AN INVESTIGATION OF MATATU INSURANCE INDUSTRY IN KENYA:
THE CASE OF NAIROBI BASED INSURANCE COMPANIES.

BY

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AUGUST 2007
DE CLARA

I confirm that this research project is my original work and has not been presented in any other Institution for any other award.

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Dedication.

The researcher dedicates this study to his wife and children for their cooperation and understanding during the study.
Acknowledgements

The researcher acknowledges the contribution of the research supervisors Mr. Mamba Joseph and Mr. Maingi for the valuable guidance they gave me during the preparation of the proposal and Mr Maingi for taking me through the final report. I cannot forget my other lecturers for taking me through this course. I also thank the members of the proposal defence panel who positively critiqued my proposal and advised on various improvements which made the manuscript much better. Last I will always be grateful to Kenyatta University for giving me the opportunity to pursue this course at the university.
Abstract

The researcher carried out an investigation of Matatu insurance industry in Kenya. United Insurance Company that insured thousands of public service vehicles had collapsed and had been placed under statutory management by the commissioner of insurance. Since then other major Matatu insurers had collapsed. These were Access Insurance, Stallion Insurance and Lake Star Insurance. The collapse of more Matatu insurers could spell doom to Kenya’s public transport and the economy in general as most people depend of Matatus for commuting to work and in carrying out other economic activities like farming among others.

The general objective was to find out the major challenges facing Matatu Insurance in Kenya. The specific objectives were; to find out the major considerations by the insurance companies when determining the premiums payable to them by the Matatus, to find out the common passenger capacity of Matatus insured by the companies, to find out whether insurance companies have risk management policies for the Matatus they cover, and to find out the main types of risk management policies offered by insurance companies to Matatus.

This study was conducted following the descriptive method. A census was conducted on the Nairobi based Matatu insurance companies. Both primary and secondary data were used. Primary data was collected using two main methods, the questionnaires and the interviews administered on managers of these insurance companies.

Secondary data was collected from journals and magazines from the Association of Kenya Insurers, The commissioner for insurance and the insurance companies themselves and other bodies.
Data was analysed using the descriptive statistics including the frequency tables. During data analysis the main tool used by the researcher was SPSS. The findings were then displayed in bar graphs and pie charts for better presentation.
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Definition of terms

1. Transport

Transport is the process whereby the passengers and goods are moved from one place to another. This helps to bridge the gap between producers and consumers.

2. Insurance

Insurance is the protection of an individual or property against unforeseen calamities. The insured pays premiums as a consideration.

3. Matatu.

The term Matatu is derived from the Kikuyu word “Mang’otore Matatu”, which literally means “three-ten cent coins”, or “thirty cents”. This was the standard fare; Matatu charged per passenger irrespective of the distance travelled (Aduwo, 1990: Khayesi, 2002). Matatus comprise of converted small pick ups, mini-buses and station wagons (Kapila et al, 1982)

4. Insurers

These are firms that undertake to protect other firms and people against losses.

5. Insured

These are firms who get covered by the insurers to whom they pay premiums.

6. Risk.

Risk is a danger to which a person or property may be exposed to resulting to loss or damage. It may also be called a contingency, hazard or peril.

7. Underwriter

This is an insurance company, which accepts risks from the insured and promises to pay compensation if loss occurs. They is usually grouped into syndicates, each specializing in one type of risk, such as marine, fire, aviation accident etc.
8. Policy

This is a document that contains detailed terms and conditions of the insurance contract. It serves as a tangible evidence of the contract between the insured and the insurer.

9. Insurance agency

This is a company of full time professionals who gets a person or firms intending to be insured in touch with an appropriate insurer. Brokers deal with routine matters such as correspondence with the insured on behalf of the insurer regarding renewal, issue of policy and claims.

10. Reinsurance

This is the act of an insurance company insuring part of the risks insured with it by members of the public with another large insurance company called a reinsurer.

11. Risk management.

This is a general management function that seeks to identify, assess, and address the causes and effects of uncertainty and risks in an organization.
CHAPTER ONE.

INTRODUCTION.

1.10. Background of study

1.11. Public service vehicles.

These are passenger carriers that are licenced to carry fare-paying passengers. They can also be hired by passengers. They are officially registered as Public Service Vehicles (PSV) and are governed by the traffic Act. They include Buses, Taxis, Tour vehicles and Matatus.

In Kenya, vehicle safety standard and compliance is under the Motor Vehicle Inspection Unit and the Kenya Bureau of Standards (KEBS). The standards are covered under both the Traffic Act and the Standard Act. [National Road Safety Action Plan, 2006]

Currently, PSV drivers require only holding a standard licence for 4 years before being considered eligible to drive a PSV. They do not require additional training. On the other hand the police test the students and also inspect the driving schools and the testing instructors. This combination of roles creates conflict of interests. [National Road Safety Action Plan, 2006]

1.12. Matatu insurance policies in Kenya

Under the Kenyan law, it is mandatory for any Public service vehicle to have a cover before it is allowed to operate. There are two main types of insurance cover: Third party policy and comprehensive policy. Currently, third party annual premiums stand at 87,500 and 105,500 for 18 and 25 seater Matatu per year respectively. Comprehensive insurance is charged at value of third party premium
plus a 15% of the vehicle value. This implies 87,500 and 105,500 plus 15% of the vehicle value.

When underwriting Matatu risks, insurers consider the following factors:-
Type of the Matatu and limit of liability, that is, whether the vehicle is a Minibuses or a Nissan, who the insured is, and period of insurance, sum assured and the company's underwriting experience. (The Kenya insurer, June 2004)

1.13. Trends in the Matatu insurance industry before the “Michuki rules”
Before the introduction of the new traffic rules in 2004, the Matatu industry was operating without proper regulations. Illegal groups or cartels controlled various routes. Some of the cartels were extorting money from Matatu operators. Some Vehicles were paying as much as ksh. 200 per day.
Insurance companies continued experiencing underwriting losses on motor and liability account, which accounted for the bulk of underwriting each year. This is made many insurance companies to minimize acceptance of high-risk passenger carrying vehicles. Unfortunately, motor third party cases takes a long time to settle and annual results are continually affected by losses that occurred in earlier years. Of particular concern to the industry is the level of court awards, which are ever increasing. [Pan-Africa insurance company annual report, 1995].

