
THE EFFECT OF RISK MANAGEMENT ON FINANCIAL PERFORMANCE OF INSURANCE COMPANIES IN UGANDA. A CASE STUDY OF AAR HEALTH INSURANCE SERVICES LTD

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ABSTRACT

This study set out to assess the effect of risk management on the financial performance of Insurance companies of Uganda and in particular AAR Health Services Uganda Ltd. This study was conducted in AAR Health Services Uganda Ltd; located on Plot 16A, Elizabeth Avenue in Kololo, Kampala-Uganda and adopted a case study and design descriptive to narrow down a very broad field of research into one easily researchable topic. Solvent's formula was used to determine the sample size of 107 from the target population of 113 company staff. Quantitative data was collected using close ended questionnaires and qualitative data was gathered using interview guides. The response rate was 82.2% respondents; quantitative data was analyzed using IBM SPSS statistics 22, whereas themes guided the analysis of qualitative data. The study established that Risk management was satisfactory with an average mean of 2.87. Financial performance was rated relatively satisfactory and this is indicated by the overall mean of 2.87. The regression model indicated R value of .753 which implied a positive relation between the financial performance (dependent variable) and Risk management with components of risk identification, risk assessment, risk monitoring & controlling, risk planning, risk maintenance and risk transfer as the (Independent variables). The R^2 value representing determinant coefficient was given 0.640 meaning that 64% of the variation of financial performance is the bank is determined by Risk management through risk identification, risk assessment, risk monitoring & controlling, risk planning, risk maintenance and risk transfer but 36% is explained by other factors. The study recommended that management of the insurance companies should manage credit with respect to risk avoidance, risk reduction, risk maintenance and risk distribution to ensure that all element of risk

management are dealt with, the managers of insurance companies should recognize that a holistic approach toward managing business risk has generally been recommended to ensure effective risk management and that when hiring managers, the insurance companies should seek for knowledge, skills, innovation and experience as these were proven key in determining managerial competence and the possession of such qualities improves a manager's ability to avoid, reduce, maintain or distribute risk in the operations of the insurance companies thus the end result being better financial performance.

Key words: risk management, financial performance and insurance companies

Background to the Study

According to Amaya & Upstream (2015), insurance companies manage to transfer risks to others after agreeing to pay their losses, which in turn affects the overall financial performance of the organization, so it is better to adopt risk management in return. strategies to prevent future risks in the company (K. Moses et al., 2023). Amaya and Memba (2015) added that insurance provides protection to people with insured events by paying premiums in advance when an event occurs (Viola et al., 2023). This allows people to protect themselves against financial losses that require risk management and financial analysis. In Africa, many service providers, such as banks and insurance companies, have gone bankrupt or are facing failure due to their low-interest loans to businesses and individuals. From then on, consumer losses increased, leading to poor financial performance (Alex & Kazaara, 2023). Insurance companies greatly benefit from the risk management process proposed by Kiochos (1997). The insurance industry in Uganda faces many problems such as poor performance, customer and employee fraud, high claims, delays in money claims, delays in billing, inability to close some companies, similar slow business. The development of insurance services, poor management, poor access to insurance, market saturation, etc. Not only did it limit their growth and performance, the fog caused some insurance companies to close completely and many insurance companies

to close out of fear. The administration has done great harm to them (Oromo et al., 2023).

The study also found that some aspects of risk management have a greater impact on financial performance than others, for example: having a risk management policy and integrating risk management with the goal of establishing a core risk management that directly impacts finances. to work (Deus, 2023).

Problem Statement

Financial risk exists in all companies and companies should be involved in identifying risks that affect the business and efforts should be made to manage those risks. Financial risk refers to the possibility of shareholders losing money due to the use of the company's debt when the company's income is not sufficient to meet its financing obligations (Kazaara & Christopher, 2023). For insurance companies to take risks from other lines of business, the aim should be to reduce risk-related costs to avoid financial losses (Kiragu, 2018). Great efforts have been made on risk management in the 21st century (Denis & Richard, 2023).

