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EFFECT OF ISLAMIC INSURANCE ON THE GROWTH OF THE INSURANCE INDUSTRY IN KENYA

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ABSTRACT

The Kenyan insurance market wrote KES.100 billion of Gross Direct Premiums in the year 2011. It has grown at an average rate of 16% p.a. over the last 5 years. The market comprises of 47 insurance companies, transacting long-term and short-term insurance business. In addition, there are over 140 insurance brokers operating in the Kenyan insurance market. This study aimed to establish the effect of Islamic Insurance (Takaful) on the growth of the insurance industry in Kenya. The study aimed to fulfill following objectives; to find out the effect of General Takaful on the growth of insurance in Kenya and to establish the effect of Family Takaful on the growth of insurance in Kenya. This study adopted a descriptive design. The population of this study was all insurance companies in Kenya. Purposive sampling was used to select the insurance companies that offer Islamic insurance (Takaful) products. There was only one Insurance company Islamic insurance products and that was Takaful Insurance of Africa which began its operations in Kenya in 2011. Takaful Insurance of Africa sold its policies directly or through agents, brokers and commercial banks. The study used secondary data from insurance companies from 2011 when the first insurance company (Takaful East Africa) begun offering Takaful products, to 2015. Data was analysed using Statistical Package for Social Sciences (SPSS). Results showed that there was a significant positive relationship between Islamic insurance and the growth of Kenya's insurance industry. Specifically, it was found that general re-takaful had the greatest impact on insurance growth with family takaful having the least effect. This study recommended that industry players invest more in marketing as well as innovation to come up with a wider range of general takaful products and to increase awareness in the market to increase its uptake. Family Takaful had been found to be the least consumed Islamic insurance product. There were still a lot of opportunities in Kenya for this kind of product. Industry players should increase the awareness campaigns to increase its uptake. The majority of Kenyans did not have medical insurance. This study recommended that Islamic insurance companies ought to take this advantage and invest more on the campaigns to sell health insurance to Muslims and non-Muslims alike. The study therefore recommended for the formation of a fully-fledged reinsurance company for takaful products.

Key Words: *General Takaful, Family Takaful, Islamic Insurance*

INTRODUCTION

According to Kwon (2007), Takaful is the Islamic counterpart of conventional insurance, and exists in both Family (and Life) and General forms. Takaful is derived from an Arabic word that means joint guarantee, whereby a group of participants agree among themselves to support one another jointly for the losses arising from specified risks. Takaful, the Islamic alternative to conventional insurance is based on the idea of social solidarity, cooperation and joint indemnification of losses of the members (Kader, Adams & Hardwick, 2010). It is an agreement among a group of persons who agree to jointly share responsibility of loss or damage that may inflict upon any of them; out of the fund they donate collectively but in conventional setup loss is indemnified by the insurance company according to the terms and condition of the policy. It is an Islamic model of insurance policy which is based on the fundamental principle of mutual cooperation and solidarity. The underwriting in a Takaful is thus undertaken on a mutual basis, similar in some respects to conventional mutual insurance (Maysami& Williams, 2006).

According to Bhatty (2010), Takaful is structured around the core principle of sharing and pooling mortality/morbidity risk with fellow participants rather than transferring it to a profit-oriented corporate entity. The concept of mutual support allows many parallels to be drawn between Shariah-compliant Takaful operations and mutual insurers. However, unlike mutual insurers and friendly societies, current Takaful operations involve shareholders who have a profit motive, who provide the capital and fund the administration of the risk pool, and who are separate from the participants (Ali, Odierno& Ismail, 2008). Hence, Takaful operations can be viewed as Shariah-compliant commercialized mutual insurance operations. Similar to the concept of with-profits products sold by mutual insurers, Family Takaful is designed to combine protection for the benefit of one's dependents with a savings element and requires the distribution of surplus to participants. However, the requirement of transparent disclosure of charges makes Family Takaful contracts akin to the clear charging structure underlying a unit-linked insurance contract (AlNemer, 2013).

