

Association of Tanzania Insurers View on Microinsurance in Tanzania.

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Presentation outline

- Outline of the Insurance Industry
- Growth Challenges
- Distribution channels
- Key challenges and capacity gaps
- Vision for serving low income population
- Leveraging from the microinsurance study

Outline of the insurance Industry

- There are twenty six (26) insurance companies registered in Tanzania
- They are divided into general insurance and life insurance companies
- There is one Microinsurance broker that has been registered recently.
- All these companies mainly target the urban population.

Outline of Insurance industry continued

- The Diagnostic study findings carried out by (FSDT) Financial Sector Deepening Trust, Cenfri all show that most of the adult population in Tanzania have no insurance at all.
- This homes a point that most insurance companies target urban population rather than rural population
- Also products and distribution channels are restricted to the urban population.

Outline of Insurance Industry continued

- However there has been a sharp increase (according to the study) as from 2006. Out of the adult population of 3M in 2006, 589,490(2.8%) had insurance and in 2009 out of the adult population of 6M, 1.335 M(6.3%) had insurance and in 2012 out of the adult population of 19M , 4.648M (18.7%) have insurance
- These figures show a steady increase in the up take of insurance by the adult population

Growth Challenges

- The rapid rise in the number of licensed insurance companies means that competition is stiff
- The market share of most companies is reducing because of the new entrants. This has also been revealed in the diagnostic study.
- Competition has become stiff and without product innovation and casting the net wide, growth has become a challenge.
- There are too many small insurance companies which curtails economical growth of the industry.
- Low levels of computerization in the insurance market also curtails product development, marketing and distribution.
- The market has to think outside the box in order to leverage on current global trends in microinsurance.
- The industry has to spend on research and development in order to understand the market demands though the Insurance Diagnostic study comes handy at this point in time

Distribution channels

- Insurers currently use licensed brokers and agents and to a smaller extent banks.
- Premium payment is regular and governed by the Insurance Act(premium paid to insurers by brokers/agents)
- Premium is based on risk characteristics and also on policyholder's age
- Distribution channels are therefore limited and regulated by the Commissioner of Insurance.
- These are formal distribution channels in a regular insurance world.
- In the Diagnostic study there is a suggestion of using mobile companies for distribution , this will increase the out reach to a wider population as more than 70% of the adult population own a mobile phone and are aware of the mobile money services.

Key challenges and capacity gaps

- High expense ratios mean the cost running the business is high. Insurers therefore have to venture into new markets or indeed expand the existing ones.
- Technical Skills are a challenge in the industry so training is key.
- Currently Credit life is restricted to life companies only hence life underwriters monopolize this business. Depending on the size of loans and repayment periods this product can be extended to general insurance. However regulation has to change somehow.
- Success stories especially on payment of claims lead to goodwill for the insurance industry

Key challenges and capacity gaps cont.

- There is need for the insurance industry to create awareness of insurance and its benefits amongst the rural population.
- The rural poor have a very negative perception of insurance and the market needs to improve on this if there is to be an increased uptake of insurance amongst the rural population.
- The rural population have no access to information on available products. There is demand for low priced but comprehensive covers especially in health and life insurance.
- These key challenges have also been highlighted in the “Diagnostic study carried out by the “Centre For Financial Regulation and Inclusion and Financial Sector Deepening Trust”

Vision for serving low income population

- The Association of Tanzania Insurers acknowledges that Microinsurance is where the future of the industry in terms of serving the rural poor lies.
- ATI is willing to partner with the government in its efforts in poverty eradication process.
- The Diagnostic Study offers very valuable information in terms of data on which insurers can base their decision to carry microinsurance forward.
- Tanzania Insurance Regulatory Authority , Insurers and all stakeholders should work together to come up with products that can suit the rural poor.
- The industry should study the needs of the poor in order to come up with products that suits them instead of packaging products based on what the industry thinks is good for the them.
- TIRA will be required to regulate how the insurance sector operates as far as microinsurance is concerned in order to penetrate the untapped market.
- The industry should take advantage of the various groups existent in the country e.g SACCOs and informal groups like chamas and merrygorounds.
- Microinsurance products should be packaged to suit the customer needs
- Understanding consumers needs is key if we are to provide an all inclusive solution

Leveraging from the microinsurance study

- The “Diagnostic “ study reveals very important information that insurance market can use to come up with good products that can suit the rural poor.
- The study also reveals that premium growth from traditional covers has seriously slowed down and as a market it is important to study the document and come up with solutions.
- Coming up with new products in the wake of stagnated growth would increase market premium and also reduce expense ratios
- To come up with profitable products all variables reflected in the study should be taken into consideration by the market.

THANK YOU