Babbel and Santomero (2016) state that insurance companies need to evaluate the different types of risks they face and develop ways to manage them effectively. They added that insurers must accept and manage the risks specific to their services at the firm level. This will reduce the risk. AAR Health Services Uganda Ltd provides insurance coverage, risk management adoption, staff training (T. Moses, 2023), bankruptcy, risk prevention, disaster prevention, etc. It is an example that illustrates various measures such as find, manage and prevent risk (Christopher et al., 2023).

, 2022). However, despite the above measures, insurance companies still face many problems: Poor standards, customer and employee fraud, high claims, payment delays, billing delays and limited access to insurance programs make it difficult for AAR Healthcare to be effective. manages its risks (AAR Management Report, 2018). (Kazaara and Christopher, 2023) concluded by reaffirming that public officials should be trained to manage financial changes and related risk management, to control participants' adjustment of the budget to fit the public interest, and to establish a financial management system. Therefore, this study aims to examine the impact of risk management and profitability of insurance companies in Uganda by focusing on AAR healthcare.

Specific Objectives

1. To determine the Risk management processes used in Insurance companies.
2. To determine the level of financial performance in Insurance companies.
3. To examine the effect of Risk management on the financial performance of Insurance companies.

Research Questions

1. What is the Risk management processes used in Insurance companies?
2. What is the level of financial performance in Insurance companies?
3. What is the effect of Risk management on the financial performance of Insurance companies?

Methodology

Research design

The study employed a case study research design within a descriptive approach as there was a one-time interaction with the respondents. The case study research design enabled the researcher to obtain in-depth information about risk management within insurance institutions and particularly AAR health services. This design is cost effective and less time was used as compared to a situation when other designs are to be employed. Both quantitative and qualitative data collection approaches were

employed. According to Burke & Onwuegbuzie (2004) research that combines or mixes quantitative and qualitative approaches, methods and concepts or language in a single study is called mixed method. Mixed method is good because it allows the researcher to collect both qualitative and quantitative data separately and later compare the results to inform in decision making. A quantitative data collection approach therefore was employed; in this case. Quantitative approach was used because it involves the use of descriptive statistics generated with frequency tables and variables that would be measured in numbers and analyzed with statistical procedures.

Study Population

Busha (2012) described a study population as any set of persons or subjects that possess at least one common characteristic. The target populations of this study comprised of 113 employees of AAR Health Services Uganda Ltd. These were selected because they are believed to the necessary information and adequate knowledge about the study phenomena and its happenings at AAR Health Services Uganda Ltd.

Table 1: Population of the Study/ AAR Health Services Uganda Ltd- Staff in 2018

Department	Total population per department
<i>Administration/Human resources</i>	<i>4</i>
<i>Sales and Marketing</i>	<i>55</i>
<i>Membership</i>	<i>7</i>
<i>Finance</i>	<i>10</i>
<i>Claims</i>	<i>33</i>
<i>ICT</i>	<i>4</i>
Total	113

HR Report, 2018.

Sample size

The researcher employed a solvent's formula, (Amin, 2005) to determine the sample size of the study out of the research population of 113. However, these were grouped

in terms of departments where each department had representatives to take part in the study as indicated below.

Table 2: Sample size and Sampling Procedure

Department	Total population	Sample size	Sampling Technique
Administration/Human resources	4	4	Purposive
Sales and Marketing	55	52	Random
Membership	7	7	Purposive
Finance	10	9	Random
Claims	33	31	Random
ICT	4	4	Purposive
Total	113	107	

HR Report, 2018 & Solvent's formula

$$n = \frac{N}{1 + N(e)^2}$$

Solvent's formula is applied as follows,

$$n = 113$$

$$1 + 100 (0.00025)$$

$$= 113$$

$$1.05$$

$$= 107$$

n= 107 Respondents

Where; n = sample size

N = population of the study

1 = constant

e = level of significance

Data Collection Methods

Interview Method

This was used to gather information using face to face conversation between the researchers and purposely selected key informants from both administration and Finance departments who are directly involved in issues to do with risk management in AAR. The use of this instrument to get data from the key informants is intended to help in carrying out in depth interviews on the key information relating to the performance of insurance companies. These were further used to affirm the information given in the questionnaires. These were selected basing on their level of responsibility, relevancy in the organization and their levels of education.

