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Real Estate Investment Trusts and Financial Performance of Life Insurance Companies in Nairobi County, Kenya

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ABSTRACT

Life insurance companies in Kenya are experiencing challenges in financial performance, characterized by low profitability despite increasing premium inflows. Although revenues have grown, many insurers continue to incur underwriting losses. Additionally, profit margins are being suppressed by a continuous decline in return on assets, signaling inefficiencies in capital utilization and weak returns from investment portfolios. The present study sought to establish the effect of portfolio diversification through real estate investment trusts on financial performance of life insurance companies. A causal research design was used. The target population was the 23 life insurance companies. From each company, the finance officers, risk and compliance officers, actuaries, and underwriters will be involved in the study. This means 4 respondents from each company, hence a total of 92 respondents. A questionnaire was used to gather primary data. Both descriptive and inferential statistical techniques were employed in this study. Data analysis was conducted using the Statistical Packages for Social Sciences (SPSS). The findings were presented in tables. The results revealed a significant relationship between real estate investment trusts and financial performance ($r = 0.394$). Regression analysis further showed that real estate investment trusts accounted for 15.5% of the variation in financial performance ($R^2 = 0.155$). It was concluded that real estate investment trusts substantially strengthens financial outcomes by balancing risk, liquidity, and growth. It is therefore recommended that life insurance companies to focus more on capital allocation to real estate investment trusts to improve financial performance.

Key Words: Financial Performance, Life Insurance Companies, Real Estate Investment Trusts, Portfolio Diversification.

1. INTRODUCTION

The fundamental rationale behind investments is to build wealth while maintaining an optimal balance between risk and return (Vesterinen, 2023). Institutional investors pursue this objective by strategically selecting assets, determining the right timing for entry and exit, and effectively managing their exposure to different types of risk. Sound investment decisions are grounded in a deep understanding of market dynamics, macroeconomic indicators, and asset-specific performance patterns. According to Sarandiev (2024), diversification remains one of the most effective strategies for mitigating risk and improving returns, as spreading investments across various asset classes minimizes the potential for severe losses from the underperformance of any single holding. This diversification approach cushions portfolios from sectoral or market-specific volatility, thereby stabilizing long-term performance. Real Estate Investment Trusts (REITs) have emerged as a distinct and valuable asset category, allowing investors to gain access to the real estate sector without engaging in direct property ownership (Cicmil, 2023). Incorporating REITs into a diversified investment portfolio not only enhances risk management but also supports long-term financial security and the achievement of consistent, inflation-resistant returns.

Real Estate Investment Trusts are primarily categorized into equity, mortgage, hybrid, and infrastructure REITs (Thuo & Onyuma, 2024). Equity REITs acquire, own, and manage income-generating properties such as commercial

buildings, retail centers, and residential developments, deriving revenue mainly from rental income and capital appreciation. Mortgage REITs, by contrast, concentrate on investments in real estate loans or mortgage-backed securities (Thuo & Onyuma, 2024), earning income primarily through interest payments. However, their performance is closely tied to interest rate movements, making them more sensitive to fluctuations in credit conditions. Hybrid REITs integrate both strategies, investing in tangible properties while also holding mortgage assets, thereby offering investors a balanced mix of rental and interest income. Infrastructure REITs, on the other hand, focus on assets that support essential services and technological advancement—such as communication towers, energy pipelines, and data centers (Piao & Mei, 2023). These entities generate stable, predictable income streams through long-term lease agreements and benefit from rising global demand for digital and energy infrastructure, further strengthening their appeal as long-term diversification instruments.

Investment activities within the Kenyan life insurance sector is gaining momentum, reflecting the growing emphasis on achieving optimal returns while managing risk efficiently (Nyabuto, 2022). Insurers strategically allocate funds across various asset classes, including equities, real estate, and government securities, to strengthen portfolio performance and enhance financial resilience. In this context, investments in Real Estate Investment Trusts (REITs) have gained prominence, offering insurers access to income-generating real estate assets while preserving liquidity. REITs allow life insurers to achieve consistent income flows and capital appreciation, aligning well with long-term policyholder obligations (Thuo & Onyuma, 2024). Prominent REITs in Kenya include the Fahari I-REIT, Acorn D-REIT, and Home Afrika D-REIT, which present opportunities for life insurance companies to diversify their investment portfolios and secure sustainable, long-term returns for policyholders.