According to Muhammad (2014), conventional insurance has been criticized for its exploitative nature of making profit. Islamdoes not prohibit profit but strongly objects to practices prohibited under Shariah. Many Muslims have been excluded from the mainstream financial system because there are some elements in the conventional insurance that go again their faith. Most Islamic scholars agree that conventional insurance is strictly prohibited because it embraces Riba (Interest) in transaction,Gharar (uncertainty due to combination of unknown and doubtful) and elements of Maysir (Gambling) in contracts. Maysir(gambling) is another reason. Maysir exists in an insurance contract when; the policy holder contributes a small amount of premium in the hope to gain a larger sum; the policy holder loses the money paid for the premium when the event that has been insured for does not occur; the company will be in deficit if the claims are higher than the amount contributed by the policy holders.
Conventional endowment insurance policies promise a contractually-guaranteed payment, hence offends the riba prohibition (Wahab, Lewis & Hassan, 2007).

According to Bukhari (2007), the Islamic insurance sector ortakafulhas expanded in many major markets and inMuslim dominated countries around the world. Among the Top 25 companies in the world, ranked by The Banker, Brunei's Takaful IBB BD is first followed by SCA's of Iran Insurance Company and Malaysia's Syarikat Takaful Malaysia

Berhad with Shariahcompliant assets worth US31.5 billion, US1.5 billion and US824.8 million respectively, while the GCC companies, is led by Saudi Arabia's Company for Cooperative Insurance (Ali, Hassan &Hasan, 2015). The impact of Islamization has not only been felt where Islam is practiced, but also in countries where the Muslim population has increased tremendously and this is particularly true in the Western world, Europe and North America. The world-wide takafulindustry is estimated by Moody's Investors Service of the US, to be worth around US$2-3 billion and set to grow to US7.4 billion by the year 2015 (Islamic Financial Service Sector Report, 2007. There are around 80 Takafuloperators around the globe with an additional 200 takaful windows, the Shariahcompliant operations of conventional financial institutions. The growth rates of the global Takafulmarket grew from by 20 percent from 2009 to 2013 (Ustaoğlu, 2015).

According to MuhamadSori, Mohamad and Shah (2015), penetration potential of Takaful is high in Algeria, Egypt, Morocco and Nigeria where there are substantial Muslim populations. With the realization of oil and gas potentials for many Africancountries, the demand for insurance has increased. There is increasing Takaful awareness among Muslim communities in most African countries. African Alliance Insurance, the country's oldest specialist life assurance company, first introduced takaful to Nigeria in 2005. It offered family takaful, a product similar to whole life insurance in that it contains both a protection and a savings component. The growing strength of Nigeria's economy, the emplacement of operational guidelines and laws for takaful and the country's sizable Muslim population (approximately 48% of the total, the largest in Sub-Saharan Africa), mean that takaful has the potential to become a strong segment ofNigeria's life insurance sector. Takaful can be a platform for financial inclusion, however, not just for Muslims, but also for certain segments of the country's Christian population (Faye, Triki&Kangoye, 2013).

The Kenyan insurance market wrote Kshs. 100 billion of Gross Direct Premiums in the year 2011. It has grown at an average rate of 16% p.a. over the last 5 years. The marketcomprises of 47 insurance companies, transacting long-term and short-term insurance business. InKenya the penetration rate is 3% for a population of 40 million (AKI, 2014) while India at 4% penetration for a population of over a billion and contrasts with South Africa with a penetration of 16% for a population of 50 million. This shows the importance of having an insurance sector which can add more to economic development of the country, which signifies a huge potential for the insurance business in the country. The industry's insurance premiums grew by 16.4% during the first quarter of 2015. The 2015 quarter one premiums stood at KES 50.41 billion growing from KES 43.29 billion. The premium income reported under life insurance business amounted to Kshs. 15.98billion while generalbusiness premiums were KES 34.43 billion (IRA, 2014)

