conclusions, while Kothari (2004) defines it as all individuals or units possessing characteristics relevant to the research problem. The target population is therefore a clearly defined subset of the overall population to which the study findings are generalized.

In this study, the target population consists of 200 employees of GA Insurance Company Limited, categorized into three levels of management: Executive Management, Mid-Level Management, and Junior Management.

Table 3: Target Population

Population Group	Population Size	Percentage
Executive Management	30	15
Mid-level Management	70	35
Junior Management	100	50
Grand Total	200	100

Source: GA Insurance Ltd (2026)

The inclusion of employees across different management levels is justified on the basis that they are directly involved in or affected by organizational reinsurance and financial decision-making processes. This ensures that the study captures diverse perspectives and enhances the representativeness and reliability of the findings. Furthermore, as noted by Kothari (2004), defining a clear target population is essential to ensure that research findings are both valid and generalizable to the intended group.

3.3 Sample and sampling technique

A sample refers to a subset of individuals, objects, or cases drawn from the accessible population for purposes of data collection and analysis (Mugenda & Mugenda, 2009). Sampling is necessary when it is impractical to study the entire population due to limitations of time, cost, and logistics.

This study will adopt a stratified random sampling technique because the target population is heterogeneous in nature. According to Kothari (2014), stratified random sampling involves dividing the population into distinct subgroups (strata) based on shared characteristics, and then randomly selecting respondents from each stratum. This ensures that all subgroups are adequately represented, thereby reducing sampling bias and improving the accuracy and reliability of the results.

In this study, the population is categorized into Executive Management, Mid-Level Management, and Junior Management. A sample size equivalent to 50% of the target population will be used, as

this is considered adequate for descriptive studies where a representative sample is required (Mugenda & Mugenda, 2019). This yields a total of 100 respondents, proportionately distributed across the strata.

Table 4:Sample Size

Population Group	Population Size	Sample Selected	Percentage
Executive Management	30	15	15
Mid-level Management	70	35	35
Junior Management	100	50	50
Grand Total	200	100	100

Source: GA Insurance Ltd (2025)

The use of stratified random sampling ensures proportional representation of each management level, thereby enhancing the generalizability of the findings and ensuring that the results accurately reflect the views of all categories within the organization.

3.4 Data Collection Instruments

This study will utilize questionnaires as the primary instrument for data collection. A questionnaire is defined as a structured research tool comprising a set of systematically designed questions used to obtain information from respondents (Kumar, 2010). Each item is carefully developed to align with the study objectives, ensuring that the data collected is relevant, focused, and suitable for analysis.

Structured questionnaires are preferred in this study due to their ability to ensure uniformity in question presentation and response recording. This enhances consistency and reduces interviewer bias. In addition, questionnaires provide respondents with anonymity and convenience, which encourages honest and accurate responses, thereby improving data reliability.

The questionnaire will include both closed-ended and open-ended questions, enabling the collection of both quantitative and qualitative data. Closed-ended questions will facilitate ease of coding and statistical analysis, while open-ended questions will provide deeper insights into respondents' views and experiences.

Overall, the use of questionnaires is considered appropriate for this study because it is cost-effective, time-efficient, and allows for systematic collection and analysis of data from a relatively large sample.

3.5 Pilot Study

Pilot testing is conducted prior to the main data collection to evaluate the effectiveness of the research instrument among practitioners and professionals in the subject area. This process is essential for identifying unclear questions, ambiguous wording, and other potential weaknesses in the questionnaire, thereby allowing for refinement before the actual study. It also provides an opportunity to gather feedback that improves the clarity, relevance, and overall quality of the instrument. According to Mugenda and Mugenda (2019), a pilot study involves approximately 10% of the total sample size, selected from respondents who share similar characteristics with the target population. In this study, the pilot test involves five employees who are not included in the final sample. These participants are drawn from the same organizational context to ensure that their feedback is relevant and applicable to the study population. The findings from the pilot study are used to assess both the validity and reliability of the questionnaire. As noted by Sekaran (2015), pilot testing is critical in ensuring that research instruments consistently measure what they are intended to measure and produce accurate and dependable data. Any shortcomings identified during the pilot phase are addressed, and the instrument is refined accordingly before the commencement of full-scale data collection.

3.5.1 Validity

The usefulness of the instrument in collecting the required data is determined through validity assessment. Validity refers to the extent to which a research instrument measures what it is intended to measure. In particular, content validity assesses whether the items in a questionnaire adequately represent the construct or domain under investigation, ensuring that the instrument captures all relevant aspects of the concept being studied (Mugenda & Mugenda, 2019). To ensure that the instrument is appropriate and capable of collecting the required data, content validity is enhanced through expert review. The research supervisor reviews the questionnaire to assess the relevance, clarity, and adequacy of the items in relation to the study objectives. Based on this evaluation, necessary adjustments and improvements are made. This expert validation process ensures that the

instrument is well-structured and suitable for collecting accurate and meaningful data, thereby strengthening the overall validity and credibility of the study findings.

3.5.2 Reliability Test

The extent to which the instrument yields similar results over time is determined through reliability assessment. Reliability refers to the extent to which a research instrument produces consistent and stable results when administered under similar conditions. A reliable instrument minimizes random error and ensures that the measurements accurately reflect the construct being studied (Best & Kahn, 2014). In this study, the reliability of the questionnaire is determined using Cronbach's alpha coefficient for the four independent variables. This statistical measure assesses the internal consistency of the items within the instrument. According to Sekaran (2015), a Cronbach's alpha value of less than 0.60 indicates low reliability, a value of approximately 0.70 is considered acceptable, while values above 0.80 indicate high reliability. Establishing reliability is essential in ensuring that the instrument yields consistent results over time, thereby enhancing the dependability, accuracy, and credibility of the data collected for analysis.

3.6 Data collection procedure

Before data collection was conducted, the researcher obtained authorization from the Dean of the School at the Management University of Africa. The researcher also obtained authorization from GA Insurance Limited to collect data from the organization's employees. Upon receiving approval from the Human Resources manager, a mutually convenient date was scheduled for data collection. On the agreed date, the researcher personally distributed the questionnaires to the selected respondents and ensured that they were completed. The completed questionnaires were collected immediately to maintain data integrity and facilitate timely analysis. This approach ensured a structured and efficient data collection process while minimizing non-response and potential data loss.

3.7 Data Analysis and Presentation

The data collected through the questionnaires was systematically edited, coded, and analyzed using the Statistical Package for Social Sciences (SPSS) software. Given that the study incorporated both qualitative and quantitative elements, descriptive statistics were employed to summarize and interpret the data effectively. The analysis focused on key descriptive measures, including

frequencies and means, to provide a clear understanding of trends and patterns in the responses. The results were presented using tables, pie charts, and bar charts, enabling a concise and visually accessible representation of the research findings. This approach ensured that the findings were organized, interpretable, and aligned with the study objectives.

3.8 Ethical Considerations

Ethics is a branch of philosophy concerned with principles of conduct and serves as a guide for determining appropriate behavior (Mackinnon, 2011). In research, ethical principles are applied to ensure that studies are conducted with integrity, that participants are treated fairly, and that they are not harmed or exploited for personal gain. In this study, ethical considerations include informed consent, voluntary participation, confidentiality, privacy, and anonymity. These principles ensure that participants are fully aware of the research process, participate willingly, and that their information is protected and used solely for academic purposes. Adhering to these principles safeguards the rights of participants and enhances the credibility of the research process.

3.8.1 Informed Consent

Informed consent is an ethical requirement that ensures participants are able to make voluntary and informed decisions about their involvement in a study. It involves providing participants with sufficient information about the purpose, procedures, and implications of the research to allow them to participate knowingly and willingly (Silverman, 2002). In this study, informed consent will be obtained by clearly explaining the objectives of the research, the data collection process, and the expected use of the information. This ensures that respondents understand the nature of the study and participate voluntarily, thereby upholding ethical standards and protecting the rights of all participants.