Trends in the Matatu industry after the introduction of “Michuki rules”
In the year 2003 after an out cry over the increase in road accidents, the government enacted rules that made it mandatory for all public service vehicles to be fitted with safety belts and speed governors. The traffic regulation, popularly known as “Michuki rules”, after the minister then has
significantly reduced road fatalities since being launched. [The standard, July 15th 2005]. According to the rules, Passengers in public service vehicles found not wearing safety belts will pay sh. 500 up from sh. 100 the previous fine. Owners of public service vehicles, drivers and conductors will be fined sh. 1000 for every missing seat belt and sh. 500 for every dirty or defective ones. [The Standard, July 6th 2005]. After the introduction of these rules, the accidents reduced tremendously, insurance premiums went down by about 13%. [Association of Kenya insures, 2004].

1.20. Problem statement

According to the Institute of Policy Analysis and Research (IPAR) 2004, the ever increasing court awards and general Increase in claims against Matatu insurance companies have made such companies as Access Insurance, Stallion Assurance, Lake Star Insurance and United Insurance to collapse.

The Standard newspaper [July, 6th 2005] reported that public service vehicle insurers were closing down due to their inability to cope with the claims. Those companies which have closed down include United Insurance, Access Insurance, Stallion Insurance and Lake Star Insurance [Institute of Policy analysis and Research, Discussion Paper No.053/2004].

According to Mwangi (1992), in his report submitted to Kenyatta University, the demand for insurance in Nairobi continues to expand as the city expands hence more and more insurance packages are required to meet the emerging insurance needs of businesses. Gathii (2003) in her thesis submitted to Kenyatta University found that, insurance companies should emphasize more in the effectiveness of their own management policies especially the human resource aspect in their endeavour to remain profitable.
Obudhi (1990) in his thesis at Nairobi University found that, inadequacies of Nairobi urban passenger services could be accounted for by a variety of factors including uneconomic spread of the city’s urban morphology, great population pressure due to rapid urbanization, shortage of public service vehicles and lack of accessibility. Getugi (1987) in his thesis at Kenyatta university came up with three main problems facing public transport in Nairobi. These are inadequate road network, poorly maintained infrastructure, lack of plans or poor implementation of expansion plans to meet the ever-increasing population among others. Waiyaki (2004) observed that only a handful of insurance companies were willing to underwrite PSV risks. She attributed this to the finding that PSV insurers were reeling under massive liability claims.

This study aims at finding out the problems facing Matatu insurance in Kenya, with special attention to Nairobi based insurers.

130. Research objectives.

General objective

The general objective was to find out the major challenges facing Matatu Insurance in Kenya.

The specific objectives were;

1. To find out the major considerations by the insurance companies when determining the premiums payable to them by the Matatus.

2. To find out the common passenger capacity of Matatus insured by the companies.

3. To find out whether insurance companies have risk management policies for the Matatus they cover.
4. To find the main types of risk management policies offered by insurance companies to Matatus.

1.40. Research questions.

The following research questions were used.

1. What are the major considerations by the insurance companies when determining the premiums payable to them by the Matatus they cover?
2. What is the common passenger capacity of the Matatus covered by Matatu insurers?
3. Do insurance companies have risk management policies for the Matatus they cover?
4. What are the main types of risk management policies offered by the insurance companies to Matatus?

1.50. Significance of the study.

Passengers will benefit from improved safety in the public service vehicles and ensured availability of adequately insured vehicles.

The insurance companies will gain from a more sustainable insurance climate and a rewarding investment due to reduced claims from Matatu operators and passengers.

Vehicle owners will be educated through the research report on the need for proper maintenance of vehicles, employment of qualified drivers, employment of conductors of good moral conduct and adherence to traffic regulations which will reduce road accidents and the claims against them.

The study will help the society by educating vehicle operators on good business management skills to avoid business failure and ensure continued
employment of drivers, conductors and touts. This contributes to improved standards of living of these people, the owner and their dependants.

Economic planners will gain from the study by receiving information on problems facing public service vehicle insurers and how to overcome them.

The government will benefit from increase revenue from increased insurance company profits. This will be as a result of reduced cost of underwriting.

1.60. Limitations of the study.

There was lack of cooperation from the insurers especially where sensitive information is involved.

Time for the completion of the study was a constraint.

The response rate on the questionnaires was slow, which could cause delay in the research.

Respondents could have exaggerated data to favour their companies.

Interviewees may have been subjective, giving personal opinions instead of authentic information.

There was a shortage of funds.
2.10. Theoretical literature.

Transport

United Nations Report on Human Settlement (1992) asserts that urban transport problems are linked to rapid urban growth in developing countries, due to the pace of growth outstripping the capacity to expand existing roads and transport networks or maintaining the existing ones. The unplanned physical expansion of urban centres has led to increase in demand for transport facilities.

In rural areas, in developing countries few farms are served by good roads. This leads to a problem in moving their produce and materials from and to their farms. Transport brings about a faster rate of exchange of goods and services. This widens the producers market. Transport assists in moving raw materials and finished goods to the factory and from the factory respectively. Transport creates employment opportunities.

Effective public service transport requires efficient insurance. Transport brings increased specialization in production. This is because people in one area can concentrate on producing only what they are best at while acquiring from elsewhere through transport what they cannot produce [Saleemi, 1998].

K.I.E. (1996) asserts that every individual or business organization is exposed to some form of risk while in existence. For a business the risk could be loss damage arising out of fire theft, motor vehicle accidents and the loss arising from the resultant business interruption. It is not possible to predict when the risk will occur. Due to this uncertainty and the likelihood that the risk may occur, insurance companies are formed. Their main aim is to restore individuals back to their former
financial position. Insurance companies therefore protect businesses and individuals from imminent collapse when they encounter insurable risks. Insurance companies work on the concept that not all money received as premium will be claimed for compensation. A bigger proportion of this money should be invested to earn profit for the company.

**Risk management.**

Risk management refers to various methods used by insurance companies to minimize claims against them. It involves handling and controlling various types of risks. Waweru (2004) came up with what he calls "The Ten Commandments of Risk Management" which insurance companies should follow for prudent insurance.

