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REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY


THIRTEENTH PARLIAMENT – FIFTH SESSION – 2026
PUBLIC PETITIONS COMMITTEE

REPORT ON-

CONSIDERATION OF PUBLIC PETITION NO. 17 OF 2024 BY HON. CALEB MUTISO, MP ON BEHALF OF MACHAKOS MATATU OWNERS ASSOCIATION (MAMOA) REGARDING THE FAILURE OF THE INSURANCE REGULATORY AUTHORITY TO PROTECT PUBLIC TRANSPORT OPERATORS ON INSURANCE CLAIMS



Directorate of Audit Appropriations &
General-Purpose Committees
Clerk's Chambers
Main Parliament Buildings
NAIROBI

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|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: | 01 APR 2026 |
| DAY: | Wednesday |
| TABLED BY: | Hon. Muchangi Wambua Chair, Public Petitions |
| CLERK-AT-TABLE: | Modo Minam |

MARCH, 2026

Table of Contents

ACRONYMS 3

CHAIRPERSON’S FOREWORD 4

PART ONE 5

1. PREFACE 5

 1.1 Establishment and Mandate of the Committee 5

 1.2 Committee Membership 6

 1.3 Committee Secretariat 7

PART TWO 8

2. BACKGROUND OF THE PETITION 8

 2.1 Introduction 8

 2.2 Prayers 9

3. STAKEHOLDERS’ SUBMISSIONS 10

 3.1 The Petitioner 10

 3.2 Federation of Public Transport Sector (FPTS) 11

 3.3 The Association Kenya Insurers 14

 3.4 Insurance Regulatory Authority 17

PART FOUR 24

4. COMMITTEE OBSERVATIONS 24

PART FIVE 25

5. COMMITTEE RECOMMENDATIONS 25

ACRONYMS

| | |
|-------|---------------------------------------|
| FPTS | Federation of Public Transport Sector |
| IRA | Insurance Regulatory Authority |
| MAMOA | Machakos Matatu Owners Association |
| PSV | Public Service Vehicles |

CHAIRPERSON'S FOREWORD

On behalf of the Public Petitions Committee and pursuant to the provisions of Standing Order 227, it is my pleasant privilege and honour to present to this House the Report of the Committee on the Public Petition No. 17 of regarding the failure of the Insurance Regulatory Authority to protect public transport operators on insurance claims was presented to the House on 1st October 2024 by the Member for Machakos Town Constituency on behalf of Machakos Matatu Owners Association (MAMOA).

The petitioners prayed that the National Assembly, through the Public Petitions Committee, intervenes on behalf of the operators and urgently addresses the issues surrounding the compensation of valid accident claims. The Petitioner also prayed that the Insurance Regulatory Authority (IRA) formulates and enforces standards of conduct for insurance companies;

In consideration of the matter, the Committee observed that there was no centralized digital infrastructure to support claims transparency and accountability across the motor insurance industry. The small claims court also posed a challenge in its 60-day timeframe for delivering judgements, considering insurance claims entailed lengthy investigations.

The Committee recommends that the Insurance Regulatory Authority enforces compliance by insurance companies by taking necessary action on those found in breach of the Insurance Act, and formulates and submits to the National Assembly comprehensive standards and guidelines, and proposals to amend laws constraining expeditious and practical resolution of disputes and settlement of claims within ninety (90) days of tabling of this report. Further, the IRA should compel insurers to settle valid claims as per the law.

The Committee appreciates the Offices of the Speaker and Clerk of the National Assembly for providing guidance and necessary technical support. The Chairperson expresses gratitude to the Committee Members for their devotion and commitment to duty during the consideration of the Petition.

On behalf of the Committee and pursuant to the provisions of Standing Order 199, I now wish to lay the Report on the Table of the House.

HON. MUCHANGI KAREMBA, CBS, M.P.
CHAIRPERSON, PUBLIC PETITIONS COMMITTEE

PART ONE

1. PREFACE

1.1 Establishment and Mandate of the Committee

1. The Public Petitions Committee is established under the provisions of Standing Order 208A with the following terms of reference:
 - a) considering all public petitions tabled in the House;
 - b) making such recommendations as may be appropriate with respect to the prayers sought in the petitions;
 - c) recommending whether the findings arising from consideration of a petition should be debated; and
 - d) advising the House and reporting on all public petitions committed to it.

1.2 Committee Membership

2. The Public Petitions Committee was constituted in October 2022 and comprises the following Members:

Chairperson

Hon. Muchangi Karemba, CBS, M.P.

Runyenjes Constituency

United Democratic Alliance (UDA)

Vice Chairperson

Hon. Janet Jepkemboi Sitienei, M.P.

Turbo Constituency

United Democratic Alliance (UDA)

Hon. Patrick Makau King'ola, M.P.

Mavoko Constituency

**Wiper Democratic Movement-Kenya
(WDM-K)**

Hon. Edith Vethi Nyenze, M.P.

Kitui West Constituency

**Wiper Democratic Movement-Kenya (WDM-
K)**

Hon. Ntwiga Patrick Munene, M.P.

Chuka Igambang'ombe Constituency

United Democratic Alliance (UDA)

Hon. Maisori Marwa Kitayama, M.P.

Kuria East Constituency

United Democratic Alliance (UDA)

Hon. Joshua Chepyegon Kandie, M.P.

Baringo Central Constituency

United Democratic Alliance (UDA)

Hon. Beatrice Kadeveresia Elachi, M.P.

Dagoretti North Constituency

Orange Democratic Movement (ODM)

Hon. Bernard Muriuki Nebart, M.P.

Mbeere South Constituency

Independent

Hon. Biego Paul Kibichy, M.P.

Chesumei

United Democratic Alliance (UDA)

Hon. Peter Irungu Kihungi, M.P.

Kangema Constituency

Maendeleo Chap Chap Party (MCCP)

Hon. John Bwire Okano, M.P.

