



# **ROLE OF FSDT IN EXPANDING INSURANCE MARKET IN TANZANIA**

**8<sup>th</sup> INTERNATIONAL MICROINSURANCE  
CONFERENCE-DAR ES SALAAM**

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# What is FSDT?

- 1 A non-governmental organization (TRUST) with the objective of facilitating the market towards a greater access and innovative solutions for more people to engage with the financial system throughout Tanzania.
- 2 Funded by six development partners:



Kingdom of the Netherlands



# GOAL & PURPOSE



**GOAL** - achieve a deeper financial system that contributes to economic growth and wealth creation eventually poverty reduction

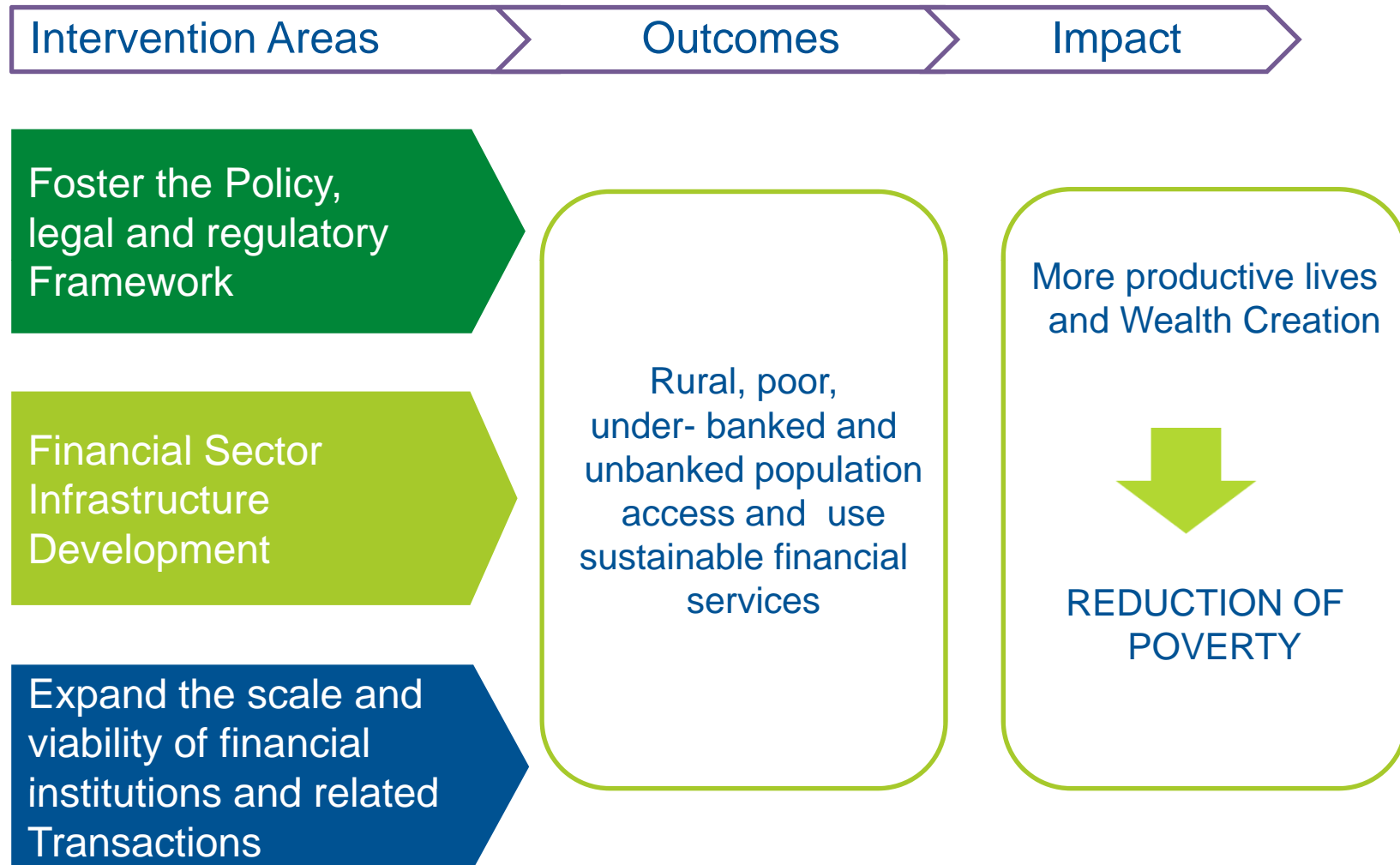
= Inclusion

**PURPOSE**-develop a capable financial sector that delivers the services and products that address the needs of the consumers

