

MOTOR VEHICLE THEFTS:
IMPLICATIONS ON THE UNDERWRITING PRACTICE
IN KENYA, 1989 - 1992

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BY

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(i)

DECLARATION

This project is my original work and has not been submitted
for a degree in any other University.

Signed Jalleh

JALEHA ALEX.

Date 10/9/93

This project has been submitted for examination with my approval
as the University supervisor.

Signed George Omondi

MR. GEORGE OMONDI.

Date 10/14/94

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DEDICATION

To my Father and Mother, Mr. Zadock Jaleha and Mrs. Agnetta Usaji,
for their belief in the Power of Education, and lastly to my
beloved Nephews, Erick, Baraka and Niece Sharon.

ABSTRACT

The literature search indicates that motor vehicle thefts have been on the increase the world over, from the developed to the developing nations. Whereas a lot of studies on motor thefts have been done in the developed world, very little has been done in the developing countries and especially in Africa.

A study reported in this project sought to know the underwriting implications of the motor thefts in Kenya, in the period 1989-1992. The objectives included the determination of the important motor rating factors and the underwriting measures insurers in Kenya took as a result of the motor thefts under the period of study.

The findings showed that the nature of the risk, claims/insurance history, range from the policy holder's home base, model of the vehicle, make of the vehicle and the value of the vehicle as the most important motor rating factors insurer due to the theft risk.

The findings further showed that all insurers undertook the following motor underwriting measures, motor valuation, installation of anti-theft devices, premium loadings and increase in excesses. Other measures where majority of the insurers undertook were; accompanying business and removal of the NCD.

The findings also showed that Toyota saloon vehicles valued between Kshs.800,000 and 949,000 were the most stolen.

ABBREVIATIONS

1. AKIASSOCIATION OF KENYA INSURERS
2. ABI.....ASSOCIATION OF BRITISH INSURERS
3. CKD.....COMPLETELY KNOCKED DOWN KITS
4. AA.....AUTOMOBILE ASSOCIATION
5. NCD..... NO CLAIM DISCOUNT

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CHAPTER 1

1. INTRODUCTION

1.1. BACKGROUND

Although the beginnings of the automobiles are lost in the midst of un-recorded events of early history, man's concern all over the world with transportation led to attempts by many individuals to develop self propelled road vehicles [Omondi, 1988:54]. An impetus was given to the development of an automobile and in 1895, the Lanchaster four - wheels were ready, while the famous Rolls Royce Silver Ghost became available in 1907 in Britain. It was above all, Henry Ford, with his model T, the producer of some 15 Million cars in the 17 years, who really set the scene for the twentieth century expansion of the automobile [Canar, 1979:3].

With the increased number of vehicles on the roads, there was need for motor insurance to cater for the increased number of financial and human risks associated with them, hence motor insurance was one of the methods in dealing with such contingencies. The ownership of an automobile or motor vehicle, exposes one to many sources of loss thus a person could be killed or injured while operating a car or struck by one with the resultant medical expenses and loss of income; one may be held liable legally for injuries to others or for damage to other property or death to other people, the car could be damaged, destroyed or stolen.

There is need for reducing the financial difficulties of the owner in case of such events happening. This therefore creates a

need for insurance whose purpose is to serve the needs of both the owner and the community at large [Vaughan, 1989:513]. It was no surprise that alongside the development of the automobile, motor insurance developed from a comparatively slow start into a growth industry. Right now and in future, the insurance industry must be able to fulfill its traditional role of protecting the risks of those venturing into the field of transportation.

Despite the high cost of fuel in Kenya, lack of foreign exchange for the importation of the completely knocked down (CKD) kits, and increasing prices of motor vehicles as a result of the rapid depreciation of the Kenya shilling against the hard foreign currencies, the increase in the number of vehicles appears to be continuing unabated. Even the years from 1975 to 1991, in which the cost of fuel went up at a fast rate, vehicle density increased to a level hardly anticipated. For instance, in 1992, about ONE out of FIVE HUNDRED Nairobians drove a car, and forecasts showed that it would soon be ONE out of ONE HUNDRED [Mukhalu, 1989:22]. A study by the World Bank in 1991 stated that the motor vehicle fleet in Kenya increased by 3.3 per cent per year over the past decade, with the number of buses and small utility vehicles such as matatus showing the largest increases. Most of these increases occurred in urban areas, where concentration of vehicles was greatest. The study found that 65 per cent of all vehicles were registered in Nairobi, Mombasa, Nakuru and Kisumu, with registration in Nairobi jumping from

124,300 in 1985 to almost 140,000 in 1987 [Majtengi, 1993].

The increase in the number of vehicles has accelerated the transportation of people and merchandise to the very remote rural areas, thus enhancing the socio - economic development of the country. Although their contribution is immense, they have also produced an increase in motor accidents resulting in deaths, bodily injuries, and property damage. One of the other risks which have faced motorists and insurers in Kenya has been the motor thefts which have had a negative impact on the motor insurance business.

An upsurge in car thefts and break - ins was noticed in the middle of 1989 prompted by a 'revolution' in the methods used by thieves. Duplicate keys were increasingly being used to steal vehicles, while the basic security alarm systems could be easily beaten. Some cars were known to have been broken into while the alarm was wailing and radio cassette players or other valuables stolen. Losses by underwriters had and still have reached such high levels that insurance companies had reported poor performance in their motor claim accounts. Figures from daily reports in 1992 indicated that on average, 10 vehicles were stolen daily throughout the country, and the recovered ones missing vital components.

With the dramatic increase in the level of vehicles stolen during the period, 1989 - 1992, insurance companies undertook a new dimension in their underwriting practices. Insurance firms varied

their underwriting practices to try and protect their business from adverse claims. Generally, the magnitude of the risk will affect the nature of underwriting. If the degree of risk is very high, the underwriting process will impose many conditions to be adhered to by an insured. Insurers will attempt to improve risks through taking underwriting measures.

The Acquired Immune Deficiency Syndrome (AIDS), has had an impact on the underwriting practice, not only in Kenya, but also in other Nations. In America, a study commissioned by the Society of Actuaries in 1984, stated that the cost of aids related deaths to the American Life Assurance Companies from existing policies could reach \$ 50 Billion by the turn of the century [Rutsohn and Law, 1991:65]. This resulted in Insurance Companies requiring all prospective and present clients to be tested for the Human Immunodeficiency Virus (HIV) as a condition for contract negotiation.

Due to the increased third party liability motor claims, AKI recommended new rates for both new business and renewals that were to be implemented by July 1, 1993. The recommended minimum third party policy for private cars was to be Kshs 6,000 up from between Kshs. 1500 and Kshs. 1800 in various insurance companies. For commercial vehicles, the minimum was to be between Kshs.10,000 and Kshs. 12,500 up from Kshs. 7,500 depending on the weight of the vehicles [Lugaga, 1993:10].

Hence, insurers attempt to improve risks through taking

underwriting measures as ones stated above. Likewise, due to the increased rate of motor accidents on the Kenyan roads, some insurance firms insisted on the age of the driver(s), his driving experience, age of the car and use to which the car is put should be strictly examined to ascertain the truth. Insurers asserted that it was one way of reducing the motor accidents on the roads [Mukhalu, 1992].

With the increased sophistication in the manner in which vehicles were being stolen, it had been known that some of the vehicles crossed the Kenyan and others broken down into spare parts, while others acquired a new local identity and found their way back on the Kenyan roads with a new number and owner. Vehicles of all ages and types had been vulnerable to theft, while trends showed that 70 per cent of all vehicle thefts occurred in Nairobi. This had been made worse by 'crooks' who insured non-existent vehicles and fraudulently lodged claims against insurance companies [Warutere, 1993:2]. The list of car makes, models and types stolen increased over the three years to include buses, trucks and motor cycles. With the steeply rising prices of vehicles, this made the insurance industry to experience losses in their motor accounts.

In spite of the negative consequences, it should be noted that Insurance companies underwriting motor business can count on having at least 75 per cent of their premium income from the motor business. [Mukhalu, 1992:22]

1.2. STATEMENT OF THE PROBLEM

In 1989, 544 vehicles were stolen, while in 1990 and 1991, 756 and 1,238 vehicles were stolen respectively. In 1992, 2,834 vehicles were reportedly stolen, reflecting a 421 per cent increase over the 1989 figure. The estimated value of the stolen vehicles in 1992 was Kshs. 428.4 million, based on a 'conservative' cost of Kshs. 350,000 per vehicle [Bennet, 1992]. Another serious dimension of the theft risk was the robbing of motorists at gun point by well armed robbers.

Needless to say, at least 10 vehicles were being stolen daily in Kenya by 1992, while insurance companies were estimated to be losing about Kshs. 1.5 Million every day from the theft claims [Mwangi, 1993:5].

In view of the above, what implications have these thefts had on the underwriting of motor insurance? What factors are considered important in the rating of motor vehicle vehicles as a result of the theft risk? These are the research questions that the study set out to investigate and which constituted the problem of the study.

1.3. OBJECTIVES OF THE STUDY

The main objectives of this study was to,

- i) Find out the rating factors considered important before a vehicle was insured as a result of the motor theft risk.

- ii) Find out the various underwriting measures insurers had taken as a result of the motor thefts in the period, 1989 - 1992.

1.4 IMPORTANCE OF THE STUDY

It's hoped that this study will be of help to the following institutions and people.

- 1) To insurance companies as they try to find a possible solution to the growing menace of theft that has affected their motor accounts, and try to improve on their underwriting measures.
- 2) To academics as it will serve as an eye opener in dealing with specific aspects of the underwriting practice.
- 3) To the general public, who will be interested in knowing how insurance firms have reacted to this threat.