Life insurance companies in Kenya are currently experiencing significant financial performance challenges, characterized by low profitability despite increasing premium inflows (Nyabuto, 2022). Although overall revenue levels have improved, many insurers continue to record persistent underwriting losses. Profitability is further undermined by the continued decline in return on assets, a trend that signals inefficiencies in capital utilization and limited returns from investment portfolios. These difficulties are compounded by escalating operational costs, as evidenced by rising expense ratios across the sector. According to the Insurance Regulatory Authority (IRA, 2023) annual report, gross premiums expanded by 12.2% in 2022, reaching Kshs 309.8 billion compared to Kshs 276.1 billion in 2021. This upward trend accelerated in 2023, with net premiums registering a substantial 41.4% weighted average increase, up from a modest 1.6% growth the previous year. However, despite the rise in premium inflows, profitability remained constrained as underwriting losses totaled Kshs 1.62 billion in 2023, an improvement from Kshs 4.09 billion in 2022, though the core insurance business continued to operate at a deficit (IRA, 2023). The combined ratio deteriorated sharply to 287.0% from 140.6%, pointing to heightened inefficiencies, while return on assets declined to 1.8% in 2023 from 2.2% in 2022, reflecting poor asset utilization amid volatile market conditions (IRA, 2024). Operational expenses also rose considerably, with the expense ratio escalating to 203.1% from 52.5%, further eroding profit margins. These indicators collectively highlight the persistent financial strain within Kenya's life insurance industry.

In 2024, performance challenges continued to manifest, as insurers reported disproportionately low returns on assets relative to their earnings, underscoring inefficiencies in asset deployment. For instance, Old Mutual Life recorded an impressive profit after tax of Kshs 6,697 million but only achieved a return on assets of 0.54%, mirroring an industry-wide trend where strong profits failed to translate into asset productivity (IRA, 2024). Despite these developments, limited research has examined the link between portfolio diversification through real estate investment trusts and financial performance specifically within the life insurance sector. Cheruiyot, Aluoch, and Ndungu (2024) analyzed portfolio composition and financial performance among investment companies listed at the Nairobi Securities Exchange. In addition, Cheboror (2023) investigated the influence of investor knowledge on the subscription rate of REITs. The present study focused on examining the effect of real estate investment trusts on the financial performance of life insurance companies in Nairobi County, Kenya.

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2. OBJECTIVE OF THE STUDY

The objective of the study was to determine effect of real estate investment trusts on financial performance of life insurance companies in Nairobi County, Kenya.

3. LITERATURE REVIEW

Real estate investment trusts have increasingly become a strategic avenue for investment diversification, offering investors opportunities to balance risk exposure and optimize long-term returns (Walia, Pal, Kumra, Sarkar, Mohanty, & Singh, 2025). Their integration into investment portfolios provides a mechanism for risk mitigation through tangible asset backing, stable income flows, and low correlation with traditional financial instruments such as stocks and bonds. As capital markets expand and become more complex, REITs play a crucial role in sustaining portfolio resilience by ensuring both income generation and capital appreciation across varying economic cycles (Piao & Mei, 2023).. The evolution of REITs reflects a broader trend toward alternative investments that provide defensive attributes against market volatility while simultaneously offering growth potential in diverse economic environments. Equity REITs primarily deploy investor capital into income-producing real estate assets such as office buildings, retail centers, industrial properties, and multifamily housing units (Petzel, 2021). By focusing on acquiring, managing, and leasing real estate, these trusts generate a consistent stream of rental income while benefiting from property value appreciation over time. This dual income and growth potential make them effective hedges against inflation and downturns in equity markets. Equity REITs also provide liquidity advantages over direct property ownership, enabling investors to access real estate exposure without the operational burdens of management. Their performance tends to align with broader economic growth patterns, thriving particularly in rapidly urbanizing regions where population expansion and infrastructure development drive demand for commercial and residential spaces (Lirkki & Taipale, 2025). Thus, they are instrumental in constructing balanced portfolios that seek tangible asset exposure as a safeguard against market instability.

