

*A PRESENTATION MADE AT THE 22<sup>ND</sup> INSURANCE DAY ANNUAL CONFERENCE OF TANZANIA INSURANCE INSTITUTE: “Uplifting Insurance Penetration – Role of Distribution Channels: (Brokers, Agencies, Bancassurance & Fintech Companies)”.*

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*Venue: MWANZA, TANZANIA.*

*Date: Thursday, 26<sup>th</sup> September, 2019.*

## ***PRESENTATION OUTLINE:***

### ***1. Situational Analysis:***

- *Tanzania Insurance Sector – SWOT Analysis.*
- *Key Ratios .*
- *Insurance Penetration in selected countries.*

### ***2. Insurance Market Development: (Insuring the Uninsured)***

- *Why Market Development?*
- *Key features of a market Development strategy.*

### ***3. Insurance Market Development – Key Drivers.***

- A Paradigm shift.*
- Insurance for the Real Economy.*
- Small and medium Enterprises (SMEs).*
- Bancassurance.*
- Insurance Pricing.*
- Innovation.*
- 4<sup>th</sup> Industrial Revolution.*

### ***4. Conclusion & Way Forward.***

- *Recommendations.*

## 1:0: SITUATIONAL ANALYSIS:

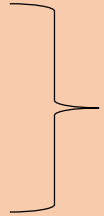

*(i) Tanzania Insurance Sector –SWOT Analysis:*

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"><li>• <i>A stable country (politically).</i></li><li>• <i>With good economic growth.</i></li><li>• <i>Among Resource Richest countries in Africa.</i></li><li>• <i>With improving conditions for doing Business.</i></li><li>• <i>A significant demographic dividend spurred by young population.</i></li><li>• <i>Digitalization of the Economy.</i></li><li>• <i>Regional Harmonisation for adoption of international standards and Best Practices in Insurance business.</i></li><li>• <i>Continued improvement of infrastructure (Aviation, Roads, Railways &amp; Energy projects).</i></li></ul>	<ul style="list-style-type: none"><li>• <i>Weak Corporate Governance Structures.</i></li><li>• <i>Lack of capital for investment in insurance Business.</i></li><li>• <i>Slow adoption of Risk Based capital/supervision rendering companies weak (interms of underwriting capacity).</i></li><li>• <i>Low savings culture.</i></li><li>• <i>Lack of Education about insurance, hindering market development.</i></li></ul>

<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• <i>Tanzania is becoming a “go-to-destination” for renewable energy solutions and other related projects.</i></li> <li>• <i>Significant need for Natural catastrophic Risk covers against floods or drought because of climate change.</i></li> <li>• <i>Public sector’s great interest in the provision of social insurance to the population through subsidized Public insurance Schemes for health &amp; pension.</i></li> <li>• <i>0.5% Insurance penetration rate an indication of enormous potential opportunities for market growth.</i></li> <li>• <i>Increasing efforts being made throughout the industry to “disrupt” product and service delivery.</i></li> <li>• <i>Insurance, Baking and Technology platform companies are becoming increasingly more integrated.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Climate change which exacerbates the incidence of weather patterns and natural disasters in the country.</i></li> <li>• <i>Insurance remaining relatively expensive for Low income households and SMEs.</i></li> <li>• <i>A widening gap between the potential social value of insurance and the transaction costs of provision for the poorest segment.</i></li> <li>• <i>The industry is dominated by one sector (General Insurance) with 90% contribution to Gross Market Premium.</i></li> <li>• <i>Poor demand for various insurable products due to Low economic growth.</i></li> <li>• <i>Lack of insurance education to consumers.</i></li> <li>• <i>“one size fits all approach” – due to lack of innovation in the market.</i></li> </ul>