1.5. DEFINITIONS OF SOME TERMS USED IN THIS PAPER.

- 1) Anti - Theft device: This is a gadget that is installed in a vehicle to scare off thieves by producing an alarm sound or immobilizing the vehicle during attempted theft or theft.
2. Accompanying Business: This is also referred to as supporting business or auxiliary

business. It implies that when one insures his vehicle, he has to insure other kinds of business with the same insurance firm.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1. INTRODUCTION

The literature reviewed in this chapter covers motor thefts. It also covers the classification of motor risks and insurance policies to cover them. It should be observed that very little has been done in research and publications in the area of motor vehicle thefts in Kenya even though the thefts have been reported daily in Kenya. This is unlike in the developed Nations where surveys have been conducted to establish the rate of motor vehicle thefts among Nations.

2.2 THE CONCEPT OF THEFT

Theft can be defined as the dishonest appropriation of property belonging to another, with the intention of permanently depriving the owner of his or her property [Hall, 1985:8/1]. The Kenya Penal Code CAP 63 section 268 (1) states that, one characteristic of theft is the intention to deprive the owner permanently of his property.

In motor insurance, the test of Theft is whether the owner of the vehicle consented or would have consented to the vehicle being taken by a person and not mere stealing of the vehicle itself.

From an insurance view, theft does not involve the stealing of the vehicle only, it could occur if thieves stole some of the accessories on or in the vehicle such as headlights, side-

mirrors, windows, wheel caps, radio - systems , wheels and other insured parts which are damaged during theft or attempted theft. If a vehicle is damaged while in the hands of thieves, the cost of repairing such damage will be paid by insurers under the 'Theft Section' of their policies. The cost of protection and removal to the nearest suitable repairer and back to the insured's last known address is also covered [Ellis and Mitchell, 1987].

2.2. UNDERWRITING AND UNDERWRITING PRACTICE

According to Canar [1978], underwriting is the process of sifting new proposals, of deciding whether or not the risk they outline are acceptable, and if so on what terms.

Underwriting is based on selection and rating. Selection implies that there are some acceptances and some rejections, or that not all the proposed risks are accepted for insurance. Rating of insurance contracts is another specialized part of the underwriting process. It's the pricing of insurance contracts whose rates (prices) are arrived at based on the claims experience.

A general description of underwriting then is the selection and rating of risks which are offered to an insurer.

Underwriting practice therefore implies the process adopted by insurance firms before an insurance contract can be accepted. It involves compliance by an insured with certain underwriting

measures before an insurer can accept a risk. The practice slightly differs from firm to firm, and the conditions are meant to impress upon a policy holder the seriousness with which insurers regard his or her risk, and to try and protect their business from adverse claims.

2.4. REVIEW OF THE MOTOR THEFTS IN THE PERIOD 1989 - 1992

Unlike the 1970's when car identity marks on windows headlights and a standard steering lock were adequate security measure, even the most elaborate system available in the market is no longer fool proof. More different methods have been used to steal more cars than ever before, and evidence showed that a growing number of thefts were linked by a well organized syndicate [Mbugua, 1991:31].

It was not just the sudden upsurge in the frequency of theft that was alarming, the type of cars, the methods of taking them and disposing them changed dramatically over the years. It also appeared that the police were yet to get to the core of the matter since the thefts did not seem to have subsided inspite of arrests being made [Bennet, 1993:2].

Theft of items from inside cars or exterior bits of the vehicles like headlights and wheel caps had been common for a long time, but theft of complete vehicles had hitherto been at a very low level, and mainly opportunistic, that is for use in other crimes

as 'gate - way' cars or for joy - riding. Such vehicles were usually abandoned within a few hours and recovered in some what ill treated conditions. A large proportion of these had been older vehicles, with less sophisticated door and steering locks, and often taken from back streets [Bennet, 1993].

The methods of stealing had been equally wide ranging, from crude window smashing, pre planned theft of keys, to gun point hijacking [Bennet, 1993:11]. Hence the most fashionable method of stealing vehicles had been no more complicated than using the car's own keys, thieves either acquired a matching key in advance, or walked up to the rightful owner and asked the motorist to hand over his vehicle at gun point. In this respect, the conventional anti theft devices were quite useless. Another aspect to the hijackings was that they did not take place in the dead of the night in deserted and derelict places, but any where from sub urban gardens to busy city center parks in broad day light.

By 1992, the trend had been towards the stealing of modern, expensive executive vehicles taken from any area they moved through or stopped, and unlike in the past when majority of the vehicles stolen were recovered, they disappeared for ever. It was estimated that more than 60 per cent of the vehicles stolen in 1992, were never recovered [Bennet, 1992:14].

A breakdown of the vehicles stolen showed that most were saloon cars, while buses, lorries, tankers and trailers were the least

stolen. For instance, between January and May 1992, 329 saloon cars had been stolen, followed by matatus and panel vans with 278 stolen, station wagons and vans, 165 stolen, pick ups, 80 stolen, buses and Lorries 19 stolen and 16 tankers and trailers were stolen [Warutere, 1992:31]. Information showed that while most of the recovered vehicles were found within the country, a few were recovered across the border in Tanzania. In January 1991, 26 out of the 77 vehicles recovered were found in Tanzania, while in March 1991, another 8 out of the total 62 were recovered in Tanzania [Mwangi, 1993].

Robbery of vehicles at gun point which put the life of the driver at risk increased in 1992. Between January and April that year, 225 vehicles were stolen at gun - point from motorists [Warutere, 1992]. In terms of the makes stolen, the favourite vehicles were the Toyota passenger cars and pick - ups. ONE out of SIX vehicles reportedly stolen in Nairobi during the first months of 1991, was a Toyota Corolla [Warutere, 1992]. The reason advanced to this was that the vehicles could be easily dismantled and spare parts finding their ways into shop shelves, where demand for such was high. Other makes stolen included Mitsubishi Pajero's, Nissans, Mercedes Benz, Land Rovers and other expensive makes [Warutere, 1992:2].

The percentage of vehicles recovered also declined. It had been reported that by 1992, more than 60 per cent of the cars stolen were never recovered [Bennet, 1992]. Around July 1992 when the theft crisis hit the press, especially theft of vehicles

belonging to diplomats, there was a security operation and the theft was reduced by more than 30 per cent, and the recovery rate increased nearly to 50 per cent. This measure never lasted for long, and the recovery rate declined to below 40 per cent given that more than 60 per cent were never recovered [Nduati, 1992:14].

Simple observation showed that there were vehicles plying the streets and other public roads with registration numbers that could not be possibly been allocated to that model. There had been new cars which had old registration numbers, there were unregistered vehicles in open displays in used car lots and many fully registered vehicles languishing in police pounds that had remained unclaimed. If the superficial signs were as glaring as that, what then was going on under the surface? It seemed that all the systems from the law enforcers, the motorists and insurance firms appeared to be guilty of gross negligence and inefficiency, with some containing a degree of internal collusion with thieves and a few seemed ready to make the commitment of time, cost and effort which a problem of that magnitude warranted.

It should be noted that some of these thefts that were reported daily had to be treated with caution. The reason being that there's an underwriting lapse by our insurance firms. It's true that during the underwriting of motor vehicles, very few and infact none of the insurance firms ever made an effort to

establish whether the vehicle being insured was actually existing or not. There main emphasis during the insuring process seemed to be the ability of an individual to accept the conditions imposed and pay premium, thereby no inspection of the vehicle was warranted.

Given that as long as a person had particulars such as a registration number, log book and other related papers to 'prove' he had a vehicle, insurers would not be willing to know whether the vehicle actually existed. This was compounded by the fact that motor theft is quite different from motor accident. Whereas in motor accident, the vehicle whether in a wreck form or not, is still existing, in motor theft, the vehicle is not there, and this is where problems arises. The 'insured' would report his vehicle as stolen while in actual sense it wasn't existing in the first place. So long as a police statement was presented to the insuring company, the insurer had no choice but 'compensate' the insured who had fraudulently lodged claims [Warutere, 1993:2].

What the insurers were encountering was the possibility that an insured vehicle was:-

- i) Actually stolen
- ii) Hidden by the insured and later reported as stolen.
- iii) Actually not there during the time the policy was effected.

It would not be a surprise if the real average number of vehicles

stolen per day by 1992 was less than 10. Hence the conditions that were imposed by the insurers as a result of the 'thefts' have to be re-evaluated as a result of the above factor.

An international survey carried out in 1992 covering 14 countries in Europe, showed that car theft incidences had been on the rise. England and Wales were close to the top of the league table in car theft, just behind France and Australia. The survey found that in Germany and Netherlands, which had even higher vehicle densities than Britain, the experience of theft was less than a quarter of the thefts in the United Kingdom [Falush, 1991:11].

Another study by the Association of British Insurers (ABI), showed that Spain had the highest percentage (14.6%) of car vandalism in 1992, followed by the United States with 9.7%, Canada 8.1%, Australia 7.8%, Scotland 7.7% and England 7.3%. The findings of the survey showed that with some notable exceptions such as Switzerland, car crimes were sustained by a wide variety of targets. In countries where there were very many bicycles, there were more thefts of these. This explained the low car theft rate in the Netherlands, where the wide availability of bicycles made these a much more convenient target [Falush, 1992:12].

Another study done in Britain, showed that motor theft increased in 1992 by 18% on the top of the rise of 104% during the 1980's. A later study by the crime prevention unit found that while theft and unauthorized taking of vehicles grew, theft of property from

vehicles grew even faster [Falush, 1992:21]. In Britain by 1992, the ratio was 34 thefts per 1000 vehicles a year, against 17 per 1000 in 1980 [Cannar, 1992:11].

