UNIVERSITY OF NAIROBI
FACULTY OF ARTS
DEPARTMENT OF SOCIOLOGY AND SOCIAL WORK

FACTORS AFFECTING THE USE OF CROSS BORDER INSURANCE FOR MOTOR VEHICLES IN KENYA
THE CASE OF NAMANGA BORDER POST

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C/50/P/9017/06

RESEARCH PAPER FOR MASTERS OF ARTS (ENTREPRENEURSHIP DEVELOPMENT)
DECLARATION

I, Teresia Zawadi Kenga, hereby declare that this research project is my original work and has not been presented for a degree in any other University.

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Date: 11/11/2009

This project has been submitted for examination with my approval as University Supervisor;

Signed: DR. KARATU KIEMO

Date: 13/11/09
I, Teresia Zawadi Kenga, hereby declare that this research project is my original work and has not been presented for a degree in any other University.

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This project has been submitted for examination with my approval as University Supervisor;

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DR. KARATU KIEMO
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To all I say may God bless you abundantly.
ABSTRACT

This study looked at factors affecting the use of cross border insurance for motor vehicles in Kenya. The study sought to determine whether cost, availability of motor insurance cover, participation by law enforcers, awareness of benefits and use of alternative third party motor vehicle insurance affect the level of using cross border motor vehicle insurance by traders.

The sample was drawn from Commercial vehicles crossing Namanga border point from Kenya to Tanzania. 50 vehicles comprising the category of trailers and lorries, 25 buses and 25 vehicles in the category of tour vans and personal business vehicles were considered. These were picked by the sampling method of stratification.

Primary and secondary data for this survey study were collected using questionnaires and an interview guide. The data collected was analyzed using the students' edition of SPSS.

The findings indicated that most motorists crossing the border were aware of the existence of the Regional cross border motor vehicle insurance but many of them were not utilizing it as they were not aware of the benefits, it was not easily available and the alternative ordinary third party insurance was cheaper because its price considered the short period for traveling across the border. Respondents stated that police mostly did not record the information on the insurance documents but conducted casual checks and accepted all types of insurance certificates used by the travelers.

Police and customs officials indicated that only 40% of commercial vehicles crossing the border point use the Yellow Card cross border motor vehicle insurance. They suggested that awareness campaigns should be conducted in order to sensitize motorists on the benefits of using the Yellow Card cross border motor vehicle insurance. The cost should be harmonized to match that of the ordinary third party insurance for short periods.
The study recommends that The COMESA Secretariat, the body which oversees regional activities together with National Bureaux coordinating the operations of the Yellow Card motor vehicle cross border insurance and all member insurance companies in the region liaise and conduct advertising campaigns by using all sources of media to create awareness. The COMESA regional body should also push for the protocol of the regional motor vehicle insurance scheme to be passed into law by the governments of the member states.
LIST OF CHARTS

Figure 4.1: Demographic Representation- Age Distribution ..........................................................39
Figure 4.2: Demographic Representation – Level of education..............................................41
Figure 4.3: Demographic Representation – Type of vehicle.......................................................43
Figure 4.4: Ownership of vehicle..................................................................................................44
Figure 4.5: Purpose of travel........................................................................................................45
Figure 4.6: % of using cross border motor insurance.................................................................46
Figure 4.7: % of purchasing cross border motor insurance..........................................................49
Figure 4.8: Effects of other costs....................................................................................................50
Figure 4.9: Distribution on accident claims ..................................................................................51
Figure 4.10: Speed of processing claims......................................................................................51
Figure 4.11: Usage of other third party covers..............................................................................53
Figure 4.12: Comparative prices of other insurance covers...........................................................54
Figure 4.13: Easy of obtaining ordinary third party insurance cover............................................55
LIST OF TABLES

Table 4.1: Demographic Representation- Gender Distribution .......................40
Table 4.2: Demographic Representation - Driving Experience .....................42
Table 4.3: % Distribution of cross border travels .......................................44
Table 4.4: Ease of obtaining cross border insurance ....................................47
Table 4.5: Cross border motor vehicle insurance usage ...............................47
Table 4.6: % Distribution on cost. Indicated on Y C card ............................48
Table 4.7: Accident claims from ordinary third party insurance ....................56
Table 4.8: Cost of ordinary third party insurance .......................................57
Table 4.9: Acceptance of third party cover by authorities ...........................57
Table 4.10: Distribution on medium of awareness .......................................59
Table 4.11: Awareness of accident reporting centers ...................................60
Table 4.12: Importance of cross border motor vehicle insurance ...................61
Table 4.13: % Distribution on cross border insurance check points ................62
Table 4.14: % Distribution on need for numerous check points .....................63
Table 4.15: Information by police and customs .........................................64
Table of Contents

Declaration ....................................................................................................................... ii
Acknowledgement ........................................................................................................ iii
Abstract ......................................................................................................................... iv
List of Charts ................................................................................................................ vi
List of Tables ................................................................................................................ vii
List of abbreviations ..................................................................................................... xi

CHAPTER ONE ............................................................................................................... 1

1.0 INTRODUCTION .................................................................................................... 1
1.1 Background .............................................................................................................. 1
1.2 Problem Statement ................................................................................................. 6
1.3 OBJECTIVES .......................................................................................................... 8
   1.3.1 Broad Objective ............................................................................................. 8
   1.3.2 Specific Objectives ...................................................................................... 8
1.4 Significance of the study ....................................................................................... 9
1.5 Scope and limitation of the study ......................................................................... 10
1.6 Definition of terms ............................................................................................... 11
   1.6.1 Common Market for Eastern and Southern Africa ..................................... 11
   1.6.2 Compensation ............................................................................................ 11
   1.6.3 Entrepreneurship ...................................................................................... 11
   1.6.4 Entrepreneurs .......................................................................................... 12
   1.6.5 Legal system ............................................................................................ 12
   1.6.6 National Bureau ...................................................................................... 12
   1.6.7 Protocol .................................................................................................. 12
   1.6.8 Yellow Card ............................................................................................ 13

CHAPTER TWO ............................................................................................................... 14

2.0 LITERATURE REVIEW ....................................................................................... 14
2.1 The regional environment and opportunities for entrepreneurs ....................... 14
2.2 Challenges faced in the transport sector and trade ........................................... 14
   2.2.1 Challenges to Governments ..................................................................... 14
   2.2.2 Challenges to traders .............................................................................. 15
2.3 The use of the Yellow Card cross-border insurance ......................................... 17
   2.3.1 Trade facilitation ..................................................................................... 17
   2.3.2 Transit facilitation ................................................................................... 18
   2.3.3 Minimizing delays .................................................................................. 19
   2.3.4 Compensating road accident victims ...................................................... 19
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3.5 Foreign exchange convenience</td>
<td>20</td>
</tr>
<tr>
<td>2.4 Benefits of Cross border insurance</td>
<td>20</td>
</tr>
<tr>
<td>2.4.1 Benefits to governments</td>
<td>21</td>
</tr>
<tr>
<td>2.4.2 Benefits to traders</td>
<td>21</td>
</tr>
<tr>
<td>2.5 The Record of the Yellow Card Scheme as shown by the COMESA Secretariat</td>
<td>24</td>
</tr>
<tr>
<td>2.6 Obtaining the Yellow Card</td>
<td>24</td>
</tr>
<tr>
<td>2.7 The cost of the Yellow Card cross-border insurance</td>
<td>24</td>
</tr>
<tr>
<td>2.8 Relationship between prices and quantities</td>
<td>25</td>
</tr>
<tr>
<td>2.9 Other costs affecting the transport system</td>
<td>26</td>
</tr>
<tr>
<td>2.9.1 Freight charges</td>
<td>26</td>
</tr>
<tr>
<td>2.9.2 Road infrastructure</td>
<td>27</td>
</tr>
<tr>
<td>2.9.3 Customs guarantee</td>
<td>28</td>
</tr>
<tr>
<td>2.10 Applicable Theories</td>
<td>28</td>
</tr>
<tr>
<td>2.10.1 Systems Theory</td>
<td>29</td>
</tr>
<tr>
<td>2.10.2 Rational Choice Theory</td>
<td>30</td>
</tr>
<tr>
<td>2.10.3 Cost Benefit Analysis</td>
<td>31</td>
</tr>
<tr>
<td>2.10.4 Theory of Globalisation</td>
<td>31</td>
</tr>
<tr>
<td>2.11 Conclusion</td>
<td>32</td>
</tr>
<tr>
<td>2.12 Conceptual Framework</td>
<td>34</td>
</tr>
<tr>
<td>Factors that influence the challenges of using the Yellow Card</td>
<td>35</td>
</tr>
<tr>
<td>CHAPTER 3</td>
<td>36</td>
</tr>
<tr>
<td>METHODOLOGY</td>
<td>36</td>
</tr>
<tr>
<td>3.1 Introduction</td>
<td>36</td>
</tr>
<tr>
<td>3.2 Research Design</td>
<td>36</td>
</tr>
<tr>
<td>3.3 Site selection</td>
<td>36</td>
</tr>
<tr>
<td>3.4 Site description</td>
<td>36</td>
</tr>
<tr>
<td>3.5 Study Population</td>
<td>37</td>
</tr>
<tr>
<td>3.6 Unit of observation and analysis</td>
<td>37</td>
</tr>
<tr>
<td>3.7 Type and source of Data to be collected</td>
<td>37</td>
</tr>
<tr>
<td>3.8 Sampling Design</td>
<td>37</td>
</tr>
</tbody>
</table>
## Table of Contents

3.10 Data collection instruments .................................................................................. 38
3.11 Data presentation and analysis ............................................................................ 38

CHAPTER 4 ...................................................................................................................... 39
DATA ANALYSIS ............................................................................................................ 39
4.1 Introduction ............................................................................................................. 39
4.2 Social Demographic information ........................................................................... 39
4.3 Factors influencing the usage of cross border insurance ...................................... 43
4.4 Usage of alternative insurance ............................................................................. 52
4.5 Awareness level towards using cross border insurance ....................................... 58
4.6 Enforcement of cross border insurance .................................................................. 61

CHAPTER 5 ...................................................................................................................... 65
SUMMARY OF FINDINGS ............................................................................................... 65
5.0 Introduction ............................................................................................................. 65
5.1.1 Factors which influence the usage of cross border insurance ......................... 65
5.1.2 Level of using alternative insurance ................................................................. 65
5.1.3 Awareness level towards using cross border insurance .................................. 66
5.1.4 Activities which ensure enforcement ................................................................ 66
5.1.5 Information by police, customs ....................................................................... 67
5.2 Conclusion from findings ..................................................................................... 67
5.3 Recommendation to stakeholders ....................................................................... 69
5.4 Suggestion for further studies ............................................................................. 70
REFERENCES .................................................................................................................. 71

APPENDIX 1: QUESTIONNAIRE .................................................................................. 74
    Part A: Demographic Information .......................................................................... 74
    PART B Objective 1: To examine factors which influence the usage of cross-border insurance by motorists ................................................................. 75
    Part B Objective 2: Examining the level of usage for alternative insurance covers which are sold at the border ................................................................. 77
    Objective 3. Awareness level towards using cross-border insurance ................. 79
    Objective 4. Examining enforcement of cross-border insurance ....................... 81

APPENDIX 2: QUESTIONNAIRE FOR KEY INFORMANTS .................................. 83
    Police and Customs officials ............................................................................... 83

ASSESSMENT OF THE OPERATIONS OF THE YELLOW CARD SCHEME AT NAMANGA BORDER POST .............................................................. 83
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AKI</td>
<td>Association of Kenya Insurers</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for East and Southern Africa</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Area</td>
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<tr>
<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
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<tr>
<td>PTA</td>
<td>Preferential Trade Area</td>
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<tr>
<td>SADC</td>
<td>South African Development Community</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade Development</td>
</tr>
<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
</tr>
<tr>
<td>WTQ</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>OAU</td>
<td>Organization of African Unity</td>
</tr>
<tr>
<td>YC</td>
<td>Yellow Card</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION

1.1 Background

In 1987, the Common Market for Eastern and Southern Africa (COMESA) started a cross-border third party motor vehicle insurance to cover motorists should they cause accidents in foreign member countries (Y C Manual 2006). That means the cover is intended to cover liabilities for injury, death and damage to property. In its absence, a motorist causing an accident would have to individually compensate third parties and in some cases this has led to their vehicles being confiscated and auctioned (Y C Compendium 2007).

