

**Firm-Specific Determinants Variable of Insurers' Insolvency in Zimbabwe****Timothy Olaniyi Aluko¹, Kudakwashe Carol Makumbe²**

Abstract: Insurance companies safeguard the resources necessary for various other economic sectors to enhance economic growth and foster favourable investment opportunities. This study examines the determinants of insolvency for non-life insurers in Zimbabwe. This was achieved by examining the impact of firm-specific variables on solvency. A panel of secondary data from 2017 to 2022 selects seventeen non-life insurance businesses from Zimbabwe. Insurance and Pension Commission (IPEC) reports provide the financial statements for these non-life insurance companies. The research examines two explanatory factors: investment performance and return on assets (profitability). The Statistical Package for Social Science (SPSS) regression model guides the investigation into the relationship between these factors and solvency. This study employs the solvency ratio as a proxy for solvency. The study's results indicate that a firm's size and claims ratio have a positive impact on the investment performance and profitability of non-life insurers experiencing insolvency. To manage investment portfolios properly, the paper recommends short-term insurers hire qualified and experienced investment analysts. To encourage insurance companies to honour claims and maintain their financial stability even when losses increase, the regulator must publish a risk-based capital structure and prioritise the implementation of policies and regulations that support sound financial management practices among non-life insurance companies.

Keywords: firm-specific factors; determinants; non-life insurer; solvency; performance

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1. Introduction

It is clear that the insurance industry plays a crucial role in the smooth functioning of the financial system, and its impact on national economies is indisputable (Isayas, 2021). Insurance companies safeguard the resources necessary for various other economic sectors to enhance economic growth and foster favourable investment opportunities. The insurance industry has a critical responsibility for the operations of a country's economy around the world (Jawad & Ayyash, 2019). By taking on a variety of financial risks, a financially sound insurance industry has the ability to secure real estate and enterprises, effectively lowering their anxiety and tension (Siddik, et. al, 2022). According to Grdić, Nižić, and Mamula (2017), solvency is the ability of an organisation to pay debts or cover its obligations in the long run, representing a scenario where available funds meet the liabilities.

This gap in the literature inspires the present paper. Since most non-life insurance businesses would rather move their clients to other insurance companies or stop taking new business, there are relatively few non-life insurance companies that have gone bankrupt, making it exceedingly difficult to get data on their insolvency. External rating organisations face two key drawbacks: they rarely rate all insurance companies, and when they do, their ratings tend to stay stable for many years (Caporale, Cerrato & Zhang, 2017).

In their study, Siddik et. al. (2022) state that a financially precarious company cannot attract potential policyholders but serves as a reference point for future clients. Thus, when liabilities and expenses rise and premium collections from policyholders steadily decline, the insurance company's performance finally suffers. Therefore, to alleviate client concerns and take on responsibility for damaged properties, insurance companies must achieve financial success and increase their profits, which is why this study is necessary. Financial institutions act as the economy's lifeblood by facilitating the movement of capital within an organization. In particular, insurance companies support financial and investment operations by giving long-term funding to social and physical frameworks while also enhancing risk-taking propensities (Grishunin, Bukreeva & Astakhova, 2021).

The paper focuses on Zimbabwean short-term insurers in a period that ranges from 2017 to 2023. The study's results hold significant importance for insurer management, as they shed light on the key factors influencing insolvency and suggest potential solutions to enhance solvency levels and tackle the obstacles hindering the financial stability of the Zimbabwean short-term insurance sector. In spite of that, this research improves the reader's understanding of the factors that contribute to insolvency, particularly for non-life insurance companies (Tkachenko, Kovalenko & Bohrinovtseva, 2022). Therefore, the paper determined and analysed the firm-specific drivers of non-life insurers' insolvency. The structure of the paper is as follows: the next section focuses on the theoretical framework that underpins

the study, followed by an empirical review. Section 3 of the paper discusses the research methodology, Section 4 presents the findings, and the final section includes a discussion, conclusion, and recommendation.