**"The Ten commandments of Risk Management"**

1. Thou shall pay equal attention to both quantifiable and unquantifiable risks.
2. Thou shall identify, quantify and report risks to the greatest possible extent.
3. Thou shall create awareness and responsiveness to the various enterprises.
4. Thou shall ensure that every risk is pegged to commensurate reward.
5. Thou shall have balls and teeth to act as both decision and policy makers.
6. Thou shall avoid products and businesses you are not familiar with.
7. Thou shall accept uncertainty and factor it into strategy.
8. Thou shall have an independent report line. The risk function must remain autonomous to carry out its control and compliance function.
9. Thou engage a forward looking conduct. Cash flows and business plans remain critical in assessing a cline's requirements.

Saleemi (1988) describes Transport as the process whereby passengers and goods are moved from one place to another. He terms it as one of the aids to trade which assists in moving goods from the place where they are produced to where they are consumed.

Saleemi (1998) asserts that an insurance scheme handles a number of risks or chances of loss which a person is subjected to. Some of the common risks are business and personal risks. Business risks include possible loss of property by fire or theft. Personal risks are those risks that a person is exposed to during his/her life such as injury or death. Saleemi goes further to explain that insurance involves collecting regular contributions from individuals who are exposed to some form of risk. The total premiums collected are then put in a common pool. Any person who suffers a loss is compensated from this pool. In so doing the loss is spread over a large number of people.

I.L.O report (1994) asserts that Motor insurance gives protection against injuries by people individuals involved in accidents. If the policy covers only other road users, it is called third party policy. The other two parties are the insured and the insurance company.

**Features of an efficient insurance scheme.**

Saleemi (1998) provides four main features of an efficient insurance scheme. These are;

**Large number of similar risks.** He claims that there must a large number or related risks to enable an insurer to forecast to an acceptable degree of accuracy the
average loss to be sustained. This he says is because insurance is based on the law of large numbers.

**Accidental occurrence.** The loss insured against must be unforeseen and not caused deliberately.

Loss must not be catastrophic. The loss suffered must not affect a large number of the insured at the same time.

**Financial loss.** The insured must suffer a financial loss or incur a liability in the occurrence of the event insured against for compensation to be paid.

Saleemi (1998) states that, an insurance scheme handles a number of risks or chances of loss to which a person is subjected. Some of the common risks are business and personal risks. Business risks include possible loss of property by fire or theft. Personal risks are those that a person is exposed to during his life such as injury or death.

### 2.20. Empirical literature

A singo P (2004) established that road transport in Kenya is currently afflicted by several problems. These are, there is a problem of inadequate road safety measures, which contributes to high rates of road accidents. Secondly, the road infrastructure is completely inadequate both qualitatively and quantitatively. Qualitatively the road network is dilapidated and needs rehabilitation. Quantitatively, the length of the road network in urban areas is in adequate leading to the perennial problem of traffic jams, especially on peak hours. Also the road design is largely narrow, amounting to poor space utilization. Such poor planning is attributed to lack of adequate funds and general lack of accountability in handling infrastructure development. Third there is poor regulation of road services. Also there is a weak
modal linkage between motorized and non-motorized transport. Asingo therefore concluded that Kenya lacks a coherent road transport policy which has led to weak institutions incapable of facilitating efficient road transportation.

Ndung’u, (2004) states that under Kenyan law, it is mandatory for any PSV to have an insurance cover before it is allowed to operate. There are two types of insurance cover for the PSVs: Third party policy and comprehensive policy. Most matatus seem to prefer third party insurance because it is cheaper. It currently stands between 87,500 and 105,500 for 18 and 25 seater matatu per annum respectively. Comprehensive policy is a function of the vehicle. It is equivalent to third party of each vehicle plus 15% of the vehicle value. There are about 39ance companies in Kenya.

In case of an accident (in addition to the premium) the owner of the vehicle is required to pay a fixed amount of Ksh. 30,000 as excess. This excess plus the long duration take to settle claims make owners to settle disputes out of court without involving their insurance companies. This happens especially with Obudhi (1990) in his thesis at University of Nairobi came up with the following suggestions for improving urban transport; a deliberate de-concentration process to remove pressure from the central business district, better economic use of space, and a good road rehabilitation and expansion programme.

**Calculation of premium.**

It must be possible to calculate the possibility of that particular loss occurring. This could be done mathematically or through the use of past statistics.

Mwangi (1992) in his report to Kenyatta University found that insurance companies in Nairobi must develop strategic plans to cater for the ever increasing demand for insurance due to rapid expansion of the city.
Gathii (2003) in her thesis submitted to Kenyatta University found that insurance companies have to continually improve their management methods and improve various elements of management and especially the human aspect. She found that for insurance to succeed the insurer must develop adequate pricing policies and proper risk control policies for their customers to minimize the claims.

**Pricing of premium**

Shashidharan (2004) noted that when determining premiums insurance companies take into account many factors. Among these are the vehicle considerations and the vehicles mode of operation. This mainly involves looking at such issues like the type of the matatu; 9 seater matatu, 25 seater matatu, 33 seater matatu among others, Gathering details of who the insured is (extent of insurance, whether third party or comprehensive), Period of insurance-12 months is the standard period. However other arrangements are possible and finding out the Sum assured—the stated value of the property insured.

2.30. Literature specific to Kenya.

According to the Kenya national Safety Action Plan (2005), the transport sector is expected to at an average of 6.3 % between 2003 and 2007. Road transport accounts for approximately 80% of the traffic in Kenya. There are about 177,500 km of roads in the country out of which 63,000 are classified under the Ministry of Roads & Public Works (MORPW).

**Commission for insurance in Kenya.**

KIE (1996) states that, the commission for insurance is a department within the Ministry of Finance. It is headed by the commissioner for insurance. It became operational on 1st January 1987. Prior to its formation the insurance industry had expanded unabated. Many companies which insured people and property on many
occasions failed to honour claims. This resulted in great loss to people and businesses. The government decided to step in and save the situation.

**Functions of the commissioner for insurance.**

The commissioner for insurance undertakes the following functions; regulating the registration of insurance companies, keeping records of the number of insurance companies in the countries, monitoring the day to day operations of the insurance companies in the country and ensuring that they operate in the best interest of the people and the country, checking the financial status of the insurance companies to ensure that they can meet the claims made against them without difficulties, approving insurance rates charged by the insurance companies to ensure that the insured are not exploited, handling complaints from members of the public concerning release of claims by the insurance companies and to control management expenses of insurance companies [KIE 1996].

