

Title: INSURANCE FOR THE PUBLIC SERVICE VEHICLE INDUSTRY IN KENYA

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ABSTRACT

The Matatu industry has been faced by a myriad of challenges in the recent past in Kenya. One of the most evident challenges is the past poor performance of the Public Service Vehicle Insurance niche under the Motor Commercial class of business, which has resulted in the collapse of many insurance companies. To tackle this problem, this paper seeks to address volatility of claims by charging an appropriate risk premium to enable the general insurer to break even.

The model used to calculate the risk premium credibility estimate to be used in premium pricing was the buhlmann-straub model. The model used mainly claims statistics from insurance companies and claims statistics from the industry.

The government in an effort to¹ curb such incidences issued a directive to Matatu owners to be organized into SACCOS in 2010. Therefore, this research is based on using these SACCOS as our incentive to develop a model that can incorporate using a risk premium credibility estimate charged as a deductible to formulate an optimal insurance policy that facilitates insurers to break even. The premium will be calculated based on car models as a rating factor. From the risk premium credibility estimate chargeable it can be concluded that this concept is fairly new and if implemented would provide a feasible risk management technique.