3.8.2 Voluntary Participation

The principle of voluntary participation requires that individuals take part in a study of their own free will, without any form of coercion or undue influence. This principle is closely linked to informed consent, ensuring that participants are fully aware of the nature of the research before deciding to participate (Trochim, 2006). In this study, all participants will be provided with clear information about the purpose, scope, and procedures of the research. This will enable them to

make an informed decision regarding their participation, ensuring that their involvement is entirely voluntary and ethically sound.

3.8.3 Confidentiality

Confidentiality is a key ethical requirement in research, ensuring that sensitive information provided by participants is protected and used exclusively for the intended purpose. Access to such information requires prior consent from both the participants and the relevant organization. In this study, the researcher will obtain formal permission from the Management University of Africa and GA Insurance Limited to facilitate the data collection process. Participants will be assured that all information provided will remain confidential and will be used solely for academic purposes. An introductory letter explaining this assurance will accompany the questionnaires. Additionally, a copy of the final research report will be shared with the management, as the findings are expected to provide valuable insights that can enhance the organization's performance.

3.8.4 Privacy

The privacy of respondents will be strictly maintained throughout the study by ensuring that individual participants cannot be identified through their responses. To protect participants' identities, the study will employ coding and pseudonyms in place of personal identifiers. This approach guarantees that the information provided remains confidential and that respondents' anonymity is preserved, thereby upholding ethical standards in line with academic research practices.

3.8.5 Anonymity

Anonymity in research refers to protecting participants by ensuring that their identities, including personal, ethnic, or cultural information, are not disclosed, and that no individual can be linked to specific responses (Mugenda, 2009). To uphold anonymity in this study, all respondents will be assigned codes, and they will not be required to provide their real names on the questionnaires. This measure safeguards participants' identities and ensures that the data collected cannot be traced back to any individual, thereby maintaining ethical research standards.

3.9 Chapter Summary

This chapter discussed the research methodology used in the study. It presented the research design, target population, sample size, sampling technique, and data collection instruments. The chapter also discussed the pilot study, validity and reliability of the research instrument, data collection procedures, data analysis and presentation methods, and ethical considerations.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents the analysis and interpretation of data collected from respondents. Findings are displayed using tables and figures, followed by brief explanations of what the results mean in relation to the study objectives. The chapter also outlines the limitations encountered during the study.

4.1 Presentation of Research findings

The quantitative data were analyzed using appropriate statistical techniques to ensure accuracy and reliability. The findings are presented systematically in the sections that follow, guided by the study objectives and research questions.

4.1.1 Response Rate

Table 5:Response Rate

Category	Frequency	Percentage
Response	40	80
Non-Response	10	20
Grand Total	50	100

Figure 2:Response Rate

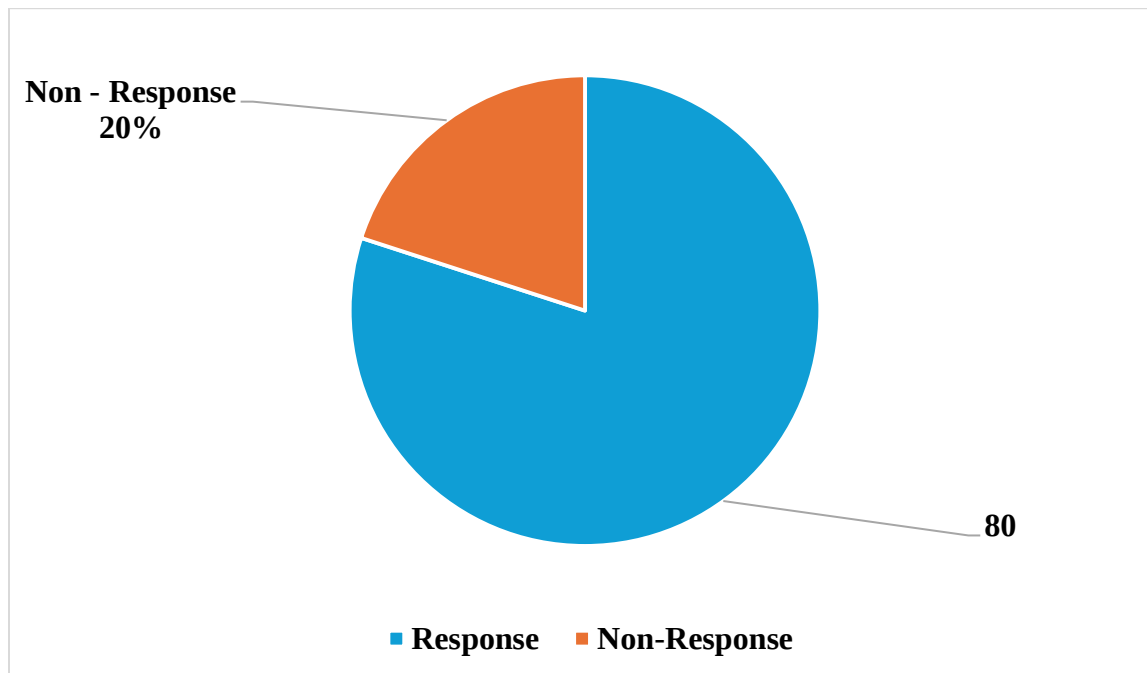


Table 5 and Figure 2 indicate that out of the 50 questionnaires distributed, 40 were completed and returned, resulting in a response rate of 80%. The remaining 10 questionnaires, representing 20%, were not returned.

An 80% response rate is considered satisfactory for survey-based research, as it provides a strong basis for statistical analysis. This level of participation reduces the likelihood of non-response bias and enhances the reliability and validity of the findings. It further suggests that the responses obtained are reasonably representative of the target population, thereby supporting the generalizability of the study results.

4.1.2 Gender Distributions

The study examined the gender demographics of the respondents to ensure balanced representation of both male and female participants.

Table 6: Gender Distribution of Respondents

Category	Frequency	Percentage
Male	24	60
Female	16	40
Grand Total	40	100

Figure 3: Gender Distribution of Respondents

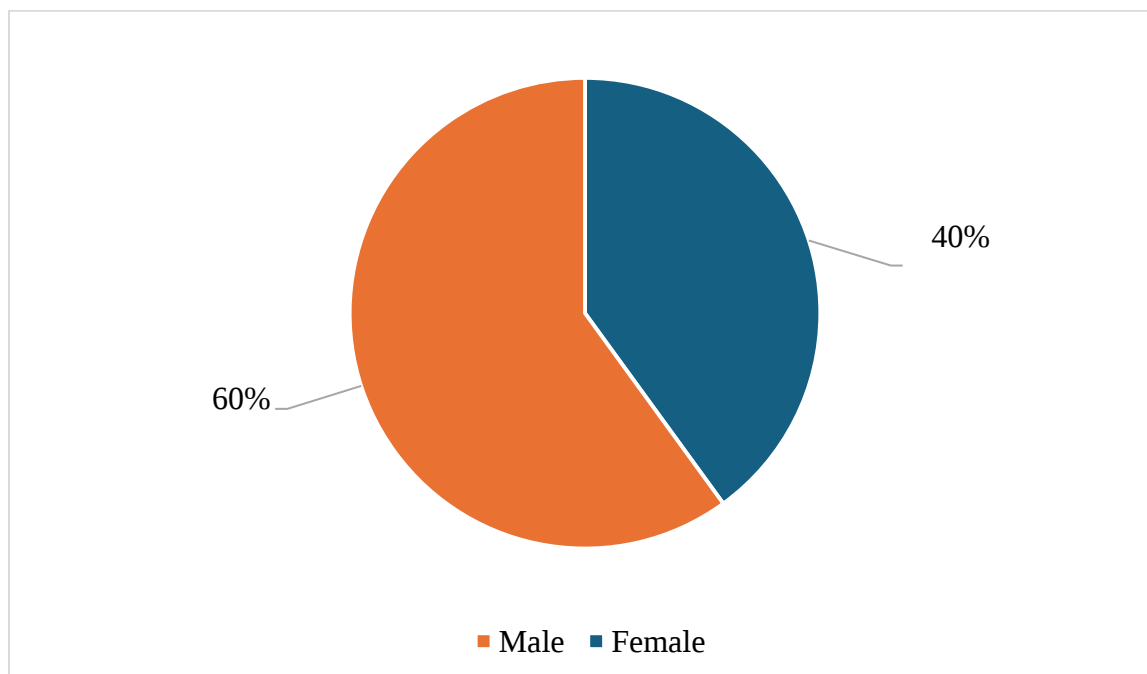


Table 6 and Figure 3 present the gender distribution of respondents in the study. The findings show that 24 respondents (60%) were male, while 16 respondents (40%) were female, indicating a higher representation of male participants in the study.