**Pricing considerations.**

When underwriting Matatu risks, insurers consider the following factors:-

Type of the Matatu and limit of liability, that is, whether the vehicle is a Minibuses or a Nissan, who the insured is, and period of insurance, sum assured and the company's underwriting experience. (The Kenya insurer, June 2004)

**Risk management**

The Commissioner for insurance report (1997), advices insurance companies to develop adequate risk management policies for their customers so as to minimize claims against them. Risk management deals with the handling and controlling various types of risks. According to this report There are three basic methods of risk management namely to; avoiding or reducing the risk, assuming the risk, or shifting the risk (reinsuring). Other methods include accepting any risks, adding
warranties and limiting retention. Jackson K. Maingi, in his article in the Kenya Insurer (2004) observed that, these methods of risk management are not sustainable. This is because they would reduce the business and drive the insurer out of business. He proposed that businesses would rather reinsure.

Maingi (2004) goes further to expound on the importance of the risk management function for effective reinsurance. It involves putting in place measures of controlling and therefore reducing the claims against the insurance companies.

Risk management includes five main approaches. These are;

- **Accepting any business.** This could mean pitting up with the loss. The insurer may face high claims and be driven out of business.

- **Limiting retention.** This is where the insurance company restricts the businesses it covers. It could reduce the business of the company.

- **Adding warranties.** The insurer could prevent acceptance by making insurance far less attractive, leading to lower business and harsh economic survival.

- **Avoiding risks.** This is where the insurance company declines the risk. It is not a prudent measure since the insurer may end up with little or no business to do.

- **Reinsurance.** This is a means used by the insurance company to reduce, from the point of view of possible material losses, the consequences from the risks it has covered. Insurance companies normally prefer to use reinsurance over other methods of risk management. This is mainly because; reinsurance provides insurance companies with the capacity to compete with other insurance companies, reinsurance helps the direct insurer to stabilize their loss by removing some of the uncertainties, reinsurance helps on balancing the more risky portfolios (risks covered) with the less risky ones, issues of taxation reserves and asset management are managed through the use of financial insurance and/or reinsurance to transfer items
from the balance sheet to guard against share price volatility, reinsurance is also a mechanism through which the impact of the loss can be spread by transferring risks to the reinsurers. Reinsurance acts as a cushion that protects insurers from being severely affected by catastrophes by spreading and sharing the loss with larger companies. Reinsurance companies offer assistance to insurance companies in development of new product, pricing and staff training which strengthens them.

**Reinsurance**

K.I.E (1994) provides that, Reinsurance involves spreading of risks of any insured event to two or more insurance companies. This arises when it is deemed that should the event insured against happen the claim could be too heavy to be accommodated by the insurance firm that issued the policy.

Insurance companies are given protection against losses from some of the risks. This helps them to comfortably deal with the common risks.

**Maingi (2004) gives seven major reasons for insurers to reinsure.** These are:-

**Building capacity.**

Capacity is the financial amount that an insurer retains in relation to the acceptance of risks. By reinsuring some of its business an insurer can increase the amount of business it can accept.

**Stabilisation.**

Reinsurance helps the direct insurer to stabilise their loss levels by removing some of the uncertainty.

**Portfolio management**

Portfolio refers to the entire range of risks that an insurance company can underwrite.
For a portfolio, we can have risks including, motor, household, professional indemnity, bloodstock and commercial. The type of reinsurance a company will purchase will depend on how the insurance underwriters are judged, whether on gross or net premium income.

**Asset management**

With the knowledge that a number of uncertainties have been removed, there is more willingness to invest in the industry.

**Taxation.**

The issues of taxation, reserves and asset management are handled through the use of financial insurance and/or reinsurance in order to transfer items from the balance sheet to guard against share price volatility.

**Spread of risk.**

Insurers spread their risks and losses to reinsurers which reduces the impact of the potential loss by spreading it.

**Catastrophe protection and development of new products.**

Reinsurance cushions the insurer from being impaired by catastrophes. Catastrophic losses are very large losses on an individual or from accumulation of losses arising from a single catastrophic event.

If an insurer wants to develop new products, reinsurance companies would offer assistance in product development, pricing and staff training due to their good experience.

**Public service vehicles**

These are passenger carriers that are licenced to carry fare-paying passengers. They can also be hired by passengers. They are officially registered as Public
Service Vehicles (PSV) and are governed by the traffic Act. They include Buses, Taxis, Tour vehicles and Matatus.

**Matatus.**

Chitere (2004) observe that the Matatu industry in the transport sector in Kenya is estimated to have about 40,000 vehicles providing transport to both urban and rural areas, providing employment to about 160,000 persons and generating revenue for a large number of parties including, the government, petrol stations, mechanics, spare part dealers and insurance firms.

Muyia (2004) observes that Matatus are public service vehicles (P.S.V) that include pick-up built to carry passengers. They include saloon cars, Nissans and minibuses popularly known as ‘Manyangas’.

**Matatu insurance in Kenya.**

Dungy, Kibua and Masinde (2004) observed that under the Kenyan law, it is mandatory for any Public service vehicle to have a cover before it is allowed to operate. There are two main types of insurance cover: Third party policy and comprehensive policy. Third party policy for 18 to 25 Matatu seater ranges between Ksh. 50,000 and Ksh.100,000. Comprehensive policy for 18 to 25 Matatu seater ranges between ksh 50,000 and Ksh 100,000 plus 15% of the vehicle value. The vehicles which cannot afford the whole amount opt to pay monthly. Most of the Matatus prefer third party policy because it is cheaper.

Waiyaki (2004) observed that there is increased uninsurability of the Matatus in Kenya. She pointed out that this could be due to increased chaos and inadequate regulation in the public transport sector. This according to her may have led to only a handful of insurance companies underwriting PSV risks. She further observes that PSV insurers are reeling under the weight of massive liability claims.