Takaful Insurance of Africa was officially launched onin March 2011 after the regulator (IRA) issued a license to begin transacting Takafulbusiness. According to AKI report of 2011, it wrote gross premium of Kshs.178 million representing 0.29% of market share. This is a relatively new business model that was first introduced in Kenya in 2011 after the country noted a tremendous growth in the Islamic banking industry. Since its adoption in the country, there are five Takaful operators which Include Takaful Insurance of Africa, Cannon Insurance, Metropolitan Life, Jubilee Insurance andUAP Insurance who have opened a window to deal in Takaful Insurance before establishing a full fledge subsidiary. In 2013, Kenya Re introducedRetakaful Department entirely dedicated in reinsuring Takaful operators risks (Business Daily, 2013). Takaful entry to the already saturated insurance market is not only going to increase competition but offer an alternative to conventional insurance which has continued to dominate the insurance market in Kenya (Mwangi, 2013).

Statement of the Problem

Islamic banking addresses the issue of financial inclusion from two directions; one through promoting risk-sharing contracts that provide a viable alternative to conventional debt-based financing, and the other through specific instruments of redistribution of the wealth among the society. Use of risk-sharing financing instruments can offer Shariah-compliant finance. There is an important role for Takaful in facilitating access to insurance services and in promoting inclusion and growth in the Muslim world (Beck et al, 2007). According to the IMF (2014), Muslims are disproportionately excluded from the financial system. While they make up around a quarter of the world's population, they account for 46 percent of the total uninsured population. According to Obaidullah and Tariqullay (2008), almost three-quarters of the world's Muslim population remains uninsured, demonstrating a clear need for the removal of barriers for financial institutions to expand their outreach to this segment of the population.

The Low insurance penetration level in Kenya is a reflection that a good majority of Kenyans have not taken any cover to protect themselves and their properties against risks. Itimplies thatincase of calamity or an unpredictable bad event happening to them or their property, Kenyansstand exposed tomajor losses with no recourse of compensation. Mbogoh (2013) notesthat despite the insurance industry having so many players including 47 insurance companies their activities were yet to translate in to higher insurance penetration. Takaful insurance was designed to address objections encountered in conventional insurance and enhance Muslim brotherhood in service provision in the insurance industry and increase the penetration level which currently stands at 3% (Gitau, 2013).

This study aimed to investigate whether the introduction of Islamic Insurance (Takaful) has enhanced the growth of Kenyan insurance industry. It sought to determine whether those who had previously been excluded from insurance especially for religious purposes have started buying Takaful products thereby leading to the industry growth. The study will benefit insurance companies offering Takaful products. The study will help the management in these companies have a deeper understanding of Takaful and its importance to growth and profitability. This will in effect enable them implement better ways of increasing uptake among the uninsured population hence increasing growth of the industry. The study will help the government and regulatory bodies especially the Insurance Regulatory Authority and other stakeholders in coming up with policies that help insurance companies offering Takaful products grow. It will also be of benefit to Insurance Regulatory Authority which will be able to come up with better regulation guidelines for the Takaful to protect both the insurance companies and clients from fraud and other risks.

Mwangi and Murigi (2015) investigated the determinants of financial performance in general insurance companies in Kenya. Alando (2014) assessed the effect of micro-insurance on the financial performance of insurance companies in Kenya. Njeri (2013) investigated the effect of the separation of life assurance and general insurance on the financial performance of insurance companies in Kenya. Ngoima (2013) studied the effect of insurance agents in insurance penetration in Kenya whileKigen (2014) investigated the effect of firm size on profitability of insurance companies in Kenya. Of all the studies done, none has focused on Takaful and its impact on the growth of the insurance industry in Kenya, a gap that the current study aimed to fill.