2. Theoretical Framework

Beaver first suggested conducting research on corporate insolvency in 1996, in which the author evaluated 30 ratios among 79 unsuccessful and successful businesses in 38 different industries. Beaver's goal in the investigation is to establish whether or not bankruptcy can be predicted using the chosen financial ratios (Rahayu Ningsih, Purwohedi & Mardi, 2021). The bankruptcy theory is a well-known concept in finance that explains the processes by which companies experience financial difficulties and ultimately become insolvent (Carson & Hoyt, 2000).

Underwriting risk is one of the factors that are overlooked by insurers, and under the bankruptcy theory, companies that take on excessive underwriting risk could experience financial difficulties and ultimately become insolvent (Browne, Carson & Hoyt, 1999). The exclusion of measurements of overall economic and industry conditions may largely account for the relatively contradictory results of earlier in-depth bankruptcy studies using firm-specific factors (Browne, et. al, 1999). The bankruptcy theory has great relevance to this study, as it is extremely feasible for an insurance company to be in an insolvable position if it has trouble meeting its financial commitments to the insured at maturity. Resolving these issues immediately leads to bankruptcy (Rahayu Ningsih, et. al, 2021). Investment risk is a significant factor that poses bankruptcy risk, and bankruptcy theory suggests that companies that take on excessive investment risk are more likely to experience financial difficulties and ultimately become insolvent (Browne, et. al, 1999). Overall, the bankruptcy theory provides a useful framework for understanding the firm-specific determinants of insolvency. By analysing these determinants, investors and policymakers can better understand the risks associated with companies and take steps to mitigate them. However, it is important to note that the bankruptcy theory is not a perfect predictor of insolvency, and other factors may also play a role in determining a company's financial health.

3. Empirical Literature

The stability of insurers is driven by the company's asset size. Abra and Yirsaw (2020) use some variables to assess a firm's size, including the gross premium written, total assets, and the company's capital. Several studies have found that regulators do not normally liquidate large insurance companies because they are believed to be capable of affecting the whole financial system, hence the high risk

of liquidating small firms. The conversion of the Zimbabwean dollar to USD values primarily affected small insurance companies, leading to an increase in complaints, as their capital levels were insufficient to address the issue (IPEC, 2017). In addition, proper underwriting management is critical for non-life insurance companies to ensure they charge adequate premiums. Non-life insurance companies primarily generate revenue from policyholder premiums. If the premiums charged are not enough to cover claims expenses and administration costs, insurers can face losses (IPEC, 2019). Insurance companies in the United Arab Emirate (UAE) have been found to be primarily underwriting risk, liquidity, and profitability, similar to a study on Kenyan short-term insurers that found underwriting, investment, and liquidity risk as main predictors of insolvency in Kenya (Kiboi & Bosire, 2022). Caporale, et. al. (2017) conducted a similar study and agreed that leverage has a negative impact on insurer solvency, but the difference between the two studies lies in the effect that the size of the firm has on insolvency.

According to Rubio-Misas and Fernández-Moreno (2017) and Caporale, et. al. (2017), premium growth has a negative impact on solvency margins. Isayas (2021) conducted a study using data from 2007 to 2016, evaluating the financial instability and determinants of the Ethiopian insurance industry. The study found that the insurers' financial soundness was not secure and exhibited continuous fluctuations. According to Durán Santomil, et. al. (2018), underwriting, premium growth, investment risk, and expenses are some of the firm-specific determinants that have been identified in non-life insurance companies in Malaysia. This is similar to a study conducted on non-life insurance companies in China, which found premium growth rate, investment risk, and expense ratio as significant predictors of solvency (Wu & Deng, 2021). A further investigation found investment income, liquidity, and claims ratios to be the main predictors of solvency for insurers. In addition, investment income, underwriting risk, and market competition pose a strong impact on short-term insurance companies in Taiwan (Wu & Deng, 2021). Isayas (2021) conducted a study on the Ethiopian market and found a positive relationship between solvency and investment performance. The results have been consistent among different authors, resulting in Batool and Sahi (2019), Wu and Deng (2021), Khalil, et. al. (2022) finding a direct link between profitability and solvency. The findings have suggested that companies in both developed and developing countries with higher levels of investment have a higher solvency level. This is due to insurers' ability to cover shortfalls, which helps prevent insolvency.