**Source:** *TIRA published Market Reports(2015-2017).*

## *(ii) Key Ratios: (For measuring development of Insurance Sector in any Country):*

- **Penetration Ratio:** *Gross Written Premium divided by Gross Domestic Product:*
  - **3%** the Average for emerging economies.  
\*Kenya = **2.6%**, \*Uganda: **0.81%**, \*Tanzania: **0.55%**
- **Insurance Density:** *Total insurance premium Underwritten divided by total population of the country:*
  - **USD 54** the Average for emerging economies.  
\* Uganda: **USD 5**, \*Tanzania: **USD 6**, \*Kenya: **USD 46**
- **Insurance Uptake:**  **OR**  
**Insurance per capita**  = *% of Adult population with any form of Insurance cover.*
  - Average percentage of **16%** against **60%** in emerging economies.
- **Market share of Life Business:**
  - **≥ 50%** the Average percentage for emerging economies.
  - \*Kenya:**40%**, \*Uganda: **30%**, \*Tanzania **13%**
- **Reinsurance Ratio =  $\frac{\text{Reinsurance Premiums ceded}}{\text{Gross Premiums written}}$  % =**
  - **< 50%** the Average percentage for emerging economies.  
\* Uganda: **52%**, \*Tanzania: **45%**, \* Kenya: **20%**

(iii) Insurance penetration in selected African Countries

Name	Life Business	Non –Life Business	Total
South Africa	11.02	2.74	13.76
Namibia	5.37	2.18	7.55
Morocco	1.43	2.06	3.49
Kenya	1.05	1.55	2.60
Tunisia	0.42	1.62	2.04
Algeria	0.07	0.65	0.72
Egypt	0.33	0.35	0.68
Angola	0.01	0.58	0.59
Nigeria	0.08	0.17	0.25

*Source: Swiss Re Sigma Report No.3/2018*

## 2.0. *INSURANCE MARKET DEVELOPMENT: (Insuring the Uninsured):*

*“A growth strategy that identifies and develops new Insurance market segments for current products and services.”*

### *Why Market Development?*

- *Gaining New customers.*
- *Revenue Increase.*
- *Attaining company growth.*
- *Achieving competitive Advantage.*

### *2:1 Key features of a Market Development Strategy:*

- *New geographical markets.*
- *New product dimensions of packaging.*
- *New distribution channels.*
- *Different pricing policies to create a new market segment.*



## *INSURANCE MARKET DEVELOPMENT – KEY DRIVERS:*

*(i) A paradigm shift*

*“Insurance is a game of Numbers and scale is everything.”  
But how do we get those Numbers?*

***(ii) Insurance for the real economy:***

*Agriculture (farming & Livestock) insurance.*

*Tourism.*

*Mining.*

*Oil & Gas.*

*Manufacturing & Transportation.*

*Trading (SMEs).*

*Life Insurance.*

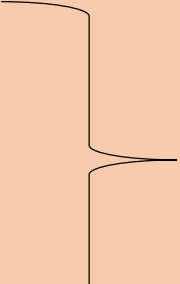
*(iii) Small and Medium Enterprises (SMEs):*

- *SMEs contribute about 60% of total employment and 40% to the Gross Domestic Product (GDP) of our economy.*
- *Between 70% to 80% of SMEs fail within their first 5 years:*
  - *Due to limited access to insurance.*
  - *Commonly available insurance offerings are not adopted to the needs of SMEs.*

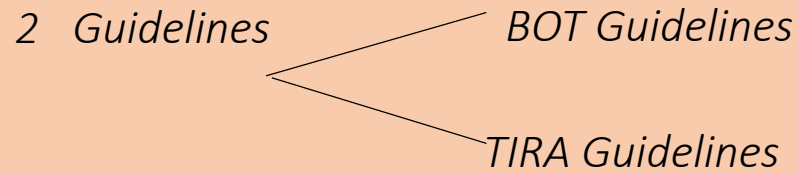
#### *iv. Insurance Pricing – A determinant of Market Behaviour:*

*“The price of insurance = the cost of supplying the insurance.”*

*Factors that determine an insurer's costs:*

- *Expected claims costs.*
  - *Time value of money.*
  - *Capital costs.*
  - *Administrative costs.*
- 
- Fair Premium*