Taveta Constituency

**Wiper Democratic Movement-Kenya (WDM-
K)**

Hon. Peter Mbogho Shake, M.P.

Mwatate Constituency

Jubilee Party (JP)

Hon. Sloya Clement Logova, M.P.

Sabatia Constituency

United Democratic Alliance (UDA)

Hon. Suzanne Ndunge Kiamba, M.P.

Makueni Constituency

**Wiper Democratic Movement-Kenya
(WDM-K)**

1.3 Committee Secretariat

3. The Public Petitions Committee is facilitated by the following members of the secretariat:

Lead Clerk
Mr. Victor Weke
Principal Clerk Assistant II

Ms. Miriam Modo
First Clerk Assistant

Mr. Benard Toroitich
Third Clerk Assistant

Ms. Kafuyai Wamae
Third Clerk Assistant

Mr. Clinton Sindiga
Legal Counsel II

Ms. Nancy Akinyi
Research Officer III

Mr. Arkan Mumin
Research Officer III

Ms. Roselyne Njuki
Principal Serjeant-at-Arms

Mr. Paul Shana
Serjeant-at-Arms

Mr. Pascal Valerian
Hansard Officer III

Mr. Collins Mahamba
Audio Officer III

Ms. Felistus Muiya
Public Communication Officer

Mr. Calvin Karungo
Media Relations Officer III

PART TWO

2. BACKGROUND OF THE PETITION

2.1 Introduction

4. Public Petition No. 17 of 2024 regarding the failure of the insurance regulatory authority to protect public transport operators on insurance claims was presented to the House on 1st October 2024 by the Member for Machakos Town Constituency on behalf of Machakos Matatu Owners Association (MAMOA).
5. Machakos Matatu Owners Association represents over 4,000 public service vehicles operating in the Lower Eastern region of Kenya. The Association and its members have consistently complied with all relevant laws governing the public transport industry;
6. The Insurance Regulatory Authority (IRA) is mandated by the Insurance Act to among others, formulate and enforce standards for the conduct of insurance and reinsurance business in the country;
7. The grievances by the operators stem from the recurring and persistent financial losses they suffer caused by insurance companies that failed to uphold their legal and contractual obligations;
8. Although all their vehicles fully comply with the required terms and conditions for partnerships with insurance companies, they have been unjustly subjected to severe economic hardship leading to loss of property and livelihoods;
9. The following insurance companies regulated by IRA have consistently refused to honour claims from the operators in the event of accidents; INVESCO, AMACO and Directline Insurance Companies,
10. Despite payment of monthly premium to these insurance companies, securing compensation for accident victims has proven extremely difficult due to the inefficiency and ineffectiveness of the aforementioned insurers;
11. In many cases of accidents involving their fleets, these operators face double expenses because, despite paying premiums, they are forced to compensate accident victims themselves, contrary to the legal framework;
12. These issues have plagued them for decades and have been perpetuated by the regulator's failure to exercise its legal mandate to regulate the insurance companies mentioned;
13. In addition to failing to honour claims, these insurance companies have not provided legal representation in pending court cases when needed, leading to the defeat of many accident cases in court due to the absence of legal representation;
14. MAMOA has suffered irreparable harm due to the failure of these insurance companies to honour claims, resulting in more than 10 of the members now facing court orders to show cause why they should not be committed to civil jail for failing to compensate accident victims; and
15. The issues in respect of which this Petition is raised are not pending before any Court of law or any constitutional or legal body.

2.2 Prayers

16. Petitioners pray that the National Assembly through the Public Petitions Committee;
 - i) Intervenes on behalf of the operators and urgently addresses the issues surrounding the compensation of valid accident claims by the aforementioned insurance companies;
 - ii) Recommends that Insurance Regulatory Authority (IRA) formulates and enforces standards of conduct for insurance companies;
 - iii) Recommends that IRA compels insurance companies to honour all pending claims to protect the public transport industry, considering the vital role public transport plays in revenue generation in the country; and,
 - iv) Makes any other recommendation or action it deems fit in addressing the plight of the Petitioners.

PART THREE

3. STAKEHOLDERS' SUBMISSIONS

3.1 The Petitioner

The Member for Machakos Town Constituency, Hon. Caleb Mutiso, MP accompanied by representatives of the Machakos Matatu Owners Association (MAMOA) appeared before the Committee on Thursday, 17th April 2025, and submitted as follows—

17. Matatu owners have decried systemic failures by insurers and regulators in honouring insurance claims — a situation they say has led to severe financial and social distress, including property auctions and imprisonment of vehicle owners. Despite consistently paying premiums, many owners struggle to access compensation after accidents.
18. There have been instances where insurance companies charge extremely low premiums for third-party insurance—sometimes as low as Kshs 2,000. This raises concerns about their capacity to settle claims when accidents occur. Such practices exploit vehicle operators and highlight the urgent need for stronger regulation in the industry, including the introduction of a minimum premium rate cap, similar to the Central Bank of Kenya's basic lending rate framework for banks;
19. The current state of affairs contravenes the principle of indemnity in insurance. When an accident occurs, both the driver and the vehicle owner are often taken to court. The awards issued by the courts are typically charged to the vehicle owner, and in many cases, non-payment results in the auctioning of their property. This creates undue hardship for owners who may not have been involved in the accident. There is, therefore, a need to clearly separate the liability of vehicle owners from that of drivers and insurance companies in the payment of claims.
20. Despite legal requirements for timely payment of insurance premiums by vehicle owners, once an accident occurs, lawyers and auctioneers tend to bypass insurance companies and pursue the vehicle owners directly through the courts.
21. Although small claims courts are designed to handle disputes involving amounts less than one million shillings, many accident-related claims are brought before them. However, these cases often require extensive investigations, which the 60-day judgment window of these courts does not accommodate. This rush to judgment undermines proper case handling. As such, accident-related claims should be excluded from small claims courts to allow for thorough investigations.
22. Some accident claims are reported long after the incident—sometimes even after ten years—making it difficult for insurance companies to process and honor them. When insurance companies decline to pay these delayed claims, the burden falls back on vehicle owners, sometimes resulting in property auctions. To address this, a maximum claim reporting window, such as 90 days, should be established to allow insurers to budget and process payments appropriately. The transfer of liability from insurance companies to vehicle owners is financially devastating and threatens to cripple the transport sector. Therefore, legal practitioners should be required to direct claims toward the insurance company, and where applicable, the driver—not the vehicle owner who may not have been involved in the incident.