Evidence from Germany in 1990 showed that the rate of vehicle theft per 100,000 inhabitants was 115 against 974 in England and Wales. However, theft from Germany vehicles continued to grow with a level similar to that of England and Wales [Falush, 1992:3].

In Kenya, it was estimated that by 1992, the theft had increased by 70 per cent and trends indicated that it would surpass the 100 per cent level. [Mwangi,1993:4].

What the police and insurers have been addressing and what motorists have been aware is that they have not only been dealing with hooligans, but with a very increasingly professional and evidently highly organized opposition, not only in Kenya, but through out the world. All the conventional control systems seem to have been breached and routinely by passed by both free-lance and syndicated car theft operations.

When the thefts were noticed in the middle of 1989, insurance companies had to adopt a new kind of development. This was by offering discounts on premiums for motor vehicles which had been fitted with specific anti theft devices. During the period, one insurance company could not insure a Mitsubishi Pajero (This is the time they were being stolen most) unless it had been fitted

with an anti - theft device [Mbugua, 1991:31].

A good number of insurance companies offered such discounts, while a few others offered excess requirements on claims in case a vehicle was stolen and it had been fitted with the recommended anti-theft device. The American Life Insurance Company (ALICO) waived a 10 per cent excess on theft claims in such cases. However, the company insisted that at least two security gadgets certified by the Automobile Association (AA) should be fitted in the vehicle. Other companies also offered premium discounts and/or waived the excess [Source: Executive, 1991:23]. By 1992, most firms had done away with the waiver on the claims excesses by raising the motor theft excesses by between 20 - 25 per cent as a result of the increased motor thefts [Warutere, 1992]. The number of recommended anti - theft devices also increased and others discarded by insurance firms [Mbugua, 1991:32].

Some firms did away with the No Claim discounts. Hence, when a motor vehicle was stolen, the owner not only lost the convenience available, especially with a private car, in most cases the owner lost the 'No- Claim' discount and had to pay the excess requirement which could be upto 25 per cent of the value of the car, depending on the policy of the insurance company. For instance, in 1991, a Mitsubishi Pajero valued at Kshs. 1,000,000 would be given a comprehensive insurance cover by one insurance company at an annual premium of Kshs. 85,000 . In addition to the premium, the policy holder was bound to pay an

excess of 2.5 per cent of the value for a theft claim. If the Pajero was stolen, the owner was required to pay up Kshs. 25,000 as excess before he could get the difference of Kshs. 975,000 [Mbugua, 1991:31].

In 1992, the Association of Kenya Insurers (AKI), came up with a new underwriting measure that was to be adopted by insurance firms. The new measure was to protect the firms from adverse claims resulting from motor thefts. The measure involved motor valuation and the type of anti-theft devices required. Before the new rule of the type of anti-theft devices, insurance companies were merely insisting that motorists install vehicle security systems before they could provide cover. They recommended lists of alarm systems on an ad-hoc basis. This move resulted in several consequences:-

- 1) The increase in demand led to large number of vehicle security systems flooding the market without any control on quality and performance.
- 2). Insurance companies approved any system which appeared to them as 'Good'. No technical assessment was made and consequently virtually any system which appeared 'Good' was approved.
- 3) Insurance companies and brokers were unable to maintain upto date lists of approved systems, and consequently the procedure of lists of approved systems broke down. So long as a system was present, cover was given.

The new rule was to bring order into the insurance and the anti theft gadget industries. It recommended that:-

- a) All vehicles irrespective of value were to have car identity.
- b) Vehicles valued upto Kshs. 150,000 were to have a visual deterrent such as a steering clamp and reverse gear lock, while an audio alarm was to be fitted if there were attractive accessories on or in the vehicle.
- c) Vehicles valued at Kshs. 150,000 to Kshs 300,000 were to have an engine immobilization device plus an audio alarm if attractive accessories were fitted.
- d) Vehicles valued from Kshs. 500,000 to Kshs. 700,000 were to have an approved remote controlled alarm system.
- e) Vehicles valued above Kshs.700,000 were to have more elaborate protective systems. The system had to include a reverse gear lock or Mul -T-Lock and visual identification.

The rule went on to state that a joint Association of Kenya Insurers and the Kenya Motor Industry Association would maintain a list of suppliers of approved anti theft devices which were already in the market. The procedure for approval of gadgets would be to submit to the Kenya Motor Industry Association, who

would provide recommendations to AKI as to the effectiveness of the gadgets before AKI made it a recommended device [Makokha, 1993:16].

It was also recommended that vehicles valued below Kshs. 100,000 could not be expected to be fitted with anti-theft devices which were averaging Kshs. 15,000 or more in the market. Such vehicles it was noted, would be difficult to be insured. Some companies even imposed a more elaborate measure where all vehicles regardless of value or class were to be fitted with anti theft devices before they could be insured.

Other insurance companies contemplated doing away with motor theft cover altogether as a result of the big losses experienced in their motor accounts. Other firms considered whether to provide limited cover or not to insure vehicles at all [Makokha, 1993:15]. Although the above measures were effected, firms continued to increase their premium rates. According to AKI, the increase in premiums was attributed to the fact that the thefts escalated to a level no one anticipated. Insurance companies then treated the theft threat as a high risk, and even if conditions were imposed to motorists, the premiums were bound to increase. It was estimated that by the end of 1992, the premiums had increased by 20 per cent up from 5 per cent in 1991 [Bennet, 1993].

A study done in Britain, showed that in 1992, 86 per cent of the vehicles in Britain had been fitted with some form of anti -

theft devices as demanded by insurance firms [Falush, 1991]. In America, the motor insurance industry introduced the theft excesses, imposed rating loadings on target vehicles and in some cases, withdrew from certain sectors of the market. There was considerable improvement in the detection of fraudulent theft claims as a result of the improved and more detailed information. The loadings for un-garaged cars in certain inner city areas of America was undertaken by the insurance firms [Woodward, 1992:27]. Firms also offered incentives for fitting quality alarms, and security devices was taken as part of the insurance package. In Germany, the insurance industry insisted on taking specific security measures such as the standard coding of audio equipment in vehicles [Morton, 1991:13]. In 1990, the Association of British Insurers (ABI) undertook a searching review of the vehicle rating system which was likely to favour those models which incorporated features such as alarms, locking wheel nuts and sophisticated door locks. This involved the etching of a 17 digit vehicle identification number on windscreens [Sebastian, 1990:6]. Such a move had already been put in use in the United States, Japan and South Africa. The system had a unique and clearly visible number which incorporated information such as the make and place of manufacture of the vehicle. Fixed on the windscreen, just behind the dashboard where it was bonded to the body work. It proved a major exercise in curbing theft to a large extent [Sebastian, 1990:7].

2.5. CLASSIFICATION OF MOTOR RISKS AND INSURANCE POLICIES TO COVER THEM

Insurance of the motor vehicle risks has been adopted to deal with the 'motor vehicle problem'. Motor vehicles can largely be divide into two classes for insurance purposes. The private motor vehicle and the commercial motor vehicle policies. Although there are different policies for the two classes of vehicles, the policies issued tend to cover the same risks. The type of policy that an individual purchases has got a bearing on the type of needs that are to be catered for.

Although there are three (3) policies that are issued by insurance companies in Kenya, the only relevant policies that take care of motor thefts are :

- (1) Third party fire and theft
- (2) Comprehensive policies

The insurance (Motor Vehicle Third Parties Risk) Cap 405, Laws of Kenya, which deals with third party liability, and has no cover for the loss or damage to the policy holder's car. It's the minimum cover a policyholder can get from an insurance company.

2.5.1. THIRD PARTY FIRE AND THEFT COVER

The disadvantage of third party only policy is that it does not provide any cover for the loss or damage to the policy holder's

car. The Third Party Fire and Theft cover is not a statutory requirement.

The Kenya Penal Code CAP 63, section 268 (1), includes in its definition of theft, the words, '..... the intention of permanently depriving'. It's then usual to include loss or damage caused by unauthorized use of the vehicle under this policy. If a vehicle is damaged while in the hands of thieves or during the course of attempted theft, the cost of repairing such damage will be paid by the insurers under the 'theft' section of their policy. The cost of protection and removal to the nearest suitable repairer and back to the insured's last known address is also covered [Pellat and Ransom, 1991:3/2].

The insurers will also pay the cost of repairs or compensate the policy holder if the car is;

- a) Damaged by fire, lightning or explosion.
- b) Damaged during attempted theft or when the car is stolen.
- c) Stolen but not recovered.

In addition, the insurance includes the car's spare parts and accessories while kept in or on the car, or while in the insured's garage. If the car is damaged beyond economic repair, or stolen and not recovered, the insurer will negotiate a total loss settlement with the policy holder. The maximum amount payable in these circumstances is the market value of the car, or

the amount for which the car is insured, which ever is less. Another option which insurers have in accordance with the terms of their policies, is to replace the car, but they rarely make use of this option if the car is more than a year old, depending on a company's policy on the age and payment of the stolen or damaged vehicle. Most insurers in Kenya, usually pay the sum insured because the market prices of the vehicles are usually more than the sum insured at the time of loss.

Exceptions to Third Party Fire and Theft Policies

All insurance policies do contain exceptions. Their purpose is to make clear to all concerned what the policy does and doesn't cover. As for attempted theft or actual theft, the insurer isn't liable;

- 1) Unless the person who claims indemnity under the policy observes the terms of the policy as they apply to him. This is a condition precedent to indemnity. This clause applies both to the policy holder and others who may drive the car or who may claim indemnity even if they were not driving. Hence, if a private vehicle was used for taxi business against the terms of the policy, in case the vehicle was stolen, an insurance firm would repudiate the contract for breach of the policy terms.