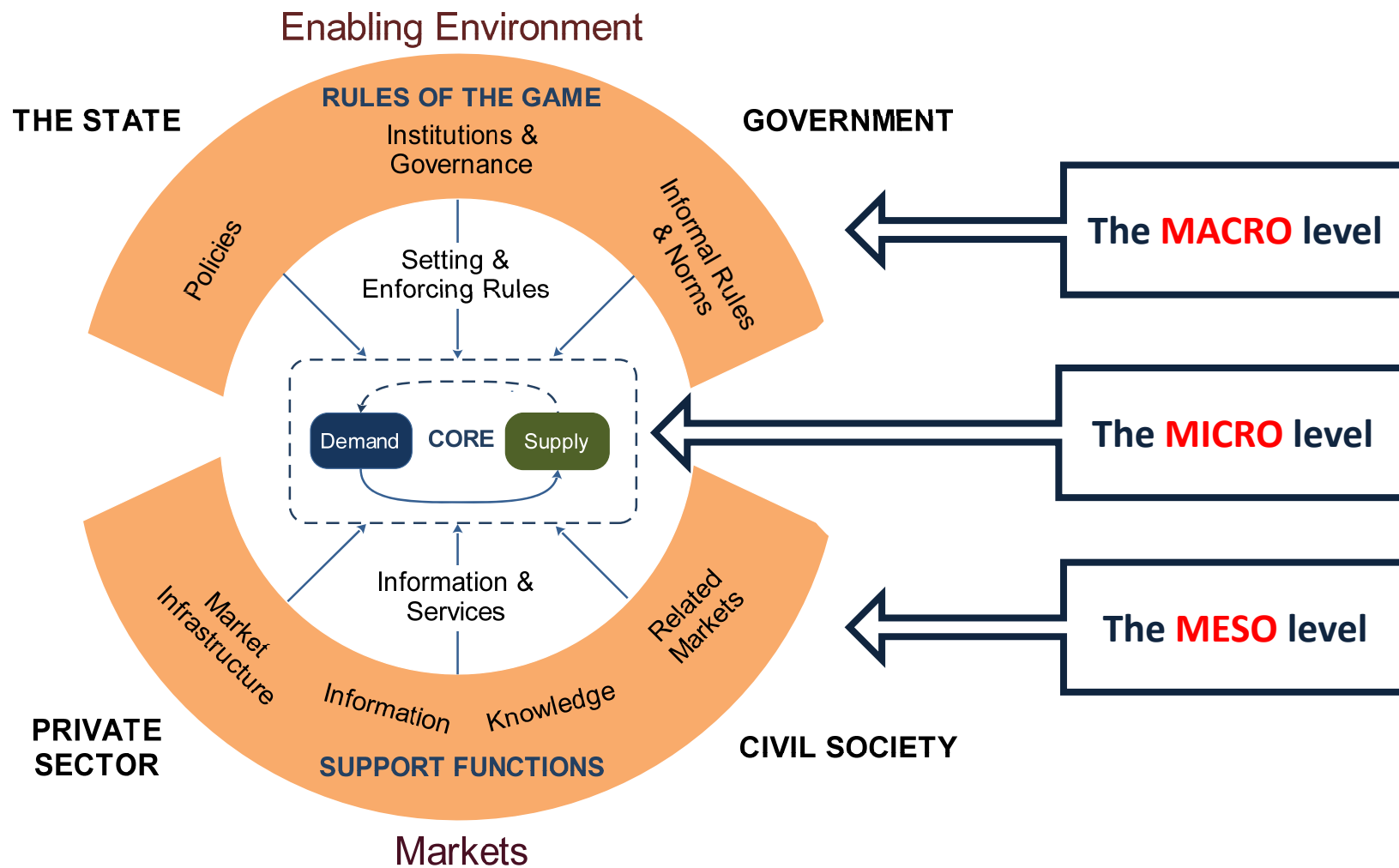
= Market capacity and operating environment