4. Methodology

The approach for this research involves collecting and analyzing data on non-life insurers in Zimbabwe. The research involves developing a set of hypotheses about predictors of insolvency for non-life insurers in Zimbabwe based on existing

research and theories, and then testing the hypotheses using quantitative data. The study applied a deductive approach, considering existing data and theories of non-life insurers' determinants of insolvency, to test variables through empirical observation and analysis. Therefore, the researcher utilized secondary data derived from financial statements, specifically profit/loss and statements of financial position, for insurers in Zimbabwe. These are annual reports produced by the regulatory board, the Insurance and Pension Commission (IPEC), from 2017 up to 2022. The researcher also makes use of the Consumer Price Index (CPI) data extracted from the Reserve Bank of Zimbabwe (RBZ) reports to deflate the firm-specific data. The total number of players (non-life insurers) during the period 2017–2022 was 23. The study used a sampling method based on available data, specifically 102 observations recorded during the period. The study period spans from 2017 to 2022, making it six years. IPEC, the regulator, registers non-life insurance firms in Zimbabwe with operating licenses to conduct insurance business, forming the sample. Other companies, such as FBC Insurance and Alliance, are both life insurers and short-term insurers (IPEC, 2021). For the purpose of this research, the researcher eliminated companies that had less than 5 years of data within the period, which are THI, Regal, Tristar, Empaya, Econet, and AFC Insurance, remaining with a sample of 17 companies. The need to acquire consistent and unbiased data (Kleffner & Lee, 2009) supports the use of a sample of companies with three or more years of data. Examining solvency determinants during a period when all insurance companies reported their financial accounts in Zimbabwean currency (ZWL) following the dollarization period justifies this study. This reduces the problems associated with currency fluctuations during different periods.

Table 1. Below Shows the Number of Short-Term Insurers for Each Year

| Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2017-2022 |
|---------------------------|------|------|------|------|------|------|-----------|
| Total number of companies | 20 | 20 | 16 | 16 | 19 | 20 | 111 |

4.1. Model Specification

In conducting this study, a model has been specified by the research in examining the relationship between (firm-specific) independent variables and solvency which is as follows:

$$SOL_{it} = \alpha + \beta_3 IP_{it} + \beta_4 FS_{it} + \beta_5 ROA_{it} + \varepsilon \quad (1)$$

Where

SOL_{it} . solvency margin

α . y intercept

IP – Investment Performance

FS – Firm Size

ROA – Return on Assets (Profitability)

ε - Error term of insurer i at time t .

Table 1 above displays the total number of registered short-term insurers during the study period from 2017 to 2022. The regression coefficients relating to the variables explain the percentage influence that each independent variable has on the dependent variable, indicating that each result is statistically significant at the 1%, 5%, and 10% levels of significance. These significance levels are considered using the Statistical Package of Social Sciences (SPSS) when conducting a regression analysis to obtain viable results (Martel, Shepherd & Goodyear-Smith, 2022).

4.2. Dependent Variable

In this research, the solvency ratio is the proxy for solvency. Several nations have employed the regulatory solvency ratio as one of their tools for solvency surveillance in earlier years. This gave an opportunity to pinpoint insurance companies that are on the verge of insolvency in order for the regulator to intervene (Rubio-Misas, et. al, 2017). A more accurate way to measure insolvency is to compare it to both the required solvency margin and the available solvency margin. This is supported by research that has used this as a proxy (Rubio-Misas, et. al, 2017).