- 2) If the person claiming indemnity is entitled to indemnity

under any other policy. This is due to the principle of the contribution condition. In case a policy holder's vehicle is damaged during an attempted theft or stolen and not recovered and it's established that he had another insurance policy covering the same risk, the insurer will not pay the whole amount because of the contribution principle.

- 3) For any loss or damage which occurs while the vehicle insured is being used for purposes outside the description of use in the certificate of Motor Insurance. If a private vehicle is damaged during attempted theft or stolen while it was engaged in commercial purposes like taxi driving, the insurer will not be liable.
- 4) For the consequences of war, invasion, act of foreign enemy, civil war, rebellion, revolution, except so far as it's necessary to meet the requirements of the Road Traffic Act.
- 5) For any loss or damage arising during or in consequence of earthquake, riot or civil commotion.

In addition to those general exceptions, insurers usually apply the following exceptions:

- i) Loss of use, depreciation, wear and tear, mechanical or electrical breakdowns or failures. This is because the purpose of insurance is to provide protection against

unforeseen accidents and do not provide a maintenance contract.

- ii) Damage to tyres by braking, road punctures, cuts or bursts.

The exclusions are common to Third Party Fire and Theft and Comprehensive policies (Ellis and Mitchel, 1987 : 312). They sometimes seem unnecessary particularly in a Third Party Policy providing only fire and theft cover on the insured's car, but their inclusion makes the position clear if circumstances are such that they do apply.

2.5.2 COMPREHENSIVE COVER

Comprehensive cover means that the policy covers many risks, not that it covers all the misfortunes which a motorist may meet. The majority of car owners choose this form of cover. It should be observed that this type of cover varies from company to company. Comprehensive coverage as it applies to private cars, covers all losses to the insured's vehicles other than collision, subject to certain exclusions [Bickelhaupt, 1983:630]. With the exception of collision losses, comprehensive physical damage is virtually an all risk physical damage coverage. Protection is offered for any direct and accidental loss to ones car, including its parts and equipments [Ellis and Mitchell, 1987:4/7].

To clarify what's meant by comprehensive, the contract could

specify certain sources of loss which are to be construed as comprehensive and not as collision. Thus breakage of glass or loss caused by falling objects, fire, theft or attempted theft, explosion, vandalism, or malicious mischief are to be construed as comprehensive.

The two main sections in a comprehensive policy are:-

- a) One covering liabilities to Third parties and;
- b) One covering damage to or loss to the policy holders cars. This is also called the 'own damage' section. It's the section that deals with motor theft and other motor risks listed above.

Exceptions to 'Own Damage' section.

The exceptions mentioned in connection with Third Party Fire and Theft covers, also applies in the own damage section of the comprehensive policy.

2.6.A SIMILAR STUDY

A related study as one carried out in this study was by the British National Automobile Theft Bureau in 1991. It investigated the underwriting practices by British Insurance firms as a result of the theft risk in the period, 1985 - 1991, and the rating factors that were considered important by the insurers before vehicles were insured. The study showed that 92

per cent of the insurance firms had introduced theft excesses, while 40 per cent had withdrawn from certain sectors of the loadings on target vehicles (i.e. vehicles stolen most). Another aspect was that 64 per cent of the firms offered incentives for fitting quality alarms and security devices as part of the insurance package. It also found out that 99 per cent of the firms surveyed had increased loadings for un-garaged cars in certain inner city areas of Britain [Woodward, 1992:28].

In analysing the rating factors insurers regarded as important, factor analysis was used. The study found out that, of the 15 rating factors that were listed, gender (sex), location, top speed of the vehicle, imported vehicles and age of the drivers as the most important factors considered by the British insurers [Woodward, 1992:29]. The reasons advanced for the importance of gender and age was that for certain age groups, women made fewer theft claims than men, and their claims tended to be of lower value. The study found that both joy riders and professional thieves stole mostly imported vehicles such as Astra GTE's and Peugeot 205 GTI's and other flashy vehicles with speed of over 240 miles per hour.

CHAPTER 3

3.0. RESEARCH DESIGN

This was a study that investigated the implications of motor thefts to the underwriting practice in Kenya in the period, 1989 - 1992, and the rating factors considered by insurance firms before a vehicle was insured due to the increased nature of the motor thefts.

3.1 THE POPULATION

The population of interest in this study consisted of all insurance firms underwriting motor business in Kenya by December 1992. A list of these companies was obtained from the office of the commissioner of insurance. By 1992, the total insurance companies that were underwriting motor insurance were 35. [See Appendix 1].

The 35 Insurance Companies were contacted. This was because the population was small and also to make concrete generalizations from the data analysis. Only 30 insurance firms responded by the time of the deadline and their response was the one that was used in the data analysis.

3.2. DATA COLLECTION METHOD

A questionnaire [See Appendix 2B] was used to collect the necessary information. The questions asked were derived from the objectives of the study and the literature reviewed. The

questionnaire was to try and find out the motor rating factors that were considered before a vehicle could be insured, and the various underwriting measures insurance firms had taken as a result of the motor thefts. It also tried to find out whether or not in the insurers opinion, the underwriting measures had any positive effect so far.

Secondary data was collected from the Association of Kenya Insurers office, specifically industry wide data on vehicle thefts and losses to insurers.

3.3 DATA ANALYSIS

Descriptive statistics was used in the analysis of the data obtained. Factor analysis was used to determine the most important factors insurers used for motor rating. The analysis was performed on the seventeen (17) attributes. To examine the factors, the attributes were ranked on the basis of the highest average importance rating on a five point scale, thus achieving the first objective.

Since the study was an investigative one, proportions, percentages, simple frequency tabulations were used in order to achieve the second objective. For example, percentages were used to determine the extent to which certain organizations undertook a particular underwriting measure.

CHAPTER 4.

4.0. DATA ANALYSIS AND PRESENTATION OF FINDINGS.

This chapter documents and discusses the findings on the specific areas of inquiry of the study. Results have been summarized and presented by the use of tables, the major method of analysis being the use of proportions. Factor analysis has also been used to give results on the important rating motor rating factors due to the motor vehicle thefts in period, 1989 - 1992.

4.1. THE RESPONSE RATE.

The effective response rate of the questionnaires of the insurance companies was 85.7%. Out of the 35 questionnaires to the insurance companies, 30 were returned within the time limit set. Of the 30 which were received within the time limitation, 5 could not be used as they were not fully completed as some crucial information was left out.

4.2. PRESENTATION OF FINDINGS.

Two major questions were raised in the statement of the problem that was researched in this study. Presented are the findings that go towards answering these questions.

4.2.1 FACTOR ANALYSIS

Factor analysis was done on question 2 of the questionnaire. The table below shows the statements in the questionnaire.

TABLE 1. THE MOTOR RATING FACTORS.

STATEMENTS IN THE QUESTIONNAIRE

1. The use to which the vehicle is put.
 2. The type of car.
 3. Presentation of relevant documents such as a log book.
 4. Age of the driver.
 5. Claims/Insurance history.
 6. The cover required.
 7. Ownership of the vehicle.
 8. Cubic capacity of the vehicle.
 9. Range from policy holder's home base.
 10. Value of the vehicle.
 11. policy holder's gender.
 12. Nature of the risk.
 13. Make of the vehicle.
 14. Model of the vehicle.
 15. The acceleration/Top speed of the car.
 16. Whether the vehicle is an imported one or not.
 17. District of garage.
-

TABLE 2.

The table below shows the summary statistics relating to the variables (factors) of question 2 of the questionnaire. It gives the averages, modes and standard deviations.

SUMMARY STATISTICS OF THE MOTOR RATING FACTORS

SUMMARY STATISTICS.

	Average	Mode	standard deviation.
1.	3.3	4	1.34
2.	4.4	5	.97
3.	3.8	4	1.11
4.	2.3	1	1.00
5.	4.1	5	1.21
6.	4.4	5	.93
7.	4.1	5	1.12
8.	3.0	4	1.22
9.	2.9	2	1.39
10.	4.9	5	.44
11.	1.5	1	.98
12.	4.6	5	.97
13.	4.7	5	.76
14.	4.4	5	.97
15.	1.9	1	.90
16.	1.7	1	1.01
17.	4.0	5	1.43

From the table, insurers rated the following statements as very important or important, 2, 5, 6, 7, 10, 12, 13, 14 and 17. Thus, insurers rated the type of car, claims or insurance history, the cover required, ownership of the vehicle, value of the vehicle, nature of the risk, make of the vehicle, model of the vehicle and district of garage as very important or important rating factors due to the theft risk.

Insurers however rated the following statements as very unimportant or unimportant, 4, 11, 15 and 16. Thus the age of the

driver, policy holder's gender, the acceleration/top speed of the car and whether the vehicle is an imported one or not, were rated as very unimportant or unimportant rating factors.

On average, insurers neither rated the following statements as very unimportant nor very important, 1, 3 and 8. Hence, the use to which the car is put, presentation of relevant documents such as a log book and a registration number and cubic capacity of the vehicle were neither rated as very important or very unimportant.

An analysis of the mode of each question, indicated that insurers rated the following statements as very important, the type of the car, claims/insurance history, cover required, ownership of the vehicle, value of the car, nature of the risk, make of the vehicle, model of the vehicle and district of garage.

The mode of response to the 17 motor rating factors implied that insurers agreed that most statements were very important or important except for statements 4, 9, 11, 15 and 16 which were rated as very unimportant or unimportant.

The standard deviation tries to justify the responses of the insurers, whereby the lower the standard deviation, the better the variable in determining the importance of the factors. Hence insurers agreed that factors 6, 10, 11, 12, 13, 14 and 15 were important rating factors as exhibited in their low standard deviations.