Survey Method

102 Questionnaires were issued to AAR Health Services staff and interviews conducted among 5 senior staff to acquire data for the study. The questionnaires were designed according to the objectives of the study to enable the researcher kindle information from respondents on all the aspects of the study.

Data Collection Instruments.

Interview Guide

The researcher used this instrument which involved oral questioning of 5 senior respondents, either individually or as a group. This elicited answers to the questions paused during an interview, and these were either recorded by writing them down (during or after the interview), by audio/video-recording the responses, or by a combination of both. These preset questions were divided up according to the objectives.

Questionnaire

102 Questionnaires were prepared to cover all the thematic areas of the studies and administered to the study participants to elicit qualitative data (Bryman and Bell, 2003). However, the data on the biographic profile of the respondents, critical

success factors, indicators for RM implementation were elicited using closed ended questions. Such questions included possible responses from which respondents are obliged to choose from. The questionnaires had both open and closed ended questions designed according to the objectives of the study. The questionnaire gave the respondents freedom to provide responses at their convenience to the questions contained therein.

Data Analysis

Kakinada, (2005), Data was obtained and analyzed using both qualitative and quantitative data analysis approaches such as frequencies and percentages cross tabulations, charts, verbatim explanation and SPSS (statistical package for social science statistics) where appropriate.

Statistical package for the Social Sciences (SPSS) Version 22.0 was used to process and summarize information got from the questionnaires. The data was sorted, coded and fed into the SPSS data analyst to generate various results (Nelson et al., 2022). The data was analyzed for descriptive statistics, that is, frequencies, percentages, mean and standard deviation, while regression analysis was used to explain how the independent variables affected the dependent variable.

Qualitative data was organized in tables sorted by respondents and questions. Analysis was carried out for common themes based on patterns, relationships and differences to search for commonalities and draw conclusions and test their validity (Hesse-Biber 2011).

RESULTS

Descriptive Statistics on the Impact of Risk management and Financial Performance

The study variables in this study were Risk management and financial performance from the respondents' view as per the tables below;

To interpret the means, the following mean ranges and their descriptions were used;

Table 3: Key to Interpretation of Means

<i>Mean range</i>	<i>Interpretation</i>
3.26 - 4.00	Very satisfactory
2.51 - 3.25	Satisfactory
1.76 - 2.50	Unsatisfactory
1.00 - 1.75	Very unsatisfactory

Descriptive Statistics of Risk Management

Table 4 below presents the Descriptive statistics of Risk Management

Table 4: Descriptive Statistics of Risk Management.

<i>Variable</i>	<i>Mean</i>	<i>Interpretation</i>	<i>Rank</i>
<i>Risk Identification</i>			
<i>The risk department identifies and assesses core risks and opportunities for AAR health services</i>	3.30	Very satisfactory	1st
<i>There is estimating of the premium risks in terms of time</i>	3.27	Very satisfactory	2nd
<i>There is premium risk identification at the underwriting phase</i>	2.62	Satisfactory	3rd
<i>AAR health services conduct risk identification at the collateral security presentation</i>	2.53	Satisfactory	4th
<i>There is critical underwriting risk identification through a risk management department</i>	2.31	Unsatisfactory	5th
<i>Average mean</i>	2.80	Satisfactory	
<i>Risk assessment</i>			
<i>The risk department identifies and assesses core risks and opportunities for AAR health Services.</i>	3.22	Satisfactory	1st
<i>There is assessment of the risks that AAR health services face from both internal and external</i>	2.89	Satisfactory	2nd