4.3. Independent Variables

This section examines the literature that uses firm-specific predictors of solvency as determinants for this study's hypothesis testing. The study looks at how firm size, profitability, and investment performance impact the solvency of short-term insurers in different nations so as to come up with results relating to the performance of Zimbabwean short-term insurers. This research adopts industry-wide and firm-specific independent variables, explaining them as follows:

H1: A positive correlation exists between investment performance and insolvency

Furthermore, profitability is another major variable predicting the solvency of insurers, because the bigger the profits, the smaller the chances of insolvency (Rubio-Misas, et. al, 2017). For the purpose of this study, the profitability measure is return on assets, which is obtained by dividing net income by total assets. Insurance companies with high profit margins also have high solvency margins due to effective management of their claims. Therefore, profitability has a positive impact on solvency (Boonen, 2017).

H2: There is a Positive Link between Profitability and Insolvency

If a firm can turn its assets into cash to pay its current financial obligations, it is liquid. Liquidity is a significant predictor of insolvency, measured by dividing non-fixed assets by non-fixed liabilities. A company that has a high liquidity position is likely to be solvent because it will not liquidate valuable assets when claims fall due (Bakoush, et. al, 2022). Liquidity risk increases as net claims and expenses increase, indicating a negative relationship.

H3: There is a Positive Link between Firm Size and Insolvency

To sum up, the claims ratio, which is also named the loss ratio is a significant determinant of insolvency and is measured through a comparison of net claims incurred against premiums earned. Insurers that pose high claims ratios are at risk of insolvency (Isayas, 2021). The study conclude a negative link between claims ratio and insolvency, indicating that a firm's growth can potentially improve its solvency levels.

4.4. Estimation of Model

Using SPSS, this research employs a multiple linear regression model for the provided panel data, T-statistics and F-statistics. An explanation of the variations in financial stability uses R^2 as a measure or coefficient of determination. Data analysis using descriptive statistics, correlation analysis, and multicollinearity tests was conducted to determine the validity and accuracy of the data. Under the stated model, the outcome variable, also known as the dependent variable SOL, is the variable that was predicted and explained, while the independent variables are the predictors that were used to describe the variance in the dependent variable (Barua, Barua & Rana, 2018). The model's formula is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \epsilon \quad (2)$$

Where:

β_0 is the constant term (also known as the intercept).

$\beta_1, \beta_2, \beta_3, \dots, \beta_n$ are the coefficients or slopes.

$X_1, X_2, X_3, \dots, X_n$ are the independent variables.

ϵ is the error term representing the difference between the predicted and actual values.

For multiple linear regression to work, there must be a straight line between the constant factor and the predictor factors, observations must be separate from each other, the residuals must have a normal shape, the variance of the residuals must stay the same at all predictor levels, and the constants must not be too closely linked. The

regression equation is used to estimate the coefficients. Least squares is used to estimate the coefficients, minimizing the total squared difference between the observations and the predicted results (Martel, et. al, 2022). The regression equation is used to estimate the coefficients. The coefficients are estimated using least squares, reducing the sum of squared differences between the observable and predicted values. Generally, when estimating the regression coefficient, the procedure is to lessen it (Martel, et. al, 2022).

4.5. Descriptive Statistics

Descriptive statistic values provide brevity of the important aspects of a dataset, such as the mean, median, and mode, as well as measures of variability (standard deviation, variance, and range) (Barua, et. al, 2018). By identifying patterns and trends within the data, these statistics aid in a deeper understanding of the analysed data. SPSS provides a range of tools to conduct descriptive statistics, allowing researchers to explore data in a meaningful way and draw conclusions that can inform further research and decision-making.