Research Objective

The general objective of this study was to investigate the effect of Islamic Insurance (Takaful insurance) on the growth of the insurance industry in Kenya. The specific objectives were:-

- To find out the effect of General Takaful on the growth of insurance in Kenya
- To establish the effect of Family Takaful on the growth of insurance in Kenya

LITERATURE REVIEW

Theoretical Review

Prospect Theory

According to Dichtl and Drobetz (2011), prospect theory implies individuals make decisions by evaluating gains and losses relative to a reference point, where utility is concave over gains and convex over losses; furthermore, losses are weighed more heavily than gains in this setting. Prospect theory can explain several phenomena observed in insurance markets: the preference for low deductibles for mandatory insurance, the lack of demand for non-mandatory insurance like catastrophe insurance, and the over-demand to insure small losses as seen with the purchasing of warranties (Barberis, 2012).Cumulative prospect theory, developed by Kahneman and Tversky (1992) implies individuals make decisions by evaluating gains and losses relative to a reference point rather than evaluating expected wealth (Camerer, 2004)

Prospect theory shows people process these gains/losses using a value function that is concave for gains and convex for losses (Camerer, 2004). This S-shaped value function captures individuals 'risk-aversion over gains and risk-seeking behavior over losses. Furthermore, people with prospect theory preferences are willing to take on additional risk in order to avoid feeling a loss. This feature implies individuals weigh losses more heavily than gains, and this aspect of prospect theory has been termed "loss aversion. "Finally, prospect theory preferences use a weighting function that overweighs small probabilities since individuals have been shown to be more sensitive to small gains/losses relative to larger ones (Neilson & Stowe, 2002).

Expected Utility Theory

Expected-utility theory explains risk aversion as arising solely because the utility function over wealth is concave (Patt, Peterson, Carter, Velez, Hess & Suarez, 2009). This diminishing-marginal-utility-of-wealth theory of risk aversion is psychologically intuitive, and surely helps explain some of our aversion to large-scale risk: People dislike vast uncertainty in lifetime wealth because a dollar that helps them avoid poverty is more valuable than a dollar that helps them become very rich. This theory also implies that people are approximately risk neutral when stakes are small (Elabed, Bellemare, Carter, &Guirkinger, 2013). Arrow (1971) demonstrates that an expected-utility maximizer with a differentiable utility function will always want to take a sufficiently small stake in any positive-expected-value bet. This means that expected-utility maximizers are (almost everywhere) arbitrarily close to risk neutral when stakes are arbitrarily small.

According to Petrolia, Landry and Coble (2013), the low demand for micro insurance products observed in recent studies is made all the more surprising by two stylized facts: first, demand is typically negatively correlated with measures of risk aversion; and second, demand is typically positively associated with measures of trust. Seen in this light, recent empirical evidence of the demand for micro insurance are puzzling. Not only is demand for both indemnity and index-based insurance products low, but the likelihood of insurance purchases is negatively associated with measures of risk aversion in many contexts. Suggestively, in several studies measures of trust are positively associated with insurance demand (Clarke, 2011).

A study conducted in Kenya by Dercon, Gunning and Zeitlin (2011) showed that demand is negatively associated with risk aversion as measured in the lab, and positively associated with trusting behavior. Combining these data with experimentally induced variation in premium costs further provided evidence that individuals with low trust in insurer credibility are more responsive to price variation, as predicted by the theory. These results suggest that the perceived enforceability of claims for indemnified losses is an important constraint to insurance adoption. Such a finding is potentially important for policy, particularly since a number of studies fail to find impacts of financial literacy training on insurance demand, a trend which suggests that either the curricula in these experiments has been poorly targeted, or that ambiguity aversions a difficult-to-manipulate constraint (Jowett, 2003). On the other hand, insurers are well positioned to shape perceptions about the likelihood of paying claims; evidence from India suggests that endorsements by trusted authorities may have this. Regulators have tools at their disposal that can improve confidence in these outcomes as well (Frick & Bopp, 2005).