Mortgage REITs, on the other hand, channel funds into mortgage-related financial assets such as mortgage-backed securities, whole loans, and mortgage derivatives, deriving revenue primarily from interest income (Šain, Taso, & Selimović, 2022). Unlike equity REITs, their performance is closely tied to credit market conditions and interest rate dynamics. They tend to outperform in stable or low-inflationary periods, when bond yields remain compressed but mortgage spreads offer attractive returns. Mortgage REITs enhance portfolio stability by contributing fixed-income characteristics, thereby providing a buffer against equity market volatility. Furthermore, their sensitivity to monetary policy shifts makes them valuable instruments for investors seeking to exploit cyclical opportunities in the credit markets (Piao & Mei, 2023). Through active management of leverage and duration exposure, they can further augment yield optimization in diversified investment portfolios.

According to Song and Hao (2022), hybrid REITs blend the attributes of both equity and mortgage REITs, thereby offering a balanced exposure within a single investment structure. Investors in hybrid REITs gain the advantages of steady rental income, consistent interest income, and potential capital appreciation, resulting in a multifaceted income stream that enhances overall portfolio performance. This fusion enables investors to navigate periods of market uncertainty more effectively, as hybrid REITs remain resilient to the opposing forces of property market cycles and interest rate fluctuations (Sood, Seth, & Grima, 2022). By integrating both real asset and financial asset components, hybrid REITs offer built-in diversification without necessitating broader exposure to unrelated asset classes. This unique structure makes them particularly valuable in dynamic macroeconomic contexts where shifts in inflation, liquidity, and credit conditions require adaptive investment approaches.

The core premise of modern portfolio theory (MPT) is that investors can construct an optimal portfolio that either maximizes returns for a specific level of risk or minimizes risk for a desired level of return (Petzel, 2021). Markowitz emphasized the importance of combining assets with varying risk and return characteristics to achieve better portfolio outcomes, asserting that it is the correlation among asset returns—rather than individual asset risks—that determines overall portfolio volatility. This approach shifts investment decision-making from isolated asset selection to a holistic evaluation of inter-asset relationships. Furthermore, MPT introduces the concept of the efficient frontier, a graphical

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representation of portfolios that yield the highest expected return for a given level of risk or the lowest risk for a targeted return.Through this framework, investors can strategically allocate capital across diverse asset categories, including equities, fixed-income securities, and alternative investments, thereby optimizing portfolio performance. The theory rests on the assumption of rational, risk-averse investors who aim to maximize expected returns while avoiding unnecessary exposure, striking a balance through deliberate diversification and asset weighting.

In the context of portfolio diversification, MPT relates to real estate investment trusts. According to Petzel (2021), REITs provide investors with access to the real estate market, delivering stable dividend income from property operations and potential capital gains from asset appreciation. This dual benefit makes REITs a valuable diversification tool within the MPT framework, as their returns often exhibit low correlation with those of traditional financial assets like stocks and bonds. By incorporating REITs, investors can reduce unsystematic risk and improve portfolio resilience against market shocks, aligning with MPT's principle that optimal diversification through assets with dissimilar performance patterns can yield superior risk-adjusted returns over time. Figure 1 depicts the link between real estate investment trusts, bond investments, mortgage-backed securities, and private equity investments (Independent Variable) and the financial performance of life insurance companies (Dependent Variable).