Currently there are 22 countries which are member states of the COMESA region but the Scheme operates between the participating states that have fulfilled the requirements for implementing the cross-border motor vehicle third party insurance scheme (commonly referred to as the Yellow Card). The Scheme operates in the following countries: Burundi, DRC Congo, Djibouti, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe. Other countries are still expected to join the scheme (Y C Manual 2006).

A progress report by the National Bureau covering the period 01/07/2007 to 30/06/2008 shows that in Kenya only 9,115 cross border motorists purchased the cover. This is presumably a low level coverage of utilization, considering that some motorists may have purchased the cover more than once. Even with this level of purchase Kenya is the leading consumer of the Yellow Card as Kenya is a transit country (Progress Report on the Y C 2008).
The report also indicates that there were a total of 22 claims. The report for the previous year 2007 shows that 14,342 cross-border motorists purchased the cover (Progress Report on the Y C 2007).

The COMESA Yellow Card cross border insurance is comparable to other regional schemes of insurance. In Canada, there is also a regional insurance cover known as Yellow Card which is necessary for any foreign motorist driving into Canada. The government of Canada considers the Yellow Card as the only sufficient proof to meet their compulsory insurance law (Motor Insurance Bureau 2007).

The Green Card System in Europe makes it easier for vehicles to move freely across borders and protect the interests of the victims of foreign registered vehicles. The Green Card is a document recognised in over 40 countries in Europe and the Middle East with the exception of Iraq and Russia (Motor Insurance Bureau 2007).

In addition to the Green Card, the Orange Card covers vehicles passing through the Arab countries. The Orange Card covers the insured's legal liability towards third parties while driving in the Arab countries subscribed in the Orange Card agreement, which will compensate the damages in accordance with the concerned countries laws (Unified Arab Auto Insurance 2007).

The Yellow Card cross-border insurance has a number of benefits and usefulness which can reduce challenges faced by traders. The cross-border insurance can facilitate trade by simplifying and reducing costs of international trade in that insurance premiums will be paid at the country of origin in the local currency and the transporters does not stop at border points to purchase insurance cover (Y C Manual 2006).

Delays are minimized in that when an accident happens, motorists are able to continue with their journey provided they report the accident to the Bureau of the cross-border insurance in the country being visited. Road accident victims will be compensated for injuries and damages to property. There will be reduction in the
number of trade documents and increased effectiveness and control (Y C Manual 2006).

In economic terms, the Yellow Card offers protection for liabilities against third parties for accidents caused by transporting vehicles. This enables firms in the region to participate actively in the international arena as sellers and becoming exporters (Y C Compendium 2007).

The transporting of goods to foreign destinations for consumption has become important for entrepreneurs because it often means increased market potential. Exporting has increasingly become a method for venture growth and increased profitability among small firms. Small firms are able to gain a competitive edge by developing innovations in marketing techniques (Kuratko/Hodgetts 2007).

Trade facilitation by the Yellow Card will accelerate economic development and enable industries in developing countries to participate in the globalization process. COMESA is enhancing trade by making it possible for entrepreneurs to find market in the COMESA member countries (Y C Compendium 2007).

The Yellow Card cross border insurance enhances economic integration and stronger regional relationships. This implies social and economic integration from the different social sectors. Some social sectors will therefore integrate themselves into the changes derived from the economic growth. Social and economic elements are determinant circumstances which affect the standards of living for every particular nation. An increasing degree of integration among societies plays a crucial role in most types of social and economic changes. International connections and relationships play the role of social, political and economic changes due to development which is enhanced by international division of trade and labour (Reyes 2001).

Despite having some benefits, the Yellow Card cross-border insurance is facing some challenges which are also factors affecting the level of utilization.
The first challenge is the environment in which the Yellow Card is operating. The Yellow Card was established by COMESA as one of the tools to facilitate trade by making easy the transporting of goods and travelling by tourists (Y C Compendium 2007).

The COMESA Secretariat has made some progress towards this but the challenge is that almost half the number of countries in the Eastern and Southern region are not members of the Yellow Card cross border motor vehicle insurance Scheme (Y C Compendium 2007).

This has limited the scope and area of operation for the Yellow Card certificate as opposed to the Green Card Scheme which covers 43 countries in Europe.

The Protocol for commencing the Yellow Card cross border motor vehicle Scheme was signed by the heads of state in 1987 but to date governments have not passed a law to make it compulsory although it is considered to be compulsory by the COMESA Secretariat (Y C Manual 2006).

The Yellow Card cross-border insurance is facing the problem of compliance. There are no mechanisms at regional level to enforce compliance. Arguments of national sovereignty often override regional protocols and agreements. There is great need to provide informed options to governments and convince them of the long term benefits of compliance (Trade and development Board 2001).

The laws for motor insurance in the member states also differ. Some countries do not have mandatory third party insurance while others have a limited amount of cover for third party bodily injury and death when the common practise should be unlimited cover (Y C Compendium 2007).

The cost of the Yellow Card cross-border insurance and the way it is obtained can pose some challenge to motorists and affect the utility levels. The Yellow Card cross-border insurance is an extension of the annual motor policy and can only be issued by the insurance company which issued the annual motor policy (Y C Manual 2006).
The premium or price charged can be utilized to a maximum of three months only. The cross-border insurance is short term and insurance companies do not allow vehicles to take cover for longer periods (AKI Circular 2001).

The following challenges being encountered by travellers and traders make the use of cross-border insurance important.

Transporters and travellers are supposed to meet other costs as they cross the borders, for example from the port of Mombasa, they have to pay freight charges, bond guarantee or security for ensuring that they deliver the goods, and on the way pay customs and immigration charges. It is claimed that the system is penetrated by corrupt police officers and immigration officials who mount road blocks. The officers have to be bribed in order to allow trucks to cross the borders (Economic Report on Africa 2004).

There is lack of necessary information on applicable regulations from customs. Information is always not readily available. There is lack of transparency, predictability and uncertainty regarding costs and time involved for trade transactions which make traders faces a lot of problems (Economic Report on Africa 2004).

There is high cost of doing business due to poor road infrastructure which has posed a big challenge to doing business. Travellers and transporters are left to choose which costs to avoid and the insurance cost may not be a priority to them (Economic Report on Africa 2004).

The fragmented legal framework and lack of proper legal instruments pertaining to international trade and transport in Africa creates uncertainty and the need for a lot of legal enquiry and costly litigation. Different laws and trade practices have hindered the smooth operation of trade (Hill 2003). There is no free trade area as such but discriminatory tariffs and administrative impediments. The move towards an economic Union in East Africa has not fully succeeded as Tanzania has shifted from COMESA to SADC (Hill 2003).
The political structure in the COMESA Region and in Africa differs. There is slow progress towards the establishment of meaningful trade blocs and many trade blocs are dormant. Political turmoil and deep suspicion has hindered the growth of meaningful trade. Less developed countries still maintain tariff barriers to each other (Hill 2003). The implication on business and the transport system is that, costs of transport and doing business are still high (Hill 2003). The East African community is still in the process of being relaunched after its collapse in 1977 (Hill 2003).

Delays in formation of regional Economic and political blocs have also posed some challenges (Hill 2003). African countries have been experimenting with regional trade blocs for half a century. There are about ten trade blocs in Africa and many countries are members of more than one bloc. Hill further argues that progress toward establishment of meaningful trade blocs has been slow.

1.2 Problem Statement

The Yellow Card cross-border motor vehicle insurance has potential for growth in terms of production as it facilitates transportation in the region by making it easy to transit across countries. More than 60,000 motorists use the Card annually. The number of insurance companies participating in the scheme has grown to over 160 (Y C Compendium 2007).

The Yellow Card cross-border insurance is an important tool for economic development. However, there is limited knowledge about the existence and operations of the Yellow Card as well as experiences so far.

The purpose of this study is to describe the Yellow Card in terms of factors affecting the level of utilization, challenges facing the transport business and traders, experienced benefits and way forward.
The first problem motorists face is the issue of differing legal systems applicable in different COMESA countries when motorists cause accidents. In some countries, the laws are so strict and assumptions are that the motorist is always at fault (Y C Compendium 2007).

This means whenever a motorist causes an accident the vehicle will be detained until claims for third parties are settled. This causes delays in releasing the goods being transported.

In the countries where the legal system is fault system, the victim has to prove that the accident was caused by the fault of the driver. This will cause problems for motorists in that they will be involved in lengthy litigations in the foreign countries. The differing motor policies also mean that the type of compensation for accident victims differ for the various countries (Y C Compendium 2007).

Accidents caused by motorists who only hold third party insurance are hardly compensated. Victims are left helpless as the agents who issue the insurance at the border may be briefcase and are not available when accidents happen. This causes problems to victims of road accidents and inconvenience members of the public in the countries where accidents occur.

The Major problem facing the Cross border insurance is the level of utilization by motorists. The number of motorists currently using the Yellow Card cross-border insurance in the whole region has reached 60,000.00 and 160 insurance companies are issuing the cover in the whole COMESA region (Y C Compendium 2007). In the year 2008 a total of 9,115 Yellow Cards were issued in Kenya (Progress Report 2008).

This is a clear indication that many motorists may not be using the Yellow Cards. If few motorists are using the Yellow Card, then insurance companies are losing the premium which motorists would pay for the Yellow Card.
Traders exporting goods across the COMESA region face the challenge of multiplicity of currencies and exchange rate arrangements which increase international trade costs. This has been identified as one of the contributing factors to the high cost of international trade (Committee for Regional Cooperation 2005). The advantage with the Yellow Card is that it is purchased using the local currency of the country of origin for the motorist (Y C Manual 2006).

Escalating cost factors on overall transport costs include the cost of third party insurance. On average ordinary third party insurance fees represent around 15% of total maritime charges. The conditions of many African countries, including socio-political instability and poor infrastructure, together with the long distances that separate such countries from international markets, imply high average insurance premiums, which have the effect of discouraging trade (Economic Report on Africa 2004).

1.3 OBJECTIVES

1.3.1 Broad Objective

To establish the level of using Cross border insurance by motorists and examining factors which influence the usage.

1.3.2 Specific Objectives

i. To examine how cost, availability and servicing of third party claims influence the usage of cross-border insurance.

ii. To examine the level of usage of alternative insurance covers which are sold at the border.

iii. To examine awareness level, towards using cross-border insurance by motorists.

iv. To examine activities which ensure enforcement of Cross-border motor Vehicle insurance by police, customs and immigration officials.
1.4 Significance of the study

Exporting goods for trade across borders involve long distance travelling. Vehicle insurance is considered as a fixed cost with respect to vehicle use and in this case premiums would directly be related to annual mileage. This would mean that as motorists travel long distance they would have to pay more insurance premiums (Littman 2008).

The Yellow Card pricing is a fixed cost for a time period despite the distance a vehicle will travel making long distance travelling economical.

The Yellow Card scheme as a trade facilitation tool is important in that, if well managed as a trade facilitation process it will be of direct benefit to the conduct of both business and government. Traders must be given the opportunity to reduce their costs, through fewer delays in the movement of goods, faster customs clearance and a more transparent framework for competition. Governments will benefit from more efficient deployment of resources, more effective regulation and improved trader compliance with rules. Trade facilitation is very important to developing countries (Economic Report on Africa 2004).

The study is important in that results of the findings can be recommended to the COMESA Secretariat who can use them to encourage the National Bureaux in member countries to sensitise entrepreneurs and tourists crossing the borders to utilise the Yellow Card.