Conceptual Framework

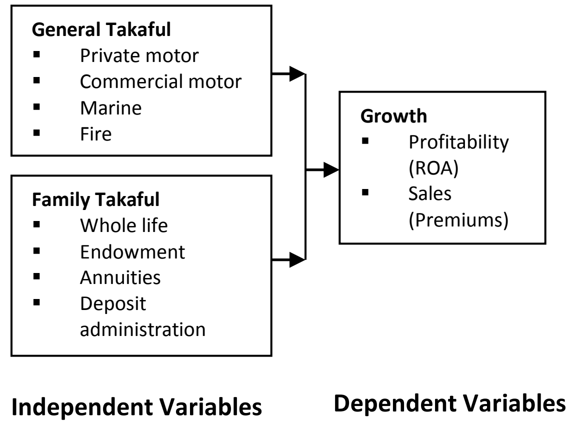

Figure 1: Conceptual Framework

General Takaful

According to AlNemer (2013), there is no major difference between insurance products offered by Takaful operators and conventional insurers. Takaful operators provide both General and Life Insurance types of insurance. General insurance is referred to as General Takaful and include classes like Motor Private and Commercial, Personal Accident, Marine, Fire Domestic, Fire Industrial and Medical among others. General insurance or non-life insurance policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event. General insurance is typically defined as any insurance that is not determined to be life insurance. It is called property and casualty insurance in the U.S. and Canada and Non-Life Insurance in Continental Europe. In the UK, insurance is broadly divided into three areas: personal lines, commercial lines and London market (Daud&Bakar, 2000).

General Insurance comprises of insurance of property against fire, burglary etc, personal insurance such as Accident and Health Insurance, and liability insurance which covers legal liabilities. Suitable general Insurance covers are necessary for every family. It is important to protect one's property, which one might have acquired from one's hard earned income. Losses created to catastrophes such as the tsunami, earthquakes, cyclones etc. have left many homeless and penniless. Such losses can be devastating but insurance could help mitigate them. Property can be covered, so also the people against Personal Accident. A Health Insurance policy can provide financial relief to a person undergoing medical treatment whether due to a disease or an injury (Wahab, Lewis & Hassan, 2007).

Family Takaful

Family Takaful provides one with a protection and long-term savings. The insured or beneficiary is provided with financial benefits if he suffers a tragedy. It is just like conventional life insurance except that it is guided by Shariah laws under (Omar &Dawood, 2000). The aim of all types of insurance is to make provision against such risks. Family Takaful is a contract that protects individuals against financial losses resulting from death. Family Takaful seeks to administer one form of uncertainty in our daily life called pure risk. Pure risk exists when there is no potential gain, only possibility of loss. In the case of Family Takaful, the possibility of loss from a deceased person apart from emotional loss is financial loss borne by the family of the deceased (Yusof, 1996).

The role of Takaful operators is to share the risk with the participants in addition to allowing other members participating in the scheme to also share the risk and help ease the burden of the family as a result of the demise (Archer et al, 2011). For family Takaful, pure risk happens at the event of death and is certain. The only thing that is not certain is the time of occurrence of the death. However, the probability of death at certain age can be calculated from past experience. This probability of death, and several other assumptions such as the expenses incurred by Takaful operator, the fee charged by Takaful operator and profit margin, etc are being used to calculate the contribution that is required to be given by the participant. In other words, modern Takaful practice is similar to insurance in practice whereby the contribution amount is calculated and is fixed for a standard normal person at certain age for a certain amount of benefit (Kwon, 2007).

Empirical Review

General Takaful

Mwangi and Murigi (2015) investigated the determinants of financial performance in general insurance companies in Kenya. The study found that profitability of general insurers in Kenya is positively and significantly influenced by leverage, equity capital, and management competence index. Size of the firm and ownership structure has a negative and significant effect on performance of general insurers. Alando (2014) assessed the effect of micro-insurance on the financial performance of insurance companies in Kenya. The study found out that there were micro insurance variables influencing the financial performance of insurance companies in Kenya, namely; micro-insurance premiums, micro-insurance claims and micro-insurance cost. They either influenced it positively or negatively. Ismail (2013) studied the determinants of financial performance using the case of general takaful and insurance companies in Malaysia. The study showed that size of company, retakaful dependence and solvency margin are statistically significant determinants of the investment performance of the general Islamic insurance companies in Malaysia.