This suggests a male-dominated respondent base, which may reflect the gender composition of employees within the insurance or financial sector under study. However, the relatively significant

proportion of female respondents (40%) indicates a reasonable level of gender inclusion, enhancing the balance and reliability of the data collected.

In relation to the study variables, the gender distribution implies that responses on reinsurance practices are largely influenced by male perspectives, although female input also contributes meaningfully to the findings. This supports the importance of considering demographic characteristics when interpreting results, as they may influence perceptions and understanding of reinsurance diversification, utilization, recoverables, and frequency of use.

4.1.3 Age Analysis

The study examined the age distribution of respondents to provide a clear understanding of the sample's demographic composition.

Table 7:Age Analysis

Category	Frequency	Percentage
21 – 30 years	8	20
31 – 40 years	14	35
41 – 50 Years	6	15
51 Years and above	12	30
Grand Total	40	100

Figure 4:Age Analysis

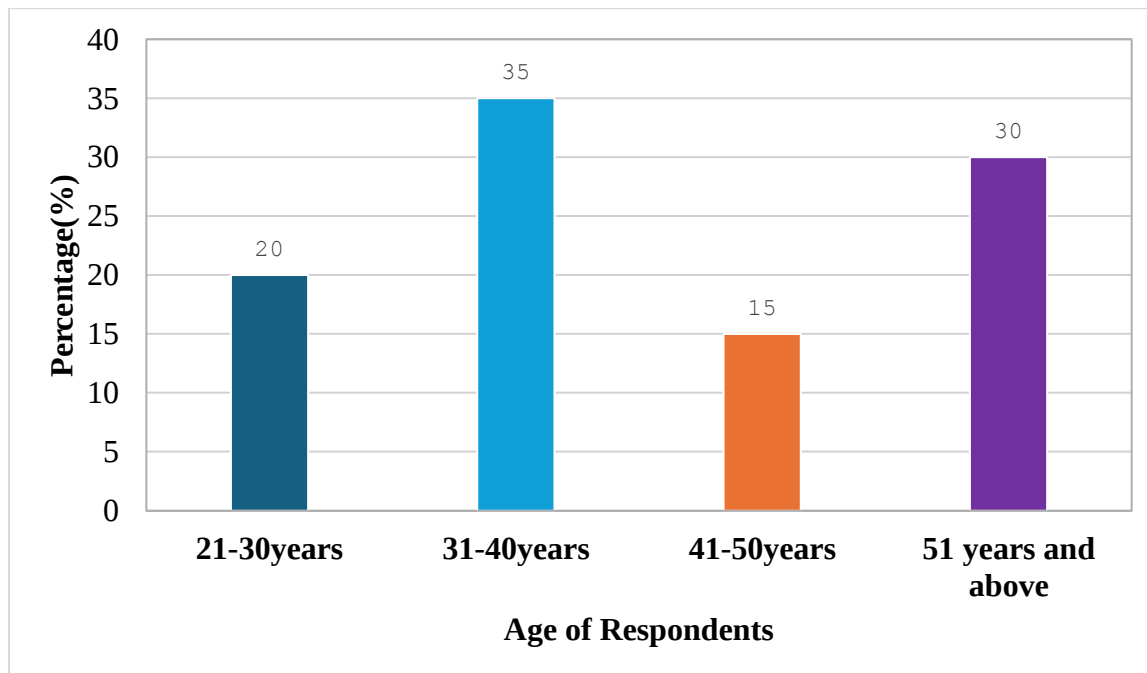


Table 7 and Figure 4 present the age distribution of respondents, providing insights into the demographic structure of the study sample. The findings show that the majority of respondents, 14 (35%), were aged between 31–40 years. This was followed by 12 respondents (30%) aged 51 years and above. Respondents aged 21–30 years accounted for 8 (20%), while those aged 41–50 years represented the lowest proportion at 6 (15%).

The results indicate that the study largely reflects a mature and experienced workforce, particularly within the 31–40 and 51+ age categories. This suggests that responses on the independent variables reinsurance diversification, utilization, recoverables, and frequency of use are likely informed by substantial professional experience in the insurance sector.

The distribution aligns with findings in related literature, which suggest that experience and age significantly influence understanding and application of reinsurance practices in financial risk management. The relatively lower representation of younger respondents (21–30 years) may indicate limited exposure to technical reinsurance operations, while the presence of older respondents strengthens the reliability of insights drawn from practical industry experience.

Overall, the age composition enhances the credibility of the findings, as it reflects a balanced mix of early-career and experienced professionals, supporting a more comprehensive analysis of reinsurance practices and financial stability.

4.1.4 Level of Education

The study examined the level of education of respondents in order to establish their academic background and its potential influence on understanding the study variables.

Table 8:Level of Education

Category	Frequency	Percentage
Secondary Level	4	10
Certificate Level	6	15
Diploma Level	10	25
Undergraduate Degree	12	30
Graduate Degree	8	20
Grand Total	40	100

Figure 5:Level of Education

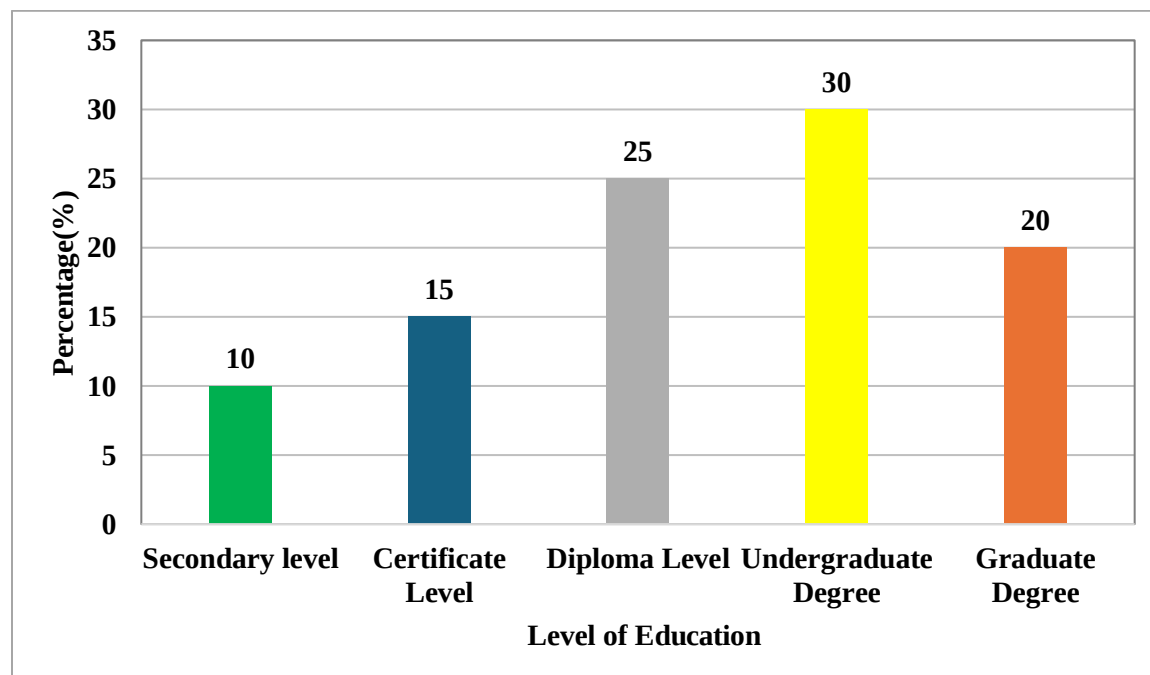


Table 8 and Figure 5 present the educational background of respondents. The findings indicate that the majority of respondents hold tertiary education qualifications, with 12 (30%) having an undergraduate degree, 10 (25%) holding diplomas, and 8 (20%) possessing graduate degrees. Certificate holders account for 6 respondents (15%), while those with secondary level education represent the smallest proportion at 4 respondents (10%).