TABLE 3.

CORRELATION MATRIX OF THE MOTOR RATING FACTORS

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.	
1.	1	-.11	.55	.53	.28	-.12	.12	.51	.26	.14	-.06	-.19	-.27	-.01	.03	.05	-.24
2.		1	.18	-.01	-.03	.52	.43	.29	.46	-.07	-.14	.51	.37	.36	.16	.05	.45
3.			1	.48	.31	.19	.38	.32	.09	-.07	.16	.06	-.26	.06	.05	.19	-.25
4.				1	.64	.13	.18	.05	.00	.07	.07	.18	-.10	.09	.07	.09	-.29
5.					1	.08	.36	.09	.20	-.02	.15	.07	-.16	-.10	.31	.31	-.11
6.						1	.49	.04	.24	.34	.05	.73	-.10	.28	.07	.29	.31
7.							1	.29	.54	.21	.30	.49	-.20	.07	.23	.23	.25
8.								1	.56	.16	.00	.00	.09	.22	.24	.36	.03
9.									1	.25	-.02	.18	.12	-.02	.30	.15	.39
10.										1	.15	.37	.25	.02	-.26	.19	.20
11.											1	.14	-.23	.18	.07	.04	.14
12.												1	.10	.24	-.06	.16	.36
13.													1	.31	-.32	.02	.31
14.														1	-.19	.28	.26
15.															1	-.14	.20
16.																1	.08
17.																	1

The correlation matrix table which was the basis of generating the factors, variables (factors) 1 and 3, 1 and 4, 2 and 12, 7 and 9 and 8 and 9 were found to have a fairly high positive correlation. While factors 4 and 5, 6 and 12 were found to have a positively high correlation. For instance, the cover required correlated highly with the nature of the risk.

A further look at the correlation matrix table showed that factors 4 and 9, 8 and 11, 8 and 12 had no correlation at all i.e. uncorrelated. For example, the cubic capacity of the vehicle was found to be uncorrelated (100%) with the policy holder's gender.

Variables 1 and 17, 3 and 17, 4 and 17, 10 and 15, 11 and 13, 13 and 15, were found to be weakly negatively correlated while variables 3 and 4, 3 and 7, 2 and 7, 5 and 7, 7 and 12, 8 and 16, 9 and 15, 10 and 12, 12 and 17, 13 and 17, were found to be positively weakly correlated with the rest of the variables.

* Factor analysis procedure, extracts principal components from a correlation matrix. It's also a technique of analysis of studies of interdependence where the variables have equal chance, and the analyst is mainly concerned with the set of relationships among variables.

TABLE 4. COMMUNALITIES OF THE MOTOR RATING FACTORS.

VARIABLE	COMMUNALITY* (PLACED IN VARIABLE COMMUNALS)
1.	.77
2.	.90
3.	.67
4.	.77
5.	.54
6.	.75
7.	.73
8.	.84
9.	.84
10.	.89
11.	.76
12.	.83
13.	.69
14.	.80
15.	.74
16.	.44
17.	.66

*Communalities tell you what proportion of the variability of each variable (factor) is shared with the other variables in the data. For example, 90% of variable (factor) 3 is involved in the 17 factors. It can then be deduced that variable 5 ranks low in terms of its contribution to the factors.

TABLE 5. EIGEN VALUES OF THE MOTOR RATING FACTORS.

FACTOR	EIGEN VALUE*	PERCENT VARIATION	CUMMULATIVE PERCENT
1.	3.86	22.7	22.7
2.	2.92	17.2	39.9
3.	1.74	10.2	50.1
4.	1.71	10.0	60.2
5.	1.28	7.5	67.7
6.	1.15	6.8	74.5
7.	.98	6.0	80.5
8.	.93	5.5	86.0
9.	.64	3.8	89.7
10.	.47	2.8	92.5
11.	.40	2.4	94.9
12.	.28	1.7	96.5
13.	.23	1.4	97.9
14.	.15	.9	98.8
15.	.11	.7	99.5
16.	.07	.4	99.9
17.	.02	.1	100.0

The statistics in table 5 indicate how well each of the factors identified, fit the data from all the respondents on all the rating factors. For example, factor 1 explains 22.7% of the total variation, or 39.9% of the variability is accounted for by the first two factors e.t.c.

In this measure the highest eigen values which were extracted were six (6) principal factors i.e. factors 1, 2, 3, 4, 5, and 6.

* The eigen values are proportional to the variance accounted for by each of the factors. By choosing the highest eigen values the analyst can decide which factors to extract for further analysis.

TABLE 6 INITIAL FACTOR MATRIX OF THE SIX PRINCIPAL FACTORS AND THE SEVENTEEN MOTOR RATING FACTORS

	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5	FACTOR 6
1.	.25	-.72	.04	-.43	.09	-.08
2.	.65	.41	.25	-.07	-.50	-.07
3.	.43	-.61	-.15	-.08	-.26	.13
4.	.33	-.62	-.37	-.01	-.25	-.27
5.	.38	-.57	-.06	.19	-.04	-.15
6.	.70	.26	-.27	.30	.11	-.15
7.	.78	-.10	.08	.30	.12	.02
8.	.52	-.23	.37	-.56	.13	.23
9.	.65	.03	.60	.11	.27	-.15
10.	.35	.19	-.36	-.21	.68	-.30
11.	.21	-.09	-.22	.39	.36	-.61
12.	.65	.37	-.35	.29	-.05	-.24
13.	.05	.57	-.05	-.57	-.11	-.18
14.	.35	.30	-.31	-.31	-.34	.52
15.	.23	-.23	.68	.41	-.08	.06
16.	.43	-.06	-.29	-.25	.13	.29
17.	.41	.61	.27	.11	.13	.11

The table above shows the correlations between the six (6) principal factors extracted and the 17 variables. The first principal factor loads heavily on variables 2, 6, 7, 8, 9 and 12, while the second principal factor loads heavily on variables 1, 3, 4, 5 and 13. Factor three loads heavily on variables 9 and 15, while the fourth factor loads heavily on variable 13. The fifth principal factor loads heavily on variables 2 and 10, while factor 6 loads heavily on variables 11 and 14.

TABLE 7. THE FINAL VARIMAX ROTATED FACTOR MATRIX OF THE SIX PRINCIPAL FACTORS AND THE SEVENTEEN MOTOR RATING FACTORS.

FACTORS	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5	FACTOR 6
1.	-.30	.70	.41	.04	-.05	.15
2.	.66	-.06	.35	.30	-.37	-.33
3.	.07	.73	.16	.25	.13	-.15
4.	.16	.65	-.10	.01	-.05	.06
5.	.18	.84	.13	-.17	.20	-.04
6.	.84	.11	.02	.13	.06	.11
7.	.61	.25	.43	-.02	.34	.01
8.	-.12	.21	.82	.34	-.04	.04
9.	.29	-.01	.86	-.11	-.07	.08
10.	.25	-.03	.19	-.04	.04	.89
11.	.10	-.04	.01	.21	-.84	.08
12.	.88	.04	-.06	.10	.01	-.06
13.	.09	-.34	.09	.34	.62	.25
14.	.21	-.05	.01	.87	.01	-.06
15.	.13	.05	.44	-.38	.24	-.57
16.	.12	.20	.20	.48	.19	.28
17.	.49	-.53	.35	.11	.05	-.01

The final varimax rotated factor table gives the revised initial factor matrix after it had been orthogonally rotated using the varimax procedure. This procedure tries to simplify the columns of factor matrix by making all the values close to either 0 or 1.

The matrix table gives the terminal solution of the factors. Since it's an orthogonal factor matrix, it represents both a pattern and structure matrix, i.e. the coefficients in the matrix both represent regression weights and correlation coefficients. The loadings in a given row represent regression coefficients of factors that describe a given variable.

In the final varimax rotated matrix table, variables 2, 6, 7 and 12 load heavily on principal factor 1, variables 1, 3, 4 and 5 load heavily on principal factor 2. Factor 3 loads heavily on variables 8 and 9, while factor 4 loads heavily on variable 14, factor 5 loads heavily on variables 11 and 13. Finally, principal factor 6 loads heavily on variable 10 and 15.

The implications of the varimax rotated factor matrix is shown in table 8.

TABLE 8 THE SIX PRINCIPAL FACTORS AS RELATED TO THE SEVENTEEN
MOTOR RATING FACTORS

1. The following motor rating factors will make factor 1.
 - i) Nature of the risk.
 - ii) The cover required.
 - iii) The type of car.
 - iv) Ownership of the vehicle.
 2. The following motor rating factors will make factor 2.
 - i) Claims/Insurance history.
 - ii) Presentation of relevant documents such as a log book and registration number.
 - iii) Age of the driver.
 - iv) The use to which the vehicle is put.
 3. The following motor rating factors will make factor 3.
 - i) Range from the policy holder's home base.
 - ii) Cubic capacity of the vehicle.
 4. Factor 4 arises out of the following factor.
 - i) Model of the vehicle.
 5. Factor 5 arises out of the following factors.
 - i) Make of the vehicle.
 - ii) Policy holder's gender.
 6. Factor 6 arises out of the following.
 - i) Value of the vehicle.
 - ii) Acceleration/Top speed of the car.
-

Table 8 relates the 6 principal factors to the 17 factors or statements in the questionnaire.

The first factor which was extracted, shows that the nature of the risk was the most important motor rating factor, followed by the cover required, next was the type of the car and lastly, ownership of the vehicle. This implies that from the first principal factor, nature of the risk was the most important rating factor, though the other three (3) factors were equally important during the motor insuring process.