<i>sources</i>			
<i>There is underwriting risk identification at the premium approval phase</i>	2.67	Satisfactory	3rd
<i>AAR health services conduct assessment of risk at the underwriting phase.</i>	2.58	Satisfactory	4th
<i>The risk department identifies and assesses core risks and opportunities for AAR health Services.</i>	2.52	Satisfactory	5th
Average mean	2.78	Satisfactory	
Risk monitoring & controlling			
<i>There is effective risk planning in AAR health services on the premium</i>	3.40	Very satisfactory	1st
<i>AAR health services conduct risks evaluations to detect the risks strength</i>	3.15	Satisfactory	2nd
<i>There is an utmost risk monitoring staff in AAR</i>	2.68	Satisfactory	3rd
<i>AAR health services have key risks controls from causing harm to business operations</i>	2.56	Satisfactory	4th
<i>There is participation in terms of reports of meetings in which the organization actively involves employees on issues that affect their jobs</i>	2.39	Unsatisfactory	5th
Average mean	2.71	Satisfactory	
Risk planning			
<i>Risk planning helps in ensuring that the risk management effort is proportionate to both the risk and importance of the project</i>	3.15	Satisfactory	1st
<i>Risk planning provides enough resources for risk management activities and establishes basis for evaluating risk</i>	3.07	Satisfactory	2nd

<i>Risk planning defines the approaches, tools and data sources that may be used to perform risk management on this project</i>	2.89	Satisfactory	3rd
<i>The survival and success of insurance organization depends critically on the efficiency of managing these risks</i>	2.65	Satisfactory	4th
<i>AAR uses risk planning to define the lead, support and risk management team membership for each type of action in the risk management plan</i>	2.55	Satisfactory	5th
Average mean	2.86	Satisfactory	
Risk maintenance			
<i>Risk maintenance is encouraged in this company</i>	3.51	Satisfactory	1st
<i>In this company, risk maintenance requires the expertise of various individuals</i>	3.39	Satisfactory	2nd
<i>In this company, risk maintenance requires individuals to be integrated with tangible and intangible resources.</i>	3.15	Satisfactory	3rd
<i>There is risk maintenance in this company</i>	2.89	Satisfactory	4th
<i>Risk maintenance increases performance of this company</i>	2.68	Satisfactory	5th
Average mean	3.12	Satisfactory	
Risk transfer			
<i>Risk transfer increases performance of this company</i>	3.31	Satisfactory	1st
<i>Risk transfer is encouraged in in this company</i>	3.25	Satisfactory	2nd
<i>In this company, risk transfer requires the expertise of various individuals</i>	3.10	Satisfactory	3rd

<i>In this company, risk transfer needs individuals to be integrated with tangible and intangible resources.</i>	2.70	Satisfactory	4th
<i>There is risk transfer in in this company</i>	2.55	Satisfactory	5th
Average mean	2.98	Satisfactory	
Overall mean	2.87	Satisfactory	

Source: Survey data by the researcher, (2019)

The results in Table 4 above indicate that Risk management is required for financial performance in an insurance company like AAR. It was rated satisfactory and this is indicated by the overall mean of 2.87, implying that the Risk management was relatively good, thus a need to improve it for improved financial performance of AAR Health Services and other insurance companies in Uganda.

Risk management differs on different perspectives; for example, regarding risk identification, risk assessment, risk monitoring & controlling, risk planning, risk maintenance and risk transfer, the respondents rated these constructs as satisfactory (average mean= 2.87), implying that Risk management was crucial in influencing its financial performance of AAR Health Services.

The attribute (Risk identification) was rated satisfactory with an average mean of 2.80, this was due to the fact that risk department identifies and assesses core risks and opportunities for AAR health services, there is estimating of the premium risks in terms of time, there is premium risk identification at the underwriting phase and AAR health services conduct risk identification at the collateral security presentation and that. However, it was also indicated that there is no critical underwriting risk identification through a risk management department (M=2.31).

Results further indicated that the construct (Risk assessment) was also rated satisfactory with an average mean of 2.78, with all the statements rated satisfactory (M=3.22, M=2.89, M=2.67, M=2.58 and M=2.52).