4.6. Correlation Analysis

This research uses correlation analysis to determine the link between solvency and its determinants. The regression residuals have to follow a normal distribution for a researcher to make meaningful inferences (Kivunja & Kuyini, 2017). In light of this fact, the residuals discussed are deviations between value observations of the dependent variable and value predictions or error terms. The researcher can draw the conclusion, after an examination of predictions of probabilities, that there is a normal distribution of residuals if the curve has a bell shape (Martel, et. al, 2022). To test for normality, the researcher employs statistical indicators such as Kolmogorov-Smirnov and Shapiro-Wilk.

4.7. Multicollinearity Test

The multicollinearity test regression analysis isolates and estimates the relationship between the constant and every predictor variable. Multicollinearity is then applied where multiple random variables have a strong correlation (Martel, et. al, 2022). To eliminate high multi-collinearity variables, conduct a correlation analysis using Pearson's correlation test to establish a link among the variables. Where the correlation coefficient is >0.7 , there is a strong positive correlation, and where the coefficient is -0.7 , there is a strong negative correlation (Martel, et. al, 2022). In

essence, Pearson’s coefficient has to be between 0.7 and -0.7 for an indication of the absence of collinearity.

5. Findings

This section presents the processing of the data collection on factors determining insolvency among non-life insurers in Zimbabwe, as well as the estimation of regression results. The section displays an analysis of descriptive statistics, inferential results, diagnostic test results, and an interpretation of the findings. The study uses the solvency margins, which are calculated from the capital and liability ratios of non-life insurers in Zimbabwe, as a proxy for financial stability. This is because the IPEC uses these margins as the primary indicator of solvency when reporting on the solvency positions of non-life insurers. The study obtained the profitability ratio, investment performance, and firm size indicators from IPEC reports. The study tabulated and derived a list of variables and measures from IPEC’s published financial reports from 2017 to 2022.

Table 2. Identifies the Variables and Measures

| Variable | Measure |
|------------------------|---------------------------------------|
| ROA/profitability | profit before taxation/total assets |
| Investment performance | investment income/net premiums earned |
| Firm size | natural logarithm of total assets |

Table 3. The Summary of Descriptive Statistics

| | N Statistic | Minimum Statistic | Maximum Statistic | Mean Statistic | Std. Deviation Statistic | Skewness | | Kurtosis | |
|------------------|-------------|-------------------|-------------------|----------------|--------------------------|-----------|------------|-----------|------------|
| | | | | | | Statistic | Std. Error | Statistic | Std. Error |
| SOL | 102 | 0.177 | 13.840 | 2.25068 | 2.756855 | 2.518 | 0.239 | 6.439 | 0.474 |
| FS | 102 | 0.139 | 0.237 | 0.18020 | 0.26616 | 0.380 | 0.239 | -0.779 | 0.474 |
| IP | 102 | 0.007 | 10.975 | 0.47937 | 2.93705 | 0.097 | 0.239 | 2.371 | 0.474 |
| ROA | 102 | -0.541 | 1.438 | 0.28475 | 0.352629 | 1.576 | 0.239 | 2.705 | 0.474 |
| Valid (listwise) | 102 | | | | | | | | |

The table above displays the results of the data for the 17 non-life insurers in Zimbabwe. The 102 observations show a mean result of 2.25 for the dependent variable, indicating the solvent status of the studied companies, as indicated by the positive coefficient. It fluctuated over the course of six years, from a minimum of 0.007 to a maximum of 13.840. The companies falling under the minimum value of 20% represent failure to meet the required minimum solvency margin of 25%. This leads to a standard deviation of 2.76, which differs significantly from the mean of 2.25. The return on assets has a negative minimum value, indicating poor asset management by some insurance companies.

5.1. Correlation Analysis

This section presents correlation results, regression results, and ANOVA results generated using SPSS. In this study, the Pearson correlation analysis was conducted under two major parameters. We conducted it using a 2-tailed test at the 95% confidence interval and the 5% confidence level.