23. After awards are granted, some lawyers reportedly retain the entire compensation, claiming that court proceedings are still ongoing. Meanwhile, victims remain uncompensated. To curb this, the Advocates Remuneration Order should be revised to ensure that both lawyers and claimants receive their dues separately and transparently.
24. There is a need for a well-defined compensation structure with a set maximum limit. Currently, when courts award compensation, insurance companies often pay only a portion, leaving auctioneers to demand the balance from vehicle owners. This undermines the purpose of insurance coverage and exposes owners to further victimization.
25. A dual-payment system should be introduced where insurance companies issue one cheque to the claimant and another to the lawyer, eliminating coercion and misuse of funds. Many individuals have ended up in civil jail due to their inability to pay court-awarded claims—claims that should have been the responsibility of insurance companies. Despite repeated attempts to engage the Insurance Regulatory Authority (IRA) on these matters, no effective action has been taken, even though the issues affect all motor vehicle owners, including private citizens, across the country.

3.2 Federation of Public Transport Sector (FPTS)

The CEO Federation of Public Transport Sector vide letter reference FPTS/CEO/1/10/2025 Submitted as follows;

26. The application of the Small Claims Court framework to personal injury claims arising from road traffic accidents is procedurally inadequate. The requirement for simplified pleadings, documentary-only evidence, 60 days resolution requirement from the date of filing a suit denies parties the right to cross-examination and restrict the presentation of critical information such as medical reports, third-party liability, and contributory negligence. This has contributed to inflated and potentially fraudulent awards, undermining both judicial fairness and insurer rights.
27. Section 10(2) of the Insurance (Motor Vehicle Third Party Risks) Act mandates a 30-day pre-litigation notice to insurers. However, such notice is often issued too late for meaningful intervention or investigation. Frequently, claims emerge long after the financial year-end, distorting insurer solvency, affecting shareholder confidence, and limiting anti-fraud measures.
28. There is no centralized digital infrastructure to support claims transparency and accountability across the motor insurance industry. This gap encourages abuse in the form of fake insurance certificates, duplication of claims, forum shopping, and coordinated fraud by cartels and unscrupulous service providers.
40. Unethical practices, including manipulation of service affidavits, ghost claimants, and inflated legal fees, by a small group of legal practitioners continue unchecked due to lack of a national advocate claim conduct registry.
41. The current single-cheque settlement practice allows legal representatives to deduct disproportionate legal fees, depriving injured parties of their rightful compensation and encouraging unethical fee extraction.

42. The absence of verifiable passenger manifests in PSVs facilitates fraudulent personal injury claims by individuals alleging travel in vehicles without proof. The continued use of manual, cash-based fare systems exacerbate this vulnerability.
43. Unsustainable premium undercutting, especially in high-risk vehicle classes, has led to insurer insolvency, delayed claim settlements, and increased fraud, with no statutory mechanism for risk-based premium pricing.
44. The use of manual Occurrence Books (OBs) for accident reporting allows for manipulation, data loss, and systemic delay. Without digitization, accurate and timely claim verification is severely hampered.
45. Many commercial and PSV vehicles continue to operate without routine mechanical inspection, contributing to road accidents and unverifiable insurance claims. It is crucial to reintroduce road licenses after mandatory annual inspection of vehicles, which exercise shall guide the National Transportation Safety Authority to maintain verifiable national vehicle data.
46. The lack of mandatory dashboard camera and vehicle telematics installation in PSVs and commercial vehicles limit accountability, claims verification, and road safety enforcement.
47. In situations where insurance companies have been liquidated and/or are under statutory management, the insureds whose claims were yet to be settled by the company prior to it undergoing insolvency proceedings are exposed to pay judgment sums and are mercilessly executed against for any amount in excess of Kshs. 250,000 that would ordinarily be paid by the Policyholders Compensation Fund (PCF). These insureds need to be safeguarded against execution of judgments against them where PCF has already remitted funds toward settlement of the claim.
48. Section 27A (b) requires that all members of the board of an insurer must, in the opinion of the Commissioner, have knowledge and experience in matters relating to insurance, actuarial studies, accounting, finance, or banking. Modern corporate governance emphasizes the importance of diverse board composition to strengthen strategic oversight and corporate decision-making. The insurance industry is no longer limited to actuarial and financial expertise. Digital transformation, sustainability, customer experience, legal compliance, and technological innovation now play significant roles. Restricting board membership to traditional fields may exclude well-qualified professionals with critical skills relevant to modern insurer operations. Additionally, the current restriction may inadvertently discriminate against qualified individuals who have years of relevant industry or corporate governance experience but do not hold a degree in the specified fields.
49. Efforts have been made to engage relevant authorities including the Insurance Regulatory Authority (IRA), National Transport and Safety Authority (NTSA), and the National Police Service. However, these efforts have not yielded satisfactory or comprehensive responses.
50. Issues in respect of which the petition is made are not pending before any court of law, or constitutional or legal body.
51. FPTS prays that Parliament;
 - a) Amends Section 12 of the Small Claims Court Act, to expressly exclude personal injury and fatal accident claims arising from motor vehicle use from its jurisdiction: The Court shall not have jurisdiction over claims for personal injury, pain and suffering, or fatal accidents arising from the use or operation of a motor vehicle.

