Access to insurance diagnostic Tanzania

Document 5: Product and distribution landscape

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About the Tanzania Access to Insurance Diagnostic series

This is *Document 5* in a series of 8 documents that together comprise the findings of the Tanzanian Access to Insurance Diagnostic. The series consists of one headline findings summary and seven input documents, each focusing on a specific thematic area, that build up the evidence base to the headline findings:

1. **Headline findings.** This document summarises the main findings of the diagnostic study across the other documents, then concludes on market potential and opportunities, the challenges to be overcome and the strategic imperatives to unlock such potential.
2. **Context.** Document 2 outlines the macroeconomic, socio-economic, political economy and financial sector context within which the Tanzanian insurance market develops.
3. **Insurance uptake.** Document 3 estimates the current penetration of the microinsurance market as percentage of adults in Tanzania and how insurance uptake has evolved in recent years.
4. **Insurance industry trends.** Document 4 analyses recent trends in the insurance industry in terms of premium volumes, players and performance, asking what the catalyst for the next wave of growth required towards an inclusive insurance market will be.
5. **Product and distribution landscape.** Document 5 considers the current suite of products in the Tanzanian microinsurance landscape. In addition, it unpacks trends in insurance distribution.
6. **Health insurance dynamics.** Document 6 takes a closer look at the health insurance dynamics in Tanzania, given the unique features of the health insurance landscape.
7. **Regulatory framework.** Document 7 considers the role of policy, regulation and supervision in building an inclusive insurance market by unpacking the key features of the insurance regulatory framework, as well as ancillary areas of regulation.
8. **Understanding client needs.** Document 8 draws on focus group and demand-side survey research to better understand the economic realities, risk experience, coping strategies and knowledge and perceptions of insurance of the Tanzanian adult population. On this basis, it conducts a segmentation exercise whereby the target market is grouped into distinct segments and the profile of each is explored.

The series was designed so that readers can focus on the Headline Findings document, drawing on specific input documents for the evidence base and as per their area of interest.

The full series is available at: www.fsdt.or.tz and www.finmark.org.za

The series has been submitted for review by the global Access to Insurance Initiative (www.access-to-insurance.org) and, upon acceptance and subject to further refinements, will also be published under the banner of the Access to Insurance Initiative.

PRODUCT AND DISTRIBUTION LANDSCAPE TRENDS: DOCUMENT 5 SYNOPSIS

This document analyses the product and distribution landscape in Tanzania. The two aspects are intricately linked and distribution has been a key driver of product innovation.

Key product landscape findings

- *Most microinsurance products life-related, embedded in another service.* Credit life insurance was the first microinsurance product in the Tanzanian market. A more recent trend is to embed funeral products in deposit accounts. Another main microinsurance product is personal accident insurance, including free cover provided by one mobile network operator as a loyalty benefit.
- *Voluntary microinsurance still underdeveloped*. The study identified only two voluntary, paid-for microinsurance products that are not embedded in another financial service: a group life product for bus drivers and a personal accident product targeted at motorcycle and three-wheel taxi drivers. Though it's the product most needed by the low-income market, health microinsurance is limited to community-based health insurance funds, with no commercial health insurers providing a microinsurance offering. Agricultural microinsurance products are likely virtually absent.
- *Client awareness and value for money concerns.* Low claims ratios among embedded products suggest low client awareness and low client value. Focus group findings caution that, by embedding funeral insurance, industry may be trying to artificially create a market for a product with low natural demand.

