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MOTOR THIRD PARTY INSURANCE

Legal Compliance Made Simple: Drive Legally, Protect Your Finances



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Licensed by Insurance Regulatory Authority (IRA)

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EXECUTIVE SUMMARY

Legal Compliance Made Simple: Drive Legally, Protect Your Finances

Motor Third Party Insurance is MANDATORY for all vehicles in Kenya. Operating without it risks **Ksh 50,000 fine + 6 months imprisonment PLUS** unlimited civil liability if you cause an accident. Don't risk your freedom and financial future.

What Third Party Covers:

- Damage to OTHER people's vehicles (if you cause accident)
- Injury to OTHER people (passengers, pedestrians, other drivers)
- Death of OTHER people (compensation to families)
- Legal liability (lawsuits from injured parties)

What Third Party Does NOT Cover:

- Your own vehicle damage
- Your own vehicle theft
- Fire damage to your vehicle
- Your own medical expenses

Cost: Ksh 5,000 - 8,000 annually (legal compliance + liability protection)

The Question: Is Third Party enough, or should you upgrade to Comprehensive? We'll help you decide.

THE LEGAL REQUIREMENT

Insurance (Motor Vehicles Third Party Risks) Act - Cap 405

Mandatory Coverage:

- ALL motor vehicles must have valid Third Party insurance
- Applies to private cars, motorcycles, commercial vehicles, *matatus*, trucks
- No exceptions (even if vehicle parked, not in use)

Penalties for Non-Compliance:

Criminal Penalties:

- **Fine:** Up to Ksh 50,000
- **Imprisonment:** Up to 6 months
- **Or Both:** Fine + imprisonment

Administrative Penalties:

- Vehicle impounded (towing fees Ksh 5,000+)
- Court appearance required (legal fees Ksh 10,000+)
- Criminal record (affects future employment, travel)

Civil Liability:

- **UNLIMITED personal liability** for damages you cause
 - If you cause Ksh 5M accident without insurance, **YOU** pay personally
 - Can lead to bankruptcy, asset seizure, wage garnishment
-

When Third Party Insurance is Checked:

1. NTSA Vehicle Inspection (Annual):

- Must present valid insurance certificate
- No insurance = No inspection sticker
- No inspection sticker = Vehicle cannot operate legally

2. Police Traffic Stops:

- Random checks at roadblocks
- Must produce insurance certificate on demand
- Digital insurance via SMS accepted (IRA-approved system)

3. Accident Scenes:

- Police verify both parties have insurance
- No insurance = Automatic arrest + vehicle impounding

4. Parking in Some Locations:

- Malls, airports, secure facilities check insurance
 - Entry denied without valid cover
-

WHAT THIRD PARTY INSURANCE COVERS

Coverage 1: Damage to Other Vehicles

Scenario: You cause accident, damage another car

What's Covered:

- Repair costs for other vehicle (up to policy limit)
- Typical policy limits: Ksh 1M - 5M third party property damage
- If repairs exceed limit, you pay the difference

Example:

- You run red light, hit luxury SUV
 - SUV damage: Ksh 800,000 repairs
 - Your Third Party insurance: Pays Ksh 800,000 (within Ksh 1M limit)
 - Your out-of-pocket: Ksh 0
-

But if damage was Ksh 2M:

- Insurance pays: Ksh 1M (policy limit)
 - You pay personally: Ksh 1M (excess over limit)
-

Coverage 2: Injury to Other People

Covered Persons:

- Other drivers
- Passengers in other vehicles
- Pedestrians
- Your own passengers (NOT you, the driver)
- Motorcyclists, cyclists

What's Covered:

- Medical expenses (hospitalization, surgery, treatment)
- Ambulance costs
- Rehabilitation costs
- Income loss during recovery
- Permanent disability compensation

Policy Limits: Typically, Ksh 3M - 10M per person for injury

Example:

- You hit pedestrian crossing road
 - Pedestrian hospitalized: Ksh 500,000 medical costs
 - Income loss during 6-month recovery: Ksh 300,000
 - Total claim: Ksh 800,000
 - Your Third Party insurance: Pays Ksh 800,000
 - Your out-of-pocket: Ksh 0 (within policy limits)
-

Coverage 3: Death Benefits

If accident results in death:

- Compensation to deceased's family (dependents)
- Funeral expenses
- Loss of financial support

Policy Limits: Typically, Ksh 3M - 10M per person

Example:

- Fatal accident, you at fault
 - Deceased was family breadwinner earning Ksh 80,000/month
-

- Family claims: Loss of income + funeral expenses
 - Court awards: Ksh 5M compensation
 - Your Third Party insurance: Pays Ksh 5M (if within limits)
 - **Without insurance: YOU pay Ksh 5M personally** (bankruptcy risk)
-

Coverage 4: Legal Defense Costs

What's Covered:

- Lawyer fees for your defense
- Court costs
- Legal representation in civil suits

Important: Insurance covers legal defense even if you're sued for negligence

Example:

- Injured party sues you for Ksh 10M
 - Insurance provides lawyer (no cost to you)
 - Court awards Ksh 3M (within policy limits)
 - Insurance pays both: Lawyer fees + Ksh 3M settlement
-