- b) Amends section 10(2) of the Insurance (Motor Vehicle Third Party Risks) Act to require a 90-day notice to insurers prior to filing motor injury claims unless the claimant is otherwise incapacitated. Enactment of Insurance (Motor Claims Early Notification) Regulations, 2025 under Section 180 of the Insurance Act.
- c) Amends section 10 of the Insurance (Motor Vehicle Third Party Risks) Act to require a 90 day negotiation period between the claimant and the insurer for purposes of an out of court settlement.
- d) Amends section 10 of the Insurance (Motor Vehicle Third Party Risks) Act to require a 7 day period during which service of a judgment delivered against the insured must be served on the insurance company.
- e) Amends section 10 of the Insurance (Motor Vehicle Third Party Risks) Act to require a 90day stay of execution period after the date judgment is delivered against the insured.
- f) Amends the Insurance Act to provide for regulations that will introduce the development and implementation of a centralized, digitized National Claims Database overseen by the IRA and collated from all relevant stakeholders. including, the judiciary, National Police Service, Association of Kenya Insurers, insurers, agents, brokers, owners and public transport operators.
- g) Amends the Insurance Act to establish an Advocate Claims Conduct Registry (ACCR) under the oversight of the Insurance Regulatory Authority (IRA). The registry will log behavioural indicators of advocates involved in insurance litigation, including frequency of default judgments, disproportionate volumes of claims from specific clinics, questionable service affidavits, or settlements with recurring irregularities. This is not a disciplinary tool but a sectoral risk and conduct monitoring system. Insurers and regulators will use the registry to detect trends, flag anomalies, and inform referrals to the LSK or ACC when thresholds of concern are crossed. It will foster greater accountability among legal practitioners and restore ethical equilibrium to insurance litigation.
- h) Amends the Insurance Act to mandate a cash lite fare collection system for all PSVs, using QR-code and USSD-enabled payment channels.
- i) Amends the Traffic Act to introduce a cash lite fare payment system across all licensed PSVs, using a dual-mode approach: QR code-based mobile payment for smartphone users and USSD payment functionality for basic phone users.
- j) Amends Insurance Act to allow IRA enforce a risk-based pricing model for motor insurance premiums. Specifically, insert under Section 67C (4) of the Insurance Act:
- k) The Authority shall prescribe minimum premium benchmarks for high-risk classes of motor vehicle insurance based on actuarial assessments, including but not limited to factors such as vehicle class, age and experience of the driver, and claims history. Such benchmarks shall serve as minimum thresholds and shall not preclude insurers from applying higher premiums based on individualized risk ratings.
- l) Amends National Police Service Act to provide for regulations guiding the mandatory issuance of a unique verification code from IRA to be part of the 0B number for road accidents.
- m) Amends National Police Service Act to provide regulations guiding mandatory nationwide digitization of Occurrence Books used in road accident reporting as well as mandatory issuance of a unique verification code from IRA's national claim database which shall be used in the generation of police abstracts.

- n) Amends the Traffic Act to reintroduce mandatory road licenses (road worthiness license/inspection sticker) which shall be acquired after an annual mechanical inspection for all classes of vehicles as defined in the Act.
- o) Amends the Traffic Act to ensure that there is at least one (either private or public) licensed inspection centre in every county.
- p) Amends the Traffic Act to require installation of dashboard cameras and telematics in all PSVs, commercial vehicles, and school transport vehicles.
- q) Amends the Insurance Act to provide that any payments made by the Policyholders' Compensation Fund toward the settlement of any claim be the full and final settlement of that claim.
- r) Amends the Insurance Act to provide where an insurance company is under statutory management, all claims be directed to the Policyholders' Compensation Fund for full and final settlement without any further reference to the insured.
- s) Amends Section 27A (b) to include that "the academic qualifications of directors of insurers shall include any degree from a recognized university or a diploma in relevant studies.

3.3 The Association Kenya Insurers

The Association of Kenya Insurers appeared before the committee on Tuesday 7th October 2025 and submitted as follows;

52. Over the past two decades the insurance industry in Kenya has grappled with major challenges related to the underwriting of Public Service Vehicles (PSVs). These challenges have had severe financial implications, leading to the collapse of several insurance companies. Among those that have exited the market due to unsustainable operations in the PSV segment are:
- a) Blueshield Insurance
 - b) United Insurance
 - c) Concord Insurance
 - d) Standard Insurance
 - e) Lakestar Insurance
 - f) Invesco Assurance
 - g) Xplico Insurance

Reasons for the Collapse of PSV Insurance Providers

53. The downfall of these companies can be attributed to the following core issues:
- a. Non-Compliance with Traffic Rules and Increased Road Accidents-A significant number of PSV drivers fail to observe traffic regulations, resulting in frequent road accidents. This has led to a sharp rise in third-party personal injury and property damage claims, putting immense financial pressure on insurers.
 - b. Limited Number of PSV Insurance Providers-There are only a few insurance companies willing to underwrite PSVs due to the associated risks. As a result, these few underwriters are overburdened with numerous claims, further straining their financial resources.
 - c. Widespread Fraudulent Activities-Fraud has been a critical issue within the PSV insurance sector. There is often collusion among various stakeholders—including police officers, lawyers (commonly referred to as "ambulance chasers"), judicial officers, hospitals and

doctors, motor vehicle assessors, inspectors, and auctioneers—to fabricate false insurance claims. These orchestrated schemes result in exaggerated or fictitious claims and inflated court awards, draining insurer finances significantly.

- d. Severe Premium Undercutting-Fierce competition among PSV underwriters has led to rampant undercutting of premium rates. This practice weakens the financial base of insurers, leaving them unable to meet claim obligations, even for minor incidents.