Concerning Risk monitoring & controlling, it was also rated satisfactory with an average mean of 2.71, since it was indicated that there is effective risk planning in AAR health services on the premium, AAR health services conduct risks evaluations to detect the risks strength, there is an utmost risk monitoring staff in AAR and that AAR health services have key risks controls from causing harm to business operations. However, it was indicated that there is minimal participation in terms of reports of meetings in which the organization actively involves employees on issues that affect their jobs (M=2.39).

And under the construct of Risk planning, risk maintenance, it was also rated satisfactory with an average mean of 2.86, since it was indicated that Risk planning helps in ensuring that the risk management effort is proportionate to both the risk and importance of the project, Risk planning provides enough resources for risk management activities and establishes basis for evaluating risk, Risk planning defines the approaches, tools and data sources that may be used to perform risk management on this project, the survival and success of insurance organization depends critically on the efficiency of managing these risks and that AAR uses risk planning to define the lead, support and risk management team membership for each type of action in the risk management plan with average means of (M=3.15, M=3.07, M=2.89, M=2.65 and M=2.55).

Results further indicated that the construct (Risk maintenance) was also rated satisfactory with an average mean of 3.12, with all the statements rated satisfactory (M=3.51, M=3.39, M=3.15, M=2.89 and M=2.68).

While under the construct of Risk transfer, it was also rated satisfactory with an average mean of 2.98, since it was indicated that Risk transfer increases performance of this company, Risk transfer is encouraged in in this company, risk transfer requires the expertise of various individuals, during board formation, risk transfer needs individuals to be integrated with tangible and intangible resources. And that there is

risk transfer in in this company with means of ($M=3.31$, $M=3.25$, $M=3.10$, $M=2.70$ and $M=2.55$).

Descriptive Statistics of Regulatory Environment and Risk governance structure

Table 5 below presents the Descriptive statistics of Regulatory Environment and Risk governance structure

Table 5: Descriptive Statistics of Regulatory Environment and Risk governance structure

Variable	Mean	Interpretation	Rank
<i>Regulatory Environment</i>			
<i>The regulatory environment has direct impact on the daily activities of the company</i>	4.31	Satisfactory	1 st
<i>The insurance company has good relationship with the regulatory bodies</i>	3.71	Satisfactory	2 nd
<i>The bank works within the overall environment and keep ups with changes in the environment</i>	3.57	Satisfactory	3 rd
<i>The insurance company meets the rules in the market to produce valid results or goods of a guaranteed level of quality.</i>	3.19	Satisfactory	4 th
<i>Management pays the taxes and abides to the laws of the country</i>	2.77	Satisfactory	5 th
<i>Average mean</i>	3.51	Satisfactory	
<i>Risk governance structure</i>			
<i>The insurance company has got rules conventions, processes and mechanisms by which decisions about risks are taken and implemented</i>	3.61	Satisfactory	1 st
<i>The company analyses and formulates risk</i>	3.51	Satisfactory	2 nd

<i>management strategies to avoid and/or reduce the human and economic costs caused by disasters</i>			
<i>Risk governance goes beyond traditional risk analysis</i>	3.40	Satisfactory	3 rd
<i>Promotion increases employee's motivation in this organisation</i>	3.34	Satisfactory	4 th
<i>There is involvement and participation of various stakeholders</i>	2.87	Satisfactory	5 th
<i>There is consideration of legal, political, economic and social contexts in which a risk is evaluated and managed.</i>	2.50	Satisfactory	6 th
Average mean	3.22	Satisfactory	
Overall mean	3.36	Satisfactory	

Source: Survey Data by the researcher, (2019)

The results in Table 5 above indicate that Regulatory environment and Risk governance structure were rated satisfactory and this is indicated by the overall mean of 3.36, implying that the regulatory environment and risk governance structure have a big impact on the financial performance of Insurance companies and in particular AAR. This is indicated by the fact that the regulatory environment has direct impact on the daily activities of the company, the bank works within the overall environment and keep ups with changes in the environment, the insurance company meets the rules in the market to produce valid results or goods of a guaranteed level of quality and that Management pays the taxes and abides to the laws of the country with mean values of 4.31, 3.71, 3.57, 3.19 and 2.77 respectively Concerning Risk governance structure, it was indicated that the insurance company has got rules conventions, processes and mechanisms by which decisions about risks are taken and implemented, the company analyses and formulates risk management strategies to avoid and/or reduce the human and economic costs caused by disasters,