Effective insurance (Dependent variable) is based on two main variables, these: are pricing of premiums and risk management (Independent variables). Pricing is important since it influences a company’s competitiveness in the market. On the other hand risk management is a general function that seeks to identify, assess, and address the causes and effects of uncertainty and risks in an organization. [Maingi, 2004].
INDEPENDENT VARIABLES

PREMIUM PRICING

INTERVENING VARIABLES

VEHICLE CONSIDERATION

MODE OF OPERATION

DEPENDENT VARIABLE

EFFECTIVE INSURANCE

ACCEPTING BUSINESS ANY

AVOIDING RISKS

ADDING WARRANTIES

LIMITING RETENTION

REINSURANCE

RISK MANAGEMENT

[SOURCE: RESEARCHER]
CHAPTER THREE
METHODOLOGY

3.10. Research design
The research was carried out using the descriptive method. The researcher was trying to establish the main problems facing Matatu insurers based in Nairobi. Therefore this was a causal descriptive research. The findings were then generalized as affecting the whole population.

3.20. Research data
The research used both primary and secondary data. Primary data was collected from original sources for the purpose of the research. This involved administering questionnaires and interviews on the sampled Matatu insurers.

Secondary data was obtained from journals and magazines from the insurance companies, commissioner for insurance, Association of Kenya insurers and other relevant bodies.

3.30. Population
The population included the operations managers of the nine public service vehicle insurers based in Nairobi. The researcher used the list of public service vehicle insurers based in Nairobi as availed by the Association of Kenya Insurers. See appendix 4.

There was no sampling since it was a census and the researcher studied all the 9 public service vehicle insurance companies based in Nairobi.

3.40. Data collection.
The researcher used two main Methods for collecting data. These are the interview and questionnaire. Interviews were used to collect data face to face. Interview guides were constructed to make the research more effective. The interview guide
listed in an appropriate sequence, the items to be asked and probed making it clears what to say at the beginning and at the end of the interview.

The researcher used questionnaire for obtaining information which required anonymity. They were issued to the Matatu Insurers who were too busy for personal interviews. Questionnaire items were tailored to meet questions of the study. It was only be used where the interview can’t work. To make the questionnaire very effective, it was be pretested on selected interviewees, respondents were treated equal and assured of confidentiality. This included short responses like yes or no or checking on item from a list of suggested responses.

3.50. Data analysis

The research used descriptive statistics for analysis of the data collected from the sample. The raw data was organised for easy interpretation into an SPSS data base.

3.60. Data presentation

From the SPSS data base the Information was then summarised into frequency tables from which it was displayed by drawing Bar graphs or Pie charts.
CHAPTER FOUR

DISCUSSIONS AND INTERPRETATIONS

Table 1. Types of Matatus covered by the insurance companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Count</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gateway</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Amaco</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>General Accident</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Invesco</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Royal</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Direct line</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Apa</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Standard Assurance</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Blue Shield</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

The table above shows that 8 out of nine respondents (89%) cover all types of Matatus while only 1 (royal insurance company) covers select types of Matatus to cover.
The information in the table above can be interpreted with the help of the Pie chart above (Fig.1). It shows that the majority of the respondents (89%) insure all types of Matatus while a few respondents (11%) cover only those Matatus that operate as organized fleets.
Table 2. Pricing Considerations.

**premium charges * pricing considerations Crosstabulation**

<table>
<thead>
<tr>
<th>premium charges</th>
<th>pricing considerations</th>
<th>N/A</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>33 seater &amp; 25 seater (&gt;100000)</td>
<td>gvmnt plcy (very important)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>all others (least important)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>9, 14 &amp; 25 seater (50000-100000) &amp; 2 seater (&gt;100000)</td>
<td>all factors (least important)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>all seater (&gt;100000)</td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

From the table above it emerged that, in pricing, 2 respondents (22%) consider the government policy as the most important factor while some other factors also count. 5 respondents (56%) felt that all other factors do not count in fixing their prices because the government fixes them through the Association of Kenya Insurers(A.K.I). 2 respondents did not respond (22%).
Fig. 2. Pricing Considerations

This data (Pie chart above) shows that the insurance companies rely on the government in deciding the prices of the products that they offer to the market. The companies do not decide their prices outside the given rates which they must adhere to.
This figure shows that, 2 respondents charge 9, 14 & 25 seaters Matatus over Ksh. 50000 p.a. 2 respondents declined to disclose their rates while 5 respondents charge all Matatus they cover over Ksh. 100000 p.a.

This information shows that generally, the insurance cover for Matatus is over Ksh. 100000 p.a. Most insurers also indicated that the normally charge premiums per year while a few offer half-year contracts.
Table 3. Matatus Becoming Uninsurable

<table>
<thead>
<tr>
<th>company name</th>
<th>Matatus becoming uninsurable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>yes</td>
</tr>
<tr>
<td>Gateway</td>
<td>1</td>
</tr>
<tr>
<td>Amaco</td>
<td>1</td>
</tr>
<tr>
<td>General Accident</td>
<td>1</td>
</tr>
<tr>
<td>Invesco</td>
<td>1</td>
</tr>
<tr>
<td>Royal</td>
<td>1</td>
</tr>
<tr>
<td>Direct line</td>
<td>1</td>
</tr>
<tr>
<td>Apa</td>
<td>1</td>
</tr>
<tr>
<td>Standard Assurance</td>
<td>1</td>
</tr>
<tr>
<td>Blue Shield</td>
<td>1</td>
</tr>
</tbody>
</table>

On whether the respondents are finding the Matatus becoming uninsurable, Table 3, shows those 7 respondents out of 9 (89%) are actually finding Matatus becoming uninsurable. The others have no problem with the insurance of Matatus.

Insurance companies still find Matatu insurance feasible despite the pricing challenges which they have to fulfil according to the laid down rules and regulations by the government.
Table 4. Cause of Uninsurability

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Cause of Uninsurability</th>
<th>Count</th>
<th>N/A</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gateway</td>
<td>Fraudulent claims</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Amaco</td>
<td>Fraudulent claims</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>General Accident</td>
<td>Fraudulent claims</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Invesco</td>
<td>Fraudulent claims</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Royal</td>
<td>Fraudulent claims</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Direct line</td>
<td>Fraudulent claims</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Apa</td>
<td>Fraudulent claims</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Standard Assurance</td>
<td>Fraudulent claims</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Blue Shield</td>
<td>Fraudulent claims</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>7</td>
<td>2</td>
<td>9</td>
</tr>
</tbody>
</table>