Implications of these Challenges

54. The challenges outlined above have led to serious repercussions for both the insurance industry and the broader economy, including:
 - i. Decline in the Number of PSV Insurance Providers-Several insurers have been forced to shut down or withdraw from the PSV segment, leaving a very limited pool of providers in the market.
 - ii. Erosion of Public Trust in Insurance Companies-Frequent failures to honor claims and the collapse of insurance companies have led to general mistrust among the public and policyholders toward insurance providers.
 - iii. Increased Exposure of Policyholders-The collapse or exit of insurers leaves policyholders vulnerable, especially in the event of accidents or losses, as they may struggle to obtain compensation.
 - iv. Instability in the Financial Sector-The recurrent collapse of insurance companies undermines confidence in the financial system and affects its overall stability.
 - v. Negative Impact on the Public Transport Sector-With limited insurance options and increased operational risks, the public transport industry faces higher costs and regulatory scrutiny, which can affect service delivery and affordability.

Mitigation Measures that have been put in place by the Government

55. In response to the persistent challenges and systemic failures, the Government of Kenya has taken various steps to stabilize the PSV insurance sector. These include:
 - i. Formation of Specialized Taskforces- Several government-led taskforces were established to assess the issues affecting the PSV insurance segment and propose practical solutions. Many of the recommendations from these taskforces have been adopted and implemented.
 - ii. Establishment of the Insurance Fraud Investigation Unit (IFIU)-To combat the rampant fraud in the insurance sector, the Government created the Insurance Fraud Investigation Unit (IFIU). This specialized unit works closely with law enforcement agencies, the insurance regulator, and other stakeholders to investigate and prosecute fraudulent activities.
 - iii. Integration of the "Michuki Rules" into Insurance Legislation-The proposal to embed the "Michuki Rules"—which relate to the regulation of public transport safety and order—into the insurance legal framework. Specifically, these rules were incorporated into the Insurance Act and Cap 405 through subsidiary legislation, aligning insurance practices with public transport standards.
 - iv. Review of Legal Framework-One of the major recommendations from the taskforces was to amend the Insurance (Motor Vehicle Third Party Risks) Act, Cap 405. The proposed changes included:
 - v. Introduction of a structured compensation scheme to ensure uniformity in payouts.

Proposals for way forward

56. The following was proposed as possible way forward:

- i. Empowering the Insurance Regulator to Issue Premium Guidelines-Empowering the Insurance Regulatory Authority (IRA) the authority to issue premium pricing guidelines. This measure aims to prevent undercutting and promote fair competition, ensuring insurers price risks appropriately.
- ii. Proposal of a Two-Cheque Payment System-Implementing a two-cheque system for personal injury and death claims offers several significant benefits to the insurance industry and the general public which includes the following:
- iii. Enhanced Transparency and Accountability: Ensures that compensation reaches the rightful beneficiaries and therefore reduces complaints from the public in relation to unpaid compensation.
- iv. Reduction of Fraudulent Claims: By minimizing fraudulent payouts, insurers can reduce the overall cost of claims and therefore payment of genuine claims in good time. Reduced cost of claims will also lead to discounted premiums and therefore a saving for policyholders,
- v. Compensation Fulfills the Intended Purpose: Payment reaches the intended recipient in good time as there would be no reason to hold a cheque in a different person's name.
- vi. Sustainability of PSV Insurance: The PSV sector has been experiencing unsustainable losses mainly due to fraud. The two cheque systems would go a long way in making this class of business sustainable.
- vii. Review of Small Claims Court Jurisdiction on Insurance Matters-There is an urgent need to revisit the timelines of Small Claims Courts in relation to personal injury cases, especially where they conflict with the Insurance (Motor Vehicle Third Party Risks) Act, Cap 405 and the Insurance Act. Currently, we have two different rulings where one court says that injury claims should not be the subject of the small claims court and another saying the contrary.

Key Issues:

57. The following key issues were noted:

- i. Timelines: The small claims court is subject to a 60-day resolution timeline that is often impractical.
- ii. Investigation Challenges: The limited timeframe hinders thorough investigations, crucial for verifying the legitimacy of claims.
- iii. Evidence Limitations: Time constraints make it difficult to gather essential documents such as medical reports, X-rays, treatment notes, and legal documentation for fatal claims (e.g., letters of administration, postmortem reports e.t.c),
- iv. Witness Availability: Most of the times this is problematic especially when expert or multiple witnesses are needed within the short timeframe.
- v. Statutory Conflicts: Section 10(3A) & (3B) of the Insurance (Motor Vehicle Third Party Risks) Act allows insurers to request medical examinations and verify documents prior to judgment—processes requiring more than 60 days.
- vi. Section 203(1)(d) of the Insurance Act mandates claim settlement within 90 days of report submission or court determination.

-
- vii. Evidentiary Flexibility: Section 32 of the Small Claims Court Act permits courts to bypass strict rules of evidence, potentially compromising the fairness and accuracy of judgments in insurance matters.

Recommendations

58. The following recommendations were proposed:

- i. Removal of Personal Injury matters from the small claims courts to ensure fairness, sufficient investigation time, and proper administration of justice in insurance-related claims.
- ii. Training of Judicial Officers on Cap 405 Matters-To ensure consistent and informed adjudication of claims under Cap 405, it is proposed that judicial officers handling such cases receive specialized training. This training should cover the legal framework of Cap 405 and related statutes, evaluation of medical and expert evidence in personal injury cases, understanding timelines, documentation, and insurer obligations under the law. Such capacity-building will enhance judicial efficiency, improve the quality of decisions, and reduce inconsistencies in the handling of motor vehicle third-party claims.
- iii. Review of the Auctioneers' Act (CAP 526)-There has been a lot of malpractice by auctioneers which has led to losses to PSV owners and the insurance companies. The Act requires an overhaul to provide for proper regulation of auctioneers, some of the cases include the following:
 - Failure to serve proclamation notices: Auctioneer proceeds with attachment and seizure without serving the mandatory proclamation notices.
 - Exaggerated auctioneers fee: This leads to unjustified financial burden to PSV operators and the insurers.
 - Undervaluation of property: Property sold far below the fair market value and sold in secrecy.
 - Vandalism during attachment: Property is destroyed during attachment. Using excessive force also contributes to damage to property.