Risk governance goes beyond traditional risk analysis, promotion increases employee's motivation in this organisation, there is involvement and participation of various stakeholders and that there is consideration of legal, political, economic and social contexts in which a risk is evaluated and managed with mean values of 3.61, 3.51, 3.40, 3.34, 2.87 and 2.50 respectively.

Descriptive Statistics of Financial Performance

Table 6 below presents the Descriptive statistics of financial performance

Table 6: Descriptive Statistics of Financial Performance

Variables	Mean	Interpretation	Rank
Profitability			
AAR Health Services has always registered high profits from its operations	3.48	Very Satisfactorily	1st
AAR health services size has grown over time as a result of our operational risk management system	3.27	Very Satisfactorily	2nd
This insurance company's client base has been growing steadily	3.15	Satisfactory	3rd
This insurance company is always rated among the good tax payers in the institution.	2.81	Satisfactory	4th
AAR Health Services for the last 10 years has been increasing her revenue target set	2.47	Unsatisfactory	5th
Average mean	3.02	Satisfactory	
Capital adequacy			
Capital adequacy influences the financial performance	3.60	Very Satisfactorily	1st
This insurance company has registered good investments	3.30	Very Satisfactorily	2nd
AAR has got various products for their customers	2.89	Satisfactory	3rd

<i>AAR Health Services has registered high performance because of capital adequacy</i>	2.45	Unsatisfactory	4th
<i>AAR health services has put in enough capital for underwriting risk</i>	2.33	Unsatisfactory	5th
Average mean	2.91	Satisfactory	
Asset quality			
<i>Asset quality influences the financial performance</i>	3.61	Very Satisfactorily	1st
<i>The capacity of AAR health services is steadily growing</i>	2.55	Satisfactory	2nd
<i>AAR health services have more resources, a better risk diversification and better expenses management.</i>	2.41	Unsatisfactory	3rd
<i>AAR health services has got quality assets for underwriting risk</i>	2.28	Unsatisfactorily	4th
<i>This insurance has got quality assets for improved service delivery</i>	1.94	Unsatisfactorily	5th
Average mean	2.56	Satisfactory	
Liquidity			
<i>Liquidity has a significant statistical impact on financial performance of insurance companies</i>	3.24	Satisfactory	1st
<i>Financial statement analysis and reviews increase financial management in this insurance company</i>	3.14	Satisfactory	2nd
<i>Financial statement analysis and reviews are done monthly in this insurance company</i>	2.81	Satisfactory	3rd
<i>There is an account of a company's past performance, its current financial strength and a</i>	2.58	Satisfactory	4th

<i>glimpse into the future potential of a firm</i>			
<i>This insurance company has got a responsibility to carry out financial statement analysis and reviews</i>	2.29	Unsatisfactory	5th
Average mean	2.81	Satisfactory	
Return on investment			
<i>AAR health services is entering into competitor market share</i>	3.53	Satisfactory	1st
<i>The market share of AAR health services has grown</i>	3.24	Satisfactory	2nd
<i>Return on investment is used for approval and funding decisions for projects and programmers of different types</i>	2.95	Satisfactory	3rd
<i>Return on investment is used for traditional investment decisions in the company</i>	2.69	Satisfactory	4th
<i>The company has had good improvement on return on equity in the last three years</i>	2.40	Unsatisfactory	5th
Average mean	2.96	Satisfactory	
Efficiency			
<i>This insurance company maximizes the quantity/price of an output for given quantities/prices of inputs</i>	3.60	Satisfactory	1st
<i>This insurance company measures its efficiency by the share of operating expense to gross loan portfolio in most cases</i>	3.44	Satisfactory	2nd
<i>The insurance company uses operating expense ratio and cost per client (or loan) to measure how cost effective they are.</i>	2.88	Satisfactory	3rd