Key distribution landscape findings

- *Distribution a major challenge.* The challenge of reaching and collecting premiums from people outside of urban centres and the formally employed market means that traditional, door to door, sales will not suffice in the microinsurance space. "Client aggregators" (third party entities with an existing footprint and client/membership base) could be alternative distribution channels, should they have sufficient scale and capacity.
- *Most business signed up through brokers.* Brokers that negotiate insurance contracts largely with corporate clients and employee groups transact nearly two thirds of all insurance premiums in Tanzania. The balance is distributed via agents or direct sales.
- *Distribution through financial institutions increasingly important.* The growth in insurance embedded in another financial service demonstrates the increasing influence of banks on distribution. MFIs and SACCOs also distribute credit life insurance, but capacity constraints in especially the cooperative sector challenge this channel.
- *Agricultural value chain potential net yet reaped.* Agricultural entities such as processing plants, outgrower schemes, input supplier networks, lenders and cooperatives could act as insurance distributors. Yet agricultural value chain infrastructure is underdeveloped and where aggregators have enough capacity, scale is limited.
- *Mobile network operators (MNOs) set to become significant players.* MNOs have large scale, are a communication channel to clients and have a pervasive network of airtime dealers that can be used as distribution footprint. Where MNOs have mobile money offerings, it furthermore offers insurers a way to collect premiums and disburse claims.
- *Broad, but fragmented additional aggregator landscape.* Other potential aggregators range from small shops, to petrol stations, to affinity groups, to market associations, NGOs and village banks. However, the landscape is fragmented, offering few easy-win

opportunities for distribution at scale.

Conclusion

- Strong recent growth in insurance uptake in Tanzania is not an indication of spontaneous target market demand yet. Embedded products can only trigger voluntary demand if clients are aware of their cover and if it provides value to them.
- For the most part, distribution channels, rather than insurers and reinsurers, are driving distribution and product innovation.
- Reaching clients in rural areas and outside of the existing client bases of the main alternative distribution channels remains a challenge.
- To reach clients and convince them of the insurance value proposition, active, face-to-face interaction is needed, after which electronic communication channels can be used for ongoing client communication.
- The rapid rise of mobile money in Tanzania provides an important premium collection opportunity, but does not guarantee that clients will actually make premium payments.

1. Introduction

This document takes an in-depth look at the product (Section 2) and distribution landscapes (Section 3) of the Tanzanian insurance industry. Section 2.1 introduces the reader to the overall insurance product landscape, while Section 2.2 focusses on microinsurance products and their trends and addresses the questions of where the trends are likely to lead and whether the products offered meet the needs of the low-income market. The product analysis only becomes meaningful if product suppliers can distribute their products to the market. Section 3 starts the distribution discussion by introducing some of the main challenges to the distribution of insurance products and considers brokers as the dominant channel in Tanzania (Section 3.1). Other distribution channels are covered in Section 3.2, followed by a discussion on the implications and opportunities for microinsurance in Section 3.3. Section 4 concludes with the main product and distribution findings and their imperatives for the insurance industry.

2. The product landscape

2.1. High level product context

Dominance of general insurance. The long-term assurance industry has only contributed approximately 10% to the total industry premiums from 2006 to 2010 as shown in Figure 1:

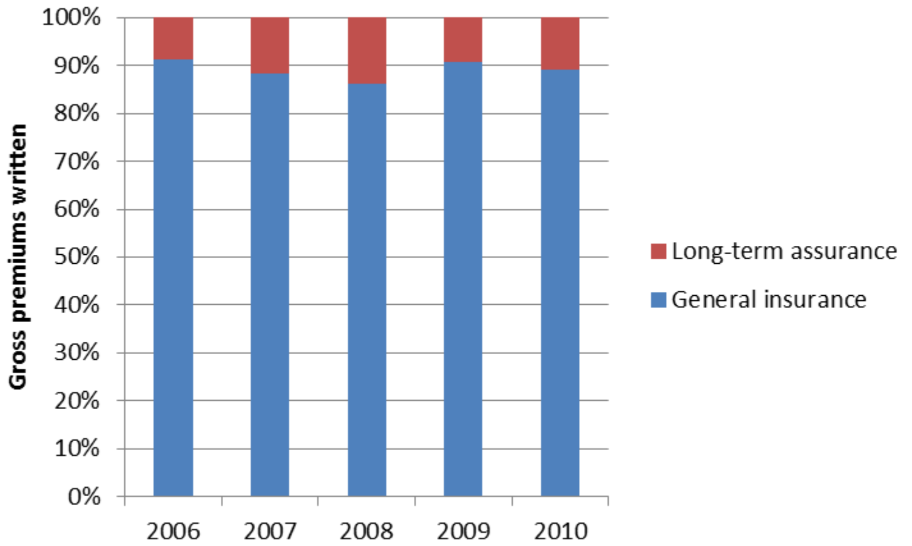

Figure 1: Industry gross premiums written split between general insurance and long-term assurance