7 of all the respondents (89%) believe that fraudulent claims are the main cause of the increased in Matatu uninsurability while 2 respondents (22%) disagree.
Most insurers are suffering under the weight of fraudulent claims (89%) of all the respondents. This is making Matatu insurance lean profitable and very challenging. The other major cause of the increase in insurability is lack of adherence to the traffic regulations of 2003. Commonly known as “Michuki” rules. Fig. 4 below clearly shows that only 1 respondent believes that the vehicles they cover adhere to the traffic regulations. 2 of the respondents (22%) said their customers do not follow the traffic rules, 5 respondents (56%) said that only some of their clients follow the traffic regulations.
Figure 5. Adherence to "Michuki" rules.
In table 5 above, 4 respondents felt that police are the most corrupt in the insurance industry, 3 respondents felt that it is not only the police who are corrupt but also the judiciary while 2 respondents felt that the police, the lawyers and the judiciary are equally corrupt. All the respondents agreed that risk assessors are the least corrupt players in the insurance industry.
For easier interpretation of the table above, the information could be summarized as follows:

<table>
<thead>
<tr>
<th>Most Corrupt</th>
<th>No. of Times mentioned</th>
<th>Least Corrupt</th>
<th>No. of Times mentioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawyers</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Judiciary</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctors</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk assessors</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>9</strong></td>
<td></td>
</tr>
</tbody>
</table>

This table leads to the interpretation that the main source of fraudulent claims in the industry are the corrupt police officers, 9/16 times (56%) followed by corrupt lawyers and corrupt judiciary 3/16 times (19%) each while doctors account only for 1/16 times (6%).
Table 6 shows that, all the respondents are reinsured with the Kenya Reinsurance Company. The clients’ funds are at least covered by the Kenya Reinsurance company. This is very important because it means the scenario which was witnessed when United Insurance which had covered thousands of Public Service Vehicles collapsed leaving them uncovered would not be repeated.
Table 7, shows that 2 respondents (22%) use all the common methods of reinsurance (Capacity building, Stabilization, portfolio Management, Catastrophe protection, Taxation, Spreading of risks and asset management). 1 respondent (11.1%) declined to specify, 4 respondents ((44.4%) use only three of the recommended methods, 1 respondent use only two methods while 1 respondent uses five of the recommended methods of reinsurance.
Fig. 6 below shows that most commonly used methods for reinsurance by the respondents are capacity building and portfolio management and spreading the risks while the least use methods of reinsurance are taxation and Asset management. Most of the insurance companies are not using the whole range of reinsurance methods recommended. This makes them very vulnerable to cash flow problems leading to inability to meet their client claims.

Figure 6. Methods of reinsurance.
Table 8. Risk Management

<table>
<thead>
<tr>
<th>Strategies</th>
<th>reinsuring, Avoiding risks, Limiting regret</th>
<th>reinsuring, Avoiding some risks &amp; not accepting any business</th>
<th>reinsuring, awarding warranties, Avoiding some risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>company name</td>
<td>company name</td>
<td>company name</td>
<td>company name</td>
</tr>
<tr>
<td>Gateway</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Amaco</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Accident</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Invesco</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royal</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Direct line</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apa</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Assurance</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Blue Shield</td>
<td></td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Table 8. shows that 3 respondents (34%) use Reinsurance, Avoiding some risks not accepting any risks without due considerations.

2 respondents (22%) use only reinsurance while only 2 respondents (22%) use all the recommended methods. The other 2 respondents use reinsurance combined with one or two other methods.

The insurance companies are not using all the available strategies of risk management hence they are operating on a weak strategic level which lacks in its contingency reliability.
5.10. CONCLUSIONS

5.11. Premium Pricing

The insurance companies do not fix the premiums they charge the Matatus they cover. This is because the prices are regulated by the Government through the Association of Kenya Insurers (AKI). This puts a lot of pressure on the Matatu managers to be very prudent in their management so as to ensure their businesses remain profitable.

5.12. Vehicle considerations

Matatus Covered

Most insurance companies provide cover for all types of Matatus. A few companies disclosed that they only cover those Matatus which operate as organized fleets, like Double ‘M’, City Hoppa, City Ferry among others. The reason for this is that they find them more profitable to insure since they have their own internal control mechanisms which greatly reduces their claims for compensation per year.

Premium charges

Majority of the insurance firms charge over ksh.100000 p.a for all the Matatus they cover. Many of them provide policies for a whole year apart from some which offer half yearly cover.

5.13. Mode of Vehicle operation

Type of Matatu regulation used.

There is lack of an efficient statutory regulatory by the government to control the Matatu industry. This has left the regulation of this vital sector in the hands of unscrupulous cartels which increase fares and is encouraging cut throat competition.
among the vehicle operators leading to high road fatalities and unreasonable claims against the insurers.

**Matatus adherence to traffic rules of 2004 ("Michuki rules")**

On Matatus adherence to the traffic regulations of 2004 ("Michuki") rules, it emerged that very few Matatus are following them, the Matatus are now speeding on the road, reducing speed only when approaching a police road block and if caught bribing their way out of the situation. The traffic police department makes matters worse through its knee-jacking crack downs normally undertaken in response to public outcries after high road fatalities.

**Matatus increased uninsurability.**

Many Insurers are increasing finding it difficult to insure PSV risks in Kenya. A case in point is Nairobi which has more than 35 registered insurees out of which only 9 cover PSV risks and many of them are considering shifting to covering only organised fleets in future unless some is done urgently. This increased uninsurable is largely attributed to inadequate government regulations of the Matatu industry. This has made it difficult for insurance firms to cover third party policy and comprehensive motor policy for accident or theft, or to guarantee compensation to the injured persons or to their dependants.

**Source of uninsurability**

Only a handful of insurees are willing to offer cover to unorganized Matatu fleets. This is due increased fraudulent claims and genuine claims. This has led to the insurers operating under huge liability claims. The source of the fraudulent claims is mainly attributed to corrupt lawyers, corrupt police officers and corrupt judiciary.

Methods of risk management.

All the insurers have at least one form of risk management or another. The most commonly used method of risk management is reinsurance which is used by all the firms studied. Reinsurance if well used could help to greatly reduce the level of claims against the insurance companies. However most respondents are using only three methods (Capacity building, portfolio management and spreading of risks) out of the recommended seven. This makes them unable to adequately meet their obligations to their clients.

Strategies for risk management.