The level of utilising the Yellow Card cross border motor vehicle insurance should be investigated in order to determine whether motorists favour using the Yellow Card. This will then explain the preference of motorists, tourists and entrepreneurs crossing the borders towards utilising the Yellow Card. Mullins J Laurie define preference as the tendency to choose certain things over others. It is important to check whether most motorists prefer other insurance covers over the Yellow Card (Mullins 2002).
The issue of compensating road accident victims by foreign drivers is important as most victims may be stranded when a foreign vehicle that causes an accident is not insured in the country where the accident happens. Victims of both injury and property damage can be compensated through National Bureaux if a vehicle has a Yellow Card (Y C Manual 2006). In this regard recommendations of the study can be given to the law enforcers who can be sensitized through the COMESA Secretariat on the importance of ensuring that motorists utilize the Yellow Card.

1.5 Scope and limitation of the study

The study examined the use of cross border insurance in Kenya and not the whole COMESA region. The study looked at factors affecting the utilization of the cross- border insurance such as usage of alternative insurance, awareness level and enforcement by government agents.

There are three major border points in Kenya which are Malaba, Busia and Namanga but the study was conducted only at Namanga. The three border points are very far apart and it would have been very costly and time consuming to reach all of them. At Namanga all categories of vehicles, police and customs agents were available just like the other border points.

The study is limited in that there could be other factors affecting the utilization of cross border motor vehicle insurance.

The study is limited to only 3 categories of vehicles which are trailers and lorries, buses and tour vans and private business vehicles. A total of 100 vehicles, comprising 50 trailers and lorries, 25 buses and 25 from the category of tour vans and personal business vehicles were sampled. These are the type of vehicles to be found in each border post. The companies involved for trailers and buses are the same as they include AKamba buses, multiple haulers and BA Yusuf transporters.
The generalization of the study was limited to motorists, customs, and immigration and police officials at the Namanga border post where it is possible to get all categories of vehicles. The sampling method was also limited in that it considered stratified samples of respondents drawn and selected according to the researcher's convenience and knowledge.

1.6 Definition of terms

1.6.1 Common Market for Easter and Southern Africa (COMESA)

COMESA is a regional integration grouping of twenty two countries which have agreed to promote regional integration through trade. COMESA was established in 1994 as a successor to the preferential Trade Area for Eastern and Southern Africa (PTA). COMESA was established within the framework of the Organisation of African Unity (OAU). It was established to take advantage of a large market size so as to allow for greater social and economic co-operation (Y C Compendium 2007).

1.6.2 Compensation

The Yellow Card Scheme defines compensation as the type of covers provided to a motorist. The beneficiaries who are compensated are third parties who are injured or their properties are destroyed by the insured vehicle in a foreign country visited by the motorist. Where injury or death is involved, there is unlimited compensation to the third parties. Property is covered up to USD 30,000 (Y C Manual 2006).

1.6.3 Entrepreneurship

This is the process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time and career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be
infused by the entrepreneur by securing and allocating the necessary skills and resources (Kuratko & Hodgetts 2001).

1.6.4 Entrepreneurs

An entrepreneur is an individual who undertakes the formation of an organisation for commercial purposes. An entrepreneur is the person who gathers resources, organises talent and provide leadership to make it a commercial success (Schumpeter 1939).

In this study, an entrepreneur refers to the transporters exporting goods from one country to another in the COMESA region.

1.6.5 Legal system

This refers to laws applicable to motor insurance in each COMESA country when foreign drivers cause accidents. In some countries there is strict liability whereby if a foreign driver causes an accident, the victim will claim compensation without proving that the motorist was at fault (Y C Compendium 2007).

1.6.6 National Bureau

The National agent which coordinates all the activities of the Yellow Card third party motor vehicle insurance scheme. It is usually a government owned insurance company or the insurance association which represents all the insurance companies in a country (Y C Manual 2006).

1.6.7 Protocol

Treaties and protocols are agreements signed by heads of state in the COMESA member countries. The protocol on the establishment of a third party motor
vehicle insurance scheme which governs COMESA Yellow Card was signed by heads of state on the 3rd December, 1986 at Addis Ababa, Ethiopia. The contracting parties undertook to establish a compulsory third party insurance scheme which provides minimum guarantee cover to foreign motorists who cause accidents in member countries (Y C Protocol 1986).

1.6.8 Yellow Card

The Yellow Card was established by the COMESA Secretariat as a third party insurance certificate which is a regional insurance card system recognised by participating member states. The Card is Yellow in colour and uniform in appearance throughout the region so that it can be readily identified and accepted as a certificate of motor insurance at border posts (Y C Manual 2006).
CHAPTER TWO

LITERATURE REVIEW

2.1 The regional environment and opportunities for entrepreneurs

The last decade has witnessed a new breed of regional and international entrepreneurs who rely on regional and international networks for resources, design and distribution. This has escalated the regional economy allowing it to reach new heights. Entrepreneurs are participating in the global market as a way of expanding their businesses. Thousands of small business enterprises are actively engaged in the regional and international arena.

Exporting of goods by entrepreneurs is the current method for venture growth and increasing profitability among small firms (Kuratko & Hodgetts 2001).

Considering international markets therefore makes the transport sector and cross border insurance very key to entrepreneurs in the COMESA region.

2.2 Challenges faced in the transport sector and trade

The transport sector and trade facilitation face some challenges which affect both governments and individual traders and thus any move which can eliminate or reduce such challenges is welcome.

2.2.1 Challenges to Governments

Of great importance is that most Governments in Africa face the challenge of lacking Information and Communication Technology. Most customs administration centres in Africa lack telecommunication services and where they exist, they are inefficient with frequent interruptions and very expensive to maintain. Mobile cellular phones are prohibitively expensive and the use of internet services is very low (African Trade Policy Centre 2004).
There is also the problem of poor implementation of programmes by Government officers. African countries have recognized the importance of a regional approach to facilitate trade and several cooperative arrangements have been signed but most trade facilitation initiatives have so far had very limited positive outcomes. African countries are facing formidable challenges to fully integrate into the global economy because of non compliance to trade agreements and incomplete or poor implementation of programmes. There is lack of coordination among and between the countries, lack of coordination among relevant agencies within countries, inadequate skilled manpower and a general lack of proper approach to trade facilitation (African Trade Policy Centre 2004).

In addition, the efficient functioning of international trade and transport largely depends on the existence of a legal framework that responds adequately to the challenges posed by technological and commercial developments to create certainty and predictability. African countries have a fragmented and complex legal framework which creates uncertainty and increase transaction costs. There is need for a lot of legal enquiry, costly litigation and an increased need for insurance (Trade and Development Board 2003).

There is lack of legal instruments pertaining to international trade and transport and thus, there is no consistent, transparent and predictable legal environment to facilitate trade. This makes governments and individual traders lack the necessary tools and standards to improve international trade through harmonization of applicable laws and regulations for simplifying of formalities and procedures (Trade and Development Board 2003).

2.2.2 Challenges to traders

Customs activities make traders face a lot of problems when dealing with customs authorities. There is lack of transparency, predictability and uncertainty regarding costs and time involved for trade transactions. Necessary information
on applicable regulations is not readily available and traders have to spend resources in order to obtain information. They have to add expenses for bribes, penalties and judicial appeals. These additional expenses do not vary according to the value of goods or volume of sales and therefore they increase the operational costs per unit and put firms in developing countries in a weaker position (Committee on Regional Cooperation 2005).

There are high costs because of road blocks which result in excessive delays and increase of transport costs. Road blocks maintained at numerous checkpoints subject drivers to administrative harassment and extortion. Payments at check points include various taxes, transit charges and bribes. These also depend on the type of vehicle, type of goods transported and nationality of the transporters. These charges involve the police and customs officials. Some checkpoints are legal while others are illegal (Economic Report on Africa 2004).

Costs are also added by the problem of goods being diverted from their intended destination. To solve this problem, some countries like Kenya and Cameroon have introduced transit monitoring systems in the form of police escorts. Transport operators in Kenya complain bitterly about the escorts because they contribute to delays and result in additional costs as the police only escort convoys of trucks when several trucks are ready to depart (Committee on Regional Cooperation 2005).

Also long delays result in increased cost of trade as perishable commodities being stacked at the customs for several days or weeks discourage traders. Uncertainty about the outcome of customs procedures is a powerful disincentive for individuals to trade internationally (African Trade Policy Centre 2004).

Excessive delays at checkpoints also cause considerable loss of time and increase vehicle operating costs. In East Africa there are 27 police controls between Mombasa and the Uganda border. Within Uganda, there are 4

The problem of delays at customs and border posts is common in Africa. In many developing countries, inefficiencies and delays occur at interchange points, border crossings and along the transport network (Trade and Development Board 2003).

Vehicles can be kept waiting to cross a border point for as long as 24 to 36 hours. Overall delays at African customs are on average larger than the rest of the world. Delays average 5.5 days in East Asia, 4 days in Central Europe and, 7 days in Latin America but 17 days in Malawi, 30 days in Ethiopia and 14 days in Uganda (African Trade Policy Centre 2004).

2.3 The use of the Yellow Card cross-border insurance

As shown below, the cross-border certificate of insurance has several advantages and is useful to entrepreneurs. Using the cross-border insurance would reduce the challenges faced by both governments and traders as they enhance trade by road transportation in the following ways.

2.3.1 Trade facilitation

Trade facilitation efforts in Africa simply address the logistics of moving goods from ports, moving documentation associated with cross-border trade and the environment in which trade transactions take place. It also involves harmonization of standards and compliance with international regulations (African Trade Policy Centre 2004).

The committee on Regional Cooperation and Integration states that considerable efforts have been made at a regional and sub regional level to facilitate Intra-African trade. Such efforts have included the signing of conventions, protocols, agreements, and development of institutions and trade facilitation initiatives. In
Eastern and Southern Africa, COMESA and SADC have protocols covering the area of transport. They have adopted measures aimed at facilitating transport and transit between member states. COMESA has introduced a common vehicle insurance scheme known as Third party Motor vehicle Insurance (Y C Manual 2006).

The WTO Secretariat has listed payments for insurance and other financial requirements as a central issue that affect trade facilitation, cross-border movement of goods in international trade and international trade standards. This ensures the adoption of a comprehensive and integrated approach to simplifying and reducing costs of international trade transactions and ensuring that the relevant activities take place in an efficient manner (Economic Report on Africa 2004).

COMESA has developed trade facilitation programmes in order to enhance regional trade. These instruments are constantly reviewed to ensure that they are relevant and appropriate and keep in tune with trends in the international trade standards.

2.3.2 Transit facilitation

When a motorist is visiting another country the Yellow Card shall provide the minimum compulsory third party motor vehicle liability insurance cover, as required by the law in force in the territories of the participating states in the scheme, when the vehicles insured are transiting or visiting such other territories (Y C Manual 2006).

In participating states where motor third party liability is not compulsory by law, the Yellow Card Scheme shall correspond to the Motor Liability Insurance Cover on the motorist's Yellow Card certificate in accordance with the laws and regulations in force in the country where the accident occurs (Y C Manual 2006).
The Yellow Card therefore allows motorists to cross from one country to another using the same certificate of insurance.

2.3.3 Minimizing delays

Road haulers are able to travel to all COMESA countries with a single Yellow Card. The cost of insurance is now cheaper meaning delays and inconveniences at border posts have been removed (Y C Compendium 2007). When involved in an accident, motorists are able to continue with their journey provided they report to the police and the National Bureau of the country where the accident happens. This frees them from detention and harassment by the authorities of the countries they are visiting. The driver and passengers are provided with a life saving cover for medical expenses on injuries (Y C manual 2006).

The Card enables motorists to facilitate easy movement of vehicles to cross more than one border point without having to obtain third party insurance at every border point. In case of an accident the National Bureau intervenes faster to secure the release of the vehicle (Y C Compendium 2007).

2.3.4 Compensating road accident victims

The Yellow Card provides minimum guarantee cover for road accident victims and compensation for injury or damage which may be sustained as a result of inter-state road traffic accidents. The scheme provides unlimited cover for Third Party bodily injury and death per person arising from any one event or series of claims in the participating countries (Y C manual 2006).

In addition the Scheme provides Third Party property damage for a limit of USD 5,000.00 for private cars and USD 30,000.00 for commercial vehicles. There is also cover for extra benefits for emergency medical expenses to the insured
driver and passengers in a private car or up to two loaders in a commercial vehicle for a maximum limit of US$ 150 (Y C manual 2006).