WHAT THIRD PARTY DOES NOT COVER

Exclusion 1: Your Own Vehicle Damage

Scenario: You cause accident, your car damaged too

Not Covered:

- Your vehicle repairs (you pay personally)
- Your vehicle replacement (if total loss)

Example:

- You hit another car (your fault)
- Other car damage: Ksh 300,000 (covered by your Third Party)
- YOUR car damage: Ksh 400,000 (NOT covered - you pay)
- **Your out-of-pocket: Ksh 400,000**

Solution: Upgrade to Comprehensive cover

Exclusion 2: Theft of Your Vehicle

Not Covered:

- Vehicle stolen (total loss)
- Parts stolen (wheels, battery, radio)
- Vandalism

Example:

- Vehicle stolen from your compound
- Vehicle value: Ksh 1.2M
- Third Party insurance: Pays NOTHING
- **Your loss: Ksh 1.2M**

Solution: Comprehensive insurance covers theft

Exclusion 3: Fire Damage to Your Vehicle

Not Covered:

- Electrical fire
- Engine fire
- Fire from accident

Example:

- Electrical fault causes fire, car destroyed
- Vehicle value: Ksh 800,000
- Third Party insurance: Pays NOTHING
- **Your loss: Ksh 800,000**

Solution: Comprehensive insurance covers fire

Exclusion 4: Your Own Medical Expenses

Not Covered:

- Your injuries (driver)
- Your medical bills

Example:

- Accident, you injured (broken leg)
- Medical costs: Ksh 200,000
- Third Party insurance: Pays NOTHING for your injuries
- **You pay: Ksh 200,000**

Note: Third Party DOES cover your passengers' injuries (just not yours as driver)

Solution: Personal Accident Insurance

Exclusion 5: Natural Disasters & Acts of God

Not Covered:

- Floods damaging vehicle
- Falling trees
- Hailstorms
- Lightning strikes

Solution: Comprehensive insurance covers these perils

THIRD PARTY PREMIUM FACTORS

What Determines Your Premium?

1. Vehicle Value (Primary Factor)

- Higher value = Higher premium (more potential liability)

Premium Examples (Annual):

- Ksh 600,000 vehicle → Ksh 5,500 - 6,500
- Ksh 1,000,000 vehicle → Ksh 6,000 - 7,000
- Ksh 2,000,000 vehicle → Ksh 6,500 - 8,000
- Ksh 4,000,000+ vehicle → Ksh 7,000 - 8,500

Note: Third Party premiums relatively flat (slight increases with value)

2. Vehicle Use

Private Use (Personal/Family):

- Standard rates (lowest)
- Example: Ksh 6,000/year for Ksh 1M car

Commercial Use:

- Uber/Bolt/taxi: +50-80% premium (higher risk)
- Example: Ksh 9,000 - 10,800/year for Ksh 1M car

Business Use (Company Car, Sales Reps):

- +15-25% premium (higher mileage)
 - Example: Ksh 6,900 - 7,500/year for Ksh 1M car
-

3. Driver Age & Experience

Age Under 25:

- +20-30% premium (high-risk category)
- Example: Ksh 7,200 - 7,800/year

Age 25-65:

- Standard rates (lowest risk)
- Example: Ksh 6,000/year

Age Over 65:

- +10-15% premium (reflexes decline)
 - Example: Ksh 6,600 - 6,900/year
-

4. Location

Urban (Nairobi, Mombasa, Kisumu):

- Standard rates (higher traffic = more accidents)
- Example: Ksh 6,000/year

Rural Areas:

- Sometimes -5% discount (lower traffic density)
- Example: Ksh 5,700/year

But: Premium differences minimal for Third Party (major impact on Comprehensive)

5. Claims History

No Claims Bonus (NCB):

- 1 year no claims: 10% discount
- 2 years no claims: 15% discount
- 3+ years no claims: 20-25% discount

Example:

- Standard premium: Ksh 6,000
- 3 years no claims: Ksh 4,500 (25% NCB)
- **Savings: Ksh 1,500/year**

Claims Made:

- 1 claim in past year: +15-20% premium increase
 - Multiple claims: +30-50% or coverage denied
-

6. Vehicle Type

Saloon Cars (Toyota, Nissan, Mazda):

- Standard rates
- Example: Ksh 6,000/year

SUVs (Prado, Harrier):

- Slightly higher (more damage potential)
- Example: Ksh 6,500/year

Luxury Vehicles (Mercedes, BMW):

- Higher (expensive parts, higher repair costs for third parties)
- Example: Ksh 7,500 - 8,500/year

Motorcycles:

- Lower (less damage potential)
- Example: Ksh 3,000 - 4,000/year

THIRD PARTY VS COMPREHENSIVE: WHICH DO YOU NEED?