Most insurers do not use the five main strategies recommended for effective risk management. They normally rely on reinsurance omitting the others, namely; limiting retention, awarding warranties, avoiding some risks and not accepting any business.
RECOMMENDATIONS

5.20. Recommendations.

5.21. Premium pricing
The government should involve the insurers in the process of fixing the premiums to be charged. This is because pricing a major factor in determining a company's profitability. Proper pricing must take into consideration all the cost elements in the business operations failure to which it will be very difficult for the insurers to break even.

5.22. Matatus covered.
Different routes should be encouraged to work as organised fleets so as to enhance self control and self regulation. The world over mergers and joint ventures are the in thing. This would help to eliminate the severe cut throat competition in the industry.

5.23. Mode of vehicle operation.
Matatu sector regulation
Currently there is no body in charge of the national road safety. This has been so since the mid eighties when the National Road Safety Council collapsed. The study established that there is an urgent need to re-establish the National Road Safety Council (NRSC). It should have an operational secretariat. It should be in charge of co-ordination and implementation of the National Road Safety Action Plan. This would go along way in reducing deaths and economic hardships caused by road accidents. This would have an overall effect of reducing claims and increasing profitability in the insurance sector.

The establishment of NRSC is only a short term solution because it is only an advisory body and therefore in the long run the government should establish the Road safety Board as a corporate body so as to give the necessary muscle.
Adherence to traffic rules, 2004. ("Michuki" rules)

The study found out that when the traffic rules were implemented in the 2004, the risks in the insurance industry declined by a whooping 25% and insurance companies reduced their premiums by 13%.

The traffic police department should ensure that it maintains its crackdown on the roads to enforce compliance with the traffic rules to minimize the road fatalities and bring the claims level to equilibrium for the sustainability of the PSV insurance industry in Kenya.

Matatu insurability

The researcher proposes the following measures aimed at enhancing order, bringing civility improving safety on roads and improve PSV insurance in this country.

Formation of highway police department

It would ensure that PSVs adhere to the traffic regulations by keeping to their routes, timetables, use of designated bus stops and keeping law and order.

Commencement of PSVs timetables

This would help reduce the severe cut throat competition in the industry and greatly lower road accidents and the resultant claims.

Route and terminal segmentation

The regulatory authority should ensure that PSV terminals are located away from the central business district with a number of selected terminuses serving designated routes in the outskirts of major towns.

Routine refresher courses for the Matatu crew.

The researcher proposes that for continued proper operation of PSVs in Kenya, the Matatu crew should be trained regularly say after every three years on traffic rules PSV management and operation, Human resource management among others.
5.24. Risk management.

Most PSV insurers need to improve on their risk management practices and strategies. They should also encompass all the recommended methods and strategies for risk management. They should in particular pay special attention to the following areas:

Management staff

Their management staff should be well qualified for this type of a business. There must always be in place proper succession plans to ensure continuity of the firms.

Security offered

The security offered should most of the following criteria; it must be lawfully given, it should be adequate to cover the risk among others.

Financial stability

The firm management must always strive to make sure that the firm is generating enough funds to meet its financial requirements when needed and without affecting its daily operations.

NOTE. The so called “Ten Commandments of Risk management” listed below, offers the best approach to risk management in the insurance business.

“The Ten commandments of Risk Management”

1. Thou shall pay equal attention to both quantifiable and unquantifiable risks.
2. Thou shall identify, quantify and report risks to the greatest possible extent.
3. Thou shall create awareness and responsiveness to the various enterprises.
4. Thou shall ensure that every risk is pegged to commensurate reward.
5. Thou shall have balls and teeth to act as both decision and policy makers.
6. Thou shall avoid products and businesses you are not familiar with.
7. Thou shall accept uncertainty and factor it into strategy.
8. Thou shall have an independent report line. The risk function must remain autonomous to carry out its control and compliance function.

9. Thou engage a forward looking conduct. Cash flows and business plans remain critical in assessing a line’s requirements.

10. Thou shall not breach your risk appetite cap. Define and enshrine a risk culture-conservative or bold? Industry limits, counterparty limits and CBK prudential guidelines
APPENDICES

Appendix 1: Research plan

The researcher hopes to complete the research in about eleven weeks as shown in the plan below.

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>TIME (IN WEEKS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilot study</td>
<td>1 week</td>
</tr>
<tr>
<td>Synopsis</td>
<td>1 week</td>
</tr>
<tr>
<td>Preparation of the proposal</td>
<td>3 weeks</td>
</tr>
<tr>
<td>Data collection</td>
<td>3 weeks</td>
</tr>
<tr>
<td>Data processing</td>
<td>2 weeks</td>
</tr>
<tr>
<td>Preparation of project report</td>
<td>1 week</td>
</tr>
<tr>
<td>Total</td>
<td>11 weeks</td>
</tr>
</tbody>
</table>

Appendix 2: Project implementation schedule

<table>
<thead>
<tr>
<th>Description of activity</th>
<th>Number of weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Pilot study</td>
<td></td>
</tr>
<tr>
<td>Synopsis</td>
<td></td>
</tr>
<tr>
<td>Proposal preparation</td>
<td></td>
</tr>
<tr>
<td>Data collection</td>
<td></td>
</tr>
<tr>
<td>Data processing</td>
<td></td>
</tr>
<tr>
<td>Project preparation</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3: The project Budget

(a) Cost of the proposal.

<table>
<thead>
<tr>
<th>Service</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing</td>
<td>35 pages</td>
<td>@10.00</td>
<td>=350.00</td>
</tr>
<tr>
<td>Developing</td>
<td>6 copies</td>
<td>@63.00</td>
<td>=378.00</td>
</tr>
<tr>
<td>Binding</td>
<td>6 copies</td>
<td>@50.00</td>
<td>=300.00</td>
</tr>
<tr>
<td>Development of 10 correction copies</td>
<td>50 copies</td>
<td>@50.00</td>
<td>=500.00</td>
</tr>
<tr>
<td>Travelling and sundry expenses</td>
<td></td>
<td></td>
<td>=300.00</td>
</tr>
</tbody>
</table>

(b) Projected cost of data analysis

<table>
<thead>
<tr>
<th>Service</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of processing data</td>
<td>= 4,000.00</td>
</tr>
<tr>
<td>Cost of SPSS</td>
<td>= 5,000.00</td>
</tr>
<tr>
<td>Travelling and sundry expenses</td>
<td>= 5,500.00</td>
</tr>
</tbody>
</table>

(c) Cost of processing the report.