2.3.5 Foreign exchange convenience

Different third party insurance regimes would mean that, drivers have to carry cash to purchase insurance and would be forced to change currency at every border point (World Bank Policy Research Paper 2008). This would contribute to delays and extra costs. Motorists therefore save on foreign currency and avoid delays.

Countries in Africa are trying to adopt a common currency but these arrangements are still fragmented. There is still multiplicity of currencies which is increasing the costs of international business. Business enterprises are forced to carry the cost of changing from one currency to another which highly contributes to increased transport costs in Africa. COMESA has established clearing houses to promote intra-community trade with the use of local currencies. This is to assist in exchange controls due to the scarcity of hard currencies (World Bank Policy Research Paper 2008).

The Yellow Card is therefore bought in the local currency of the country of origin for the vehicle and the same is used throughout the journey saving time and money for exchanging currencies (Yellow Card manual 2006).

2.4 Benefits of Cross border insurance

The usefulness of the Yellow Card cross-border insurance as outlined above would enhance trade by improving cross-border procedures and therefore benefit governments and traders in the following way.
2.4.1 Benefits to governments

Trade facilitation is a critical element in any country’s economic infrastructure. It aims at developing an environment for international trade transactions that are consistent, transparent, predictable and acceptable worldwide. Manufactures and distributors need a facilitative environment for their imports and exports which can benefit the country’s trade and increase investment opportunities for the private sector (Trade and Development Board 2003).

Governments will also benefit due to increased effectiveness of control methods, more effective and efficient deployment of resources, correct revenue yields, improved trade compliance, accelerated economic development and encouragement of foreign investments. Reliability in transport procedures will enable industries in developing countries to participate more effectively in the globalization process (Trade and Development Board 2003).

2.4.2 Benefits to traders

An improved administrative framework for trade transactions would particularly benefit small and medium-sized enterprises (SMEs), as these are usually at a disadvantage in coping with unclear trade procedures. (SMEs) in developing countries are adversely affected by excessive trade procedures as they constitute a fixed cost element and result in reduced returns and disincentives to engage in international trade. The introduction of trade facilitation measures can therefore not only expand trading opportunities for these companies, but also help increase the number of their potential trading partners (African Trade Policy Centre 2004).

Utilizing cross-border insurance will enable traders speed up border crossing procedures by reducing the number of trade documents as they will not be required to stop and purchase insurance cover at border posts for the countries
they will be transiting. The cross-border insurance certificate is standardized in accordance with the regional accepted standards and harmonizes the nature of information required for insurance cover (African Trade Policy Centre 2004).

Minimizing delays for traders will reduce their costs, make clearance procedures faster, simplify commercial framework for doing both domestic and international trade by having enhanced competition (African Trade Policy Centre 2004).

2. 5 The Record of the Yellow Card Scheme as shown by the COMESA Secretariat

In his speech recorded by the business daily on November, 6th 2006 the COMESA Secretary General described the Yellow Card as a seamless insurance which is favoured by most motorists.

He stated that new data released by the regional trading bloc indicated that 70,612 Yellow Cards were issued between July 2006 to June 2007 and a gross premium income of Kshs.259 million equivalents was recorded compared to 65,082 Cards and Kshs.189 million the previous period (Yellow Card Compendium 2007).

The success of the Yellow Card Scheme is further echoed by the second edition of the Yellow Card Compendium published by the COMESA Secretariat in 2007. The Yellow Card is reflected as one of the most important instruments for facilitating movement of vehicles, goods and persons in COMESA and non-COMESA region. The scheme is described to have developed from strength to strength since its inception in 1987 (Yellow Card Compendium 2007).

SADC is said to be working together with COMESA to harmonize the Yellow Card Scheme with the fuel levy system implemented in South African countries so as to enable motorists from South Africa, Botswana, Swaziland, Namibia, Lesotho and Mozambique use the Yellow Card cover for their travel in the COMESA Region (Yellow Card Compendium 2007).
Traveling for motorists in the region is said to have become easy. More than 60,000 motorists use the Card annually. There is no inconvenience and extra expenses at border posts. This has in fact reduced the cost of transport. The number of insurance companies in the Region participating in the Scheme is reported to have increased tremendously to over 160. A number of insurance agents have been designated at border posts to enable motorists to easily access the insurance cover at the exit points (Yellow Card Compendium 2007).

The total Yellow Card premium collected annually by insurance companies is now above USD 2.5 million and the number of claims compensations paid annually to road accident victims has reached more than 90. Claims services have become efficient and road accident victims are fully assured of compensation for injury or damage caused by foreign motorists. The settlement and reimbursements of claims between members are handled through the Reinsurance Pool arrangement which provides reinsurance cover and clearing house services thereby enhancing the efficiency and profitability of the Scheme (Yellow Card Compendium 2007).

Apart from facilitating the movement of vehicles, persons and goods, the Yellow Card has contributed to the development of trade, transport and tourism in the Region. The insurance industry has therefore played a big role in designing and implementing trade and transport facilitation instruments.

The attainment of the COMESA Free Trade Area (FTA) in the year 2000 and impending establishment of the Customs Union has created a greater opportunity for the insurance industry. A number of insurance companies have taken advantage of these opportunities and established subsidiary companies in the member states (Yellow Card Compendium 2007).

The council of Bureaux which is the highest body that oversees the operations of the Yellow Card Scheme has embarked on a number of initiatives including the
development of model legislation for the Compulsory third party motor vehicle insurance and other programmes on trade in insurance services. If these programmes are realized then the co-operation between insurance and reinsurance companies in the region will strengthen and deepen (Yellow Card Compendium 2007).

2.6 Obtaining the Yellow Card cross border insurance

Each National Bureau in the COMESA member countries issues the Yellow Cards to the member insurance companies who deliver the Cards to their respective policy holders. Every motorist crossing from one country to another in the COMESA region qualifies to be issued with a Yellow Card cross border insurance. The Yellow Card can be obtained in the local currency from the insurance company which issued the motorist with the annual motor policy. The Yellow Card is an extension of the annual motor policy and the same is endorsed to reflect that a Yellow Card has been issued. The Yellow Card is issued for only one vehicle and it is not transferable to another vehicle (Y C Manual 2001).

2.7 The cost of the Yellow Card cross-border insurance

National Bureau in each country is charged with setting the premium or cost of the Yellow Card (Yellow Card Manual 2006). The price is determined in consultation with the member insurance companies of each participating country. All member insurance companies in each country shall charge the same premium rate as determined by the National Bureau. The currency used for premium charged will be the currency of the country of the participating insurance companies (Yellow Card Manual 2006).

The premium recommended by the COMESA Secretariat is five US dollars for a period of seven days. 100 per cent premium shall be collected at the inception of the risk and cover will be available only when premium has been paid. The
premium applicable in Kenya was set in consultation with the umbrella body, Association of Kenya Insures (AKI) towards the end of the year 2001 and the same rates are still applicable. Insurance companies should charge a premium of Kshs.3, 500 for private cars, Kshs.7, 000 for light commercial vehicles and Kshs.10, 000 for trailers (Association of Kenya Insures Circular 2001). This premium is for a maximum of a traveling period of three months as the period is considered short term and insurance companies do not allow vehicles to take cover for longer periods.

2.8 Relationship between prices and quantities

The price or premium for the Yellow card has not changed since the year 2001 as shown above. Schumpeter explains the relationship between prices and quantities of commodities bought by consumers. There is behaviour in price and quantity relations of individual commodities (Schumpeter 1939). Accordingly, innovation commodities will face price and quantity variations. It means that quantities of a commodity will change when the price changes. It should follow therefore that if prices are reduced or remain stable the quantities of a commodity bought should increase.

Schumpeter argues that there are a set of environmental conditions that determine reactions of price and quantity variations. Prices and quantity variations of different industries behave differently. They may not have special cycles of their own but general cycles. A cyclical process of a commodity happens if there is great variety in the response to a commodity. There can be an impact of the cyclical sequence of business situations caused by entrepreneurs' expenditure (Schumpeter 1939). The way entrepreneurs spend on commodities that they use can affect variations and prices of those commodities by quantities increasing or shrinking (Schumpeter 1939).
Behaviour of price and quantity pairs depends at any moment and during every individual cycle on the actual situation of each industry (Schumpeter 1939). Where there is absence of perfect competition on a commodity, there will be a display of cycles which reflect fewer fluctuations in quantities. It is often doubtful whether quantities sold would increase if prices were promptly reduced. A reduction in price will have sense if the intention is to tap new strata of consumers (Schumpeter 1939).

Schumpeter further explains that prices can also remain stable in a situation where the product is a monopoly. Cyclical patterns of price variations can occur in a perfect competition situation. This situation makes it difficult to have cycles in the product and price variations.

2.9 Other costs affecting the transport system

The Yellow Card Scheme is concerned with transportation across the COMESA Region and the COMESA Regional Investors Road Map has considered the points discussed below. These factors are important in explaining the transport process which is related to the Regional Third party insurance.

2.9.1 Freight charges

There are very few opportunities for manufactures to use sea transport to transport goods but most of them are required to use the much more expensive road transport. In some cases railway transport is available but may not be very effective (COMESA Regional Investors Road Map 2006).

The cost of road transport in Africa is considered to be the highest in the world. A recent study by UNCTAD shows that the freight cost as a percentage of total import value was 15.2% for East and Southern Africa compared to 8.8% for
developing countries and 5.2% for industrial countries (Economic Report on Africa 2004).

The cost for a firm in South Africa to export goods to East Africa by road is in many cases significantly greater than for firm shipping goods by sea from the Far East. As a result many companies are only able to serve markets in immediate surrounding neighbours like the way Kenya serves Uganda and Tanzania (COMESA Regional Investors Road Map 2006).

2.9.2 Road infrastructure

Inadequate infrastructure network is a factor that contributes to high transport costs (Committee on Regional Cooperation and Integration 2005). An analysis of the Trans African Highways network shows that the road sub-sector in Africa is in a deplorable state. The total length of roads in the region is more than two million kilometres out of which only 29.7% is paved, the remaining portion being either earth or gravel. In the COMESA region there are 34% paved roads and 68% unpaved roads and both were in poor condition by the year 1999 (Committee on Regional Cooperation and Integration 2005).

The Committee on Regional Cooperation and Integration further states that, there is empirical evidence suggesting a strong correlation between the quality of road infrastructure and transport costs. Road surveys in Tanzania found that an increase of 50% in roughness would increase truck charges by 16%. Passenger fares increased by 60% in the wet seasons.

There is a direct relationship between infrastructure quality and trade (Economic Report on Africa 2004).

Poor infrastructure is reflected in higher direct transport costs and longer delivery time. An improvement in a country’s infrastructure can make a big difference to the cost of trading. If a country’s infrastructure improved such that the country moved from being at the mid-point (median) among 64 countries to being among
the top 25% of those countries, this would reduce transport costs by an amount equivalent to 481 kilometres of overland travel. It would also increase trade volumes by 68% (Economic Report on Africa 2004).

Transport costs related to poor road infrastructure have devastating consequences for regional and local investment. Oil seeds and its products are inherently bulky and require substantial transport to reach the principal markets. The networks of roads and rail in COMESA countries limit the capacity for growth of regional investment (Economic Report on Africa 2004).

2.9.3 Customs guarantee

This is a form of security. It ensures the establishment of a financial guarantee and mechanism that makes sure goods do not enter the transit country market without the necessary taxes and customs duties being paid. Guarantee payments represent a high cost for transport operations. COMESA is currently in the process of introducing a common Bond Guarantee to cover all member countries (Bond Guarantee Procedure Manual 2006).

It is important to point out that, transporters of goods meet several costs from the time they release trucks from the port of Mombasa to various destinations. There are customs charges and bond guarantee to be paid for the goods apart from the travel insurance. Drivers and loaders attending to the trucks have to be given allowances for accommodation and food (Bond Guarantee Procedure Manual 2006).