3.4 Insurance Regulatory Authority

The CEO Insurance Regulatory Authority appeared before the Committee and submitted as follows;

59. In Kenya, Public Service Vehicle (PSV) Insurance business is governed by several laws including the Insurance Act CAP 487 Laws of Kenya, The Traffic Act CAP 403 Laws of Kenya, The National Transport and Safety Authority Act No 33 of 2012 and The Insurance (Motor Vehicles Third Party Risks) Act CAP 405 Laws of Kenya.
60. Currently there are only three licensed insurance companies who transact PSV Insurance Business namely; Directline Assurance Company Limited; Africa Merchant Assurance Company Limited; and Definite Assurance Company Limited.
61. The PSV Insurance mainly provides cover for third party liability such as death, permanent disability, medical expenses, and/or supplementary expenses due to occurrence of an injury

caused by a motor vehicle (motorcycle). It does not cover the vehicle or the person who caused the accidents or their family. Motor third party insurance cover is mandatory for all persons operating motor vehicles on public roads as defined by law.

Historical Context

62. In the 1970's a presidential directive was issued that allowed matatus to operate in an unregulated environment. This has continued to date. The consequences therefore, was;
 - a. The onset of indiscipline and chaos on our roads, the emergence of ambulance chasing and excessive court awards.
 - b. Establishment of a voluntary insurance motor pool by the industry in response to the developments noted above, and its collapse soon after most members exited (due to poor claims experience),
 - c. In 1974 establishment of the first compulsory pool Kenya motor insurance pool.
 - d. 1979 withdrawal of KNAC from the motor pool.
 - e. 1984 collapse of the first motor pool (compulsory)
 - f. In 1985 a second compulsory pool was set up.
 - g. 1989 2nd compulsory pool is wound up by the Government after accumulating huge liabilities
 - h. Early 1990s United Insurance Company emerges as the 2nd largest PSV insurer after KNAC
 - i. 1996 KNAC collapses followed within the next 10 years by Stallion, Lakestar, Liberty, United and more recently Invesco, revived then collapsed again. Other companies that have closed are Standard, Concord, Xplico and BlueShield.

63. Despite the various laws in place, insurer's transacting in PSV Insurance business faces significant challenges including:
 - Ambulance chasing;
 - Exaggerated court rulings;
 - Lack of a centralized database for information sharing;
 - Weak enforcement of traffic laws including highway codes;
 - Fraud;
 - Poor risk and claims management; and
 - Entrenched negative image of PSV underwriters.

64. As a result, PSV insurance is inherently high risk, and the insurance industry has historically been unable to underwrite this risk at sustainable premium rates due to the competitive market structure. Further, section 8 of the Insurance (Motor Vehicle Third Party Risks) Act CAP 405 nullifies any Conditions imposed by a policy of insurance providing that no liability shall arise if the terms conditions of cover are not met thus requiring PSV underwriters settle all claims. As a result, the insurance industry witnessed insolvencies and collapse of several PSV underwriters. The Authority has taken several steps to protect policyholders and claimants.

Response to Prayer (i)

65. *Prayer (i) - Intervene on behalf of the operators and urgently address the issues surrounding the compensation of valid accident claims by the aforementioned insurance companies.*

Administrative actions taken by the Authority

a. Placement of Insurers Under Statutory Management

66. Through the application of Section 67C of the Insurance Act, the Authority has intervened in the management of PSV insurers who have either failed to:
- Meet capital requirements.
 - Settle insurance claims as they fall due.
 - Obtain appropriate reinsurance for their business.
 - Take steps to protect the interest of policyholders and the general public
67. In such cases the Authority has appointed a competent person familiar with the business of the insurer (referred to as a "statutory Manager") to assume the management, control and conduct of the affairs and business of an insurer to exercise all the powers of the insurer to the exclusion of its Board of Directors, including the use of its corporate seal.
68. Upon appointment of a Statutory Manager, an insurer is not authorized to enter into any new insurance contracts thus protecting the general public. In addition, the appointment of the Statutory Manager triggers compensation of policyholders of the affected insurer at KES 250,000 per claimant. The Government is considering increasing this amount to KES 500,000 per claimant.

b. Appointment of Directors to the Board of Directors of Insurers

69. The Authority has in the past intervened in the governance of insurers by appointing three directors to sit in the boards of such insurers. The directors are required to ensure:
- The insurer has a governance structure that is compliant with the Insurance Act.
 - Proper financial management practices by the insurer.
 - Effective internal controls and risk management practices are well-implemented.
 - Full compliance with the requirements of the Insurance Act.
 - The interests of the policyholders, insurer, and the public in general are protected.

c. Prosecution of Management Staff and Board of Directors of Insurers

70. Where any director, principal officer or management staff of an insurer has failed to:
- take all reasonable steps to secure the compliance of an insurer with the Insurance Act; or
 - to settle a Judgment or any insurance claim without lawful justification.
71. The Authority has initiated prosecution of such persons with the aid of the Insurance Fraud Investigations Unit and the Office of the Director of Public Prosecutions.

72. If found guilty upon conviction, the person is liable to a fine not exceeding five million shillings or to imprisonment for a term not exceeding two years.

Response to Prayer (ii)

73. *Prayer (ii) Recommends that the Insurance Regulatory Authority (IRA) formulates and enforces standards of conduct for insurance companies.*

Development of the Legal and Regulatory Framework of Insurance

74. The legal framework governing insurer conduct, including claims settlement, is principally set out under the Insurance Act, Cap 487.

75. The Act empowers the Authority to formulate standards and guidelines to regulate the conduct of insurance business. Among the functions of the Authority, as prescribed under Section 3A(1)(g) of the Act, is the issuance of Supervisory guidelines and prudential standards for the better administration of insurance business by licensed entities.