<table>
<thead>
<tr>
<th>Service</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing</td>
<td>50 pages</td>
<td>@10.00</td>
<td>=500.00</td>
</tr>
<tr>
<td>Developing</td>
<td>6 copies</td>
<td>@120.00</td>
<td>=720.00</td>
</tr>
<tr>
<td>Binding</td>
<td>6 copies</td>
<td>@75.00</td>
<td>=450.00</td>
</tr>
<tr>
<td>Travelling and sundry expenses</td>
<td></td>
<td></td>
<td>=3,500.00</td>
</tr>
</tbody>
</table>

Total cost of the research = 21,498.00
Appendix 4: List of public service vehicle insurers based in Nairobi.

1. Royal Insurance Company of East Africa.
2. AP.A Insurance Company.
3. Blue Shield Insurance Company
7. Direct line Assurance Company.

[SOURCE: ASSOCIATION OF KENYA INSURERS, 2006]
Appendix 5: Reference.


APPENDIX 6: QUESTIONNAIRE.

KENYATTA UNIVERSITY.

INSTITUTE OF OPEN LEARNING

M.B.A. PROGRAMME

This questionnaire is being used in an investigation of Matatu insurance industry in Kenya. It is focusing on the Nairobi based insurance companies. It will be treated with utmost confidentiality. (Please tick the appropriate response)

NAME OF INTERVIEWER: JOSPHAT.W. KAMAU

P.O. BOX 2

KARURI.

TEL: 066/43026

QUESTIONNAIRE NO: ......................

DATE ......................

1. Background information of the public service insurer

(a) Name (optional) --------------------------------------------

(b) How many Years has your company been in operation?

[1 - 5 ] [6 - 20 ] [21 -30] [31 and above]

(c) Is your company a public or a private company?

Public company [ ] Private company [ ]

(d) Apart from Matatu insurance what other risks do you cover?

Personal Accident [ ]

Goods & cash on transit [ ]

Life assurance [ ]

Marine [ ]
2. Premium pricing.
Vehicle considerations.

What type of Matatus do you normally cover?

- 9 Seater [ ]
- 14 Seater [ ]
- 25 Seater [ ]
- 33 Seater [ ]

3. What is the common period of your Matatu insurance cover?

- 1 Month [ ]
- 3 Months [ ]
- 6 Months [ ]
- 12 Months (Annual) [ ]

4. What are the approximate charges of the sum assured of the various types of Matatu covers per annum?

<table>
<thead>
<tr>
<th>Ksh.</th>
<th>[10000-20000]</th>
<th>[25000-40000]</th>
<th>[50000-100000]</th>
<th>[&gt;100000]</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 seater</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>14 Seater</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>25 Seater</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>33 Seater</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

5. Apart from the capacity of the Matatus, what other pricing considerations do you use?
NB. Use a scale of 1-5 to indicate the importance you attach to each. 1; least important. 2 important. 3 quite important. 4 very important. 5 most important.

<table>
<thead>
<tr>
<th>Least Important</th>
<th>Important</th>
<th>Quite Important</th>
<th>Very Important</th>
<th>Most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Government policy

Number of accidents on the route

Number of vehicles on the route

The state of roads on the route

Cases of carjacking on the route
What type of regulation do the Matatus you insure have?

Statutory supervision [ ] self regulation [ ]

7. Do the Matatus you insure adhere to the new traffic regulations (Michuki rules, 2003)?

Yes [ ] No [ ] Some [ ]

8. Which motor policy do you find difficult to insure, if any?

Third party Matatu policy [ ]
Comprehensive Matatu policy [ ]
Personal vehicle insurance [ ]
Heavy commercial vehicle insurance [ ]

9. Are you finding Matatus becoming uninsurable?

Yes [ ] No [ ]

10. If the answer to question 9 above is yes, what do you think is the cause of this increased uninsurability?

Fraudulent claims [ ] Increased genuine claims [ ]

11. What do you think is the source of this increased fraudulent claims?

Rate the source on the scale of: 1 least corrupt, 2 corrupt, 3 fairly corrupt, 4 very corrupt & 5 Most corrupt. 1 2 3 4 5

Risk assessors [ ] [ ] [ ] [ ] [ ]
Lawyers [ ] [ ] [ ] [ ] [ ]
Police officers [ ] [ ] [ ] [ ] [ ]
Doctors [ ] [ ] [ ] [ ] [ ]
Judiciary [ ] [ ] [ ] [ ] [ ]

12. Risk Management.

Is your company reinsured?
Yes [ ] No [ ]

13. Which Method(s) of reinsurance does your company use for enhancing its competitiveness and business viability?

<table>
<thead>
<tr>
<th>Method of Reinsurance</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capacity building</td>
<td></td>
<td></td>
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<tr>
<td>2. Stabilization</td>
<td></td>
<td></td>
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<tr>
<td>3. Portfolio management</td>
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<td></td>
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<tr>
<td>4. Catastrophe protection</td>
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<tr>
<td>5. Taxation</td>
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<td></td>
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<tr>
<td>6. Spread of risks</td>
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<td></td>
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<tr>
<td>7. Asset Management</td>
<td></td>
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</tr>
</tbody>
</table>

14. How does your company assess its capacity to insure Matatus?

Per risk basis [ ] Per event basis [ ]

15. What are the main portfolios of your insurance company?

Motor [ ]
Household [ ]
Professional indemnity [ ]
Bloodstock [ ]
Commercial [ ]
Social security [ ]

16. How does your company stabilise its loss levels?

Statistical techniques [ ]
Reinsurance [ ]
17. Apart from reinsurance does your company use any of the following alternative asset management programmes?

<table>
<thead>
<tr>
<th>Programme</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock exchange</td>
<td></td>
<td></td>
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<tr>
<td>Private equity funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed investment trusts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted companies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

18. What are the new / emerging policy concerns that you are encountering as a Matatu insurer?

<table>
<thead>
<tr>
<th>Concern</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of the tax and business viability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordability of the Matatu operators to pay feasible premiums</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government policy on Matatu vehicle importation maximum age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental impact of importation of second-hand &quot;Mitumba&quot; vehicles on aging</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>