<i>This insurance company it operates with the least quantity or least costs of inputs</i>	<i>2.50</i>	<i>Satisfactory</i>	<i>4th</i>
<i>This insurance company is efficient in its operation of risk management</i>	<i>2.27</i>	<i>Unsatisfactory</i>	<i>5th</i>
Average mean	2.93	Satisfactory	
Overall mean	2.87	Satisfactory	

Source: Survey data by researcher, (2019)

Results in table 6 above indicate that financial performance was rated relatively satisfactory and this is indicated by the overall mean of 2.87, which implies that the weaknesses in risk management which wasn't very good and other challenges have weakened the financial performance of AAR Health Services Insurance Company in Kampala.

Financial performance differs on different perspectives; for example, profitability, capital adequacy, asset quality, liquidity, return on investment and efficiency, the respondents rated these constructs as unsatisfactory (average mean= 2.87), implying that the financial performance of AAR Health Services in Kampala was wasn't good which could be as the result of weak risk management strategies used.

Profitability as the first attribute on the dependent variable measured using five items and this was rated satisfactory (mean= 3.02). This is because AAR Health Services has always registered high profits from its operations, AAR health services size has grown over time as a result of our operational risk management system, AAR insurance company's client base has been growing steadily and that AAR insurance company is always rated among the good tax payers in the institution. However, it was indicated that to a smaller extent, has AAR Health Services for the last 10 years has been increasing her revenue target set (M=2.47).

According to the results, the construct of Capital adequacy was also rated Satisfactory and this was indicated by the average mean of 2.91, with only three

constructs being rated satisfactorily ($M=3.90$, $M=3.30$ and $M=2.89$ respectively. However, the remaining constructs were rated unsatisfactorily (AAR Health Services has registered high performance because of capital adequacy ($M=2.45$) and that AAR health services has put in enough capital for underwriting risk ($M=2.33$) respectively. Concerning the attribute of Asset quality, it was rated satisfactory indicated by the average means of 2.56. Under this construct, only two items were rated satisfactory with means of 3.61 and 2.55 respectively. Other items were rated unsatisfactory with means of 2.41, 2.28 and 1.94 respectively. This was because statements like; AAR health services have more resources, a better risk diversification and better expenses management., AAR health services has got quality assets for underwriting risk and that this insurance has got quality assets for improved service delivery were rated unsatisfactory. This implies that there is still an adequate need for the insurance companies to lay and implement good strategies to increase the quality of their assets which in the end improves the performance of the whole company.

Liquidity attribute was rated satisfactory and this was indicated by the average mean of 2.81. Under this construct, four items were rated satisfactory with a mean of 3.24, 3.14, 2.81 and 2.58. In addition, one attribute was also rated very unsatisfactory with (2.29). This implies that insurance company needed to get a responsibility to carry out financial statement analysis and reviews for it to improve its performance.

And for Return on investment; this attribute was rated satisfactory and this was indicated by the average mean of 2.96. Under this construct, four items were rated satisfactory with a mean of 3.53, 3.24, 2.95 and 2.69. In addition, one attribute was also rated very unsatisfactory with (2.40). This implies that insurance company has needed good improvement on return on equity in order to improve its performance.

Lastly for Efficiency; this attribute was rated satisfactory and this was indicated by the average mean of 2.15. Under this construct, only one item was rated satisfactory with a mean of 2.93. Under this construct, four items were rated satisfactory with a

mean of 3.60, 3.44, 2.88 and 2.50. In addition, one attribute was also rated very unsatisfactory with (2.27). This implies that insurance company needed to be efficient in its operation of risk management in order to improve its performance.

Summary of the Inferential Statistics on Assessing the Impact of Risk management on financial performance.

The data was also analyzed using inferential statistics and the following table was produced from (Nelson et al., 2023). The table included correlation, Analysis of variance (ANOVA) and regression analysis equation table.