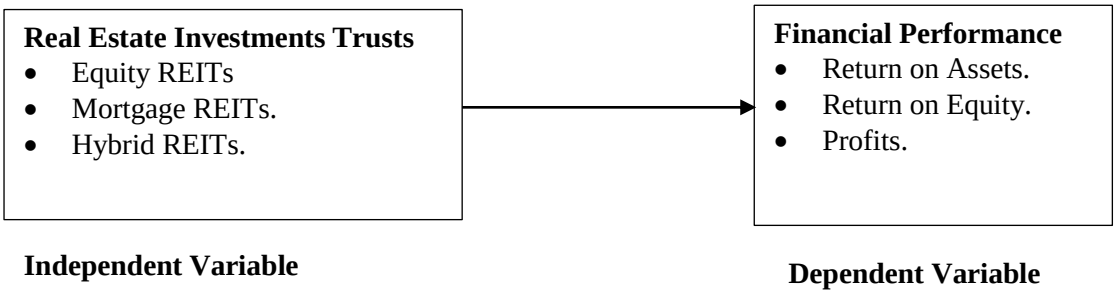

Figure 1: Conceptual Framework

The studies related to real estate investment trusts and financial performance have been reviewed. Morara & Sibindi (2021) assessed the determinants of financial performance of insurance companies. Using a panel dataset comprising 37 general insurers and 16 life insurers over the 2009–2018 period, the analysis applied pooled OLS, fixed effects, and random effects models, with financial performance measured by ROA and ROE as the dependent variables. The results revealed a positive association between firm size and financial performance, while company age showed a negative relationship. Additionally, insurers with higher leverage outperformed those with lower gearing levels. Maseki, Kung'u, & Nderitu (2019) conducted an analysis of selected factors influencing financial performance of insurance companies listed at the NSE, Kenya. The study adopted a descriptive research design, selecting a sample of 36 respondents using stratified sampling. The inferential results showed that risk perception, macroeconomic factors, and investment portfolio choices significantly influenced the financial performance of insurance firms. When assessed individually, risk perception accounted for 19.6% of the variation in financial outcomes, while macroeconomic conditions and investment portfolio decisions explained 18.2% and 15.9%, respectively. Collectively, the three variables contributed to 74.9% of the changes in financial performance.

Osewe (2020) conducted a research on the effect of portfolio diversification on financial performance of investment firms listed at the Nairobi Securities Exchange, Kenya. Pearson correlation results showed positive relationships between portfolio diversification, firm size, liquidity, and financial performance. Variance analysis confirmed that portfolio diversification, firm size, and liquidity significantly influenced financial performance among the listed firms. Regression coefficients indicated that portfolio diversification and firm size had positive and significant effects, whereas liquidity exhibited a positive but statistically insignificant impact. The findings suggest that enhancing portfolio diversification improves financial performance. Similarly, an increase in firm size, measured by total assets, contributes to better financial outcomes. Finally, sufficient liquidity supports firms in meeting their obligations promptly, positively affecting financial performance. Ombima and Njiru (2018) examined the nexus between

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investment portfolios and the insurance companies' financial performance. Their findings indicated that investment portfolios had a substantial impact on the financial outcomes of these companies. Collectively, they accounted for 73.1% of the variation in financial performance, as reflected by a combined R^2 value of 0.731.

Kiboi and Bosire (2022) conducted a study on selected investment choices and effect on financial performance of insurance companies in Kenya. Results indicated that quoted ordinary shares, real property and money market instruments had a positive and statistically significant influence on return on equity. Bikeri (2022) investigated how portfolio diversification impacts the financial performance of investment firms in Kenya. The study found a strong positive relationship between the diversification index (HHI) and performance, with higher diversification enhancing firm outcomes, while firm size negatively affected performance, suggesting potential diseconomies of scale. Capital structure and liquidity showed minimal influence, with only liquidity being statistically insignificant. Overall, the results indicated that increasing portfolio diversification by one unit could boost financial performance by 2.52%, and a one-unit rise in the debt-to-equity ratio could improve performance by 7.07%, whereas larger firm size and higher liquidity were linked to declines in performance. Odek, Ong'era, and Wafula (2023) investigated how firm-specific characteristics influence the financial performance of Real Estate Investment Trusts (REITs) in Kenya. Their findings revealed that higher asset tangibility and greater liquidity were associated with improved financial performance, whereas variables such as firm age and size did not have a meaningful effect.