2.10 Applicable Theories

A Theory is conceptual scheme designed to explain observed regularities or relationships between two or more variables. It is a way of making sense of a disturbing situation so as to bear with some habits, modify or discard them.
altogether. Theory is the device for interpreting, criticizing and unifying established laws (Abraham 2004). Theories as generalisations are used in this study to show the behaviour of motorists and other stakeholders in how they affect the use of the Yellow Card. The choices and decisions made by the different players are social factors displayed by the following theories.

2.10.1 Systems Theory

The Systems theory is explained by Francis Abraham as a system consisting of two or more units that relate to each other in a structural relationship and its elements function interdependently. The modern general systems theory according to Abraham owes its development to Henderson's formulation of societal equilibrium who viewed the society as an organism possessing a self-regulating mechanism whose goal is to maintain maintenance of equilibrium (Abraham 2004).

Talcott Parsons' Social System Theory is an open system in continuous balancing. According to Parsons, a social system is a system of action which has the characteristics of involving a process of interaction between two or more actors. Parsons outlines four fundamental functions which any social system must perform (Abraham 2004).

Systems must perform the adaptation function which seeks to produce and allocate resources, goal attainment which will use members of society and their capacity to attain goals, pattern maintenance which is maintaining adequate motivation to conform to cultural values, reward conformity and check disruptive behaviour. Integration brings together all motivational and cultural elements in a certain kind of ordered system (Abraham 2004).

The Systems Theory can well describe the Yellow Card Scheme by considering the contribution of activities by its members. Social usage like the use of the
Yellow Card contributes to the total social system. There is an observed pattern of behaviour in the maintenance of the larger COMESA system. The Yellow Card Scheme should be a self-regulating system with interrelated elements which have structured relationships both formal and social. Each element has a function which contributes either positively to the continued operation of the Scheme or negatively towards its disintegration.

2.10.2 Rational Choice Theory

Coleman explains that, actors are seen as being rational in that they are purposive and intentional. Actors have ends and goals towards which their actions are aimed (Ritzer 1996). They have preferences and values; they consider scarcity of resources and opportunity cost. According to Coleman, actors choose actions that will maximize utility or satisfy their needs and wants. Coleman states that the two elements involved in making choices are actors and resources. Actors or people have control over resources which interest them and will engage in actions which will maximize the realization of their interests.

Man is not always rational and may not be after maximizing benefits but things have a symbolic value and not just intrinsic value. Accordingly a person will choose an action which he perceives has value and good results (Abraham 2004).

In making choices people face risk and uncertainty. They have to choose between alternative potential benefits and are always faced with the dilemma of choice. Blau talks of the principle of utility maximization by stating that human beings choose between alternative potential associates or courses of action by evaluating experiences or expected experiences in terms of a preference and then they select the best alternative (Heath 1976).

Motorists are faced with various costs to consider including the cost of the Yellow Card. Motorists have to make a choice of deciding between using the cross...
border motor vehicle insurance and the ordinary third party insurance. It is worthy observing whether motorists choose between the cost of the Yellow Card and other costs.

2.10.3 Cost Benefit Analysis

Cost - benefit analysis is a decision making technique that involves considering the outcomes or benefits as well as the costs or negative aspects of an action. It is used to make consistent and systematic decisions especially where monetary costs are considered. It is weighing the total expected costs against the total expected benefits of one or more actions in order to choose the best or most profitable option (Terfik 1996).

Cost - benefit analysis is probably the most comprehensive method of economic evaluation available. The approach is based on individuals' stated preference meaning that personal valuations are placed on an activity by assessing how much money they are prepared to pay for a particular service (Ray 1993). The total cost of transport and cost of business mentioned above are factors which put motorists in a position of prioritising their costs and benefits. It is important to examine whether the cross border third party motor vehicle insurance is considered as beneficial to motorists or they are opting for alternative insurance.

2.10.4 Theory of Globalisation

The aim of the globalisation theory is to interpret current events on the international sphere in terms of development, economic conditions, and social scenarios, political and cultural influences. The theory of globalisation explains the increasing trends in worldwide active communication systems and economic conditions especially high mobility of financial resources and trade. This means
that the world is more integrated in international economic transactions (Reyes 2001).

The globalisation theory is a theory of economic development as it assumes that a greater level of integration is taking place among different regions of the world, and that this integration is having an important impact on economic growth and social indicators. The most important characteristics of the globalisation position is its focus and emphasis on cultural aspects. In addition to technological, financial and political ties, Globalisation scholars argue that modern elements for development are the social and cultural links among nations. All nations are interacting much more frequently and easily, not only at the governmental level but also among the citizenry (Reyes 2001).

The cross border insurance scheme is integrating traders, insurance companies and law enforcers in the COMESA region. The goods being exported from one country to another are bringing transactions which influence the culture and social life of the citizens of the different countries. This brings about a dynamic economic growth and a fluent communication system. The traders in the COMESA region are being linked to the world trade system.

2.11 Conclusion

The review of literature as shown above makes it important to consider the following research questions.

i) How does cost, availability and servicing of third party claims affect the usage of cross border insurance?

ii) How does the usage of alternative insurance covers affect the usage of cross border insurance for motor vehicles?

iii) Does awareness level influence the usage of cross border insurance for motor vehicles?
iv) Does the enforcement role by police and customs officials affect the level of using cross border insurance for motor vehicles?

The cross border third party motor vehicle insurance Scheme is fully operational in Europe. Whether the same is successful in Kenya or other member countries is not addressed by the COMESA Regional body. Literature has focused on general issues of the regional transport system and the Yellow Card is viewed as a successful scheme by the COMESA Secretariat. Going by the numbers of Yellow Cards issued they are reporting in the Compendium, it is clear that there could be many motorists crossing the borders without the Card. According to the Compendium, there are 160 member insurance companies participating in the scheme but only 70,612 Yellow Cards were issued in the year 2007 in the whole region (Y C Compendium 2007).

According to the protocol signed by the heads of state the Yellow Card should be compulsory for all motorists crossing the borders.

It is noticeable that there are no advertising campaigns by either government or COMESA to create awareness among the public. The literature review above does not point at efforts made by the COMESA Secretariat to enforce the Yellow Card.

The literature review and documents obtained from COMESA Secretariat have also not addressed weaknesses of implementation which may be faced by the Yellow Card Scheme. They are only pointing at the high level of corruption among law enforcers towards motorists but efforts towards stopping this tendency is missing. The role of factors like awareness, level of utilization and other transport costs should be addressed to determine how they contribute to the success of the Yellow Card.

The issue of alternative third party insurance which motorists may be utilizing instead of the Yellow Card is not addressed by the COMESA Secretariat.
Studying and observing the missing links can reveal information which can be used to improve the operations of the Yellow Card Scheme. The releasing of vehicles which cause accidents by Bureaux of the Yellow Card scheme is a big boost to traders as this would make them free to continue trading while the Bureau handles their claims.

The use of cross border third party motor vehicle insurance is very key to entrepreneurs and it is important to encourage them to use it as this will enhance creation of markets by goods being exported across the borders which will improve household incomes and the economy. With the high levels of unemployment and an economic downturn, every area that can enhance income generation should be encouraged to prosper.

2.12 Conceptual Framework

The elements of the conceptual framework are mainly focusing on factors that can cause challenges affecting the use of the Yellow Card cross border insurance. This study will investigate the level of utilizing the Yellow Card and recommend the findings to the relevant stakeholders of the Yellow Card scheme. The ideas laid down in this study are meant to show the challenges facing the use of the Yellow Card cross border insurance. Whether motorists will choose to use the Yellow Card certificate of insurance will be influenced by factors shown in the diagram below.
Factors that influence the challenges of using the Yellow Card

- Cost of yellow card and other costs of transport
- Awareness of the existence and use of Yellow Card
- Level of utilizing the yellow card
- Enforcement by police and customs activities
- Other types of insurance and Benefits of Yellow Card
CHAPTER 3

METHODOLOGY

3.1 Introduction

The methodology considered the site chosen to conduct the research, the samples of people to be interviewed, methods, tools of data collection and data analysis. Data was collected on factors affecting utilization of the Yellow Card, awareness of motorists, and usage of alternative third party insurance and the role of law enforcers.

3.2 Research design

The survey method was applied as it is suitable for collecting information on the views of motorists.

3.3 Site selection

The data was collected at the Namanga border post where all types of vehicles are available crossing the border to Tanzania.

3.4 Site description

Namanga is a border point town where vehicles transit between Kenya and Tanzania. It is a small town located at a distance of about 200 kilometres from Nairobi city going towards Arusha, Tanzania. All types of vehicles transit through Namanga and this enabled the researcher to collect views on all categories of vehicles required for the research. There are offices for the police, customs and immigration on both sides of the border.
3.5 Study Population

The population considered were vehicles of three categories crossing from the Kenya side of the border. These are trailers, lorries, buses and other vehicles comprising tour vans and personal business vehicles. Studying the various categories explains the views and level of using the Yellow Card by the different motorists.

3.6 Unit of observation and Unit of analysis

The unit observed were the motorists, police officers and customs officials who provided views and information on the use of the Yellow Card cross border insurance.

The subject of analysis was Namanga border post locality, a transit point where the level of utilizing the Yellow Card by different vehicles was studied.

3.7 Type and source of Data collected

The study used Primary data collected by using questioners administered to motorists at the border point and Secondary data was collected from police and customs records at the border.

3.8 Sampling Design

A sampling frame for the listing of vehicles was available at the police station which is at the Kenya side of the border post. The police record all vehicles entering and leaving Kenya.

The study used stratified sampling design. Groups of respondents who are suitable in three categories of vehicles were chosen. Drivers of trailers and Lorries, buses and tour vans and personal business vehicles who frequently
cross the border were interviewed as these are likely to be aware of the use of the Yellow Card. A total of 100 vehicles were sampled. 50 for trailers and lorries, 25 buses and 25 in the category of tour vans and personal business vehicles.

Considering the various categories of motorists ensure proper representation of the population of vehicles crossing the border point.

3.9 Data collection instrument

A questionnaire was used to collect data on the views from motorists. There was an interview guide for police and customs officials to give data and their views on the utilization of the Yellow Card by motorists crossing the border point.

3.10 Data presentation and analysis

Data was analysed using student’s SPSS. Summary statistics were compiled using frequency distributions. Tables, charts and percentages were used to present the information in order to explain the patterns of utilizing and factors affecting the use of the Yellow Card cross border motor vehicle insurance by the different motorists.
4.1 Introduction

The main objective of this study was to establish the level of using Cross border insurance by motorists and examining factors which influence the usage. The sample of the study included a total of 105 vehicles but only 100 questionnaires were completed adequately for the analysis which comprised trans-border motor vehicle categories which included; trailers, lorries, commuter buses, tour vans and personal business vehicles. Retrieved data was checked for errors, edited, coded, entered and analyzed using SPSS. The findings of this study are presented using proportion mean scores and frequency distributions. Information is further presented in form of bar graphs and tables. The overall response rate for this study was 95%. Results are as presented in the following subsections.

4.2 Social demographic information

4.2.1 Respondents Age distribution

This section of the study aimed at capturing respondent's age. Information results were presented in figure 4.1.

Figure 4.1: Age distribution
CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The main objective of this study was to establish the level of using Cross border insurance by motorists and examining factors which influence the usage. The sample of the study included a total of 105 vehicles but only 100 questionnaires were completed adequately for the analysis which comprised trans-border motor vehicle categories which included; trailers, lorries, commuter buses, tour vans and personal business vehicles. Retrieved data was checked for errors, edited, coded, entered and analyzed using SPSS. The findings of this study are presented using proportion mean scores and frequency distributions. Information is further presented in form of bar graphs and tables. The overall response rate for this study was 95 %. Results are as presented in the following subsections.

4.2 Social demographic information

4.2.1 Respondents Age distribution

This section of the study aimed at capturing respondent's age. Information results were presented in figure 4.1.

**Figure 4.1: Age distribution**
Results indicated that majority (53%) of respondents within the study were over 36 years, 35% were between age 32 and 36 years.