This distribution suggests that the sample is largely composed of individuals with post-secondary education, which is likely to enhance their understanding of the independent variables under study namely reinsurance diversification, utilization, recoverables, and frequency of use. The relatively high proportion of degree holders implies that respondents are well-positioned to provide informed and reliable responses on technical aspects of reinsurance practices.

The findings are consistent with existing literature, which emphasizes that higher levels of education are associated with improved comprehension of complex financial and risk management concepts. This may contribute to more accurate and consistent responses in the study. However, the presence of respondents with lower educational qualifications introduces some variation in knowledge levels, which may partly explain differences in understanding or interpretation of reinsurance-related issues.

Overall, the educational profile of respondents enhances the credibility of the data, as it reflects a generally well-educated sample capable of providing meaningful insights into the effect of reinsurance practices on financial stability.

4.1.5 Work Experience

The study assessed the work experience of respondents to determine their level of professional exposure and its potential influence on understanding the study variables.

Table 9: Work Experience

Category	Frequency	Percentage
Less than 2 years	6	15
3-5 years	14	35
6-8 years	8	20
Above 9 years	12	30
Total	40	100

Figure 6 :Work Experience

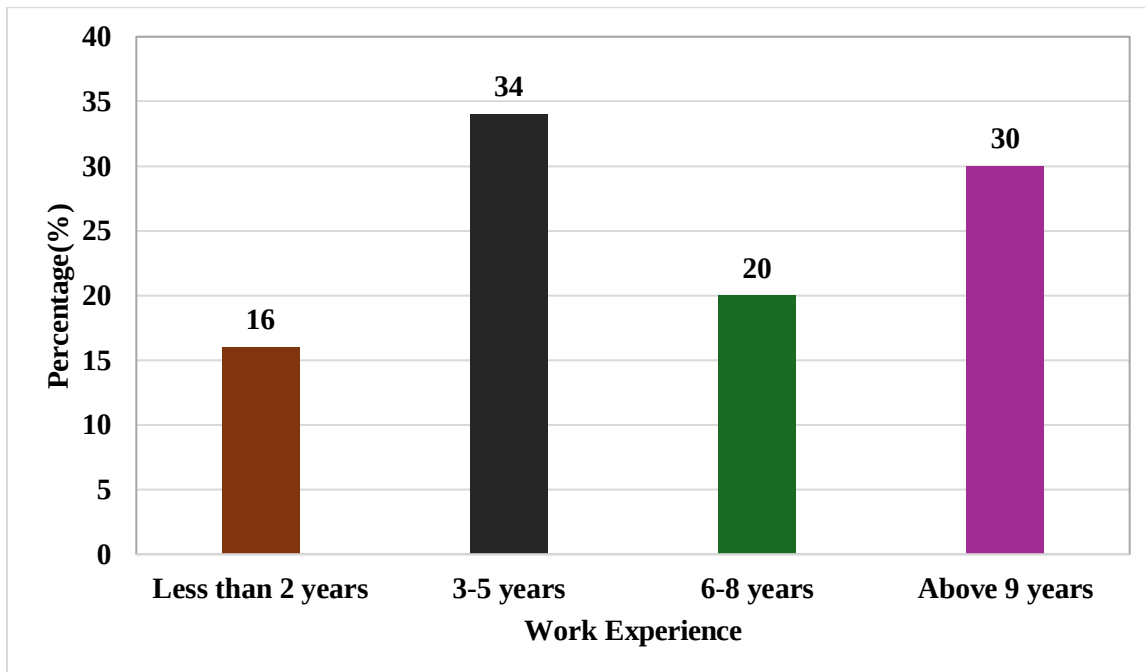


Table 9 and Figure 6 present the distribution of respondents based on work experience. The findings indicate that the majority of respondents, 14 (35%), have 3–5 years of experience, followed by 12 respondents (30%) with over 9 years of experience. Those with 6–8 years account for 8 respondents (20%), while 6 respondents (15%) have less than 2 years of experience.

The results show that most respondents have more than three years of professional experience, suggesting adequate exposure to industry practices. This is particularly important for the study variables reinsurance diversification, utilization, recoverables, and frequency of use as experienced

personnel are more likely to provide informed and reliable responses based on practical knowledge.

In relation to existing literature, professional experience is widely recognized as a key factor influencing the understanding and effective application of reinsurance practices in enhancing financial stability. The relatively high proportion of respondents with moderate to high experience strengthens the validity of the findings, as it reduces the likelihood of superficial or uninformed responses.

However, the presence of respondents with limited experience (less than 2 years) may introduce some variation in responses, particularly in areas requiring advanced technical understanding. Overall, the experience profile of respondents supports the reliability of the study findings and enhances the credibility of conclusions drawn regarding the effect of reinsurance practices on financial stability.

4.1.6 Effects of Reinsurance

The study examined respondents' perceptions of the effect of reinsurance practices on the financial stability of insurance companies.

Table 10: Reinsurance and Financial Stability

Category	Frequency	Percentage
Yes	38	95
No	2	5
Total	40	100

Figure 7: Reinsurance and Financial Stability

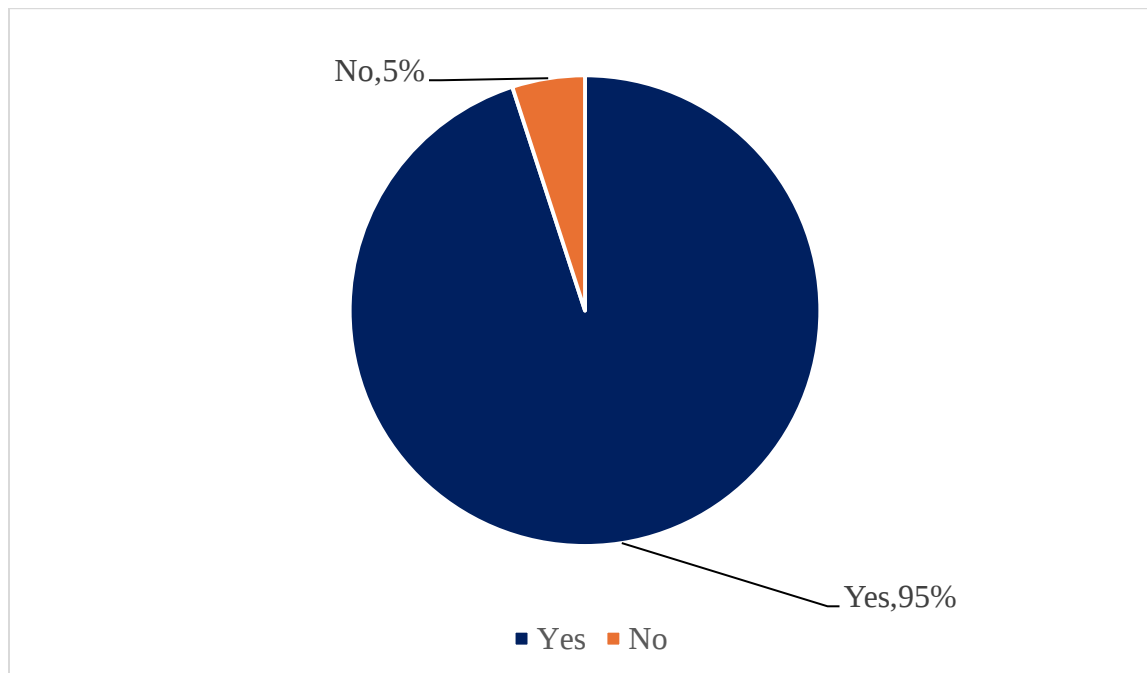


Table 10 and Figure 7 present respondents' views on the effect of reinsurance on financial stability. The findings indicate that a significant majority of respondents, 38 (95%), believe that reinsurance positively contributes to the financial stability of insurance companies, while only 2 respondents (5%) hold a contrary opinion.