The reviewed studies revealed several gaps that the current research sought to address. Previous studies largely concentrated on macroeconomic factors, investment decisions, and risk perception, yet provided limited insight into investment portfolio diversification. The present study addressed this limitation by focusing specifically on diversification through Real Estate Investment Trusts (REITs) including equity, mortgage, and hybrid REITs and mortgage-backed instruments such as bonds and pass-through securities, to determine their role in spreading risk and optimizing returns among life insurance companies. Earlier research also confined analysis to traditional investments like real property and money market instruments, overlooking modern investment vehicles. The current study introduced a broader perspective by incorporating REITs and convertible bonds, offering a deeper understanding of diversification in insurance portfolios. Additionally, while earlier work emphasized firm size and leverage with minimal attention to investment assets, the present study examined the contribution of corporate bonds to portfolio diversification, thereby extending existing knowledge. Furthermore, earlier studies mainly considered variables such as property prices, operating costs, interest rates, and share affordability, failing to capture the diversity of financial instruments. This study filled that gap by including a comprehensive range of investments; government and convertible bonds, mortgage-backed securities, and private equity investments such as leveraged buyout and hedge funds. Lastly, previous research ignored growth equity, a key driver of innovation and expansion in regulated sectors. The current study introduced growth equity into the diversification framework of life insurers, exploring its potential to finance innovation, support expansion, and enhance long-term financial performance.

4. METHODOLOGY

The study employed a causal research design. By focusing on causal relationships, the study provides a clear understanding of the real estate investment trusts and financial performance. The target population consisted of 23 life insurance companies. From each company, the finance officers, risk and compliance officers, actuaries, and underwriters were involved in the study. This means 4 respondents from each company, hence a total of 92 respondents. The life insurance companies were the unit of analysis while the finance officers, risk and compliance officers, actuaries, and underwriters were the unit of observation. Their roles made them ideal for obtaining information on real estate investment trusts and financial performance. A questionnaire was used to gather primary data. The descriptive and inferential statistical techniques were employed in this study. Descriptive analysis included frequencies, percentages, means, and standard deviations, while inferential techniques involved correlation analysis and multiple regression analysis to examine the relationship between the real estate investment trusts and financial performance. Data analysis was conducted using the Statistical Packages for Social Sciences (SPSS). The findings were presented in tables, and the linear regression model was applied as follows:

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$$Y=\beta_0 + \beta_1 X_1 + \varepsilon$$

Where;

Y	-	Financial Performance.
β_0	-	Constant.
β_1	-	Beta Coefficients.
X_1	-	Real Estate Investment Trusts
ε	-	Error of Margin.

5. FINDINGS AND DISCUSSIONS

This chapter presents the findings and discussions on real estate investment trusts and financial performance of life insurance companies. Both descriptive and inferential results have been presented and interpreted.

5.1 Descriptive Findings and Discussions

The study sought to determine the effect of real estate investment trusts on the life insurance companies' financial performance. The descriptive findings are presented in Tables 1 and 2:

Table 1: Effect of Real Estate Investment Trusts on Financial Performance

	N	SA	A	N	D	SD	Mean	Std. Dev
		Percentage (%)						
Real estate investment trusts generate stable and consistent returns.	68	29.4	55.9	11.8	2.9	0	4.12	0.723
Investment in mortgage REITs minimizes portfolio risks.	68	33.8	47.1	13.2	2.9	2.9	4.06	0.929
Equity REITs contribute to portfolio diversification by providing direct exposure to property assets.	68	33.8	52.9	11.8	1.5	0	4.19	0.697
Hybrid REITs mitigate risk by blending equity ownership with mortgage financing.	68	30.9	39.7	17.6	4.4	7.4	3.82	1.145
The varied structures of REITs allow investors to balance income generation and capital appreciation.	68	14.7	47.1	25	8.8	4.4	3.59	0.996