4.2.2 Gender distribution

Table 4.1: Respondent’s gender distribution

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>female</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Majority 95% of the respondents in the study were male on the other hand a minority 5% was female. It can be concluded that most of cross border vehicles were driven by males.

4.2.3 Respondents level of education

The researcher sought to know the education level of the respondents in the study. To achieve this, respondents were asked to indicate their level of education. Findings are as presented in figure 4.2:
Although respondents had different levels of education it was observed that 48 out of 100 respondents had primary education level, 40 had high school level of education, 7 and 5 had university and technical college level of education respectively. It can therefore be concluded that most respondents had either primary or high school level of education.

4.2.4 Respondents driving experience

Driving experience is a collection of experience items over a period of time. It not only entails machine operation but it also encompasses road usage and necessary requirements. The researcher aimed at unveiling the driving experience for the respective respondents. Results were as presented in table 4.2.
Table 4.2: Respondents driving experience

<table>
<thead>
<tr>
<th>Driving experience</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>More than five years</td>
<td>77</td>
</tr>
<tr>
<td>Five years</td>
<td>11</td>
</tr>
<tr>
<td>Three years</td>
<td>8</td>
</tr>
<tr>
<td>Two year</td>
<td>2</td>
</tr>
<tr>
<td>Non response</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Study results revealed that most (77%) of the respondents had more than five years driving experience while 11 percent had five years driving experience. This shows that respondents in the study had ample experience in driving and road requisites.

4.2.5 Type of vehicle

Respondents were asked to indicate the type of vehicle they drove. Figure 4.3 presents the findings.
Although all vehicles sampled in the study were commercial vehicles Majority 48% were trailers, 25% lorries, 20% buses. However, a minority of 5% were small commercial vehicles which included shuttles and tour vans.

4.3 Factors which influence the usage of cross-border insurance

This section comprised the first study objective. The objective under this section was to determine factors which influence the usage of cross border insurance (Yellow card). Results are as presented in the following subsections.

4.3.1 Frequency of cross border travels

This section of the study sought to establish how often the respondents traveled across the border. The findings were as presented in table 4.3.
Table 4.3: Percent distribution of cross border travels

<table>
<thead>
<tr>
<th>Driving experience</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>First time-Once</td>
<td>2</td>
</tr>
<tr>
<td>Frequently due to business</td>
<td>33</td>
</tr>
<tr>
<td>Frequently due to employment</td>
<td>65</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

The study revealed that most (65%) of the respondents had frequently traveled across the border due to employment while 33 percent had frequently traveled across the border due to business. Only 2 percent admitted that it was their first time to travel across the border. This shows that respondents in the study had sufficient experience in driving across the border.

4.3.2 Ownership of Vehicle

The respondents were asked to state the ownership of vehicles they drove. Figure 4.4 presents the findings.

Figure 4.4: Ownership of Vehicle
The studies found out that majority (80%) of the vehicles were driven by employed drivers. However, 20% of the respondents drove their own vehicles. This was due to the fact that most of the travels across the border were due to employment or business.

4.3.3 Purpose of Travel

This section of the study was carried out so as to ascertain the purpose for which the respondents traveled. The findings were as presented in figure 4.5.

**Figure 4.5: Purpose of Travel**

There were three main purposes for the respondents current traveling; mainly carrying goods (50%), carrying passengers (38%) and the minor purpose being business trips (12%).

4.3.4 Current use of COMESA yellow card

The respondents were asked to state whether they were currently using COMESA Yellow card. The outcome is as shown in figure 4.6.
The study established that most respondents, 59% were currently not using the COMESA yellow card. However, 41% indicated that they were currently using the COMESA yellow card.

4.3.5 The ease to obtain the yellow card

This section of the study was done to establish the ease of obtaining the Yellow card. The responses were as shown in table 4.4.
Table 4.4: Ease of obtaining the yellow card

<table>
<thead>
<tr>
<th>ease of obtaining yellow card</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>very easy</td>
<td>24</td>
</tr>
<tr>
<td>somewhat easy</td>
<td>20</td>
</tr>
<tr>
<td>not very easy</td>
<td>27</td>
</tr>
<tr>
<td>somewhat difficult</td>
<td>27</td>
</tr>
<tr>
<td>No comment</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

A proportion of 27%, each, stated that it was not very easy or somewhat difficult to obtain the Yellow card. It was very easy to obtain the Yellow card, as indicated by 24% of the respondents. 20% stated that obtaining the Yellow card was somewhat easy.

4.3.6 Frequency of the yellow card use

This part of the study was done so as to find out how often the respondents used the Yellow card. The results are as shown in table 4.5.

Table 4.5: Yellow card usage

<table>
<thead>
<tr>
<th>Frequency of the yellow card use</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Every time of travel</td>
<td>44</td>
</tr>
<tr>
<td>when traveling for many days</td>
<td>25</td>
</tr>
<tr>
<td>when traveling for holidays</td>
<td>2</td>
</tr>
<tr>
<td>not very often</td>
<td>26</td>
</tr>
<tr>
<td>No comment</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>
The study disclosed that for respondents who had the Yellow Card, 44% used it every time of travel. Conversely, 26% indicated that the frequency of their use of the Yellow card was not very often. A proportion of 25%, each, stated that they used the Yellow card when traveling for many days and 2% when traveling for holidays. It was noted that 3% did not comment on the frequency of the use of the yellow card. This explains that even motorists who currently had the Yellow Card did not use it every time they traveled.

4.3.7 The cost indicated on the current Yellow card

The respondents were asked to state the cost indicated on their current Yellow cards. The feedback is as presented in table 4.6.

Table 4.6 Percentage distribution of cost indicated on yellow card

<table>
<thead>
<tr>
<th>Cost indicated on the yellow card</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>0-5,000</td>
<td>50</td>
</tr>
<tr>
<td>5,001-10,000</td>
<td>27</td>
</tr>
<tr>
<td>10,001-15,000</td>
<td>2</td>
</tr>
<tr>
<td>15,001-20,000</td>
<td>2</td>
</tr>
<tr>
<td>20,001-25,000</td>
<td>7</td>
</tr>
<tr>
<td>25,001-30,000</td>
<td>3</td>
</tr>
<tr>
<td>30,001-35,000</td>
<td>5</td>
</tr>
<tr>
<td>Non Response</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

It was found out that majority of the respondents, 50% had a lower cost of less than Ksh. 5,000 indicated on the current Yellow card. 7% of the respondents had a cost of between Ksh. 20,001 and Ksh. 25,000. A proportion of 27%, each, had
a cost of between Ksh. 5,001 and Ksh. 10,000 and 5% had a cost of between Ksh. 30,001 and Ksh. 35,000. However, 4% declined to give their responses.

4.3.8 Personal payment for purchasing the Yellow card

This section of the study was done to establish whether the respondents personally paid for purchasing the Yellow card. The findings were as presented in figure 4.7.

Figure 4.7: Purchasing of yellow card

The study revealed that most respondents, 78% did not personally pay for purchasing the Yellow card. Only 22% of the respondents indicated that they did personally purchase Yellow card.

4.3.9 Other costs required when traveling apart from buying the Yellow card

The respondents were asked to identify other costs they incurred while traveling cross border apart from Yellow card. These costs included; road toll, clearance fee and Police bribes were among the adversely mentioned costs.
4.3.10 Effect of other costs on affordability of the Yellow card cover

This section of the study was done to establish the effect of other costs on affordability of the Yellow card cover. The findings were as presented in figure 4.8.

Figure 4.8 : Effect of other cost on affordability of the Yellow cover

From the study, the respondents were almost indifferent as to the effect of other costs on affordability of the Yellow card cover. Nevertheless, 51% were of the opinion that other cost did not affect their affordability of the Yellow card cover. Forty nine percent indicated that other cost affected their affordability of the Yellow card cover.

4.3.11 Accident Occurrence and claim from Yellow card cover

The respondents were asked to state whether they had ever had an accident which made them claim from the Yellow card cover. The feedback is as presented in figure 4.9.
The study found out that 71% had not been involved in an accident which made them claim from Yellow card cover. Meanwhile 29% of the respondents admitted that they had been involved in an accident which made them claim from Yellow card cover. This is because there are many motorists who are not using the Yellow Card and so they cannot claim from the cover.

4.3.12 The speed of processing claim payment by the National bureau of Yellow card

4.10: Speed of processing Yellow card claims
Asked on the process of paying claim by the National Bureau of Yellow card, only 2% reported the process as very fast and 5% as reasonable speed. 20% considered the process to be slow due to requirement of information and documentation. The high level of motorists considering claim processing to be slow is due to the fact that most motorists admitted that they were not sure of the insurance company they would report claims in case of an accident. They mostly reported back to the insurance companies in the country of origin and these companies followed up claims processing with the National Bureau of the countries being visited. It was however noted that majority 60%, indicated no response. This could be attributed to the fact that these respondents had never either dealt with the Yellow card or had never had accidents for claiming.

4.4 The level of usage of alternative insurance covers sold at the border

This section comprised the second objective of the study. The objective under this section was to examine the level of usage of alternative insurance covers sold at the border. Results are as presented in the following subsections.

4.4.1 Current use or past use of other insurance for crossing the border apart from Yellow card

The researcher sought to find out whether the respondents were currently using or had ever used other insurance covers sold at the border for crossing the border apart from the Yellow card. Findings are as presented in figure 4.11:
The study revealed that most respondents, 66% indicated that they were currently using or had used other insurance covers sold at the border for crossing. 34% denied that they were currently using or had ever used other insurance covers sold at the border but always used the Yellow card for crossing. It can be concluded from this results that majority of respondents were using alternative insurance while crossing the border instead of the Yellow card.

**4.4.2 The price of other type of insurance covers compared to Yellow card**

The respondents who stated that they were currently using or had ever used other insurance covers sold at the border for crossing the border apart from the Yellow card were further asked to indicate the nature of pricing. The results are as shown in figure 4.12.
The study disclosed that most respondents, 45% viewed other type of insurance covers as moderately affordable. Eighteen percent indicated that as compare to the yellow card, other type of insurance covers bought when crossing the border were very fair. As expected, 37% gave no response. This could be due to the fact that they had not used the other types of insurance covers.

4.4.3 The ease of obtaining ordinary third party insurance when crossing the border

This section sought to establish the ease of obtaining ordinary third party insurance when crossing the border. The results were as presented in figure 4.13.
Study results showed that majority of the respondents, 52% were of the opinion that it was fairly easy to obtain ordinary third party insurance when crossing the border. Thirty two percent stated that it was very easy to obtain ordinary third party insurance when crossing the border. However, 16% gave no response probably due to the fact that their organization supplied them with necessary insurance travel documents prior to cross border travel.

4.4.4 Previous accident claimed from ordinary third party insurance cover and compensation

This part of the study sought to establish the rate of compensation by ordinary third party insurance. Results are shown on table 4.7
Table 4.7 Accident claims from ordinary third party motor insurance

| Previous accident claimed from third party insurance cover and compensation | Distribution |
|---|---|---|---|
| | Yes | % | No | % |
| Have you ever had an accident which you claimed from third party | 22 | 35 | 41 | 65 |
| were you compensated | 5 | 22 | 17 | 78 |

Findings show that majority of respondents, 65% indicated that they had never had an accident for which they claimed from third party insurance cover. However, 35% admitted that they had been involved in an accident, for which they claimed from third party insurance cover. On accident compensation, only 22% were compensated, whereas 78% denied they had been compensated but said that they were still pursuing compensation. This shows that third part cover users had been delayed compensation as opposed to the yellow card users.

4.4.5 Duration before compensation

On compensated third part covers respondents were not categorical on how long it took before being compensated. However, some of them had forgotten the time they launched a complaint and received compensation. Meanwhile, most respondents indicated that it has been a longer time since they had been waiting for compensation. This indicates the level of delay in compensation for the users.
4.4.6 The average cost for ordinary third party insurance

The cost of ordinary third party insurance cover was assessed; the following were results indicated the distribution of the costs as shown in table 4.8.