## ***(v) Bancassurance – Opportunity or Threat?***



### ***Key Provisions under:***

#### ***(a) BOT Guidelines:***

- *Definition of Bancassurance Business.*
- *Key objective – Increase of Insurance Penetration.*
- *Submission of a Business plan viable to BOT.*
- *Underwriting is only through a separately incorporated subsidiary.*
- *Not to act as an insurer.*
- *Not to debit client's bank accounts without prior written consent.*
- *No branding of Insurance products.*
- *Disqualification of any director, officer or employee from holding office in case of default.*

#### ***(b) TIRA Guidelines:***

- *Fit and proper fitness test.*
- *CPD Requirements.*
- *Not to offer different terms & conditions.*
- *No coercing of customers.*
- *No branding of products.*
- *Not to engage in insurance broking services.*

*Tanzania Banking Network – as at 31<sup>st</sup> December, 2016*

<i><b>Name of Bank</b></i>	<i><b>Number of Branches</b></i>
<i>CRDB</i>	<i>265</i>
<i>NMB</i>	<i>185</i>
<i>TPB</i>	<i>609</i>

*DAR = 255 Branches : 36.32% of all Branches*  
*ARUSHA = 50 “ : 7.12% - “ -*  
*MWANZA = 46 “ : 6.55% - “ -*  
*MBEYA = 38 “ : 5.41% - “ -*  
*MOSHI = 32 “ : 4.56% - “ -*

**NOTE:** Total no. of Insurance Brokers = **130** & Total no. of Agents = **600**

## **vi. Innovation:**

*“Innovation = changing your business model and adapting to changes in your environment to deliver better products or services.”*

### **Why innovate?**

- *In order to:*
  - *Grow The business.*
  - *Bring new or improved products and services to the market.*
  - *Increase efficiency.*
  - *Improve profitability.*

## *Types of Innovation:*

- *Incremental Innovation*
  - *It focuses on short –term impact.*
  - *It is the most common type.*
  - *It involves processes that seek to improve existing systems and products to make them better, cheaper or faster.*
- *Disruptive Innovation*
  - *Involves the application of new technology or processes to your company's current market.*
- *Radical Innovation*
  - *It focuses on long-term impact.*
  - *It is an invention that destroys an existing business model.*



## *How do you Innovate a product like Insurance?*

Through Innovation mix (4P's of Innovation):

- **Product:**
  - Improving product delivery speed.
  - Improving Quality of service (smiling claims Administrators).
  - Extending hours of operation (24/7). **The ultimate goal is to make your customers happy.**
- **Process:**
  - Improving processes in an organization so they are quicker, more efficient or cheaper.
  - How processes communicate between themselves, with their clients and what about decision making processes?
- **Position:**
  - It is a psychological category.
  - It is about the perception customers have about us.
  - What perception customers have about our staff, our Agents and service providers (Brokers & Agents)?
  - **Do we pay their bills on time?**
- **Paradigm shift:**
  - A radical change in the way insurance service is delivered. eg. To use the internet to enable on-line applications for insurance covers or claim settlement.

### **vii. Embracing 4<sup>th</sup> Industrial Revolution:**

*“ There are actually four distinct periods of Industrial Revolution throughout history, including the one we are beginning now.”*

*- Klaus Schwab, Founder and Executive chairman of the World Economic Forum.*

### **The 4 main Revolutions in the Industrial World:**

*1<sup>st</sup> Industrial Revolution: Steam powered Factories.*

*2<sup>nd</sup> Industrial Revolution: Application of science to mass production.*

*3<sup>rd</sup> Industrial Revolution: A start into Digitization.*

*4<sup>th</sup> Industrial Revolution: Technologies such as Artificial Intelligence (AI) & Internet of Things (IOT).*

### **What internet platforms are expected to perform:**

- i. Product and Rate configuration.*
- ii. Quote and Bind.*
- iii. Policy Serving – including on-line help centres.*
- iv. Documentation management and fulfilment.*
- v. Claims.*
- vi. Reporting to the Regulator.*

- *Functions most prone to Automation.*

<i>Probability</i>	<i>Occupation</i>
0.99	Telemarketers
0.99	Tax preparers
0.98	Insurance Appraisers, Auto Damage Assessors.
0.98	Umpires, Referees and Other sports officials
0.98	Legal secretaries
0.97	Hosts and Hostesses, Restaurant, Lounge and coffee shop attendants.
0.97	Real Estate Brokers.
0.97	Farm Labour contractors.
0.96	Secretaries and Administrative Assistants.
0.94	Couriers and Messengers.