The most important motor rating factor under the principal factor 2 was the claims or insurance history, next was the presentation of relevant motor documents such as a log book, followed by the use to which the vehicle is put. Hence, the most important rating factor as a result of the motor thefts arising from factor 2 was the claims or insurance history.

This reasoning will apply to principal factors 3, 4, 5 and 6, and hence, the most important motor rating factors insurers considered before insuring vehicles were:-

- a) Nature of the risk.
- b) Claims/Insurance history.
- c) Range from policy holder's home base.
- d) Model of the vehicle.
- e) make of the vehicle.
- f) Value of the vehicle.

4.3.1 UNDERWRITING MEASURES TAKEN AS A RESULT OF MOTOR THEFTS

It was found that the following were the underwriting measures insurance companies had taken as a result of the motor theft in the period, 1989 - 1992.

TABLE 9. UNDERWRITING MEASURES.

Underwriting Measure taken.	: Number of companies that took the the measure.	: Percentage :
Motor Valuation.	25	100%
Installation of Anti-theft devices.	25	100%
Restriction of cover.	0	0%
Accompanying Business.	15	60%
Premium Loadings.	25	100%
Increase in Excesses.	25	100%
Inspection of vehicles before insuring.	0	0%
Removal of the NCD.	16	64%
Offering premium discounts due to the installation of anti-theft devices.	12	48%
N = 25		

The table shows that all insurers have undertaken the following underwriting measures; Motor valuation, installation of anti - theft devices, premium loadings and increase in excesses. 42.9% of the insurance companies had indicated the removal of the NCD, while 48% indicated offering premium discounts due to the

installation of anti - theft devices. Only 42.9% had indicated that they had taken accompanying business as an underwriting measure.

None had undertaken restriction of cover and inspection of vehicles before insuring them as underwriting measures.

The reasons why all insurance firms had demanded the installation of anti-theft devices and motor valuation was that,

- i) AKI had recommended that such measures had to be taken in order to reduce the escalating thefts in that period.
- ii) It was the only way of minimizing the rate at which the motor vehicles were being stolen.

Although the insurance companies indicated that they never had any inspection unit or department, to avoid fraudulent claims, they acquired the services of motor investigators and assessors to establish whether the insured suffered loss or not.

TABLE 10. MOTOR VALUATION

Minimum value of vehicles required for motor insurance (Kshs.)	Number of companies.	Percentage
No minimum value required.	18	72%
Kshs. 35,000	1	4%
Kshs. 50,000	1	4%
Kshs. 100,000	5	20%
	N = 25	100%

The majority of the companies (72%) indicated that they did not

have any minimum values for vehicles to qualify for insurance, while one company (4%) had set its minimum value at Kshs. 35,000, while another company (4%) had indicated the minimum value of Kshs. 50,000, while 20% had indicated the minimum value as Kshs. 100,000.

The reasons given by insurance companies as to why no minimum value was required was that:

- i). They had to accept or cater for every group of persons who came for insurance for their vehicles, hence no discrimination.
- ii). All vehicles whether old or new were being stolen regardless of their values and hence there was no need for minimum values.

TABLE 11. VALUE OF VEHICLES AND INSTALLATION OF ANTI - THEFT DEVICES

Minimum value required for a vehicle to be fitted with an anti-theft device. (Kshs)	Number of companies	Percentage
No minimum value required	19	76%
Kshs. 100,000	4	16%
Kshs. 150,000	2	8%
	N = 25	100%

Majority of the insurance companies (76%) indicated that there was no minimum value required for a vehicle to be fitted with an

anti - theft device, while 16% indicated Kshs. 100,000 as the minimum value and 8% indicated Kshs. 150,000 as the minimum value for a vehicle to be fitted with an anti theft device.

All the firms indicated that all the anti-theft devices fitted in vehicles were recommended by AKI and they had to have the following security features:

1. Reverse Lock.
2. Engine Immobilizer.
3. Alarm Systems.

Reasons for

Although all the firms had indicated that fitting anti theft devices was a pre -requisite for motor insurance, 52% of the companies indicated that no technical assessment had been done locally to warrant the effective functioning of the recommended anti theft devices. Only 48% indicated that technical assessment had been done locally. This was done through meetings with security firms and shown how the security gadgets performed.

No company had indicated that it had done away with any of the motor covers. The reasons advanced to it were:-

- i) Clients chose any cover they wanted, and therefore the companies could not restrict cover.
- ii) The level of car thefts although high, could be reduced by other measures such as policy - excess, anti - theft devices and high premiums, thereby not affecting the profitability of the company.

iii). The motor accounts are one of the highest earning insurance accounts in terms of profitability.

TABLE 12 ACCOMPANYING BUSINESS DUE TO THE MOTOR THEFT RISKS

Type of accompanying business.	Number of companies.	Percentage.
1. Personal Accident	6	24%
2. Domestic Package	12	48%
3. Life Assurance	4	16%
4. Fire Insurance	15	60%
5. Workmen's Compensation	4	16%
6. Engineering Policies	1	4%
7. Cash in Transit	1	4%
8. No accompanying Business.	5	20%

From the above table, majority of the companies offered fire insurance (60%) as an accompanying business, domestic package was offered by 48% of the companies, 44% offered Burglary insurance, Personal accident policies were indicated by 24% of the insurance companies, 20% of the insurance firms indicated that they did not offer any accompanying business, while Life Assurance and Workmen's Compensation was offered by 16% of the insurance companies. 4% of the the companies indicated that Engineering and cash in Transit policies were issued as accompanying businesses.

Fire insurance and Domestic package were the most popular in terms of people purchasing them as accompanying businesses. The main reason for their popularity was that attributed to the fact

that in most cases, the premiums charged were quite affordable to the majority of the motorists.

TABLE 13. HIGHEST PREMIUM LOADINGS AND TYPE OF VEHICLES

TYPE OF VEHICLES :	NUMBER OF COMPANIES :	PERCENTAGE :
1. Private.	25	100%
2. Pick-Ups.	16	64%
3. Matatus.	15	60%
4. Vans.	12	48%
5. Lorries.	11	44%
6. Buses.	6	24%
7. Trailers.	3	12%

The table indicates that private vehicles had the highest increase in premium loadings as indicated by all the insurance firms, 64% indicated pick-ups as the type of vehicles with the second highest premium loadings after private vehicles, while 60% indicated matatus, vans (48%), lorries (44%), Buses (24%) and Trailers (12%).

This confirmed what was in the literature review that most of the vehicles stolen were private vehicles, hence having the highest increase in premium loadings.

TABLE 14. HIGHEST INCREASE IN EXCESS AND TYPE OF VEHICLES

Type of Vehicles :	Number of Companies :	Percentage:
1. Private	24	96%
2. Lorries	20	80%
3. Pick-ups	16	64%
4. Matatus	14	50%
5. Vans	10	40%
6. Buses	8	32%
7. Trailers	4	16%

The table indicates that private vehicles had the highest increase in excess (indicated by 96% of the firms) followed by Lorries (80%), Pick-Ups (64%), Matatus (56%), Vans (40%), Buses (32%), and Trailers (16%).

One major reason why lorries had registered a high increase in excess (especially the 5 - Tone lorries) was that most of their spare parts could fit quite well with the matatus, hence it was seen that matatus played a part in the disappearance of the 5 - Ton lorries.

TABLE 15. N C D

Measure	Number of Companies	Percentage
Removed NCD Due to the theft risk.	17	68%
Not removed the NCD.	8	32%
	N = 25	100%

The majority of the insurers (68%) had removed the NCD as an underwriting measure, while 32% indicated the non removal of the NCD.

The insurers who had not removed the NCD indicated that the NCD had not changed even after the theft experience.

Another underwriting measure was the offering of premium discount

due to the installation of anti-theft devices. The table below shows the results of the study.

TABLE 16 PREMIUM DISCOUNTS

Measure.	Number of Companies.	Percentage.
Offered Premium discounts.	8	32%
Premium Discounts Not Offered.	17	68%
	N = 25	100%

Majority of the companies (68%) indicated that they stopped offering premium discounts, while 32% indicated they were still offering premium discounts.

The reasons why majority stopped offering the premium discounts due to the installation of the anti - theft devices were:-

- i) The theft risk became unbearable and installation of anti - theft devices was a must in order to make the risk standard once again.
- ii). AKI recommended that all insurers had to insist on anti - theft devices before they could insure a vehicle, hence there was no use of offering discounts to attract clients.

The table below shows which car makes have been the hardest hit by the motor thefts.

TABLE 17. MOTOR THEFTS AND CAR MAKES

Rank:	Car Makes :	Number of Companies.:	Percentage:
1.	Toyota.	23	92%
2.	Mitsubishi (Pajero).	21	84%
3.	Nissans.	18	72%
4.	Isuzus	15	60%
5.	Peugeot.	15	60%
6.	Mercedes Benz.	2	8%

From the table, the Toyota makes were stolen most. This is indicated by 92% of the firms, which ranked it as the first in vehicle thefts. The reason advanced was just the same as what was stated in the literature review. That is, most of the Toyotas could easily be dismantled and their spare parts could quickly be bought due to their high demand in the market.

The reason why the Mitsubishi Pajeros also experienced the highest theft rate was that it had a higher value and was the most easily broken into among the luxury and the most expensive vehicles in the Kenyan market.

Apart from the Mitsubishi Pajeros which was indicated by 84% of the firms, the other makes which were stolen most as indicated by insurance firms were Nissans (72%), Isuzus (60%), Peugeot (60%) and Mercedes Benz (8%).

All the firms indicated that the private vehicles had been the most affected by the motor thefts.