Third Party is Sufficient IF:

- Vehicle value under Ksh 500,000 (old cars, low replacement cost)
- You have emergency savings to replace vehicle if stolen/damaged
- Vehicle parked in secure location (low theft risk)
- Can afford to repair/replace vehicle from pocket
- Budget-conscious (minimize insurance costs)

Example Profile:

- Vehicle: 2008 Toyota Corolla, value Ksh 450,000
- Owner: Budget-conscious, has Ksh 500K emergency fund
- Parking: Secure home compound
- **Decision:** Third Party sufficient (saves Ksh 15,000+/year vs Comprehensive)

Upgrade to Comprehensive IF:

- Vehicle value Ksh 800,000+ (significant asset to protect)
- Financed vehicle (bank requires Comprehensive)

- Cannot afford to replace vehicle if stolen/damaged
- High-theft risk area (urban, parking on street)
- Daily urban driving (higher accident probability)

Example Profile:

- Vehicle: 2018 Honda CRV, value Ksh 1.8M
- Owner: Employed, monthly income Ksh 120,000
- Parking: Street parking in Nairobi
- **Decision:** Comprehensive ESSENTIAL (theft/damage would be devastating)

See Proposal 10 for Comprehensive Insurance details

COMMON CLAIM DENIAL REASONS

Why Third Party Claims Get Denied:

1. Drunk Driving

- Blood alcohol above legal limit (0.08%)
- **Automatic denial** + criminal prosecution
- You pay ALL damages personally

2. Driving Without Valid License

- Expired license
- Wrong class (driving truck with personal license)
- Suspended license
- **Claim denied**, you pay personally

3. Unlicensed Driver

- Let friend without license drive your car
- **Claim denied** (policy covers licensed drivers only)

4. Late Reporting

- Didn't report to police within 24 hours
- Didn't notify insurer within 48 hours
- **Claim denied** (breach of policy conditions)

5. Policy Lapsed

- Premium not paid, policy expired
- Accident during lapsed period
- **No coverage**, you pay everything

6. Vehicle Overloading

- Exceeding weight limits (trucks, *matatus*)
- **Claim denied** (policy violation)

7. Use Contrary to Certificate

- Using private policy for commercial (Uber/taxi)
- **Claim denied** (wrong policy type)

8. Driving Under Influence of Drugs

- Any illegal substances
- **Automatic denial** + criminal charges

9. Racing/Speed Contests

- Drag racing, street racing
- **Claim denied** (excluded activity)

OUR ROLE AS YOUR MOTOR THIRD PARTY INSURANCE ADVISOR

What We Do for You:

- Seek third party cover with your preferred insurer or recommend best fit insurer for your needs (if you have no one)
- Handle documentations and submission to insurer
- Secure best possible rates
- Obtain insurance certificate within 24-48 hours on payment of premiums
- **Digital certificate:** Sent via SMS (IRA-approved system)
- Reminder before policy expiration (no lapse)
- Re-compare providers yearly (rates change)
- Coordinate seamless renewal
- Guide you through claims process
- Ensure proper documentation
- Follow up with insurer
- Fight denied claims (appeal if wrongfully denied)

No Advisory Fees:

You pay nothing for my services - providers pay my commission. You pay the same premium direct or through me—but gain expert guidance, needs analysis, and claims advocacy.

FREQUENTLY ASKED QUESTIONS

Q1: What if I can't afford Third Party insurance?

A: Third Party is cheapest insurance type (Ksh 5,000-8,000/year = Ksh 400-650/month). Cannot legally operate vehicle without it. Consider: Is vehicle worth keeping if you can't afford mandatory insurance?

Q2: Can I drive immediately after buying Third Party?

A: Yes, once you receive insurance certificate (usually same day/next day). Digital certificate valid immediately.

Q3: What if other driver has no insurance?

A: Their problem (they face criminal charges). Your Third Party doesn't help YOUR vehicle (only protects you from liability). This is why Comprehensive is valuable.

Q4: Does Third Party cover me in Uganda/Tanzania?

A: Most policies Kenya only. Need "Yellow Card" extension for East Africa (additional premium). We arrange Yellow Card if needed.

Q5: Can I insure vehicle in someone else's name?

A: Policy usually in logbook owner's name. But can add named drivers (you, spouse, etc.). Anyone with valid license can drive (with owner's permission).

Q6: What if I cause accident but wasn't driving?

A: Your insurance still covers (liability follows vehicle, not driver). Provided driver had valid license and your permission.

Q7: Does Third Party cover passengers in MY car?

A: YES, your passengers' injuries covered. Only YOU (driver) not covered for your own injuries.

Q8: What if both parties claim other caused accident?

A: Police abstract determines fault (based on evidence, witnesses). Insurers follow police findings. If disputed, may go to court.

Q9: Can I cancel Third Party mid-year if I sell vehicle?

A: Yes, pro-rated refund available (unused months). Provide proof of vehicle sale. But most people transfer policy to new vehicle instead.

Q10: What if I have accident in borrowed vehicle?

A: Vehicle owner's insurance covers (if you had owner's permission and valid license). If no permission = unauthorized use = no coverage.

TAKE ACTION TODAY

Don't Risk:

- Ksh 50,000 fine + 6 months imprisonment
- Unlimited personal liability (bankrupting accidents)
- Vehicle impoundment (Ksh 5,000+ towing fees)
- Criminal record

Legal compliance costs only Ksh 5,000-8,000/year

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