These results demonstrate a strong consensus among respondents regarding the importance of reinsurance as a risk management tool. In relation to the independent variables reinsurance diversification, utilization, recoverables, and frequency of use the findings suggest that effective application of these practices enhances insurers' ability to manage risk exposure, maintain solvency, and meet financial obligations.

The results are consistent with existing literature, which identifies reinsurance as a critical mechanism for stabilizing insurers by spreading risk, improving capital management, and reducing the impact of large or unexpected losses. The overwhelming agreement among respondents reinforces the view that reinsurance is a key determinant of financial stability within the insurance sector.

However, the small proportion of respondents who disagreed may reflect concerns related to overdependence on reinsurance or challenges in recoveries, highlighting the need for prudent and well-structured reinsurance strategies.

Overall, the findings underscore the significant role of reinsurance practices in enhancing the financial stability of insurance companies.

4.1.7 Reinsurance Diversification

Table 11: Reinsurance Diversification and Financial Stability

Category	Statement	5	4	3	2	1
A	The company engages multiple reinsurers to effectively distribute risk exposure.	24%	48%	28%	0%	0%
B	Reinsurance contracts are diversified across different geographical regions.	17%	20%	35%	18%	10%
C	Diversification of reinsurance arrangements enhances the company's resilience to economic shocks.	32%	15%	21%	20%	12%
D	Diversified reinsurance arrangements have reduced the company's exposure to major losses.	48%	33%	10%	5%	4%

Figure 8: Reinsurance Diversification and Financial Stability

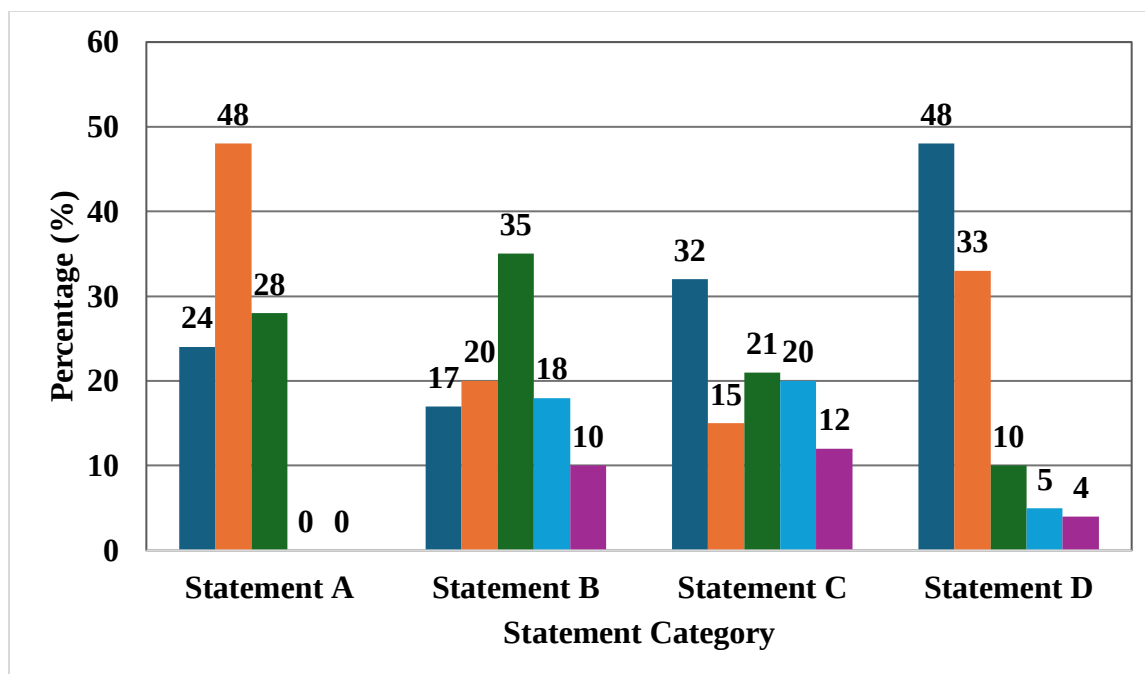


Table 11 and Figure 8 present respondents' views on the role of reinsurance diversification in enhancing financial stability. The findings indicate strong agreement on the importance of engaging multiple reinsurers, with 72% of respondents agreeing (24% strongly agree and 48% agree) that this practice effectively distributes risk exposure. Notably, there were no recorded disagreements, highlighting a clear consensus on its significance.

Similarly, a large majority of respondents (81%) agreed that diversified reinsurance arrangements have reduced the company's exposure to major losses. This underscores the critical role of diversification in mitigating high-severity risks, thereby strengthening financial stability.

However, responses were more varied regarding diversification across geographical regions. While 37% agreed, a significant proportion (35%) remained neutral, and 28% expressed disagreement. This suggests uncertainty or mixed experiences regarding the effectiveness of geographic diversification, possibly due to varying market conditions or regulatory environments across regions.

In addition, opinions on whether diversification enhances resilience to economic shocks were divided, with 47% agreeing, 21% neutral, and 32% disagreeing. This indicates that while diversification is beneficial for risk spreading, its effectiveness in cushioning against broader economic shocks may not be universally experienced.

In relation to the study's independent variable of reinsurance diversification, the findings generally support existing literature, which emphasizes that diversification enhances financial stability by spreading risk and reducing exposure to catastrophic losses. However, the mixed responses on geographic diversification and economic resilience highlight potential contradictions, suggesting that diversification alone may not fully shield firms from systemic risks.

Overall, the results indicate that reinsurance diversification plays a significant role in promoting financial stability, particularly through risk distribution and reduction of major losses, although its broader impact may depend on implementation and external economic factors.

4.1.8 Reinsurance Utilization Ratio

The study assessed the effect of the reinsurance utilization ratio on financial stability based on respondents' level of agreement with selected statements.

Table 12: Reinsurance Utilization Ratio and Financial Stability

Category	Statement	5	4	3	2	1
A	A significant proportion of underwriting risk is transferred to reinsurers.	46%	22%	18%	8%	6%
B	The company utilizes both treaty and facultative reinsurance arrangements.	40%	28%	32%	0%	0%
C	The company retains an optimal level of risk after ceding to reinsurers.	56%	37%	7%	0%	0%
D	The use of reinsurance increases the company's underwriting capacity.	37%	28%	20%	10%	5%