# Our Theory for Deepening the Financial Sector



# Approach - The Market System



# FINANCIAL INCLUSION IN TANZANIA-STATUS

# Four Dimensions of Financial Inclusion

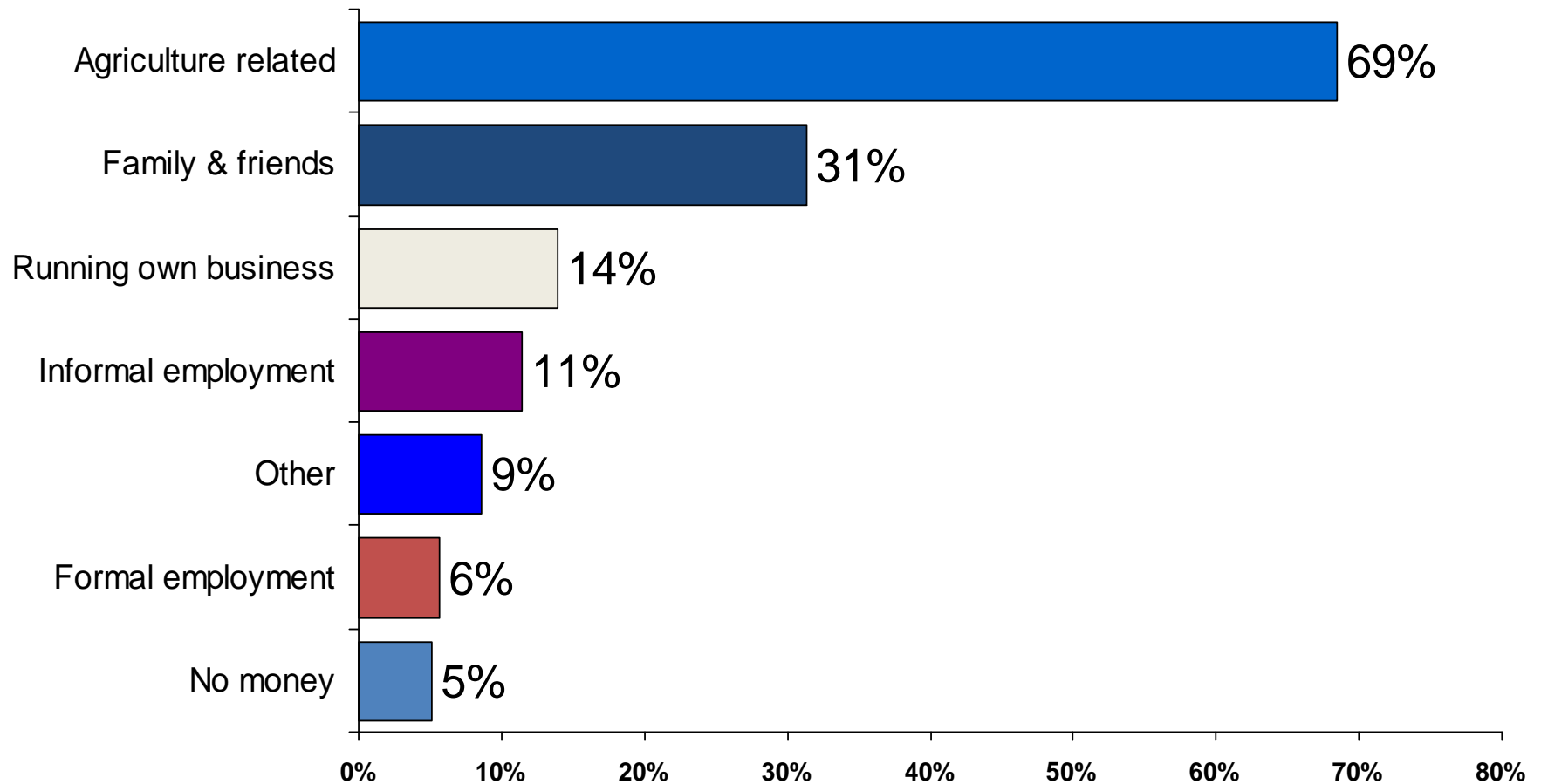


More complex definitions require additional measurement resources