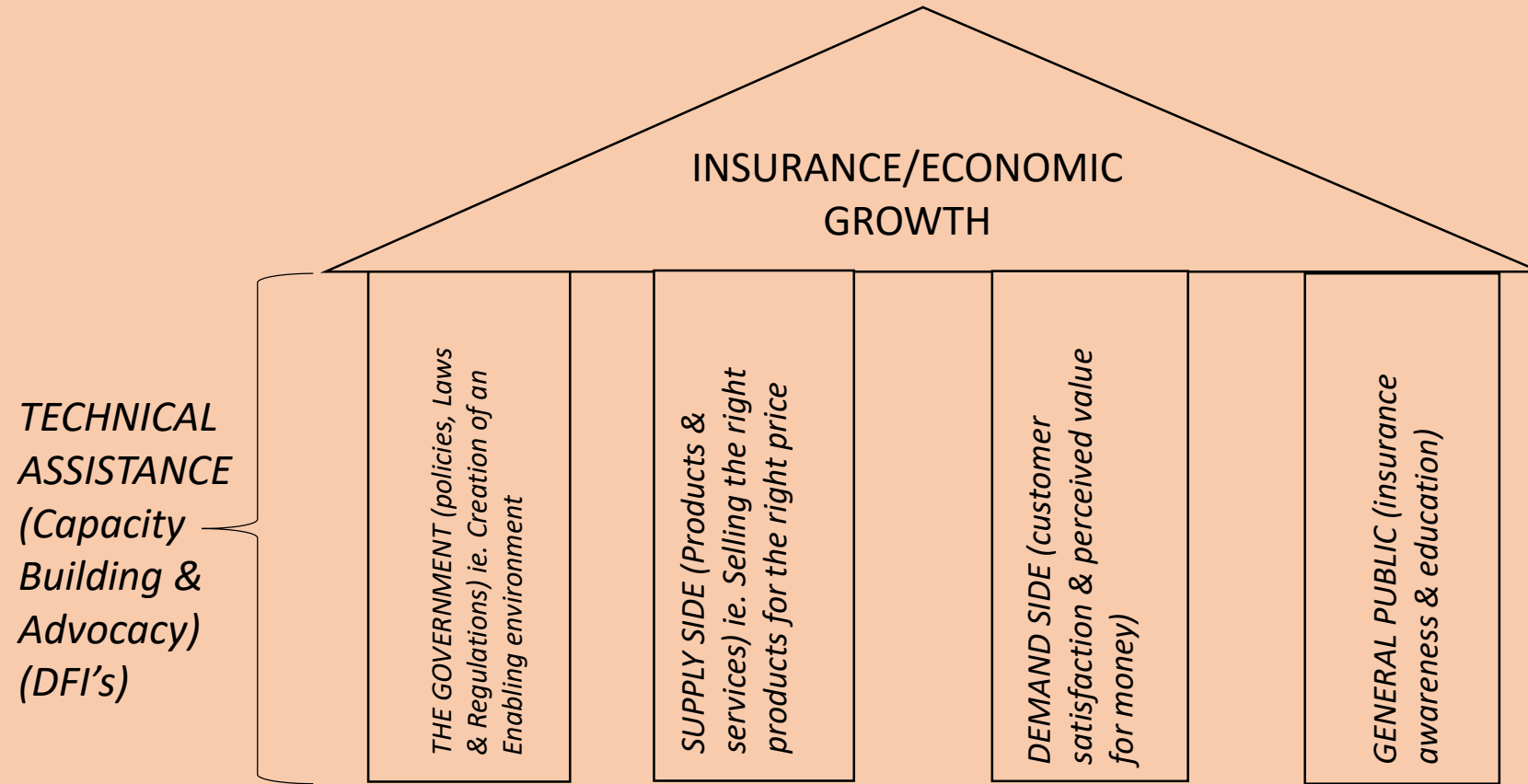
<i>Probability</i>	<i>Occupation</i>
0.0031	<i>Mental Health and Substance Abuse Social Workers</i>
0.0040	<i>Choreographers</i>
0.0042	<i>Physicians &amp; Surgeons</i>
0.0043	<i>Psychologists</i>
0.0055	<i>Human Resources Managers</i>
0.0065	<i>Computer systems Analysts</i>
0.0077	<i>Anthropologists And Archaeologists</i>
0.0100	<i>Marine Engineers and Naval Architects</i>
0.0130	<i>Sales Managers</i>
0.00150	<i>Chief Executives</i>