Figure 9: Reinsurance Utilization Ratio and Financial Stability

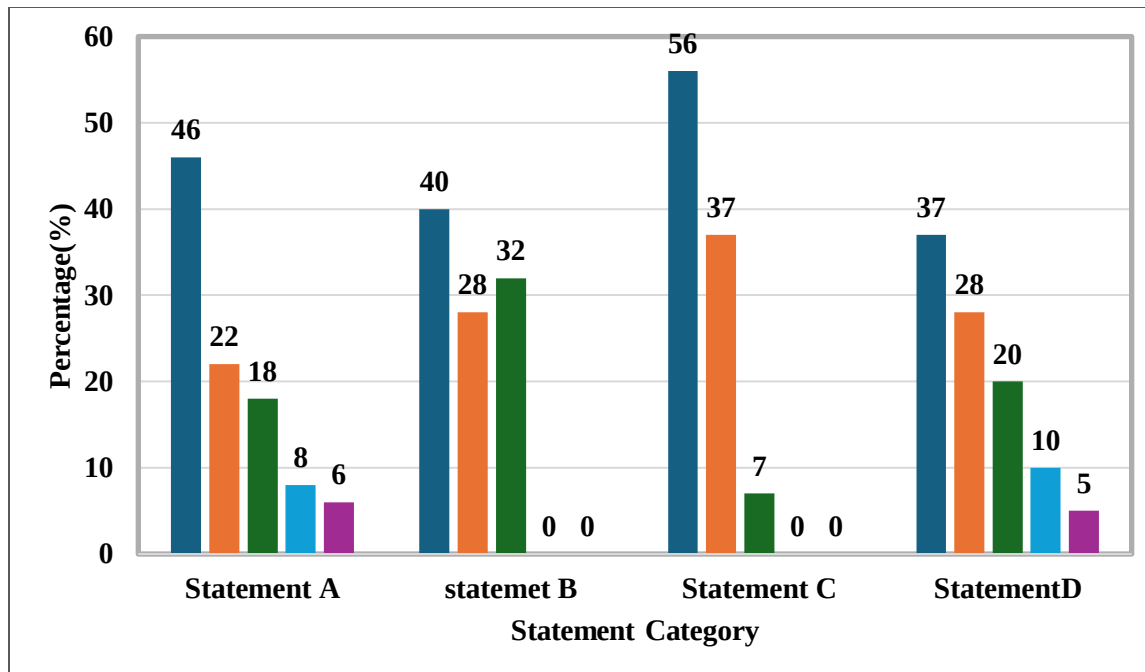


Table 12 and Figure 9 present respondents' views on the role of the reinsurance utilization ratio in enhancing financial stability. The findings indicate that 68% of respondents agreed that a significant proportion of underwriting risk is transferred to reinsurers, highlighting the importance of reinsurance as a risk-sharing mechanism.

Similarly, 68% agreed that the company utilizes both treaty and facultative reinsurance arrangements, although a notable proportion (32%) remained neutral. This suggests that some respondents may have limited knowledge of the firm's reinsurance structure, indicating a potential gap in technical awareness.

A strong consensus was observed on risk retention, with 93% of respondents agreeing that the company retains an optimal level of risk after ceding to reinsurers. This reflects high confidence in the firm's risk management practices and its ability to balance risk transfer and retention effectively.

Regarding underwriting capacity, 65% of respondents agreed that reinsurance enhances the company's capacity, while 20% were neutral and 15% disagreed. This variation suggests that although reinsurance is generally perceived to support capacity expansion, its impact may differ depending on operational or strategic factors.

In relation to the independent variable of reinsurance utilization ratio, the findings are consistent with existing literature, which emphasizes that effective utilization of reinsurance improves risk management, supports optimal risk retention, and enhances underwriting capacity. However, the presence of neutral responses and some disagreement indicates potential contradictions, particularly in understanding reinsurance structures and their impact.

Overall, the results demonstrate strong confidence in the company's reinsurance strategy, particularly in achieving effective risk transfer and optimal risk retention, both of which contribute to financial stability.

4.1.9 Reinsurance recoverables.

The study examined the effect of reinsurance recoverables on the financial stability of insurance companies based on respondents' level of agreement with selected statements.

Table 13: Reinsurance Recoverable and Financial Stability

Category	Statement	5	4	3	2	1
A	Reinsurance recoverables strengthen the company's liquidity position.	46%	22%	18%	8%	6%
B	Recoverables from reinsurers are settled promptly.	40%	28%	32%	0%	0%
C	The company faces minimal default risk from reinsurers.	56%	37%	7%	0%	0%
D	High concentration of recoverables among a few reinsurers increases financial risk.	37%	28%	20%	10%	5%

Figure 10: Reinsurance Recoverables and Financial Stability

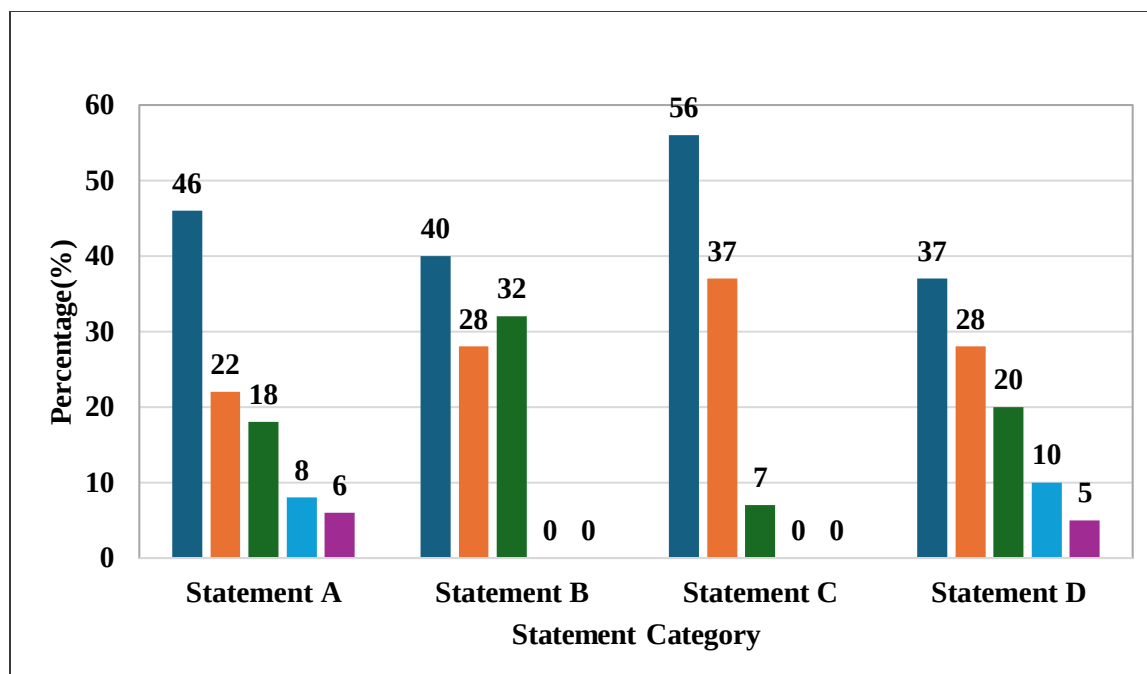


Table 13 and Figure 10 present respondents' assessments of the effect of reinsurance recoverables on financial stability. The findings show that a majority of respondents (68%) agreed that reinsurance recoverables strengthen the company's liquidity position, indicating that such recoverables are essential in enabling insurers to meet short-term financial obligations.

With regard to prompt settlement of recoverables, 68% of respondents agreed, while a notable 32% remained neutral. This suggests that although recoverables are generally perceived to be settled in a timely manner, there is some uncertainty regarding consistency in settlement practices.

A strong consensus was observed on the issue of default risk, with 93% of respondents agreeing that the company faces minimal default risk from reinsurers. This reflects high confidence in the creditworthiness and reliability of reinsurers, which is critical for maintaining financial stability.

However, the findings also reveal a potential concern regarding concentration risk. A majority of respondents (65%) agreed that a high concentration of recoverables among a few reinsurers increases financial risk. This highlights a key contradiction: while recoverables enhance liquidity and stability, over-reliance on a limited number of reinsurers may expose firms to financial vulnerability.

In relation to the independent variable of reinsurance recoverables, the findings are consistent with existing literature, which emphasizes that recoverables improve liquidity and reduce risk exposure. However, the results also support literature that cautions against concentration risk, underscoring the importance of diversification in reinsurance arrangements.

Overall, the data indicate that reinsurance recoverables contribute positively to financial stability through improved liquidity and low default risk, although prudent management is required to mitigate risks associated with concentration.