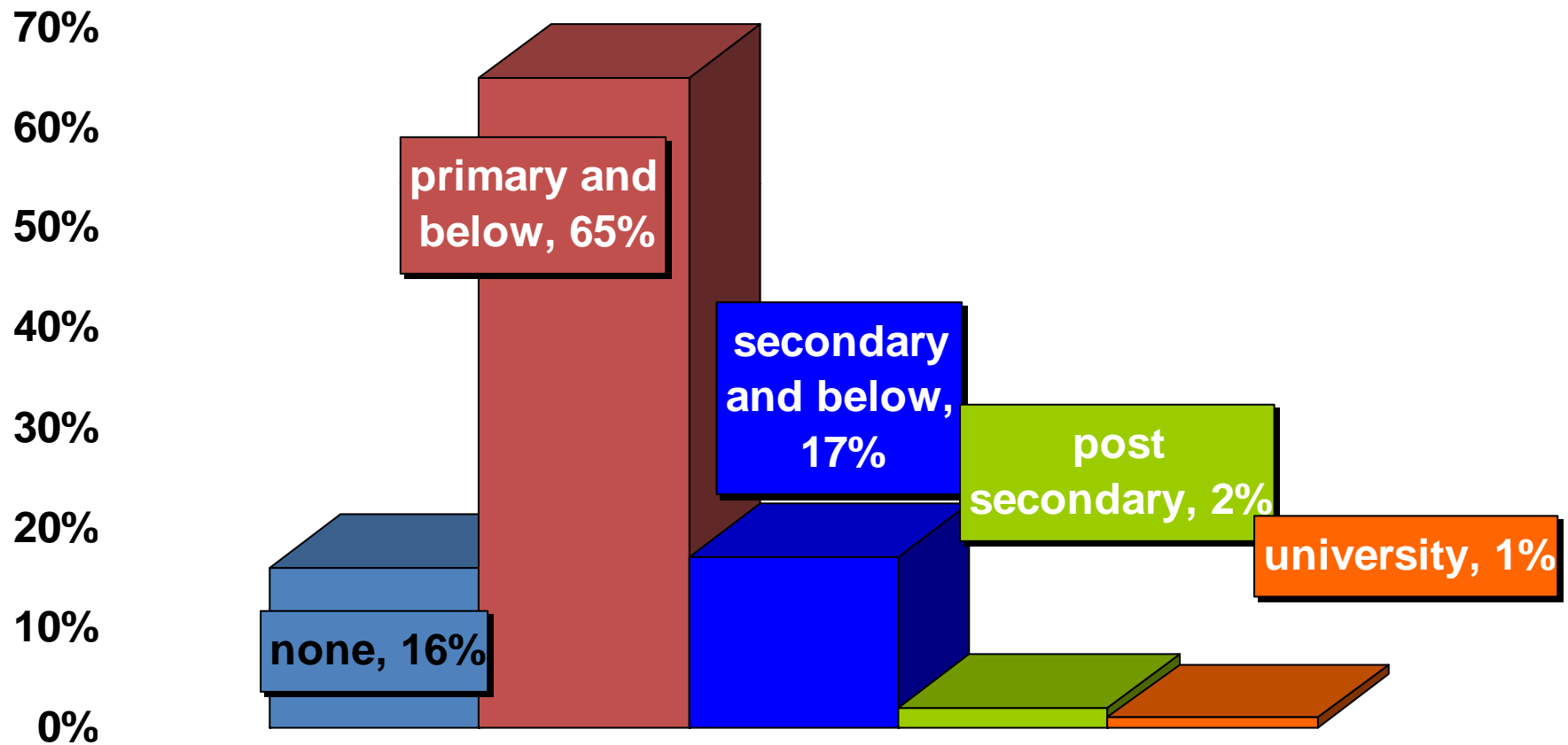


# Source of Income

Respondents with more than one source of income could choose multiple answers

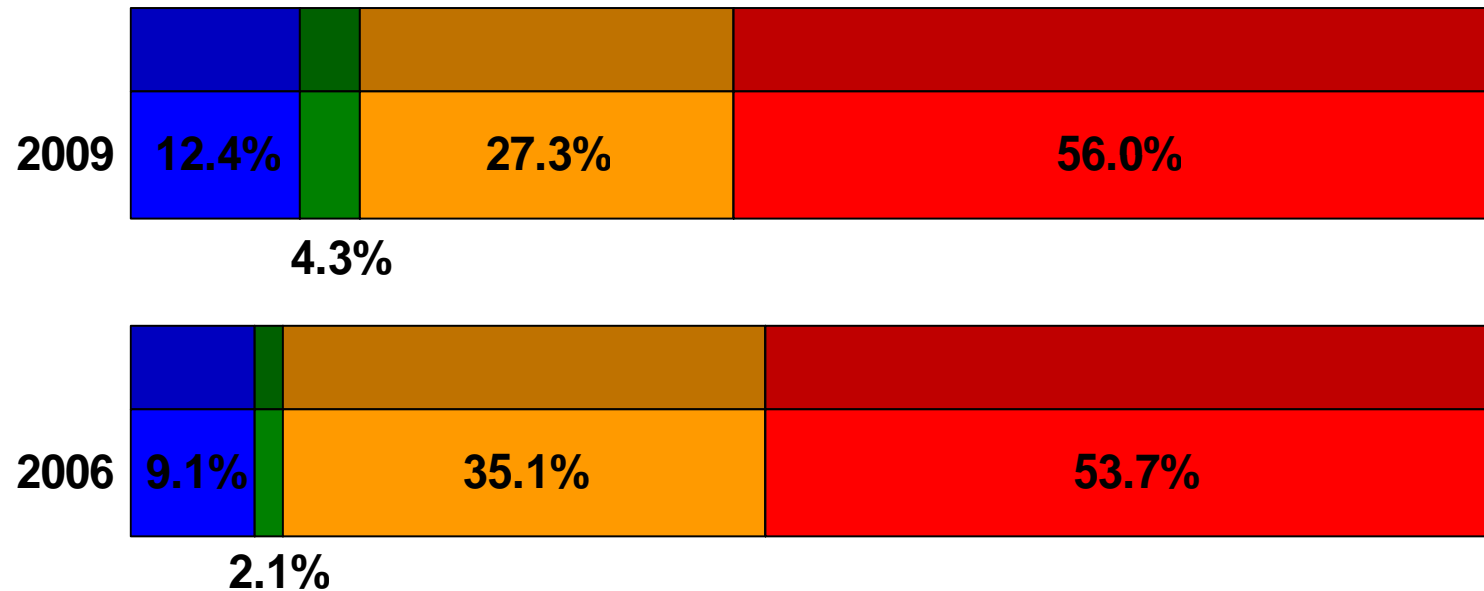


# Highest level of Education Reached

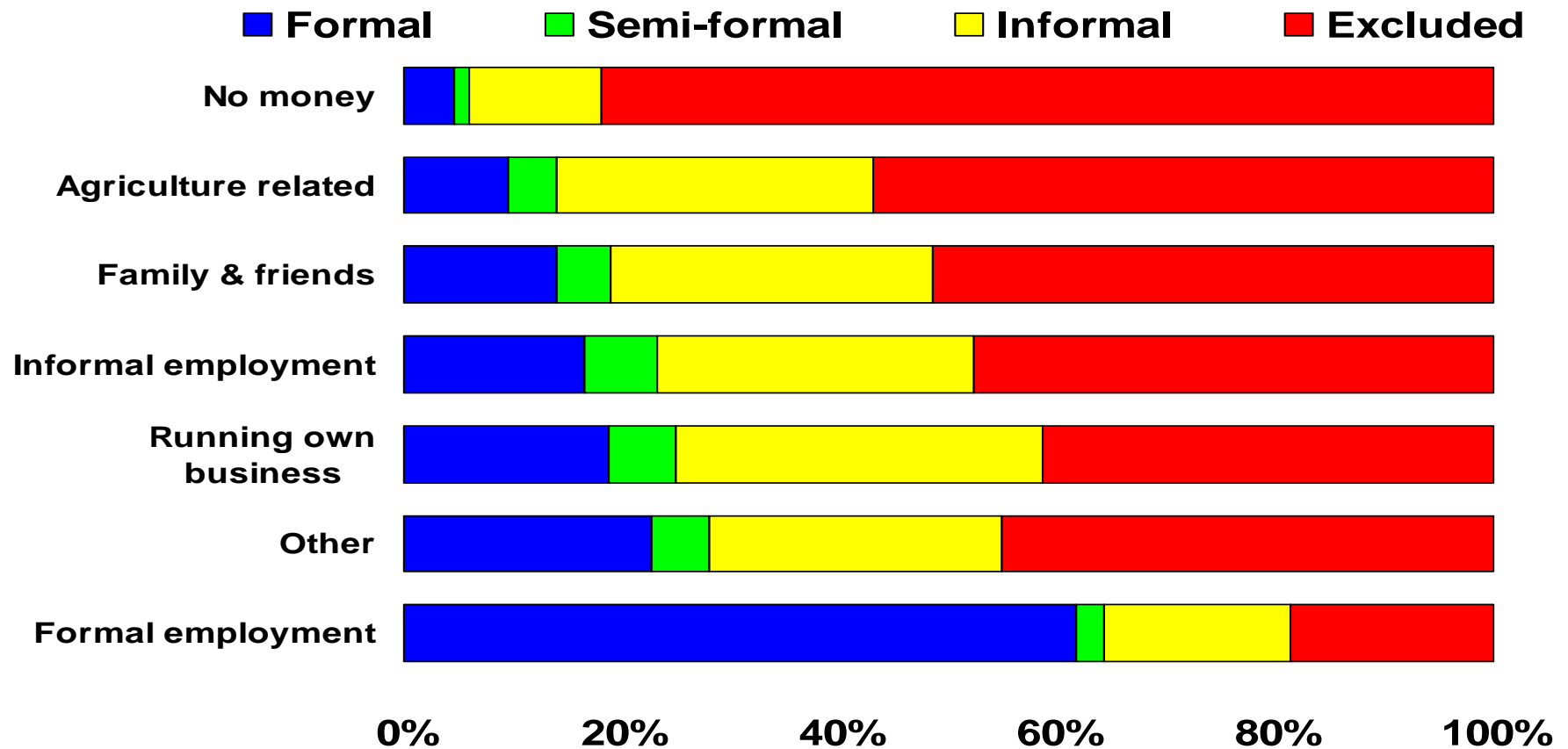