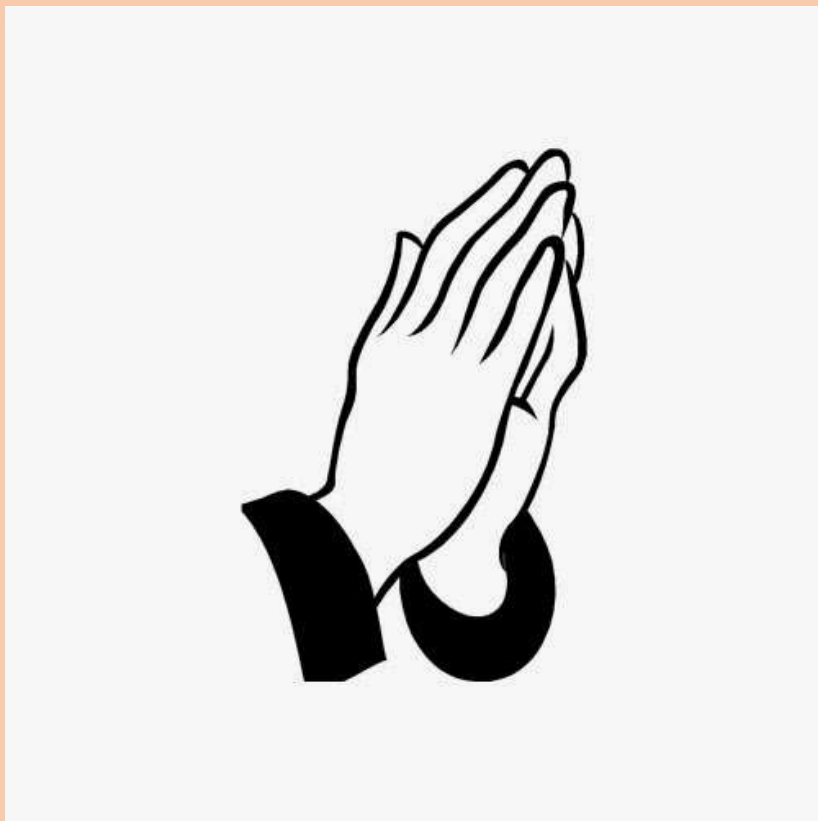
*Source: Carl Benedict Frey and Michael Osborne, University of Oxford, 2013*

## 4:0: CONCLUSION & WAY FORWARD

*There is need to:*

- *Recognize Fintech companies as a new type of Insurance Distribution Avenue.*
- *Recognize Fintech companies as full players in the Insurance Regulatory Framework.*
- *Specify minimum technical capacity to Insurers, Brokers and the Regulator – before adopting digitalization and Fintech Technologies.*
- *Integrate Insurance for SMEs into our National development Agenda.*
- *Ensure that Insurance and Brokers Associations (ATI & TIBA) constantly build necessary capacity for change adaptation.*
- *Ensure that our Regulation approach is proportionate.*
- *Further develop the complementarity relationship between Insurance, Banking and Securities.*
- *Ensure more training in order to acquire capacity to develop products and business models in line with changing Technology.*
- *Ensure constant delivery of Insurance Education and Awareness creation.*
- *Build and Maintain a house with 4 pillars:*





***Ahsanteni sana***