Table 4.8: Distribution of cost of ordinary third party insurance

<table>
<thead>
<tr>
<th>The average cost for ordinary third party insurance</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2,000</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>2,001-4,000</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>4,001-6,000</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>6,001-8,000</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

It was found out that majority of the respondents, 45% indicated that the average cost for ordinary third party insurance was between Ksh. 2,001 and 4,000. 25% stated that the average cost for ordinary third party insurance was less than 2,000. Meanwhile, a proportion of 17% paid an average cost of between Ksh. 4,001 and Ksh. 6,000. On the other hand a minority of 13% indicated that they paid an average cost of between Ksh. 6,001 and Ksh. 8,000. Most respondents had third party cover as a requirement for crossing the border.

4.4.7 Authorities accepting the ordinary third party insurance cover

Table 4.9: Acceptance of ordinary third party cover by the authorities

<table>
<thead>
<tr>
<th>Acceptance of ordinary third party insurance cover by authorities</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Freq</td>
</tr>
<tr>
<td>Police</td>
<td>70</td>
</tr>
<tr>
<td>Custom</td>
<td>70</td>
</tr>
<tr>
<td>Immigration</td>
<td>12</td>
</tr>
</tbody>
</table>
The acceptance of third party insurance cover reported to equal 70% among the 
custom and police authorities however 12% of the respondents acknowledged 
the acceptance by the immigration authorities. This can be further explained by 
the fact that both police and custom authorities were much involved in checking 
whether vehicles had insurance.

4.4.8 Respondents preference of type of the insurance cover

In this part of the study respondents were asked to indicate the preference of the 
type of insurance covers they used by citing the reasons for their choice. Most 
respondents using the Yellow card indicated that it was recognized across 
countries and convenient. Respondents indicated that third part insurance cover 
was relatively cheap, readily available, accessibility within the border points and 
was also recognized by law enforcers.

4.5 Awareness level toward using of cross border insurance by motorists

This constituted the third study specific objective; it consisted of a number of 
variables measuring the awareness level towards the use of cross border 
insurance by motorists. Results for each of the variables are indicated in the 
following sub sections.

4.5.1 Awareness of the existence of the yellow card among respondents

Respondents were asked to acknowledge the awareness of the Yellow card 
scheme. Results indicated that a majority, 68 % acknowledged that they were 
aware of the scheme. Further, respondents were asked to indicate the medium 
through which they learnt about the Yellow card and results were as presented in 
table 4.10.
Table 4.10: Distribution of Medium of awareness

<table>
<thead>
<tr>
<th>Medium of awareness</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through my insurance company</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Through employer</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Through television</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Through friend</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non response</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

As observed from the results, although majority acknowledged the awareness of the Yellow card scheme, 47% of the respondents never indicated the medium for the awareness. However, 35% of the respondents reported the source of their awareness as the insurance companies they dealt with, whereas as a proportion of 18 percent attributed the awareness to their employer. None of the respondents attributed their awareness to television or friends. It can therefore be concluded that the medium of awareness was not very clear as indicated by respondents. Whilst the awareness on benefits of the Yellow card was low, more awareness creation is necessary through the use of mainstream media.

Harmonization of premiums to march with the purchasing power of motorists was also cited as a way of improving on use of the Yellow Card.

4.5.2 Awareness of the benefits covered by the Yellow card cross border insurance

Investigations into the awareness of benefits covered by Yellow card in case of accidents show that majority, 60% could not exactly identify the benefits despite long period of usage. However 40% identified benefits as, the Yellow Card allowing access too many countries covers accidents in those countries as well as compensation in case of accidents. Police and customs confirmed that, although the Yellow Card was in use, most of the users are not very familiar with
its benefits. However they noted that those who knew its benefits preferred it more than other local insurance covers.

4.5.3 **Awareness of reporting centers in case of accidents in foreign countries**

Knowledge on necessary course of action in case of accidents is an important step in effecting the Yellow Card policy. Respondents were asked whether they knew where to report accidents in foreign countries. Results were as indicated in table 4.11:

<table>
<thead>
<tr>
<th>Awareness of accidents reporting point</th>
<th>Percent Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Not aware</td>
<td>68</td>
</tr>
<tr>
<td>Aware</td>
<td>29</td>
</tr>
<tr>
<td>Non response</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Study results show that 68 out of 100 respondents in the study reported that they were not aware of where to report in case they encounter an accident in a foreign country. Only 29 of the respondents were aware of the centers for reporting accidents in the foreign countries. This shows that the awareness on accident reporting centers for the holders of the Yellow Card cover in foreign countries was low.

4.5.6 **The Importance of the Yellow Card in cross border traveling**

Asked whether it was possible for one to travel across the border without using the Yellow card, respondents’ responses were as presented in the table 4.12:
Table 4.12: Importance of yellow card in crossing border

<table>
<thead>
<tr>
<th>Possibility of crossing the border without yellow card</th>
<th>Percent Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Not possible</td>
<td>32</td>
</tr>
<tr>
<td>Possible</td>
<td>65</td>
</tr>
<tr>
<td>Non response</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Results indicated that majority (65%) of the respondents could travel across the border without purchasing the Yellow Card whereas 32% of respondents indicated that it was impossible to travel across the border without the Yellow card. However this can be attributed to the fact that law enforcers accepted all types of insurance.

4.6 Enforcement of cross border insurance by police, custom and immigration authorities

This was the fourth study objective. The aim of this objective was to examine the activities in place in ensuring the enforcement of cross border insurance compliance. The following are sub variables under this objective.

4.6.1 Yellow card check points

Respondents were asked to identify areas where the Yellow Card was requested by authorities. Results were as indicated in the table 4.13.
Table 4.13: Percent distribution of yellow card check points

<table>
<thead>
<tr>
<th>Check points</th>
<th>N</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>After crossing to the other country by police</td>
<td>100</td>
<td>0.4667</td>
</tr>
<tr>
<td>At the border point by customs</td>
<td>100</td>
<td>0.2667</td>
</tr>
<tr>
<td>After crossing to the other country by customs</td>
<td>100</td>
<td>0.2333</td>
</tr>
<tr>
<td>At the border point by police</td>
<td>100</td>
<td>0.1000</td>
</tr>
<tr>
<td>At destination</td>
<td>100</td>
<td>0.0667</td>
</tr>
<tr>
<td>Yellow card is normally requested for checking by law enforcing authorities - just after beginning the journey</td>
<td>100</td>
<td>0.0167</td>
</tr>
<tr>
<td>At the weigh bridge</td>
<td>100</td>
<td>0.0167</td>
</tr>
<tr>
<td>At the border point by immigration</td>
<td>100</td>
<td>0.0167</td>
</tr>
<tr>
<td>After crossing to the other country by immigration</td>
<td>100</td>
<td>0.0167</td>
</tr>
<tr>
<td>Half distance between inception and border point</td>
<td>100</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Findings show that the Yellow Card was requested on high scale after crossing to the other country by police (0.4667), at the border point by customs (0.2667) and after crossing to the other country by customs (0.2333) as shown by the means in the above table. It can be concluded that police and custom officials were the authorities that requested for the Yellow Card at the border and after crossing the border, these were points where the Yellow Card was requested.

4.6.2 Record of yellow card information by the authorities

Results shown that majority 76% of the respondents reported that they authorities checking yellow card did not record information from the card. However, 24% acknowledged that authorizes checking the Yellow card recorded
some information from it. It can be observed that authorities mostly carried out physical verification and casual checks on the information entailed in the Yellow card. Meanwhile investigations on other documents recorded apart from the Yellow card show that driving license, passport and clearance certificate were the major documents requested by the authorities.

4.6.3 Opinions on necessity of numerous check points by law enforcers

This part of the study aimed at collecting respondents' opinion on necessity of numerous check points in cross border communication. Results were as presented in table 4.14:

Table 4.14: Percent distribution on the need for numerous check points by law enforcers

<table>
<thead>
<tr>
<th>Percent distribution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No need of numerous check points</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>Need for numerous check points</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
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</table>

The study results show that majority (68%) of the respondents said that check points were not necessary. Only a minority 32% said that numerous road check points were necessary. Asked on what should be eliminated, majority of the respondents who acknowledged that numerous check point were not necessary noted that police checks and road blocks should be reduced.

4.6.4 Assessment of the operations of the Yellow Card cross border motor vehicle insurance at Namanga border point

This part of the study aimed at collecting information from the police customs and immigration officials. Information is explained in table 4.15
The records of the police show that 65,000 commercial vehicles cross the border annually. 35,000 trailers and lorries, 16,000 buses and 14,000 comprise tour vans and personal business vehicles. Customs records show a total of 61,000 commercial vehicles. Both police and customs reported that 40% of commercial vehicles had the Yellow Card motor vehicle insurance. Customs reported 50% to have act cover while police reported 60% to be having act cover. Customs reported that there is a marginal number of motorists, 10% who do not have any type of cover. Immigration officials said that they do not keep specific records for insurance on vehicles crossing the border point but keep records on all information concerning travelers.

They all reported that the Yellow Card cross border motor vehicle insurance is fairly known by motorists even those not using it. They confirmed that there are insurance agents issuing ordinary third party insurance cover at the border. They suggested that premiums should be harmonized with that of ordinary third party insurance which considers short period discounts and the public should be educated on the benefits of the Yellow Card cross border insurance.
5.0 Introduction

This chapter presents a summary of the study findings, recommendations, conclusion and areas for further research.

5.1 Major findings

5.1.1 Factors which influence the usage of cross border insurance

The ease of obtaining insurance cover was a major factor and most motorists stated that it was not easy to obtain the Yellow Card motor certificate because it was not available at the border point and even some who currently had the Yellow Card were not able to use it when they were in a quick journey. The cost of the Yellow Card and other costs affecting travelling are shown by the literature review as affecting the affordability of the Yellow Card but these were not a major hindrance to using the Yellow Card. This is because the vehicles examined were commercial and these can afford. However they prefer the cost to be harmonized with that of ordinary third party insurance which is a bit cheaper. Some motorists admitted that they gave bribes to law enforcers but most of them were unwilling to disclose that they gave bribes. Speed of processing claims as a motivating factor to using the Yellow Card is not a success. Most motorists complained of the slow speed and requirement of many documents for claims handling. This is due to the fact that most motorists were unsure of where to report claims in the foreign countries.

5.1.2 Level of using alternative insurance by motorists

Most motorists use the alternative insurance. Even those who had the Yellow Card stated that at other times they also used alternative insurance. This was
because ordinary third party insurance was easily available at the border point and also the price was fair for very short periods. Most motorists stated that they had not yet been compensated for claims they had lodged with ordinary third party insurance. This is because most third party insurance at the border is sold by briefcase agents who may not be permanent at the border and some are not genuine. It takes a long time to get the insurance companies indicated on the certificate to accept settling of claims. They stated that all law enforcing agents accepted the ordinary third party motor insurance.

Respondent’s preference on type of insurance depends on whether customs and police officials accepted it despite the benefits they get. However, those who understood the benefits of the Yellow Card motor insurance certificate preferred using it.

5.1.3 Awareness level towards using the Yellow Card cross border motor vehicle insurance

Findings show that most motorists are aware of the existence of the Yellow Card certificate of motor insurance. They knew of its existence from their insurance companies and employers. The media such as television, radio and newspapers were not the sources of awareness to travelling motorists. Most motorists were not aware of the benefits of the Yellow Card cross border insurance and also where to report accidents in the foreign countries. This is due to the fact that the National Bureau in Kenya has not conducted awareness and advertising campaigns. They stated that it is possible to cross the border without the Yellow Card certificate of motor insurance.

5.1.4 Activities which ensure enforcement of cross border insurance by police, customs and immigration officials

Motorists stated that police and customs officials conduct casual checks without recording information from insurance certificates. Police did not insist on
existence of the Yellow Card before motorists crossed the border but they were asked by the police of the other countries after crossing the border although these also accepted ordinary third party insurance. The numerous check points by police insisted on other requirements like condition of the vehicle rather than insurance cover. Motorists would prefer a reduction of the check points. This is a clear indication that even the police are not aware of the importance of the Yellow Card certificate of motor insurance. The fact that police do not record information at the check points makes the Yellow Card insurance certificate less important.