# Access Strand 2009 - 2006

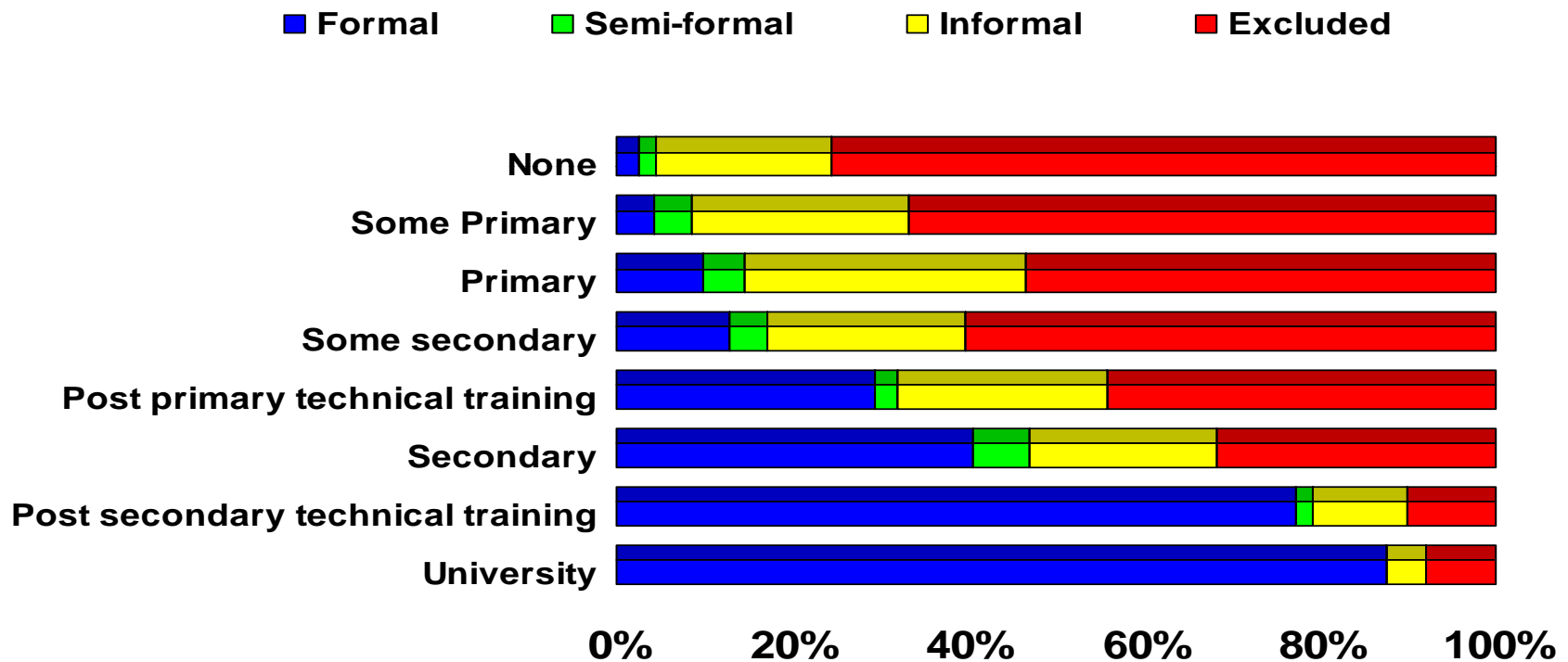
- FI - Formally Included
- II - Informally Included
- SI - Semi Formal
- E - Excluded



# Access to finance of Income Source



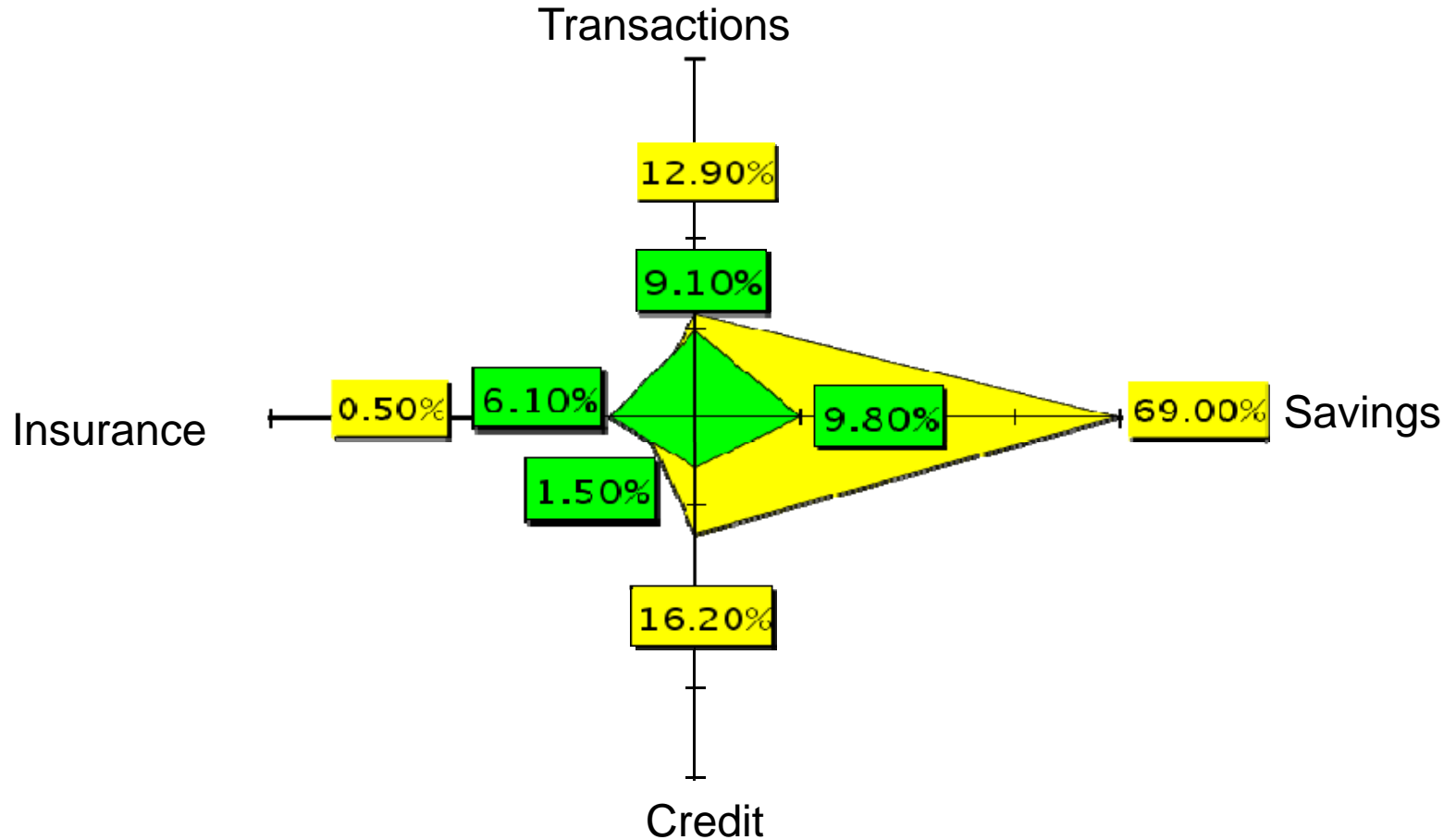
# Education and level of financial access are closely correlated