The results showed that 29.4% of the respondents strongly agreed while 55.9% agreed, translating to a total of 85.3% in agreement (Mean = 4.12; Std. Dev. = 0.723) that real estate investment trusts generate stable and consistent returns. The results implies that investment in REITs increase the income base of life insurance companies and enhances their ability to meet long-term obligations. These help in maintaining steady profitability across changing market conditions and enhance the overall financial performance. In the same regard, 33.8% of the respondents strongly agreed while 47.1% agreed, accounting for 80.9% in agreement (Mean = 4.06; Std. Dev. = 0.929) that investment in mortgage REITs minimizes portfolio risks. It implies that mortgage REITs improve risk dispersion through exposure to real estate-backed debt instruments, reducing overall volatility. This balance between return and risk supports the financial soundness of insurers' portfolios. Additionally, 33.8% strongly agreed and 52.9% agreed, forming a total of 86.7% in agreement (Mean = 4.19; Std. Dev. = 0.697) that equity REITs contribute to portfolio diversification by providing direct exposure to property assets.

Direct real estate exposure enables insurers to hedge against inflation and earn income from assets. The diversification achieved in this manner enhances resilience and broadens revenue sources within investment portfolios, which stabilizes the return on assets and overall financial performance. However, 17.6% of the respondents remained neutral (Mean = 3.82; Std. Dev. = 1.145) regarding whether hybrid REITs mitigate risk by blending equity ownership with

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mortgage financing. The neutrality could reflect uncertainty over the performance consistency of such mixed structures. Differences in market performance between equity and mortgage components could lead to unpredictable outcomes for insurers. Furthermore, 14.7% strongly agreed, 47.1% agreed, and 25% had differing views (Mean = 3.59; Std. Dev. = 0.996) that the varied structures of REITs allow investors to balance income generation and capital appreciation. This means that, while REITs offer flexibility for aligning liquidity and growth objectives, their success in enhancing portfolio efficiency depends on management effectives of the investment and market conditions.

Table 2: Financial Performance of Life Insurance Companies

	N	SA	A	N	D	SD	Mean	Std. Dev
		Percentage (%)						
Our company's return on assets has consistently improved over the past five years.	68	58.8	26.5	11.8	2.9	0	4.41	0.815
The return on equity demonstrates effective use of shareholder funds in our organization.	68	55.9	26.5	10.3	2.9	4.4	4.26	1.060
Profit levels have steadily increased over the past five years.	68	38.8	47.1	16.2	2.9	0	4.12	0.783
The investment returns have stabilized our overall financial performance.	68	30.9	26.5	30.9	11.8	0	3.76	1.024
The return on capital employed reflects efficient utilization of organization's capital.	68	44.1	30.9	16.2	5.9	2.9	4.07	1.005

The findings revealed that 58.8% of the respondents strongly agreed and 26.5% agreed, giving a total of 85.3% in agreement (Mean = 4.41; Std. Dev. = 0.815) that their companies' return on assets has consistently improved over the past five years. Similarly, 55.9% of the respondents strongly agreed while 26.5% agreed, resulting in 82.4% in agreement (Mean = 4.26; Std. Dev. = 1.060) that the return on equity demonstrates effective use of shareholder funds in their organization. In addition, 38.8% strongly agreed and 47.1% agreed, making up 85.9% in agreement (Mean = 4.12; Std. Dev. = 0.783) that profit levels have steadily increased over the past five years. However, 30.9% of the respondents remained uncertain (Mean = 3.76; Std. Dev. = 1.024) regarding whether the investment returns have stabilized their overall financial performance in their respective life insurance companies. Moreover, 44.1% strongly agreed and 30.9% agreed, giving a total of 75% in agreement (Mean = 4.07; Std. Dev. = 1.005) that the return on capital employed reflects efficient utilization of the organization's capital. The findings show that investments in real estate investment trusts significantly influence the financial performance of life insurance companies by enhancing income stability and return potential. REITs provide steady rental income and capital appreciation opportunities while reducing portfolio exposure to market volatility. Their low correlation with traditional assets such as equities and bonds enables insurers to achieve better risk-adjusted returns. Consequently, life insurers that integrate REITs into their portfolios experience improved profitability and long-term financial performance.