Table 4. The Correlation Coefficients

| | SOL | FS | IP | ROA |
|-----|---------|---------|-------|-----|
| SOL | 1 | | | |
| FS | -0.195* | 1 | | |
| IP | 0.078 | 0.288** | 1 | |
| ROA | -0.215* | 0.183 | 0.889 | 1 |

Table 4 above shows that solvency has a positive relationship with investment performance. The highest correlation amongst the variables occurs with ROA, where there is an inverse relationship showing that poor profitability leads to insolvency. It is, however, important to consider that, unlike regression, the existence of correlation between variables under correlation does not imply a non-formal relationship as it measures association since there are no dependent and independent variables. (Martel, et. al, 2022).

5.2. Regression Analysis

The coefficient of determination is used to determine the level of change in the constant factor that is influenced by alterations in the predictors (Isayas, 2021). It also shows the percentage variation in the constant factor; in this case, the solvency margin of non-life insurers in Zimbabwe can be described fully by deviations in independent variables. The study meets the collinearity test and, therefore, uses one model, unlike where there is a problem of collinearity, where two models are used. The correlation coefficient (r) between the independent factors and the constant variable is 49.8%, showing a positive but small link between the two sets of variables. The (r^2) shows 0.213, indicating that about 24.9% of the variability in SOL can be proven by the predictors of SOL. The adjusted r square is 0.172, which takes into account the number of predictor factors in the model and penalises overfitting. This value is the same as r square, suggesting that all predictors are contributing equally to explaining the variability. The F change is a statistical test that assesses the aggregated fitness of regression models. If the F-value is large enough and the associated p-value is small enough, the null hypothesis holds. The study fails to accept the null hypothesis and conclude that the model is significant. The p-value is below 0.001, which is highly significant. This implies a significant relationship between the predictor variables and SOL, but it doesn't identify which predictor variables are most significant.

Table 5. Regression Coefficient

| Model | Unstandardized Coefficients | | Standardize Coefficients | | |
|---------------------------|-----------------------------|------------|--------------------------|--------|--------|
| | B | Std. Error | Beta | t | Sig. |
| 1 | | | | | |
| Constant | 3.167 | 2.008 | | 1.577 | 0.118 |
| FS | -16.505 | 10.306 | -0.159 | -1.601 | 0.113 |
| IP | 5.061 | 3.956 | 0.612 | 2.143 | 0.039 |
| ROA | 5.656 | 1.588 | 0.724 | 3.562 | <0.001 |
| a. Dependent variable SOL | | | | | |

Table 5 presents the Regression Coefficient Model, which includes unstandardized coefficients and standardization. The data source for the dependent variable, SOL, is SPSS Data Analysis Statistical Estimations. This study conducted a regression analysis to examine the correlation between the dependent and independent variables, utilizing beta coefficient values to determine a positive or negative relationship.

The researcher uses beta coefficients of probability to assess whether the link is positive or negative among independent factors and regulatory solvency for short-term insurers in Zimbabwe. The probability values are used to calculate the degree of significance. In the study guided by empirical literature, both company specific and industrywide factors are studied as part of the researcher's aims. The researcher examined five firm-specific variables as well as one macroeconomic variable. Results shown in Table 5 show that the coefficient of regression was used to establish the model as follows:

$$SOL_{it} = 3.167 - 5.061IP + 16.505FS + 5.656ROA \quad (3)$$

Where:

SOL= Solvency of Non-Life Insurers

IP= Investment Performance

ROA= Return on Assets (profitability)

Findings on Firm-Specific Determinants: The results on profitability and firm size were different from what the researcher thought they would be based on the hypothesis. The ROA has demonstrated a statistically significant positive correlation with solvency, a finding that contradicts the literature's predicted negative relationship. An increase or decrease in profits determines the solvency of short-term insurers in Zimbabwe. Conversely, this study's results indicate a significant negative relationship between firm size and solvency, implying that a larger firm in Zimbabwe leads to a lower insolvency rate. The regulatory solvency of Zimbabwean non-life insurers positively correlates with their investment performance. The results are supported by the researcher's expectations, as well as the literature obtained. This suggests that Zimbabwean non-life insurers become more solvent as investment