Kamil and Mat Nor (2014) studied factors influencing the choice of health takaful over conventional insurance in Malaysia. The study revealed that Takaful customers have a clear concept of Takaful and the requirement of Shariah compliance and that takaful is necessary for

Muslims as a replacement of conventional insurance. It was also revealed that takaful customers have awareness on the relationship between insurance and religion in contemporary business. Njegomir and Stojić (2012) studied the determinants of nonlife insurance market attractiveness for foreign investments in Eastern Europe. The research results indicated that the main forces affecting market attractiveness are insurance demand, entry barriers, market concentration and the return on investment. Zhang and Zhu (2005) studied the determinants of the development of insurance in China under the globalization. Results showed that foreign direct investment is more significant for property than for life insurance and that per capita GDP is the only variable significant for all measures of life consumption.

Family Takaful

Njeri (2013) investigated the effect of the separation of life assurance and general insurance on the financial performance of insurance companies in Kenya. The findings indicate that there was no statistically significant difference between the patterns of returns after the splitting of the insurance companies. This is deduced from the fact that the Z statistic was -0.03 which is less than 1.96 which is the Z-critical at 95 % confidence level. This indicated that there was no statistically significant difference between returns before and after the demerger.

Ngoima (2013) studied the effect of insurance agents in insurance penetration in Kenya. The results showed that the roles of insurance agents (market maker, transformation agents, reduction of participation costs & service provision) explain 73.38% of the insurance companies' penetration in Kenya. Kigen (2014) investigated the effect of firm size on profitability of insurance companies in Kenya. The findings show that there is no relationship between profitability and total assets of the insurance companies and there is significantly positive relationship between size as measured by market share of the insurance companies'and profitability. The result also shows leverage had significant on profitability of insurance companies.

METHODOLOGY

This study adopted a descriptive design. A descriptive study is concerned with finding out the what, where and how of a phenomenon. The target population of this study wa Wall insurance companies in Kenya. According to the Association of Kenyan Insurers (2016), there were 47 insurance companies operating in Kenya as at 31 July 2016 (See appendix I). There are five insurance companies offering Takaful products in Kenya and they include Takaful Insurance of Africa, Canon Insurance, Jubilee Insurance, UAP Insurance, Metropolitan Life and Kenya Reinsurance. This means our sample size was 5. The study used secondary data from insurance companies from 2011 when the first insurance company (Takaful East Africa) begun offering Takaful products, to 2015. Data was obtained from the financial statements, company records and published journals. The data was easily accessible from the company websites as the Insurance Regulatory Agency requires all insurance companies to publish financial statements on a quarterly and yearly basis. The research instrument, which in our case is the data collection table, was tested on one insurance company that was not used in the main study. The questionnaire was used in data collection and its validity was ensured by including objective questions. Before processing the responses, the completed questionnaires were edited for completeness and consistency.

DATA ANALYSIS, RESULTS AND DISCUSSION

Industry Return on Assets

Table 1: Industry Return on Assets

Before Takaful				After Takaful			
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
ROA (E-1000,000)	37,000	34,000	36,300	48,000	51,000	51,000	37,000
Total Premiums (000,000)	55,190	64,470	79,060	91,600	108,540	130,650	157,210

The study sought to establish the performance of the insurance industry 4 years before the introduction of Takaful and 4 years after the introduction of Takaful. The results indicated a staggering performance in ROA between the year 2008 and 2011 with 2011 recording the highest performance and 2009 the lowest. However, the ROA performance from 2012 has been decreasing steadily to 2015.

The findings showed completely different results for the return on premiums. There was a steady increase in premiums from 2008 to 2011. This showed that the insurance industry had had a growth in the number of market share over the years before the introduction of Takaful. However, the performances in the premiums shoot steeply after the introduction of Takaful from 91billion in 2011 to 108 billion in 2012. This showed a 15% improvement in premium performance after the introduction of Takaful. The performance had since improved and as at 2015, premiums had recorded 173 billion returns on premium which was a reflection of 89% improvement since 2011. The findings showed that, Takaful was a major contributor to the performance of the insurance industry.