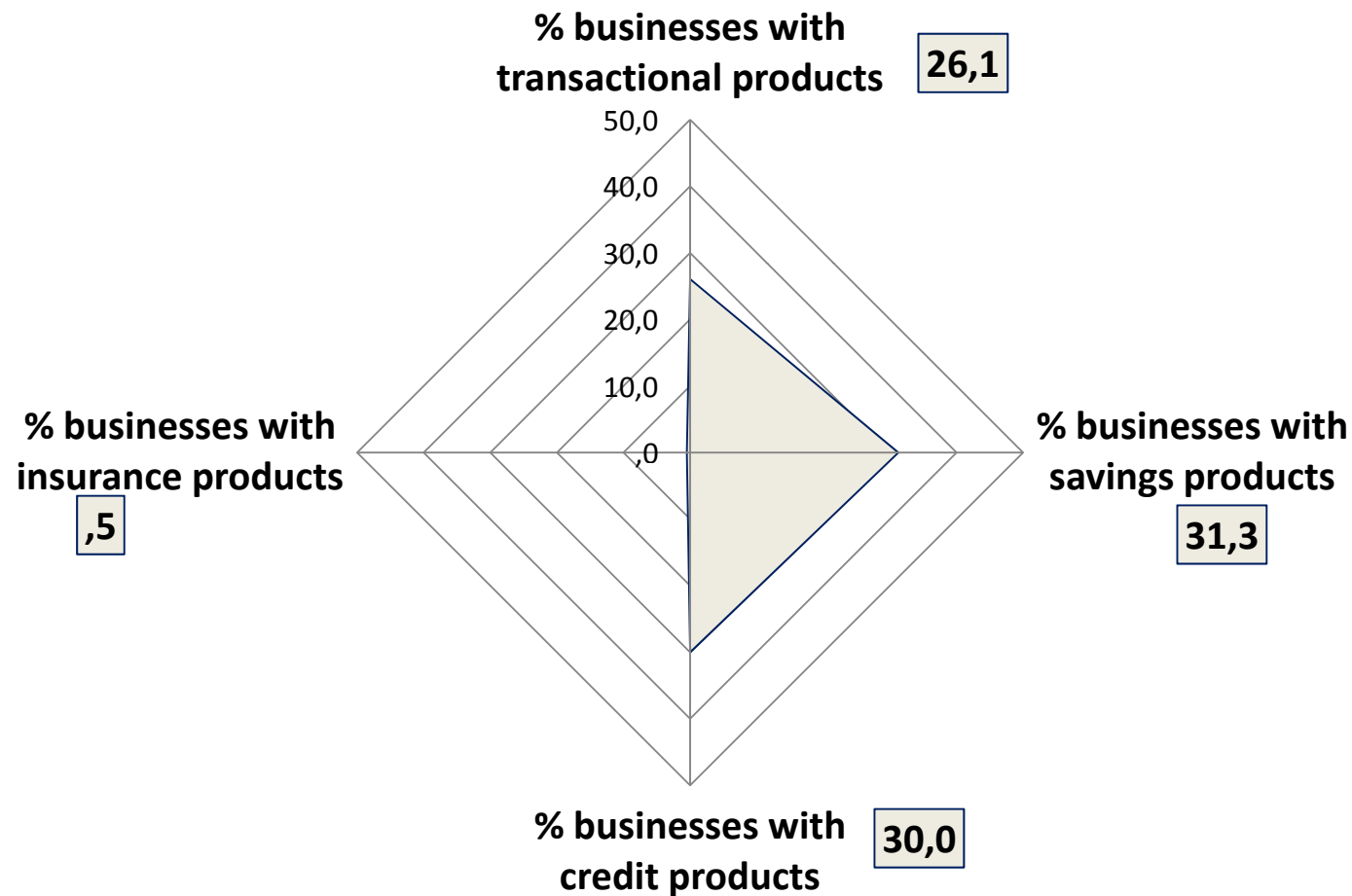
# Landscape of access

■ non-formal

■ formal



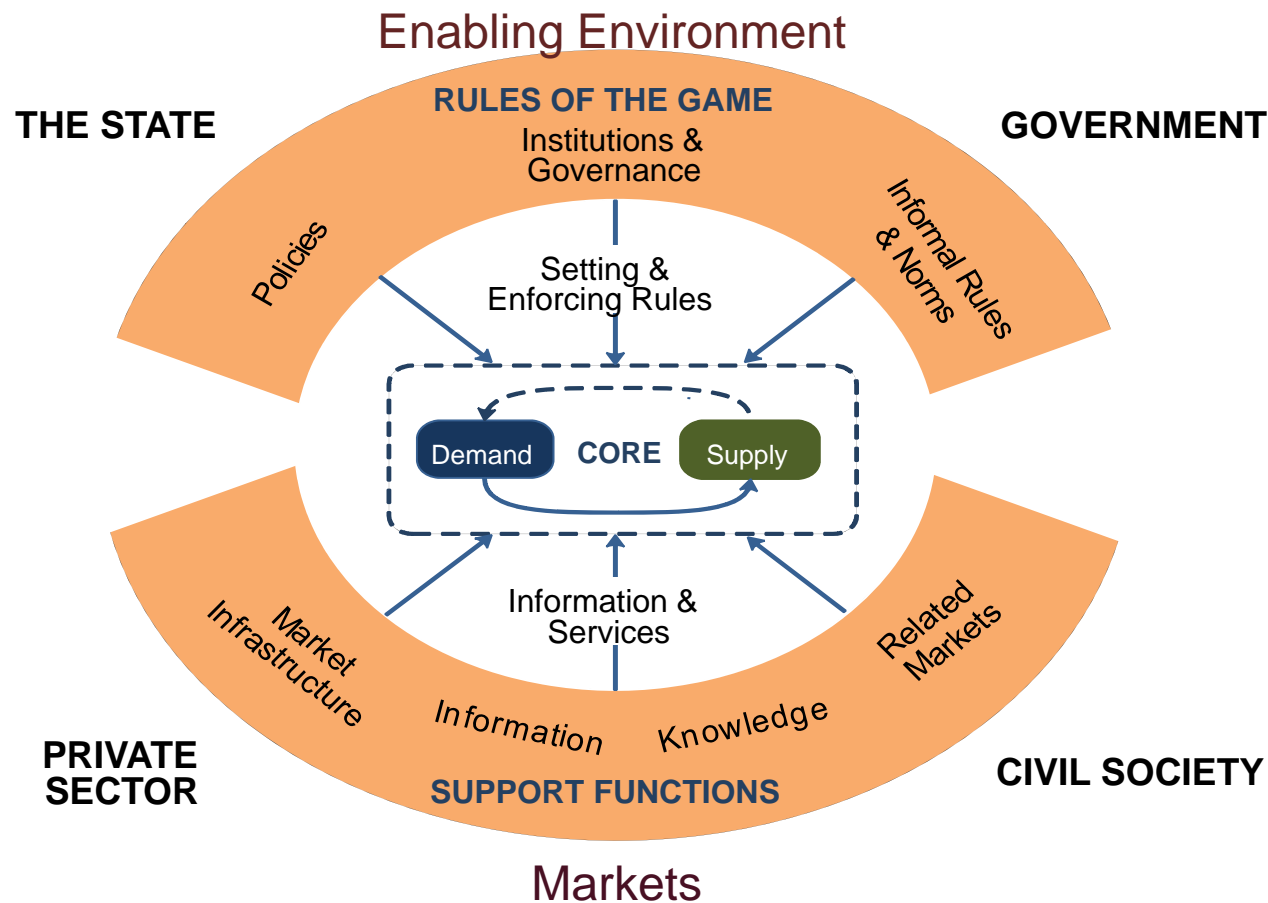
# Usage of Insurance – Agri-enterprises



# Tanzania's Diagnostic Study on Insurance



# Recap: Why Insurance Diagnostic?



## Rationale

- Low penetration of insurance observed in 2009 (FinScope-6%) and 2011 (AgFiMS-below 1%) needed further analysis
- Lack of knowledge about the demand for and supply of microinsurance products in Tanzania-the gap needed to be filled
- Assess the impact that policy, regulation and supervision have on such demand and supply.

# Approach, Process & Partners

## Approach

- Access to Insurance Initiative (A2ii) methodology