5.2 Inferential Findings and Discussion

This section presents the inferential statistical analysis aimed at determining the relationship between real estate investment trusts and the financial performance of life insurance companies. The findings are organized into two

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segments; correlation analysis and regression analysis with each section followed by discussion and interpretation of the results.

5.2.1 Correlation Analysis

A correlation analysis was undertaken to assess both the strength and the direction of the relationship between real estate investment trusts and the financial performance of life insurance companies. The outcomes of this analysis are summarized in Table 4 below:

Table 3: Correlation between Real Estate Investment Trusts and financial performance

		Financial Performance
Real Estate Investment Trusts	Pearson Correlation	.394**
	Sig. (2-tailed)	.001
	N	68

The results of the correlation analysis indicate a positive and significant relationship between Real Estate Investment Trusts (REITs) and financial performance (r = .394**, p = .001) at the 1% significance level. This implies that increased investment in REITs enhances the financial performance of life insurance companies. Specifically, equity REITs generate capital gains through property appreciation, mortgage REITs provide stable income through interest from mortgage financing, and hybrid REITs combine both benefits, improving profitability and return on assets by ensuring consistent income streams and overall financial performance.

5.2.2 Regression Analysis

A regression analysis was done to establish the extent to which the real estate investment trusts predict financial performance. The results of the regression analysis are summarized and presented in Tables 4, 5, and 6:

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.394[a]	.155	.142	.38260

a. Predictors: (Constant), Real Estate Investment Trusts

The model summary indicates that the coefficient of determination was (R^2 = 0.155) implies that 15.5% of the variation in financial performance is explained by the real estate investment trusts. This finding demonstrates that real estate investment trusts have an effect on the financial performance of life insurance companies.

Table 5: ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.771	1	1.771	12.099	.001[b]
Residual	9.661	66	.146		
Total	11.432	67			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Real Estate Investment Trusts

The Analysis of Variance (ANOVA) results reveal that the model was statistically significant, with an F-value of 12.099 and a p-value of 0.000. This indicates that the linear regression model is significant at the 95% confidence level. Therefore, real estate investment trusts have a significant effect on the financial performance of life insurance companies.

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Table 6: Regression Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.541	.458		5.547	.000
Real Estate Investment Trusts	.401	.115	.394	3.478	.001

a. Dependent Variable: Financial Performance

Based on the coefficients, the model was: $Y = 2.541 + 0.401X_1 + \varepsilon$. The regression results show that the beta coefficient was ($\beta = 0.401$). This means that a one-unit increase in REITs investments leads to a 0.401-unit improvement in financial performance. Additionally, the analysis show a t-value of 3.478 and a p-value of 0.001, which is statistically significant at the 95% confidence level. As such, real estate investment trusts have a positive and significant effect on financial performance.

6. CONCLUSION

The study concludes that portfolio diversification through real estate investment trusts significantly enhances financial performance by providing consistent income and hedging against inflation. In particular, the equity REITs contribute to stable returns through periodic income and capital gains from property appreciation, ensuring that insurers' assets generate reliable cash flows aligned with their long-term obligations. Moreover, mortgage REITs strengthen return on assets. Hybrid REITs, though complex, provide flexibility by blending equity and debt characteristics, enabling insurers to manage both liquidity and growth objectives simultaneously. Jointly, REITs reduce income volatility and improve portfolio resilience, translating into improved returns on equity and sustained profits for the life insurance companies.

7. RECOMMENDATIONS

The study recommends that life insurance companies should increase their investment in real estate investment trusts as a means of generating steady and inflation-hedged income. These will increase the long-term capital growth through property appreciation and provide stable income from interest-bearing real estate assets. They should also focus more on hybrid REITs to achieve a balance between growth and liquidity, as these structures combine the benefits of both equity and debt instruments. By intensifying the integration of REITs into their portfolios, life insurers will attain better financial performance.

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