76. Pursuant to this mandate, the Authority has issued various guidelines that are currently in force and continue to guide the regulation of insurer conduct, including in the areas of claims management, corporate governance, reinsurance, risk controls, and market conduct. To enhance their effectiveness, these existing instruments are currently undergoing comprehensive review and revision.

77. The updated versions, referred to as the 2025 guidelines, seek to address implementation gaps, strengthen enforcement provisions, and align the regulatory framework with evolving market practices and supervisory expectations. The revised drafts include:

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- Insurance (Corporate Governance) Guidelines, 2025
 - Insurance (Risk Management and Control Functions) Guidelines, 2025
 - Insurance (Reinsurance Arrangements) Guidelines, 2025
 - Insurance (Market Conduct) Guidelines, 2025
 - Insurance (Claims Management) Guidelines, 2025

78. The draft guidelines have been reviewed in consultation with the National Treasury and the Office of the Attorney General and are scheduled to undergo public participation.

Joint Committee on Public Transport Sector Safety and Insurance

79. The problem of PSV insurance business is a multi-sectorial issue affecting several players both in government and the private sector.

80. Following a submission of a Memorandum by the Federation of Public Transport Sector (FPTS) to the Cabinet Secretary, The National Treasury dated 4th November 2023, the CS formed a multi-sectorial committee to look into the challenges facing the sector and make appropriate recommendations.

81. The Committee in carrying out its mandate analyzed the public transport sector legal, regulatory and institutional framework, reviewed various reports and information from the various actors within the public transport sector and made recommendations.
82. The key areas in public transport insurance that were identified for consideration for review included the KES 3 million limit for compensation that is provided under the Insurance (Motor Vehicle Third Party Risks) Act, Cap 405 that PSV owners decried, was financially exposing them when exorbitant judgments were issued against them in traffic accident cases.
83. Other pertinent recommendations included review of the standardized PSV motor insurance policies and harmonization of industry practices regarding insurance excess to mitigate conditions that were stringent to PSV owners. (The report was tabled in 2024).
84. The Committee also made various recommendations that should be undertaken by IRA in collaboration with other actors such as AKI including carrying out urgent sensitization initiatives to the public on the importance of insurance, particularly Third-Party motor vehicle and personal accident insurance. Noting the rampant issuance of fake insurance certificates, PSV owners and crew would require urgent training on how to verify their authenticity using the AKI Digitally Managed and Verifiable Insurance Certificate System (DMVIC) Application.
85. In addition, to deal with the cross-cutting corruption amongst the various actors, the Committee noted that the automation of systems within the PSV sector like the NPS, Judiciary and more so the move from a cash-based sector through the introduction of automated fare collection systems, would greatly reduce opportunities for corruption.
86. To deal with the issues faced by public transport sector players in court processes arising from road traffic accidents, the Committee noted that the Judiciary ought to develop practice guidelines for traffic accident compensation, adopt digital payment options and streamline case management and bail procedures.
87. It was noted that an urgent review of the jurisdiction of the Small Claims Court on personal injury claims and resolving the conflicting timelines with Insurance (Motor Vehicle Third Party Risks) Act, Cap 405.
88. To deal with challenges propagated by doctors/hospitals that were known to be issuing falsified reports with the intention of committing insurance fraud, the Committee recommended that they be reported to the Kenya Medical and Dentists Practitioners Council for disciplinary action.
89. Lastly, to deal with challenges propagated by auctioneers, the Committee recommended that the National Association of Kenya Auctioneers should closely monitor auctioneers' behaviour and develop a code of conduct and in the long term, review the Auctioneers Act so as to streamline the operations of auctioneers.

90. This report has been submitted to the Cabinet Secretary National Treasury for policy direction.

91. Due to these challenges, the performance of the PSV insurance business has been loss making as shown in the table below:

| Item | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|----------------|
| Gross Premium | 3,574,444,000 | 5,231,555,000 | 5,939,384,000 | 5,383,397,033 | 4,829,658,000 |
| Incurred Claims/Expenses | - 4,002,699,000 | - 5,819,805,000 | - 6,672,784,000 | - 6,308,840,384 | -5,921,624,000 |
| Underwriting Losses | -428,255,000 | -588,250,000 | -733,400,000 | -925,443,351 | -1,091,966,000 |

Response to Prayer (iii)

92. *Prayer (iii) Recommends that IRA compels insurance companies to honour all pending claims to protect the public transport industry, considering the vital role public transport plays in revenue generation in the county.*

Complaints Resolution Procedures

93. The Insurance Act empowers the Authority to intervene to resolve complaints by policyholders on claims payment issues. Specifically, Section 204A provides a statutory process through which a policyholder or claimant may report a complaint to the Authority.

94. Upon receiving a complaint, the Authority:

- i. Acknowledges and formally registers the complaint,
- ii. Shares the complaint with the concerned insurer, requiring a written response,
- iii. Collects and reviews all supporting evidence from both the complainant claim records, and the insurer, including policy documents, correspondence, medical/legal documents, etc.,
- iv. Assesses compliance with the terms of the policy and applicable legal and regulatory obligations, and
- v. Makes a determination on the matter, which is then communicated to both parties.

95. The Authority's determination may include compelling the insurer to settle the claim, where the insurer is found to be in breach of the law or the insurance contract. Failure by the insurer to comply with the determination may trigger escalated enforcement, including criminal prosecution under Section 67H of the Insurance Act.

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96. This process ensures that compulsion to pay claims is evidence-based, procedurally fair, and enforceable under the provisions of the Insurance Act. In addition to the individual complaint's resolution mechanism under Section 204A, as previously noted, where an insurer consistently fails to settle claims as they fall due, the Authority may invoke Section 67C of the Insurance Act to place the insurer under statutory management thus triggering compensation by PCF.