- A2ii Technical Team review

## Process

- Consultative-stakeholders were fully engaged
- Desk top review conducted
- Demand side research-Focus Group Discussions

## Partners

- Tanzania Insurance Regulatory Authority (TIRA)
- Association of Tanzania Insurers (ATI)
- Financial Sector Deepening Trust (FSDT)
- FinMark Trust/CENFRI
- Insurance firms, other regulators and financial institutions

# Output & Outcome

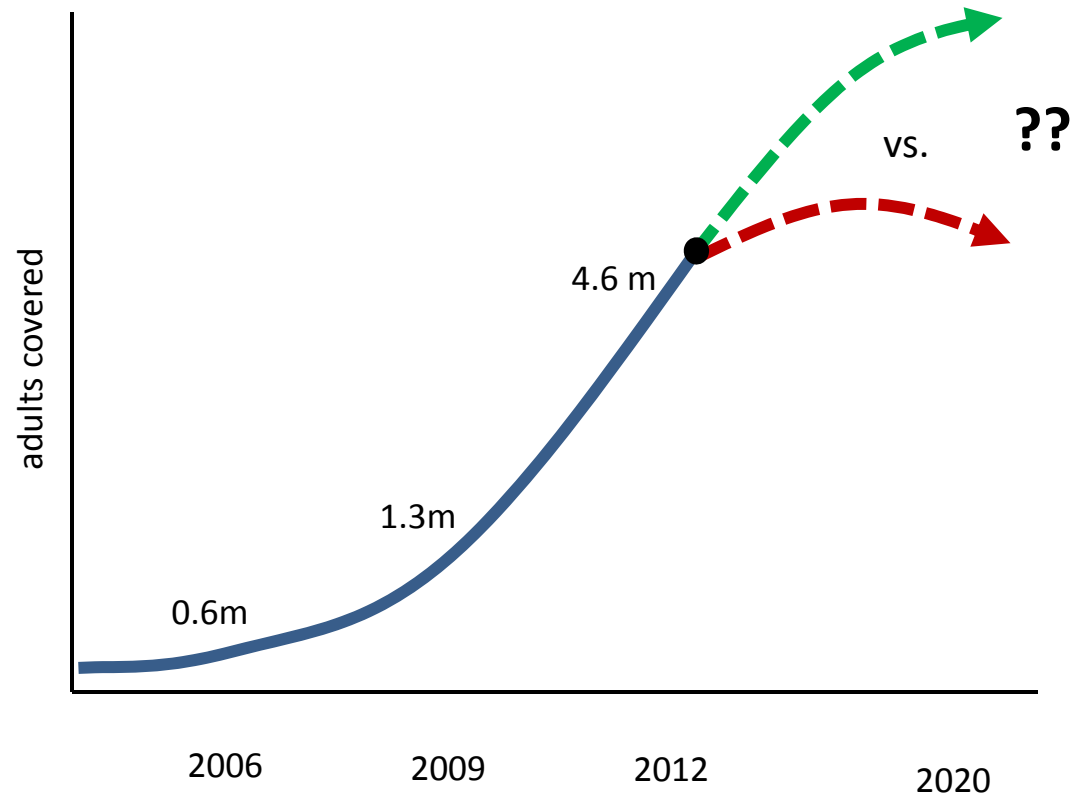
## Output

- Understanding the insurance industry evolution, the structure of the insurance market and depicting the driving forces
- Link the insurance markets with the broader financial sector, macroeconomic and socioeconomic context.