Takaful Performance

General Takaful Performance

Table 2: General Takaful Performance

Years	2011	2012	2013	2014	2015
General Takaful	-	424,129.00	471,690.00	677,819.00	777,802.00

Findings show that General Takaful begun in the year 2012. It can also be noticed that General Takaful grew steadily from 2012 through to 2015. It can also be noticed that General Takaful had the highest intake out of the four products. The findings were in agreement with AKI (2015) who argue that although common perception among many Muslim communities was that insurance was unlawful, by developing awareness and understanding of the takaful operations and products, most people had embraced the concept leading to increased uptake of the takaful products.

Family Takaful Performance

Table 3: Family Takaful Performance

Years	2011	2012	2013	2014	2015
Family Takaful	-	4,099.00	5,020.00	9,850.00	28,049.00

From the findings, it can be seen that Family Takaful begun in the year 2012. The consumption of this particular Islamic insurance also increased from 2012 to 2015. It would also be noticed that Family Takaful had the least intake out of the four Islamic insurance products. The findings were in agreement with Ochieng (2013) who says that lack of innovative and flexible products to cater for Muslim needs is one of the reasons as to why there is low intake of Islamic insurance in Kenya.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Findings showed that General Takaful begun in the year 2012. It can also be noticed that General Takaful grew steadily from 2012 through to 2015. It was also found that General Takaful had the highest intake out of the four Islamic banking products in Kenya.

From the findings, it can be seen that Family Takaful begun in the year 2012. The consumption of this particular Islamic insurance also increased from 2012 to 2015. Family Takaful was the least consumed Islamic insurance product in Kenya because it has the lowest premiums out of the four products. The premiums recorded in this product, though increasing each, are a small percentage of the industry's total.

On the industry performance, findings show a staggering performance in Return on Assets (ROA) between the year 2008 and 2011 with 2011 recording the highest performance and 2009 the lowest. However, the ROA performance from 2012 had been decreasing steadily to 2015. The findings showed completely different results for the growth of premiums. There was a steady increase in premiums from 2008 to 2011. This showed that the insurance industry had had a growth in the number of market share over the years before the introduction of Takaful.

Conclusions

It was found that General Takaful had the highest intake out of the four products. The premiums had also been rising since 2011. This means that more Kenyans were buying general takaful products like motor policies than any other Takaful product.

The premiums recorded in family Takaful product, though increasing each, were a small percentage of the industry's total. It could therefore be concluded that Kenyans had not been made aware of this product.

Recommendations

Results show that general takaful had the highest premiums out of the four Islamic insurance products. However, compared to general conventional insurance, the figures were still very low, meaning that the General Takaful insurance was not yet fully exploited. This study recommended that industry players invest more in marketing as well as innovation to come up with a wider range of general takaful products and to increase awareness in the market to increase its uptake.

Many traditional investments used by insurers are out of bounds for takaful operators in Kenya. This was especially so in Family Takaful which had less effect of the growth of the industry as compared to General Takaful. This results in the risk being spread less diversely, and which can put the operator at loggerheads with the regulator. Family Takaful had been found to be the least consumed Islamic insurance product. There were still a lot of opportunities in Kenya for this kind of product. Industry players should increase the awareness campaigns to increase its uptake.

Suggestions for Further Research

This study aimed to investigate the effect of Islamic insurance on the growth of the insurance industry in Kenya. The study's specific objectives were to find out the effect of General Takaful on the growth of insurance in Kenya and to establish the effect of Family Takaful on the growth of insurance in Kenya and to investigate the effect of Retakaful on the growth of insurance in Kenya.

This found out whether the introduction of Islamic insurance in Kenya had had any impact on the uptake of insurance by the Muslim population that had hitherto been excluded due to religious reasons. This would isolate other factors not related to Islamic insurance and which had led to the growth of the industry since 2011. It is also suggested that further studies be conducted to investigate the challenges facing the growth of Islamic insurance in Kenya. This will help in finding out the unique challenges facing Islamic insurance and how to deal with them in order to put it at par with conventional insurance

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