4.1.10 Frequency of reinsurance use

Table 14 : Reinsurance Use and Financial Stability

Category	Statement	5	4	3	2	1
A	The company consistently purchases reinsurance annually.	52%	30%	18%	0%	0%
B	Reinsurance treaties are renewed regularly without interruption.	40%	28%	32%	0%	0%
C	Reinsurance is frequently used to manage underwriting exposure.	56%	37%	7%	0%	0%
D	Regular use of reinsurance contributes to stable underwriting results.	40%	35%	25%	0%	0%

Figure 11:Reinsurance Use and Financial Stability

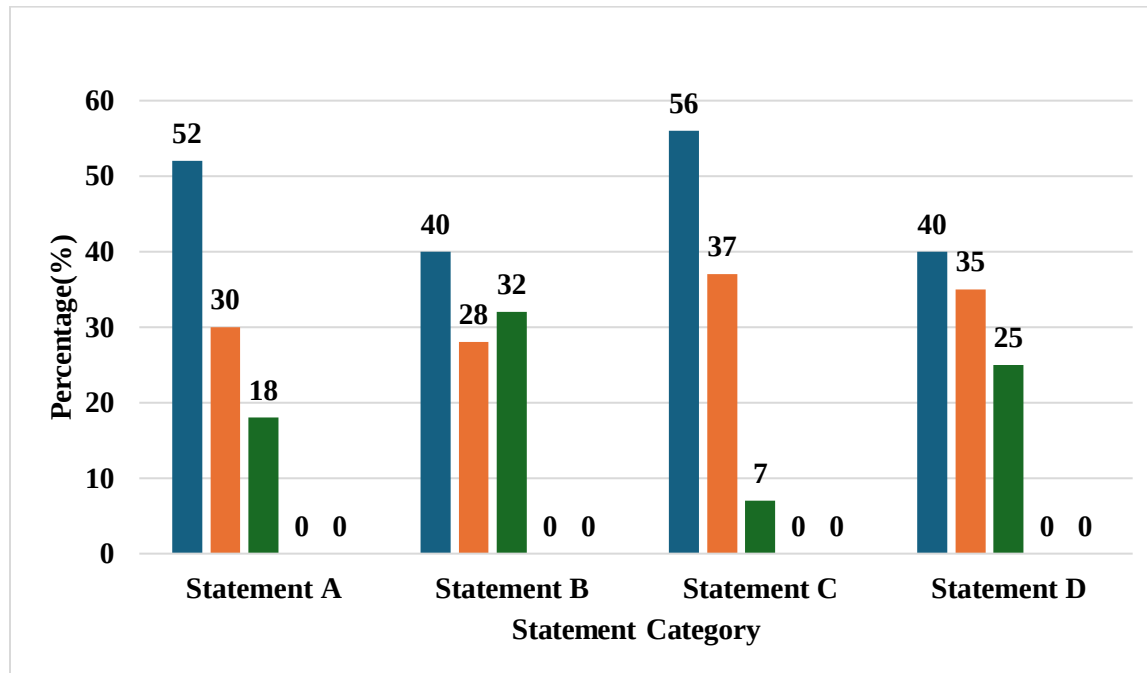


Table 14 and Figure 11 present respondents' views on the effect of the frequency of reinsurance use on financial stability. The findings indicate that a large majority of respondents (82%) agreed that the company consistently purchases reinsurance annually, suggesting that regular acquisition of reinsurance is a standard practice that supports continuous risk coverage and enhances financial stability.

Regarding the renewal of reinsurance treaties, 68% of respondents agreed that contracts are renewed regularly without interruption, while 32% remained neutral. This indicates that although most respondents perceive reinsurance arrangements as consistent, some uncertainty exists regarding the continuity of renewals.

A strong consensus was observed on the frequent use of reinsurance to manage underwriting exposure, with 93% of respondents agreeing. This highlights the importance of reinsurance as a key risk transfer mechanism that enables insurers to control exposure and reduce the impact of large or unexpected losses.

In addition, 75% of respondents agreed that regular use of reinsurance contributes to stable underwriting results, although 25% remained neutral. This suggests that while reinsurance is

generally viewed as stabilizing underwriting performance, some respondents may not fully perceive its impact or may have varied experiences.

In relation to the independent variable of frequency of reinsurance use, the findings align with existing literature, which emphasizes that consistent and systematic use of reinsurance enhances financial stability by ensuring continuous risk protection, improving underwriting performance, and reducing volatility. However, the presence of neutral responses indicates some variation in awareness or experience, particularly regarding treaty renewals and their consistency.

Overall, the findings demonstrate that frequent and systematic use of reinsurance plays a significant role in enhancing financial stability through continuous coverage, effective risk transfer, and improved underwriting stability.

4.2 Limitations of the Study

The study faced several limitations during its execution. One key challenge was the presence of strict confidentiality policies within the insurance and financial institutions involved. These policies restricted access to certain detailed operational and financial information, which limited the depth of analysis that could be conducted.

In addition, some respondents demonstrated limited knowledge of technical reinsurance concepts, which resulted in a number of neutral or undecided responses. This affected the level of precision in some of the data collected, particularly in areas requiring specialized understanding of reinsurance practices. Despite these challenges, the study was still able to generate meaningful findings. The data collected provides valuable insights into the relationship between reinsurance practices and financial stability, and contributes to a better understanding of the subject within the context of the study.

4.3 Chapter Summary

This chapter presented the analysis and interpretation of data collected through questionnaires in line with the study objectives. The discussion covered respondents' demographic characteristics and key variables, including reinsurance diversification, utilization, recoverables, and frequency of use. The findings indicate that reinsurance practices contribute positively to financial stability, although effective management is necessary to avoid overreliance. Overall, the chapter has

provided an interpretation of the empirical results, forming a basis for the conclusions and recommendations in the next chapter.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents an overview of the study by summarizing the key findings, offering recommendations and drawing conclusions from the analyzed data.

5.1 Summary of the findings

5.1.1 Reinsurance Diversification

The findings indicate that reinsurance diversification is widely regarded as a critical determinant of financial stability in insurance companies. A substantial majority of respondents (72%) reported that engaging multiple reinsurers facilitates effective risk distribution, reflecting strong recognition of its strategic role in mitigating exposure to potential losses (Cummins & Weiss,

2000; Froot, 2001). In addition, 81% of participants agreed that diversified reinsurance arrangements reduce the company's exposure to major losses, consistent with evidence that diversification enhances solvency and reduces underwriting volatility (Maharjan, 2023; Regele & Wandt, 2022).

Nevertheless, perceptions regarding geographic diversification and resilience to economic shocks were mixed, with some respondents expressing neutrality or disagreement. This aligns with findings that over-diversification or poorly structured diversification may reduce efficiency and weaken expected benefits (Froot & O'Connell, 2008; Park et al., 2021). Overall, reinsurance diversification enhances financial stability mainly through risk spreading and loss reduction, though its effectiveness is context-dependent (Cummins & Weiss, 2000).

5.1.2 Reinsurance Utilization Ratio

The analysis indicates that the reinsurance utilization ratio significantly contributes to financial stability. A substantial proportion of respondents (68%) affirmed that a considerable share of underwriting risk is ceded to reinsurers, supporting the role of reinsurance as a risk transfer mechanism (Cole & McCullough, 2006; Cummins & Weiss, 2000). Similarly, respondents

indicated that firms maintain an optimal risk retention level, consistent with the view that insurers balance risk transfer and internal capital exposure (Adams, Hardwick, & Zou, 2008).

Furthermore, 65% of respondents agreed that reinsurance enhances underwriting capacity, which is supported by literature showing that reinsurance increases risk-bearing ability and stabilizes capital adequacy (Shim, 2015; Froot, 2001). However, earlier studies also caution that excessive reliance on reinsurance may weaken capital strength and increase counterparty exposure (Chen, Hamwi, & Hudson, 2001). Overall, utilization practices support financial stability when properly balanced (Cummins & Weiss, 2009).

5.1.3 Reinsurance Recoverable

The findings reveal that reinsurance recoverables play a key role in enhancing liquidity and financial resilience. A majority of respondents (68%) indicated that recoverables strengthen liquidity positions, consistent with Eling and Pankoke (2016), who found that recoverables are important balance sheet assets for insurers.

