EFFECT OF FRAUDULENT COMPENSATION CLAIMS ON PERFORMANCE OF INSURANCE FIRMS IN KENYA

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ABSTRACT

The aim of this study was to investigate the effect of fraudulent compensation claims on performance of insurance firms in Kenya. The specific objectives were: to examine the influence of ethical practices on performance of insurance firms in Kenya; assessing the influence of online social networking on performance of insurance firms in Kenya; examining the influence of regulatory framework on performance of insurance firms in Kenya; and to establish the relationship between fraudulent compensation claims and performance of insurance firms in K enya. The research employed a cross sectional descriptive research survey design. The study targeted 44 insurance companies and 968 employees in finance department. The sample size constituted two finance managers from each insurance company giving a total sample size of 88 managers. The study used primary data which was collected through self-administered questionnaires. Collected data was analyzed by use of descriptive and inferential statistics. The findings were categorized in order to analyze and determine the attributes of the data. The fitness of the model was determined in order to assess its stability in establishing the relationship between the independent and dependent variable. Coefficient of correlation (r) was used to determine the magnitude of the relationship between the dependent variable (performance) and the independent variables (Ethical practices, online social networking and regulatory framework). The study found out that: customers fail to disclose all material information; insurance companies do not disclose full information, online transaction processing had increased cases of money laundering, regulations, implementation of risk based supervision model and separation of ownership and management had reduced incidences of frauds. The study concludes that adherence to ethical practices provided had a positive impact on fraud prevention and detection which could be committed by the employees, there is growing amount of information that is posted to social media networking sites, underwriters have discovered that social media can be a useful investigative tool for conducting research and uncovering relevant information on underwriting and in order to ensure a high performance level in the insurance industry in the long run, it is essential to constantly adapt the insurance regulatory framework. The study recommends that insurance companies should observe ethical practices and supports its implementation including setting up policies and guidelines, invest in technology to prevent claims fraud and fully comply with guidelines, rules and regulations on good corporate governance.