performance increases. Poor investment returns contribute to insurers' financial distress, which is consistent with the findings of Abera & Yirsaw (2020). The same holds true for the claims ratio, with a strong negative correlation with solvency. This implies that a company's solvency margins will shrink when claims or losses are increased. With a lower claims ratio, the firm's solvency improves. These results support previous research and the hypothesis test that has been formulated for the research. We find that firm-specific variables such as firm size, investment performance, and profitability significantly influence the insolvency of non-life insurers in Zimbabwe. Among the variables mentioned, investment performance and profitability (ROA) are positively related to solvency. This aligns with the researcher's expectations according to the formulated hypothesis.

6. Conclusions and Recommendations

The study analyzed three independent variables: investment performance, profitability, and firm size, and the impact and significance of the stated variables on the dependent variable, solvency, by testing the relationship between the variables using inferential statistics, which included regression. The study used the solvency margins of non-life insurers as a proxy for a sound financial status, as they reflect the financial stability of the insurance company, and there is no specific indicator that gauges financial instability. An analytical model used in the study showed that the variables under study only account for 24.9% of the insolvency of short-term insurers in Zimbabwe ($r^2 = 0.249$). This means that more research is needed to find the variables that account for 75.1% of the insolvency of non-life insurers in Zimbabwe. The regression results show that investment performance, profitability, and firm size are firm-specific, significant determinants of insolvency for Zimbabwean short-term insurers. The multiple linear regression analysis results yield several conclusions. Firm size, as another significant factor, leads the researcher to conclude that as insurers grow, they may diversify their risks and gain the knowledge they need to deal with unfavourable market shifts, which helps them maintain their solvency and financial stability. This primarily explains why large insurance businesses are less likely to go bankrupt or face regulatory suspension due to problems with their solvency margins. Additionally, one of the main tasks carried out by insurance is making investments, and they depend on these assets to pay out their future claims. An insurer's financial health is defined by its successful investment performance, which directs the revenue from investments towards future commitments without resorting to debt.

The paper recommends and urges short-term insurers to employ suitable labour, like well-trained investment analysts, for proper investment portfolio management. The idea stems from the belief that inadequate investment performance leads to a company's eventual inability to settle claims, as the invested premiums result in

lower profits. Short-term insurers in Zimbabwe should focus on improving their profitability by reducing operational costs, improving underwriting practices, and investing in technology to streamline processes. They should also diversify their investment portfolios to mitigate risks and optimise returns.

Policymakers should implement policies and regulations that promote sound financial management practices among non-life insurance companies in Zimbabwe. To guarantee that policyholders receive fair treatment in exchange for the premiums they pay, regulators are primarily concerned with their well-being. However, the findings of the research showed that small insurers significantly pose a likelihood of failing to fulfil their duties, which exposes policyholders who are covered by those small firms to the risk of failing to get their claims settled. In this area, the regulatory body designs early detection measures so that early action can be taken before the business experiences financial trouble.

The regulator must publish a risk-based capital structure to encourage insurance firms to honour claims and maintain their financial stability even when losses increase. This ensures the full utilization of the available capital to fulfil all forthcoming obligations. To sum up, the research provides valuable insights into the predictors of insolvency for non-life insurers in Zimbabwe. It recommends measures that non-life insurance companies and policymakers can implement to promote solvency and ensure the stability and sustainability of the country's short-term insurance sector. Since this study exclusively concentrated on non-life insurance enterprises, it is also possible to apply studies on factors affecting solvency to life insurance firms. This will provide an accurate picture of solvency determinants for the entire industry, not just non-life enterprises, as those elements vary depending on the type of organization. Additionally, alternative solvency indicators outside the statutory solvency margin utilised in this research must be considered in future studies on solvency determinants. This will make it possible to investigate the subject under investigation using several solvency proxies to spot variations in results, as these might change depending on the proxy used.

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