5.1.5 Information provided by police and customs officials

Immigration officials stated that it is not their role to check whether motorists had insurance cover. They referred the researcher to police and customs. Police and customs stated the number of vehicles crossing the border with the Yellow Card certificate of insurance to be 40% but motorists stated that there was no much recording of information from the document by the law enforcers. They keep registers which indicate the type of vehicles crossing the border per day and even have annual returns for the various types of vehicles crossing the border. They stated that advertisements campaigns for the Yellow Card cross border insurance should be conducted to create awareness.

5.2 Conclusions from the findings

The findings of the study reveal that although most motorists are aware of the existence of the Yellow Card scheme, they are not utilizing it. This is due to the ignorance of the benefits that accrue from the use of the Yellow Card motor vehicle insurance certificate. It is important to encourage traders to use the Card as this would help them save time in case of an accident as the Bureau for the Yellow card in the country they are visiting would be left handling their claims as they continue with their journey.
Motorists should not view police checking the Yellow Card certificate of insurance as only protecting members of the public who are victims of road accidents by foreign vehicles but as an enhancement of traders’ protection from delays and inconveniences. The level of damage caused by commercial vehicles is very massive. One bus can kill so many occupants and a trailer colliding with another vehicle is capable of killing all the occupants. The accidents caused by commercial vehicles may not be very many in number but each single accident is a catastrophe which may cause very heavy consequences. It is worthy noting that while some big companies owning trailers may continue with their business when a few of their vehicles are involved in accidents, small and medium enterprises who have fewer vehicles may not be able to operate if their vehicles are detained by authorities in a foreign country. Such business ventures need proper insurance cover in order to operate without delays caused by liabilities to third parties.

The aim of COMESA Starting the scheme for the Yellow Card motor vehicle insurance cover was to facilitate trade and enhance economic integration in the COMESA region but this is not being fully realised as the Yellow Card motor vehicle scheme is not operating efficiently. Economic growth by individual governments through exports may not be fully realised though most governments are now encouraging traders to export their goods. The National Bureau and Insurance companies in our country are also loosing the premiums they would collect by selling the Yellow Card motor certificate to motorists travelling out of the country.

The literature review theories therefore confirm the following. The Rational choice theory confirms that motorists are choosing the alternative ordinary third party insurance instead of the Yellow Card cross border insurance due to the easy of obtaining alternative third party cover at the border point. Motorists are not measuring cost and benefit of using the Yellow Card cross border motor vehicle insurance because they are not aware of the benefits. The
systems theory has proved that the Yellow Card Scheme as a system is not functioning efficiently because law enforcers are not able to implement it and the COMESA Secretariat and National Bureaux are not coordinating its activities as required.

5.3 Recommendations to stakeholders

The COMESA Secretariat should liaise with governments in the region to have the protocol of the Yellow Card scheme passed into law by parliament including it in the insurance act. The COMESA Secretariat should develop some materials or guide the National Bureaux of member countries to conduct advertising campaigns for the Yellow Card certificate of insurance. The Secretariat is charged with encouraging member countries to utilize all tools of trade for enhancing economic integration. The Secretariat should conduct studies which will encourage improving the operations of the scheme.

National Bureaux of member countries who coordinate the activities of the Yellow Card motor vehicle insurance should conduct advertisement campaigns by advertising in the media. They should educate motorists and police officers and customs officials on the benefits and importance of the Yellow Card certificate of insurance. Bureaux should be a link between the COMESA Secretariat and insurance companies by actively monitoring the progress and performance of the Yellow Card scheme of insurance.

Insurance companies should liaise with their association so as to send their agents to sell the Yellow Card certificate of motor insurance at the border points in order to get the premiums they are loosing to sellers of third party insurance in the foreign countries being visited by motorists. They should also participate in advertising campaigns to promote the use of the Yellow Card cross border motor insurance. They should educate their policy holders on the relevant insurance covers and advise them to inform the insurance companies whenever they are travelling.
5.4 Suggestion for further studies

All stakeholders should conduct studies to check issues of the price charged on the Yellow Card cross border insurance. Market research should be conducted to establish how customers can benefit from the Yellow Card certificate of insurance. Studies in all member countries should be conducted by the COMESA Secretariat to determine factors affecting the use of the Yellow Card on all categories of vehicles. This study only focused on commercial vehicles at one border point in Kenya.
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APPENDIX 1: QUESTIONNAIRE

This questionnaire is meant to elicit information on utilization of the Yellow Card certificate of insurance by motorists. All the information will be treated confidentially. Do not write your name on any part of the questionnaire.

Please tick the appropriate response and fill in the blank spaces. Kindly note that, there are no wrong or right answers. Thank you very much for taking time to respond.

Part A: Demographic Information

A. Age
   i. Under 20
   ii. 20 – 25
   iii. 26 – 31
   iv. 32 – 36
   v. Over 36

B. Gender
   Male
   Female

C. Education

Please state level of education
   i. primary school
   ii. high school
   iii. technical college
   iv. university first degree
   v. university second degree
D. Driving experience
For how long have you been driving a vehicle?
   i. Less than one year □
   ii. One year □
   iii. Two years □
   iv. Three years □
   V. Five years □
   vi. More than five years □

E. Type of vehicle
Please indicate the type of vehicle you are driving
   i. Trailer □
   ii. Lorry □
   iii. Bus □
   vi. Private car □

Others
(specify)........................................................................................................

PART B Objective 1. To examine factors which influence the usage of cross-border insurance by motorists

1. How often have you traveled across the border?
   i. This is the first time □
   ii. At least once a year as a tourist □
   iii. Only during holidays □
   iv. Frequently due to business □
   v. Frequently due to employment □

2. Please indicate whether owner of vehicle or employed driver
   i. Owner □
D. Driving experience

For how long have you been driving a vehicle?

i. Less than one year
ii. One year
iii. Two years
iv. Three years
V. Five years
vi. More than five years

E. Type of vehicle

Please indicate the type of vehicle you are driving

i. Trailer
ii. Lorry
iii. Bus
vi. Private car

Others
(specify)

PART B Objective 1. To examine factors which influence the usage of cross-border insurance by motorists

1. How often have you traveled across the border?
   i. This is the first time
   ii. At least once a year as a tourist
   iii. Only during holidays
   iv. Frequently due to business
   v. Frequently due to employment

2. Please indicate whether owner of vehicle or employed driver
   i. Owner
ii. Employed driver □

3. Please indicate the purpose of your current traveling

4. Are you currently using the Comes Yellow Card?
   Yes □
   No □

   (Kindly proceed to answer questions in part B objective 2 if your answer is No)

5. How easy is it to obtain the Yellow Card?
   i. Very easy □
   ii. Somewhat easy □
   iii. Not very easy □
   iv. Somewhat difficult □
   v. Very difficult □

6. How often have you used the Yellow Card?
   i. Every time I travel □
   ii. When traveling for many days □
   iii. When traveling for holidays □
   iv. Not very often □
   v. When I have enough money to purchase the Card □

7. What is the cost indicated on your current Yellow Card?

8. Did you personally pay for purchasing the Yellow Card?
   Yes □
   No □
9. What other costs are you required to meet as you travel apart from buying insurance cover?

……………………………………………………………………………………………………………………………………………………………………

10. Do these costs affect your affordability of the Yellow Card?

Yes  □

No   □

11. Have you ever had an accident which made you claim from the Yellow Card cover?

Yes  □

No   □

12. How was the process of paying your claim by the National Bureau of the Yellow Card?

i. Very fast  □

ii. Reasonable speed  □

iii. Delayed due to requirement of information  □

iv. Very slow  □

v. Claim has not yet been paid  □

Part B Objective 2: Examining the level of usage for alternative insurance covers which are sold at the border

13. Are you currently using or have you ever used other type of insurance for crossing the border apart from the Yellow Card?

Yes  □

No   □
14. If you ever bought other type of insurance when crossing the border, how was the price comparable to the Yellow Card?
   i. Very fair
   ii. More affordable
   iii. Same as the Yellow Card
   iv. A bit expensive
   v. Very expensive

15. How easy is it to obtain ordinary third party insurance when crossing the border?
   i. Very easy
   ii. Fairly easy
   iii. Not easy
   iv. Difficult

16. Have you ever had an accident for which you claimed from the third party insurance cover?
   Yes □
   No □

17. Were you compensated?
   Yes □
   No □

18. Kindly indicate the average cost you normally pay for ordinary third party insurance

.......................................................... ..........................................................

19. Indicate whether the following authorities accept the ordinary third party insurance cover
20. Give reasons for the type of insurance cover you prefer

Yellow Card cross-border insurance

Ordinary third party insurance

**Objective 3. Awareness level towards using cross-border insurance by motorists**

21. Do you always inform your insurance company for cover whenever you are traveling?

Yes □
No □

22. Are you aware of the existence of the Yellow Card Scheme?

Yes □
No □
23. If you are aware, how did you learn about the Yellow Card?

i. Through my insurance company
ii. Through Radio
iii. Through television
iv. Through newspaper
v. Through friends

24. Do you know any of your friends who are using the Yellow Card for traveling across the border?
Yes □
No □

25. Are you aware of the benefits covered by the Yellow Card in case you get an accident, please specify

26. Are you aware of the company where you should report an accident in the foreign country you are traveling to?
Yes □
No □

27. Can you do without purchasing the Yellow Card when traveling across the border?
Yes □
No □
Objective 4. Examining activities which ensure enforcement of cross-border insurance by police immigration and customs

28. Do you always carry the Yellow Card with you when traveling out of the country?

Yes  □

No  □

29. Tick Yes or No for places the Yellow Card is normally requested for checking by law enforcing authorities.

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>1</td>
<td>Just after beginning the journey</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>At the weigh bridge</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Half distance between inception and border point</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>At the border point by police</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>At the border point by immigration</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>At the border point by customs</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>After crossing to the other country by police</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>After crossing to the other country by immigration</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>After crossing to the other country by customs</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>At destination</td>
<td></td>
</tr>
</tbody>
</table>

30. Did they record some information from the Card or casual checking?

Yes  □

No  □
31. Specify other information/documents recorded apart from the Yellow Card

32. In your opinion, are all the checking points by law enforcers necessary?
Yes □
No  □

33. If you say No, what can be eliminated?

.................................
APPENDIX 2: INTERVIEW GUIDE FOR POLICE AND CUSTOMS OFFICIALS

This guide is adopted from COMESA Secretariat and seeks recorded information from border officials.

This questionnaire is meant to elicit information on utilization of the Yellow Card certificate of insurance by motorists. All the information will be treated confidentially. Do not write your name on any part of the questionnaire.

Please tick the appropriate response and fill in the blank spaces. Kindly note that, there are no wrong or right answers. Thank you very much for taking time to respond.

ASSESSMENT OF THE OPERATIONS OF THE YELLOW CARD SCHEME AT NAMANGA BORDER POST BY ...............................................................

Survey at border post

Station  Immigration  Customs  Police

1. State number of vehicles crossing the border post any one year (e.g. 2008). Exiting from Kenya to Tanzania.................................................................

2. Is there an insurance agent at the border post designated to issue Yellow Cards?

   Yes
   No

3. Who should monitors/enforces the legal requirements for travelling motorists to have a compulsory third party motor vehicles insurance- Act cover/Yellow Card on exiting the territory?

   i. Traffic police
   ii. Immigration
iii. Customs
iv. Border point police
v. No one
vi.

4. Is the enforcement routine?
   Yes
   No

   If answer is no please give reasons.................................................................

5. Please give an estimated indication in percentage terms of vehicles entering your territory with Act cover, Yellow Card cover and without cover

   i. Vehicle with Act cover.................................%
   ii. Vehicle with Yellow Card...........................%
   iii. Vehicle without any insurance cover............%

6. Are motorists familiar with the Yellow Card cross-border insurance?
   According to your brief assessment, would you say the Yellow Card is
   i. Well known
   ii. Fairly known
   iii. Not known

7. Kindly indicate your general opinions about the use of the Yellow Card cross-border insurance.

       ..................................................................................................................

       ..................................................................................................................