Strong agreement (93%) was recorded regarding the low default risk of reinsurers, aligning with IAIS (2012), who emphasize the financial reliability of well-rated reinsurers. However, 65% of respondents highlighted that concentration of recoverables increases financial risk, supporting Cummins and Weiss (2014), who argue that high exposure to few reinsurers increases solvency vulnerability. Similarly, Van Lelyveld (2011) found that concentrated recoverables can heighten counterparty risk during stress periods.

Overall, recoverables improve liquidity but must be carefully managed to avoid concentration risk (Liu et al., 2021).

5.1.4 Frequency of Reinsurance use

The study found that frequent and consistent use of reinsurance enhances financial stability. A majority (82%) reported annual reinsurance purchases, reflecting its role as a standard risk management practice, consistent with Outreville (1990), who notes that reinsurance is essential for stabilizing insurance operations.

Additionally, 93% confirmed frequent use of reinsurance in underwriting exposure management, supporting Cummins and Weiss (2000), who argue that reinsurance reduces volatility and improves risk absorption capacity. Regular treaty renewals and consistent usage also align with Skipper and Kwon (2007), who emphasize reinsurance as a continuous tool for capital management and solvency support.

Furthermore, Swiss Re (2021) observes increased reliance on reinsurance following catastrophic losses, reinforcing its role in stabilizing underwriting performance. Overall, frequent use improves financial predictability and resilience (Hafez Mohamed, 2019).

5.2 Recommendations

The study on the effect of reinsurance on the financial stability of insurance companies, with specific reference to GA Insurance Limited, shows that reinsurance diversification, utilization ratio, recoverables management, and frequency of use are key drivers of financial stability. Based on the findings, it is recommended that future research further explores the influence of economic and regulatory factors on reinsurance effectiveness through comparative and longitudinal studies conducted over 1–3 years.

At the policy level, insurance regulators should strengthen guidelines on reinsurance diversification and utilization while setting limits on excessive concentration of reinsurance recoverables. These policies should be implemented within 6–18 months and monitored through regular audits, compliance checks, and solvency reviews.

In practice, GA Insurance Limited should enhance diversification by engaging multiple reinsurers across regions, optimize risk transfer and retention levels, ensure timely settlement and proper tracking of recoverables, and maintain consistent reinsurance treaty renewal and usage. These actions should be carried out continuously by risk, underwriting, and finance teams, with monitoring through internal audits and performance reviews.

In education and training, institutions and professional bodies should integrate practical reinsurance management topics into curricula and training programs using case studies and applied learning approaches. Implementation should take 1–2 academic years, with effectiveness assessed through student performance, certification results, and industry feedback.

Overall, the study concludes that effective management of reinsurance practices is essential for strengthening the financial stability of insurance companies.

5.3 Conclusion

This study examined the effect of reinsurance on the financial stability of insurance companies, with specific reference to GA Insurance Limited, guided by four key objectives: to investigate the impact of reinsurance diversification, assess the influence of reinsurance utilization ratio, evaluate the effect of reinsurance recoverables, and examine the effect of frequency of reinsurance use on financial stability.

Based on the findings, the study concludes that reinsurance diversification plays a significant role in enhancing financial stability by improving risk distribution and reducing exposure to major losses, although its effectiveness varies depending on geographic and strategic implementation. The reinsurance utilization ratio was found to positively influence financial stability by enabling an optimal balance between risk transfer and retention, thereby strengthening underwriting capacity. In addition, reinsurance recoverables were shown to improve liquidity and financial resilience, although concentration of recoverables among few reinsurers presents a potential financial risk. Furthermore, the frequency of reinsurance use was found to contribute to stable underwriting outcomes through continuous risk protection and regular treaty renewal.

Overall, the study concludes that reinsurance is a critical determinant of financial stability in insurance companies. However, its effectiveness depends on how well it is managed across the four key areas investigated. Proper diversification, optimal utilization, effective management of recoverables, and consistent use of reinsurance collectively enhance the financial strength and resilience of insurance companies such as GA Insurance Limited.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Dear Respondent,

Re: Research Study on the Effects of Reinsurance on Financial Stability of Insurance Companies (GA Insurance Limited)

My name is Brenda Chemogose Juma, a Bachelor of Commerce student in Insurance and Risk Management at the Management University of Africa. I am conducting a study on the effect of reinsurance on the financial stability of insurance companies, using GA Insurance Limited as a case study.

The purpose of this study is to assess how reinsurance practices influence financial stability in insurance firms. You have been selected to participate due to your experience in the insurance sector, and I kindly request you to complete the attached questionnaire.

All information provided will be treated with strict confidentiality and used solely for academic purposes. Responses will remain anonymous and reported in summary form only.

Thank you for your cooperation and support.

Yours faithfully,

Brenda Chemogose Juma

APPENDIX II : RESEARCH STUDY QUESTIONNAIRE

INSTRUCTIONS:

This questionnaire is part of an academic research study. Your participation is voluntary, and all responses will be treated with strict confidentiality. The information you provide will be used exclusively for academic purposes. Please answer all questions honestly and to the best of your knowledge by ticking (✓) the option that applies to you.

SECTION A:GENERAL INFORMATION

1. Gender

☐ Female

☐ Male

2. Age Range

☐ 21-30 years

☐ 31-40 years

☐ 41-50 years

☐ 51 years and above

3. Length of service in this Organization

☐ Less than 1 year

☐ 1 year

☐ 2 - 3 years

☐ 3 - 4 years

☐ 5 years and above

4. Highest Level of Education Attained

☐ Secondary School

☐ Diploma Level

☐ Undergraduate

☐ Graduate Degree

SECTION B- REINSURANCE DIVERSIFICATION

INSTRUCTIONS:

Tick (✓) the box that best reflects your opinion for each statement. Select only one response per item.

Category	Statement	5	4	3	2	1
A	The company engages multiple reinsurers to effectively distribute risk exposure.	24%	48%	28%	0%	0%
B	Reinsurance contracts are diversified across different geographical regions.	17%	20%	35%	18%	10%
C	Diversification of reinsurance arrangements enhances the company's resilience to economic shocks.	32%	15%	21%	20%	12%
D	Diversified reinsurance arrangements have reduced the company's exposure to major losses.	48%	33%	10%	5%	4%

SECTION C- REINSURANCE UTILIZATION RATIO

INSTRUCTIONS:

Tick (✓) the box that best reflects your opinion for each statement. Select only one response per item.

Category	Statement	5	4	3	2	1
A	A significant proportion of underwriting risk is transferred to reinsurers.	46%	22%	18%	8%	6%
B	The company utilizes both treaty and facultative reinsurance arrangements.	40%	28%	32%	0%	0%
C	The company retains an optimal level of risk after ceding to reinsurers.	56%	37%	7%	0%	0%

D	The use of reinsurance increases the company's underwriting capacity.	37%	28%	20%	10%	5%
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SECTION D- REINSURANCE RECOVERABLES

INSTRUCTIONS:

Tick (✓) the box that best reflects your opinion for each statement. Select only one response per item.

Category	Statement	5	4	3	2	1
A	Reinsurance recoverables strengthen the company's liquidity position.	46%	22%	18%	8%	6%
B	Recoverables from reinsurers are settled promptly.	40%	28%	32%	0%	0%
C	The company faces minimal default risk from reinsurers.	56%	37%	7%	0%	0%
D	High concentration of recoverables among a few reinsurers increases financial risk.	37%	28%	20%	10%	5%

SECTION E: FREQUENCY OF REINSURANCE USE

INSTRUCTIONS:

Tick (✓) the box that best reflects your opinion for each statement. Select only one response per item.

Category	Statement	5	4	3	2	1
A	The company consistently purchases reinsurance annually.	52%	30%	18%	0%	0%
B	Reinsurance treaties are renewed regularly without interruption.	40%	28%	32%	0%	0%
C	Reinsurance is frequently used to manage underwriting exposure.	56%	37%	7%	0%	0%
D	Regular use of reinsurance contributes to stable underwriting results.	40%	35%	25%	0%	0%

Thank you for your time and participation