Model Determination

The Table 7 below presents the Model Summary

Table 7: Model Summary

Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate
1	.753 ^a	.640	.567	.05817

Source: Survey data analysis by researcher, (2019)

Predictors: (Constant), Risk management

Dependent: Financial performance

According to the results in Table 7 above, the regression model provided an R value of .753 which implied a positive relation between the financial performance (dependent variable) and Risk management with components of risk identification, risk assessment, risk monitoring & controlling, risk planning, risk maintenance and risk transfer as the (Independent variables). The R^2 value representing determinant coefficient was given 0.640 meaning that 64% of the variation of financial performance is the bank is determined by Risk management through risk identification, risk assessment, risk monitoring & controlling, risk planning, risk maintenance and risk transfer but 36% is explained by other factors. In other words, strong risk management measures with a good regulatory environment and risk

governance structure can lead to improved financial performance of AAR insurance company in Uganda.

Test of Significance

The Table 8 below presents the Analysis of Variance (ANOVA)

Table 8: Analysis of Variance (ANOVA)

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.209	4	1.842	4.252	.007 ^b
	Residual	9.963	40	.422		
	Total	19.172	40			
Predictors: (Constant), Risk management						
Dependent: Financial performance						

Source: Survey data analysis by the researcher, (2019)

The results in Table 8 above indicate that the model gave ANOVA regression sum squares of 9.209 and residual sum square of 9.963. The mean sum square for regression is 1.842 and a residual mean of 0.422. The output provided an F- statistic of 4.252 with a p- value of 0.007. This is an implication that all the variables used in a model namely, risk management, regulatory environment and risk governance structure are significant in predicting financial performance of AAR insurance company. Therefore, from the results on the overall p- value of F- statistics, it can be assumed that model used in the study is significant since the confidence interval used was 95%, leaving an allowance of 5%.

Coefficients of the Variables

The Table 9 below presents the regression coefficients of the variables

Table 9: Coefficients of the Variables

Model			Unstandardized Coefficients	Standardized Coefficients	T	Sig.

		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1	<i>Constant</i>	-.866	1.058		-.815	.360
	<i>Risk management</i>	.469	.176	.444	2.767	.014
	<i>Risk governance structure</i>	.472	.228	.372	2.571	.020
	<i>Regulatory environment</i>	.235	.163	.281	1.634	.074

Source: Survey data analysis by the researcher, (2019)

- *Dependent variable: Financial performance*

According to the results in Table 9 above, from the coefficients, it is clear that risk management has a significant effect on the financial performance of the insurance company as it gave a coefficient value of 0.444 ($t=2.767$) and a p-values of 0.014. Similarly, Risk governance structure has a major effect on the financial performance as it gave a coefficient value of 0.372 ($t=2.571$) and a significance level of 0.020. Regulatory environment has a relative effect on the financial performance of the insurance company as they provided a coefficient value of 0.281 ($t=2.634$) and a significance level of 0.074. Therefore, from the findings, it can be concluded that financial performance of insurance companies and in particular AAR Health Services, can be improved through risk management and risk governance structure with a good regulatory environment.

The predictive model provided by the research findings is as expressed below;

$$FP = .444RM + 0.372RG + 0.281RE.$$

Conclusion

The regression results, Risk management had a significant impact on the financial performance of the insurance company which implied that the risk management strategies influenced the financial performance of the insurance like AAR. The risk management strategies which are practiced by AAR Health Services include: risk identification, risk assessment, risk monitoring & controlling, risk planning, risk

maintenance and risk transfer. And all these risk management strategies were found to have an influence on the overall financial performance of AAR.

Recommendations

Management of the insurance companies should manage credit with respect to risk avoidance, risk reduction, risk maintenance and risk distribution to ensure that all element of risk management are dealt with but in line with the insurance companies' financial performance targets as this will be the only way to achieve true better performance.

Effective risk management teams should be created with respect to risk avoidance, risk reduction, risk maintenance and risk distribution to ensure that all element s of credit risk management are dealt with but in line with the insurance companies' financial performance targets as this will be the only way to achieve true better performance.

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