TABLE 18. VEHICLE VALUES AND MOTOR THEFTS

Rank:	Value of vehicles (Kshs.):	Number of companies:	Percentage:
1.	800,000 - 949,000	19	72%
2.	650,000 - 799,000	18	76%
3.	Over 950,000	17	68%
4.	50,000 - 349,000	17	68%
5.	350,000 - 499,000	15	60%
6.	500,000 - 649,000	14	56%
7.	Less than 49,000	6	24%
8.	All values	3	12%

Majority of the insurers (76%) indicated that vehicles whose value was between Kshs. 800,000 - 949,000, were stolen most, followed by vehicles whose value was between Kshs. 650,000 - 799,000 (indicated by 72% of the respondents), over Kshs. 950,000 (68% of the respondents), Kshs 500,000 - 649,000 (56%), Kshs. 350,000 - 499,000 (60%), less than Kshs. 49,000 (24%) and 12% of the respondents indicated that all vehicles regardless of value were being stolen.

The reason advanced by most insurers was that highly priced vehicles made thieves to go for them because they could sell the spare parts at a higher price than selling spare parts of the same make whose value was less than the new ones.

TABLE 19 EFFECTIVENESS OF THE UNDERWRITING MEASURES

Measure :	Number of respondents :	Percentage:
1. Installation of anti-theft devices	14	56%
2. High Theft excess	9	36%
3. High Premiums	7	28%
4. Effectiveness not yet established	11	44%

From the table, installation of anti-theft devices has been indicated by most insurance companies (56%) as a measure that reduced the level of motor thefts, this is followed by high theft excesses (36% of the respondents), high premiums (28% of the respondents). 44% of the insurance firms indicated that it was not easy to know the effectiveness of the underwriting measures they took as data on the theft risks before and after the underwriting measures had not been completed.

CHAPTER 5.

5.0 SUMMARY AND CONCLUSIONS

The objective of this study was to investigate the most important rating motor rating factors and the underwriting measures insurers took as a result of the motor thefts in the period, 1989 - 1992.

5.1 CONCLUSIONS

From the research findings in chapter 4, several conclusions may be drawn. These are discussed in light of the objectives of the study.

5.2 CONCLUSIONS ON THE FACTOR ANALYSIS

According to the summary statistics, on average most insurers rated the type of car, claims and insurance history, cover required, ownership of the vehicle, value of the vehicle, nature of the risk, make of the vehicle and district of garage as the very important or important motor rating factors as a result of the motor thefts.

The correlation matrix indicates a strong correlation between the age of the driver and the claims\insurance history, the cover required and nature of the risk. The correlation matrix formed the basis of the next stage of the analysis, i.e. the initial factor matrix. This was where the factors were generated. In the initial stage, the type of car, the cover required, ownership of

the vehicle, cubic capacity of the vehicle, and nature of the risk, loaded heavily on factor 1, while the use to which the vehicle is put, presentation of relevant motor documents, driver's age, claims history and vehicle make, loaded on factor 2. Range from policy holder's home base and the acceleration/top speed of the vehicle, loaded on factor 3, while vehicle make loaded on factor 4. The type of car and value of the vehicle, loaded on factor 5 and policy holder's gender and model of the vehicle loaded on factor 6.

In the final varimax rotated factor matrix, the factors were finally generated. The most important factor was the nature of the risk. As the vehicle thefts increased dramatically, insurers had to re-evaluate the risk facing them.

The next important factor was the claims\insurance history. A person's past claims history was a major rating factor because rating is based on experience, hence most insurers would load a high premium on a motorist who has had a bad claims history as a result of the thefts.

The range from the policy holder's home base was the next factor. This implies that an insured whose home base was near urban areas was bound to have a high chance of vehicle theft than one who stays in a rural setting. This then had to be considered by the insurers.

Model of the vehicle was the next important factor. This was

because models such as Toyotas (DX, Sweet 16 e.t.c.), Nissan Sunny's and Mitsubishi Pajero's were the most stolen vehicles on the Kenyan streets.

Make of the vehicle was the next important factor. This was consistent with what was in the literature review and answers given by the respondents where Toyotas, Nissans, Mercedes Benz, Isuzus, Peugeotts and Mitsubishis were the most stolen.

Lastly, the value of the vehicle was the next important rating factor. Vehicles with higher values would generally attract motor thieves and would thus have higher premiums. Note that vehicles whose values were mostly over Kshs. 600,000 were the ones which were stolen most.

In conclusion, insurers in Kenya consider the following factors as important in rating of motor vehicles:-

TABLE 1.

SUMMARY OF FACTORS

-
1. Nature of the risk.
 2. Claims\Insurance history.
 3. Range from policy holder's home base.
 4. Model of the vehicle.
 5. Make of the vehicle.
 6. Value of the vehicle.
-

5.3 CONCLUSIONS ON THE UNDERWRITING MEASURES

The findings showed that all insurers took the following measures; Motor valuation and the installation of anti theft devices, increase in premiums and excesses. Other measures where majority of the insurers undertook were; accompanying business (60%) and removal of the NCD (64%).

The reason why all all insurers took motor valuation and installation of anti-theft devices was that their association (AKI), recommended such measures and therefore it was some kind of compliance though not compulsory. Due to the increased nature of the motor thefts it was prudent for any insurer to increase its motor premium and excess charges and that was why all insurers increased their premium and excess charges. This was also true in developed nations where premiums and excesses were increased as indicated in the literature review.

Inspection of vehicles before insuring and restriction of cover or doing away with the covers were not taken as underwriting measures, and the reason for non inspection was that most insurers used loss investigators and also most of the underwriters didn't have any time (due to their nature of work) to go and investigate (inspect) the existence of a vehicle during the insuring process.

MOTOR VALUATION

Majority of the insurers (72%) indicated that they didn't have any minimum values for vehicles to qualify for insurance. The probable reason was that any vehicle could be stolen regardless of value and because of the social aspect of a business, they had to accept any vehicle for insurance to cater for those with vehicles whose values were low.

ANTI THEFT INSTALLATION

As a result of the recommendations by AKI [See appendix 3], most firms insured vehicles with the following features:-

- i) Reverse gear lock.
- ii) Engine immobilizers
- iii) Alarm systems.

Although such features were recommended by AKI, most of the companies indicated that no technical assessment was done to show the effective functioning of the anti theft devices, thus there was a need for a comprehensive technical assessment locally to warrant the effective functioning of the devices.

MOTOR COVER RESTRICTION

Findings revealed that all insurers had not done away with any cover, namely third party , third party fire and theft, comprehensive or both. The reason advanced was that the motor account earned more profits than other non life business accounts,

and they could also not decline to offer cover if clients wanted to insure their vehicles with any of the covers. Another probable reason was that most motorists insured other properties with the same insurance firm, hence if the firm had to do away with any of the covers most motorists would deny the firm the other businesses they had insured with them.

ACCOMPANYING BUSINESS DUE TO THE THEFT RISK

Most companies took accompanying business as an underwriting measure. Majority (60%) indicated fire insurance as one of the accompanying businesses and was also the most popular, while 4% of the respondents offered engineering policies.

The reason for its popularity was that its premium charges were low and that most policy holders had other tangible property and the only viable option was to choose fire insurance because of the probability of such property being destroyed by the fire peril.

PREMIUM LOADING AND EXCESSES

Private vehicles had the highest increases in premiums and excesses as indicated by the responses, that is 100% and 96% respectively. This was totally true as indicated in the literature review i.e. private (saloon) vehicles were the most stolen vehicles and logically both the premiums and excess were bound to increase at a very fast rate than those of other type of vehicles.

NO - CLAIM DISCOUNTS

Most insurers (68%) indicated the removal of the NCD as an underwriting measure, while the rest (32%) had not removed the NCD. The probable reason why majority of the insurers removed the NCD was that their theft claims were too high and hence motorists were bound to lose the benefit of the NCD.

PREMIUM DISCOUNTS

Majority of the respondents (68%) indicated that they had stopped offering premium discounts as a result of the installation of anti-theft devices. The reason was that it became a must for each motorist to fit his vehicle with an anti-theft device and hence there was no use of trying to attract clients to insure by offering premium discounts.

VEHICLE MAKES AND VALUES.

Toyota vehicles and Mitsubishi Pajeros were the most hard hit by the motor thefts. The reason why Toyotas and Mitsubishis were stolen most was that they could easily be dismantled and spare-parts sold due to their high demand. Though theft of Mercedes Benz was indicated by only 8% of the respondents, it was argued that it was hard to steal such makes as selling spare parts for such a high priced vehicle was quite hard as compared with the 'Low' priced cars like Toyotas and Nissans. Hence it was indicated that vehicles whose values were between Kshs.800,000 -

949,000 (72%) and Kshs. 650,000 - 749,000 (76%) were stolen most.

EFFECTIVENESS OF THE UNDERWRITING MEASURES

Findings revealed that a majority of the insurers (56%) indicated that installation of the anti_ theft devices had helped in curbing the rate at which motor thefts were being stolen. The reason advanced was that they (gadgets) could delay or hamper the rate of stealing a vehicle than if a vehicle wasn't fitted with an anti-theft device. Other measures which though implemented, only 36% of the insurers indicated the effectiveness of the high theft excess and 28% of the insurers indicated high premiums as an effective measure.

Even though some firms indicated some form of effectiveness 44% of the firms indicated that no effectiveness could be established as data on the effectiveness was not available. Hence it could be recommended that the installation of anti-theft devices, high theft excesses, and high premiums were the only measures that could slow but not stop the car thefts.

5.4. LIMITATIONS

The study was mainly constrained by:-

- a) lack of data or research studies and current literature on the kenyan situation as a result of the recency of the phenomenon under study.
- b) Due to the low capability of the computer package, only 6

eigenvalues were extracted, and hence some factors which may have been important could have been left out, hence hampering a total analysis of the factors.