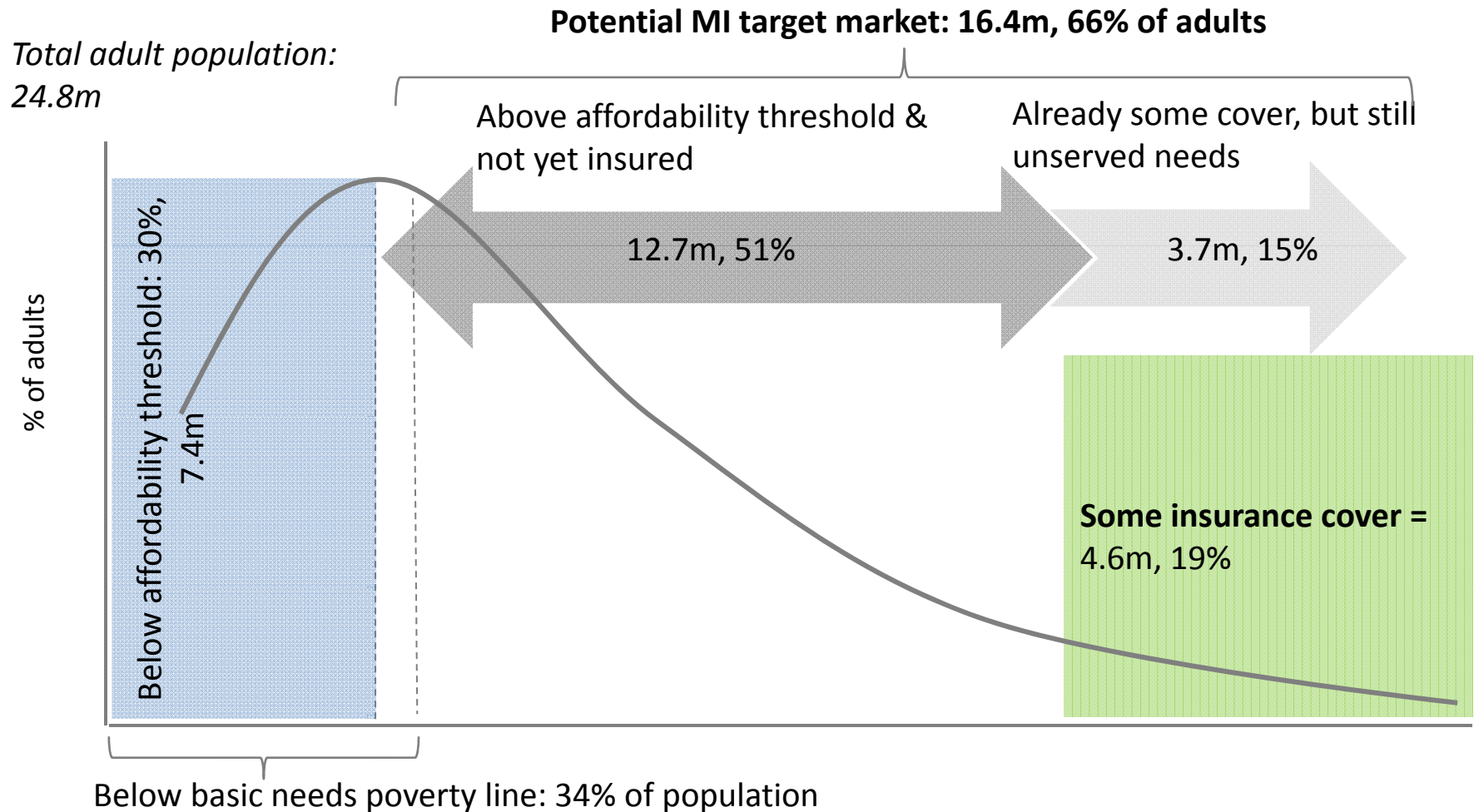
## Outcome

- Identification of opportunities for the microinsurance market's development
- Appreciate the barriers to making insurance markets work more efficiently for the poor
- Use the findings and knowledge gained from analysis to kick-start the insurance markets.

# Key findings-No of people covered



# Potential market for MI



## How big is the opportunity?

- 2012 estimate of adults Total adult population: 24.8m
- Below affordability threshold: 30%, 7.4m
- Below basic needs poverty line: 34% of hhs
- Some insurance cover = 4.6m, 19%
- Above affordability threshold & not yet insured 12.7m, 51%
- Already some cover, but still unserved needs, 3.7m, 15%
- Potential MI target market: 16.4m, 66% of adults

# Reflections



# What to be expected?

Policy makers/Regulators –MoF, TIRA

- Use the findings as one of the sources of evidence for articulating the need for insurance access for low income households and enterprises in Tanzania-Vision for Insurance as part of the main agenda on Financial inclusion
- Identification of quick wins (or low hanging fruits - e.g. currently underserved segments) and designing mechanisms to serve them quickly
- Develop own and realistic plan to address the identified gaps (such as low awareness about insurance in general and regulations for microinsurance, consumer protection issues, capacity issues, etc)
- Create a forum to exchange experiences, share lessons, discuss thematic issues and also own the insurance/microinsurance development process by stakeholders (regulator, suppliers, distributors, consumers)
- Develop mechanisms and tools to monitor the industry growth especially insurance for the low income households

# Private Sector-Insurers, brokers, Agents, other distributors

## **Innovation**

- Business case for MI-Strategic visioning
- Products and services-addressing customer needs
- Distribution channels

## **Capacity to deliver**

- Improve skills and knowledge on insurance markets
- Use of researched data to make informed decisions about insurance markets
- Investing and/or building partnerships in distribution value chains
- Taking advantage of technology, growing mobile phone usage and forthcoming agency banking

## FSDT's interest in MI

- Insurance is the crucial component of financial inclusion-
- Insurance is an important element of growth-it enables individuals and businesses to structure cost-effective methods to mitigate risks
- MicroInsurance has a potential to protect millions of lives of poor people ( majority being small holder farmers, women and youth) who do not have affordable and safe mechanisms to cope with risks
- Key stakeholders like TIRA taking a lead and others players showing interest to expanding insurance markets
- Growing usage of technology (e.g. Mobile phone) –presenting an opportunity for reaching the majority

## FSDT's ROLE

- Support improvements in the policy, legislative and regulatory framework affecting delivery of insurance services.
- Supporting innovation: development and testing of new insurance products that address the needs of poor households and micro and small enterprises but also achieve scale and sustainability
- Support initiatives aimed at enhancing the supply of appropriate business services to insurance service providers in Tanzania (capacity, infrastructure, market integration, etc)
- Provision of information/knowledge that helps financial markets to work better for the poor (FinScope, AgFiMS, MSMEs, FinCap, GIS Cash Points, etc) and other tailor made studies to inform strategic decisions

Public Private Partnerships  
between  
government, market players  
and development  
partners is the way forward

IMPLICATIONS??????

## Innovation

“Thinking  
outside the Box  
VS being out of  
mind”

## Scale

“Inclusive &  
quality  
growth”

## Impact

(...so  
what...Value –  
benefit )

**“THE POOR PEOPLE DO NOT  
HAVE THE TIME TO WAIT”**



Sosthenes Kewe  
Technical Director

[sosthenes@fsdt.or.tz](mailto:sosthenes@fsdt.or.tz)

[www.fsdt.or.tz](http://www.fsdt.or.tz)