PART FOUR

4. COMMITTEE OBSERVATIONS

Upon hearing from the Petitioner, Association of Kenya Insurers, Federation of Public Transport Sector and Insurance Regulatory Authority, the Committee observed that—

97. There was no centralized digital infrastructure to support claims transparency and accountability across the motor insurance industry. This gap encourages abuse in the form of fake insurance certificates, duplication of claims, forum shopping, and coordinated fraud by cartels and unscrupulous service providers.
 98. Small claims courts are intended to handle disputes involving amounts below one million shillings, many accident-related cases are currently filed before them. However, such cases often require detailed investigations, which cannot be adequately completed within the courts' 60-day timeframe for delivering judgments. This compressed timeline risks compromising the quality and fairness of decisions.
 99. Many commercial and public service vehicles continue to operate without regular mechanical inspections, increasing the risk of road accidents and leading to insurance claims that are difficult to verify.
 100. There are only a few insurance companies willing to underwrite PSVs due to the associated risks. As a result, these few underwriters are overburdened with numerous claims, further straining their financial resources. Currently there are only three licensed insurance companies who transact PSV Insurance Business namely; Directline Assurance Company Limited; Africa Merchant Assurance Company Limited; and Definite Assurance Company Limited.
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101. The performance of the PSV insurance business has been loss making. This has seen escalation of challenges in sustaining the insurance business.
 102. The Federation of Public Transport Sector (FPTS) through its leadership presented a Memorandum dated 4th November 2023 to the CS, National Treasury and Economic Planning. The purpose of the Memorandum was to highlight various challenges affecting the Public Service Vehicle (PSV) sector including concerns related to provisions of the Insurance Act CAP 487 and the Insurance (Motor Vehicles Third Party Risks) Act CAP 405.
 103. Following a submission of a Memorandum, the CS formed a multi-sectoral committee to look into the challenges facing the sector and make appropriate recommendations.

PART FIVE

5. COMMITTEE RECOMMENDATIONS

104. Pursuant to the provisions of Standing Order 227, the Committee responds to the Petition as follows—

- 1) On the prayer that the Committee intervenes on behalf of the operators and urgently addresses the issues surrounding the compensation of valid accident claims by the aforementioned insurance companies, **the Committee recommends that the Insurance Regulatory Authority (IRA) should enforce compliance by insurance companies by taking necessary action on those found in breach of the Insurance Act.**
- 2) On the prayer that the Committee recommends that Insurance Regulatory Authority (IRA) formulates and enforces standards of conduct for insurance companies, **the Committee recommends that, within ninety (90) days upon tabling of this report, the Insurance Regulatory Authority (IRA) should formulate and submit to the National Assembly comprehensive standards and guidelines, and proposals to amend laws constraining expeditious and practical resolution of disputes and settlement of claims; and implement recommendations of the report of the joint committee on public transport sector safety and insurance..**
- 3) On the prayer that the Committee recommends that IRA compels insurance companies to honour all pending claims to protect the public transport industry, considering the vital role public transport plays in revenue generation in the country, **the Committee recommends that, within ninety (90) days upon tabling of this report, the Authority should compel the insurers to settle valid claims. Failure by the insurer to comply with the determination should trigger escalated enforcement, including criminal prosecution under Section 67H of the Insurance Act and submit a report on all outstanding claims and action taken to the National Assembly.**

Signed:  Date: 01/04/2026

HON. MUCHANGI KAREMBA, CBS, M.P.
CHAIRPERSON, PUBLIC PETITIONS COMMITTEE

ANNEXURES

- Annex 1: The Adoption List
- Annex 2: Public Petition No.17 of 2024, regarding the Insurance Regulatory Authority's failure to protect public transport operators in insurance claims.
- Annex 3: Minutes of proceedings
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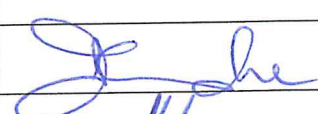

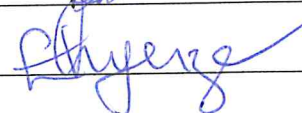
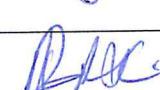
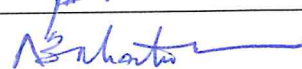
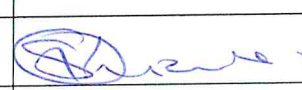

PUBLIC PETITIONS COMMITTEE

ADOPTION LIST

- (i) **Consideration and adoption of the Report on Public Petition No. 17 of 2024 by Hon Caleb Mule, MP, regarding the failure of the Insurance Regulatory Authority to protect Public Transport Operators in insurance claims.**

We, the undersigned, hereby affix our signatures to this Report to affirm our approval:

DATE: 18/02/2026

| | HON. MEMBER | SIGNATURE |
|-----|---|---|
| 1. | Hon. Muchangi Karemba, CBS, M.P. (Chairperson) |  |
| 2. | Hon. Janet Jepkemboi Sitienei, CBS, M.P. (Vice Chairperson) |  |
| 3. | Hon. Patrick Makau King'ola, M.P. | |
| 4. | Hon. Beatrice Kadeveresia Elachi, CBS, M.P. | |
| 5. | Hon. Joshua Chepyegon Kandie, M.P. |  |
| 6. | Hon. Maisori Marwa Kitayama, M.P. |  |
| 7. | Hon. Edith Vethi Nyenze, M.P. |  |
| 8. | Hon. Patrick Ntwiga Munene, M.P. | |
| 9. | Hon. Paul Biego Kibichy, M.P. |  |
| 10. | Hon. (Eng.) Bernard Muriuki Nebart, M.P. |  |
| 11. | Hon. Peter Mbogho Shake, M.P. | |
| 12. | Hon. Suzanne Ndunge Kiamba, M.P. |  |
| 13. | Hon. John Bwire Okano, M.P. | |
| 14. | Hon. Sloya Clement Logova, M.P. | |
| 15. | Hon. Peter Irungu Kihungi, M.P. |  |