5.5. SUGGESTION FOR FURTHER RESEARCH

From this study there emerges a need to undertake an empirical study into the various underwriting methods used by insurers in writing motor-business in Kenya, especially in the last five years. This is because of the underwriting lapse that has arisen as a result of the motor-thefts.

APPENDIX 1.

INSURANCE COMPANIES UNDERTAKING MOTOR INSURANCE IN KENYA AS
AT DECEMBER 31 1992

1. Access Insurance Company Limited.
2. African International Insurance Company (K) Limited.
3. American Life Insurance Company (K) Limited.
4. Apollo Insurance Company Limited.
5. Blue Shield Insurance Company Limited.
6. Cannon Assurance Company Limited.
7. Concord Insurance Company Limited.
8. Co-operative Insurance Service Limited.
9. Corporate Insurance Company Limited.
10. Fidelity Shield Insurance Company Limited.
11. Gate Way Insurance Company limited.
12. Geminia Insurance Company Limited.
13. General Accidents Insurance Company Limited.
14. Heritage Insurance Company limited.
15. Insurance Company Of East Africa (I.C.E.A).
16. Intra Africa Insurance Company Limited.
17. Jubilee Insurance Limited.
18. Kenindia Assurance Company Limited.
19. Kenya Orient Insurance Company Limited.
20. Kenya National Assurance Company.
21. Kenya Alliance insurance Company.
22. Lion Of Kenya Insurance Company Limited.

23. Madison Insurance Company Limited.
24. Occidental Life General Assurance Company.
25. Pan Africa Insurance Company Limited.
26. Phoenix Insurance Company Limited.
27. Pioneer Assurance Company Limited.
28. Provincial Company Of East Africa.
29. Prudential Assurance Company Limited.
30. Royal Insurance Company Of East Africa.
31. Stallion Insurance Company Limited.
32. Monarch Insurance Company Limited.
33. Trident Insurance Company Limited.
34. The Union Insurance Company Of Kenya Limited.
35. United Insurance Company Limited.

NOTE TO RESPONDENTS

Dear respondent,

I am an M.B.A. second year student at the Faculty of Commerce, University of Nairobi. I am conducting a study to investigate the impact of motor thefts in the period, 1989-1992 on the underwriting practice on the insurance firms in Kenya and factors considered during the rating of motor vehicles. This is in partial fulfillment of the degree of Masters of Business and Administration.

For this purpose, I would like to get your views as to the various underwriting measures your firm has undertaken, the factors that are considered before a motor contract is accepted, and the effectiveness of the measures in curbing the thefts, and hence, I would very much appreciate if you would kindly assist me in filling the attached questionnaire.

Your company's name need not appear anywhere in the questionnaire provided unless you so wish. You are also assured that the information you will provide will be treated in the strictest confidence.

The completed questionnaire shall be picked from your office by me before 19th May, 1993.

Thank you for your co-operation.

yours sincerely

Jaleha Alex.

APPENDIX 2B

QUESTIONNAIRE

N.B.

Definition of terms.

1. Car makes are Toyotas, Mazdas, Nissans e.t.c
2. Type of cars are Matatus, trailers, Private vehicles, buses e.t.c
3. Car models are Peugeot 405, 205, 605, Datsun 120 Y e.t.c

Please answer the following questions by placing a tick () in the spaces provided and/or giving details as may be required.

1. Indicate the level of importance your firm attaches to the following motor rating factors due to the theft risk.

	Unimportant			Very Important.	
	1.	2.	3.	4.	5.
a) The use to which the vehicle is to be put.	()	()	()	()	()
b) The type of car.	()	()	()	()	()
c) Presentation of relevant documents such as a log book.	()	()	()	()	()
d) Age of the driver	()	()	()	()	()
e) Claims\Insurance history.	()	()	()	()	()
f) The cover required.	()	()	()	()	()
g) Ownership of the vehicle.	()	()	()	()	()
h) Cubic capacity of the Vehicle.	()	()	()	()	()
i) Range from policy holders home base.	()	()	()	()	()
j) Value of the vehicle.	()	()	()	()	()
k) Policy holder's Gender.	()	()	()	()	()
l) Nature of the risk.	()	()	()	()	()
m) Make of the vehicle.	()	()	()	()	()
n) Model of the vehicle.	()	()	()	()	()

- o) The acceleration/Top Speed of the car. () () () () ()
- p) Whether the vehicle is an imported one or not. () () () () ()
- q) District of garage. () () () () ()

Apart from the factors (a-r) above, which other rating factors does your firm consider important as a result of the motor thefts?

2. Does your firm have a motor inspection unit, and if so, what is its role in the underwriting of motor vehicles?

3. From your own experience, do you have cases where clients have insured a non-existent vehicle and later claimed to be stolen?

If no such cases exist, how do you ensure that one doesn't claim fraudulently?

If such cases exist, what has your firm done to reduce such a moral hazard?

4. Has your company experienced motor theft(s)?
If yes, state the monetary value of these thefts from 1989.

Monetary Value.

1989

1990

1991

1992

5. What underwriting measures has your company taken as a result of these thefts from 1989-1992? Please tick () for yes and (X) for No.

A) Motor valuation. ()
If YES,

i) Does your firm insure all vehicle regardless of its value? Yes () No ()

If No, what's the minimum value required for one to have his vehicle insured?

i) Do all vehicles irrespective of value have to be fitted with an anti-theft device? Yes () No ()

If No, what's the minimum value required for a vehicle to be fitted with an anti theft device?

B). Installation of anti theft devices Yes ()

If Yes, which anti theft device(s) does your firm recommend to be fitted in the vehicles to be insured.

a) Piranha ()

b) Gemini ()

c) Shurlock ()

d) Mul-T-Lock ()

e) Moss ()

f) Sirio Alarms ()

g) Enforcer ()

h) Bandit ()

i) Zemco ()

- j) Cobra ()
- k) Gamma Alarms ()
- m) Others (please specify) ()

Of the anti theft devices your company has recommended, what are the main features which made them to be accepted?

- iii) Do you have any technical assessment done locally to warrant the effective functioning of the recommended device(s)?
Yes () No ()

C) Restriction of cover ()
If YES,

i) Which of these covers have been done away with?

- 1. Third party only cover ()
- 2. Third party fire and theft ()
- 3. Comprehensive cover ()

If your firm has not done away with the above cover(s), what was the main reason(s) for the continuation of the covers?

D) Accompanying Business due to the theft risk ()
If YES,

i) State the accompanying Business your firm recommends before a vehicle is insured.

- 1.
- 2.
- 3.

4.

5.

ii) Which type of business is the most in D (i) above? Please rank them in order of their popularity.

1.

2.

3.

4.

5.

iii) Is the value of the vehicle tied to a specific kind of business in D(i) above?

If Yes, could you specify the values and the type of business required.

E) Premium Loadings as a result of the thefts ()

i) What has been the percentage increase in premium loadings resulting from thefts as compared to 1988?

Percent rise

1989

1990

1991

1992

ii) Which type of vehicles have had the highest increase in premiums due to the motor thefts from 1989? (Rank them)

Rank

Private

()

Matatus

()

Buses

()

Lorries

()

Vans	()
Trailers	()
Pick-Ups	()
Others (Specify)	()

iii) Which class of motor vehicles have experienced the highest premium rates from the motor thefts from 1988?

1. Private	()
2. Commercial	()
3. Both	()

F) Increase in Excess due to the theft risk ()
If YES,

i) Which type of vehicles have experienced the highest increase in Excess charged from the motor thefts from 1989? (Please rank them)

- 1.
- 2.
- 3.
- 4.
- 5.

ii) Which class of motor vehicles have experienced the highest Excess charges in the period, 1989-1992 resulting from motor thefts?

1. Private	()
2. Commercial	()
3. Both	()

G) Inspection of vehicles before insuring them ()
If YES,

i) Are all the car makes inspected before being insured?
Yes () No ()

If NO,
Please state the car makes.

ii) Do the values of vehicles determine whether a vehicle
has to be inspected or not?
If YES,
State the value category of which inspection
isn't compulsory.

H) Removal of the No Claim discounts due to the theft risk ()
If NO,

i) Have the NCD's changed or are they still the same as
before the theft experience?

I) Offering premium discounts due to the installation of ant theft
devices. ()

If NO, what was the reason for the removal of the premium
discounts?

K) Please state other underwriting measures your firm has
undertaken other than the ones covered in A-I above.

6. Which class of motor vehicles have been the most affected by the motor thefts?

- 1. Private ()
- 2. Commercial ()
- 3. Both ()

7. Has your company experienced claims resulting from gun point hijacking?
If YES, could you give the percentage increase over the period, 1989-1992 compared to 1988.

Percentage rise

- 1989 ()
- 1990 ()
- 1991 ()
- 1992 ()

8. Of the underwriting measures your firm has undertaken, in your own opinion, which ones have proved effective in reducing the theft claims? Please state them and explain.

9. Which of the car makes have been stolen most during the period 1989-1992? Please rank them.

- 1.
- 2.
- 3.
- 4.

10. Please rank the values of vehicles stolen most over the period.

Kshs.	Rank.
Less than 49,000	()
50,000-349,000	()
350,000-499,000	()
500,000-649,000	()
650,000-799,000	()
800,000-949,000	()
over 950,000	()

GENERAL INFORMATION

1. Year of establishment/incorporation.
2. State the ownership of the company. (Tick where appropriate)
 1. 100% Locally owned ()
 2. 51% Locally owned ()
 3. 100% Government owned ()
3. When did your firm start underwriting motor business? Please state the year.

Thank you very much for your co-operation.

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