Source: TIRA annual insurance market performance reports for 2006 to 2010

Motor insurance most common general insurance class. Motor insurance has been the largest class of the general insurance business for a number of years, although its significance is reducing. The other main contributors to general insurance premiums are fire and health insurance. The latter class has grown rapidly with an average premium growth of 36% between 2006 and 2010 and 54% growth between 2009 and 2010[1]. Figure 2 shows the

[1] TIRA annual insurance market performance reports for 2006 to 2010. The premium growth for health insurance between 2006 and 2010 includes premiums from the accident and other general business classes. Health only became a separate class for reporting purposes in 2009. The 54% growth between 2009 and 2010 reflects growth in health insurance premiums only.

dominance of the motor and fire business classes and the growth of the health business class:

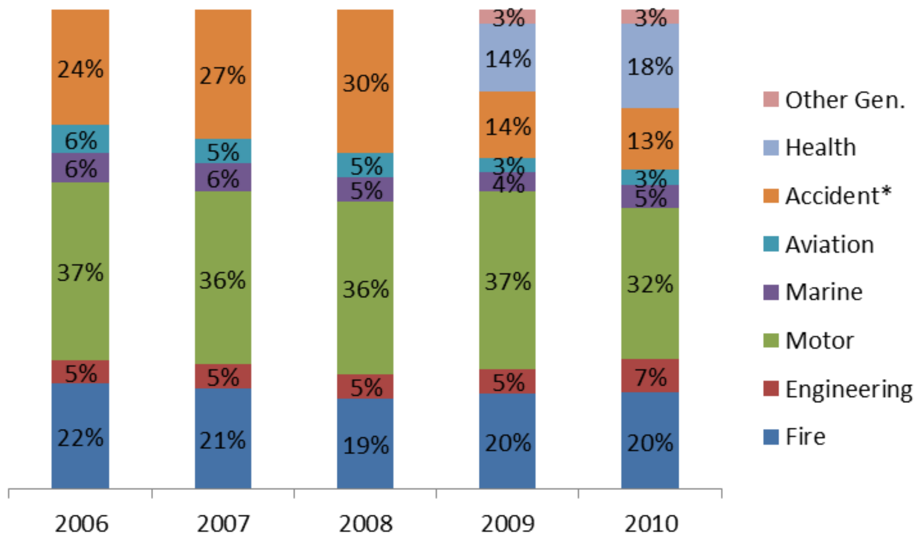

Figure 2: Comparison of general insurance gross premiums written in 2006 and 2010 by class

Source: TIRA annual insurance market performance reports for 2006 and 2010

Agricultural insurance conspicuous in its absence. Agriculture is the cornerstone of the rural economy in Tanzania. As described in *Document 2,* the agricultural sector provides a livelihood to about 80% of the population[2]. Thus it is surprising at first that there is little to no evidence of agricultural insurance activity: there is no separate business class for agricultural insurance in TIRA's reporting requirements, which means that any premiums would be reported in the "Other general" class that made up only 3% of total general insurance premiums in 2010[3]. However, given the fact that general insurers are focussed on the corporate market and there are very few commercial farmers in Tanzania, the lack of agricultural insurance is not that surprising. Multi-peril agricultural insurance is a complex and costly insurance product and the insurers interviewed did not feel agricultural insurance was a profitable business proposition. The agriculture landscape is dominated by small-scale farmers who are expected to have very low incomes and are geographically dispersed in rural areas. Furthermore, there are few large-scale, strong aggregators in the agricultural value chain, making distribution to this market particularly difficult. Distribution is discussed further in Section 3 below.

Group life largest long-term assurance class. The group life business class made up 56% of premiums written in 2010. This business class was almost entirely responsible for the growth of the long-term assurance industry in 2010, contributing 88% of the growth in premium income from 2009 to 2010.

Product dynamics driven by insurers with strong foreign ties. General insurance premium income grew by TZS 46bn from 2009 to 2010. The four companies listed in Table 1 together

[2] The World Bank. 2011. *Tanzania: Country Brief.* [Online]. Available: http://go.worldbank.org/7SUHE823V0 [7 March 2011].

[3] TIRA annual insurance market performance report for 2010. Note that, unless otherwise quoted, TIRA annual insurance market reports for 2006 to 2010 are the source for all statistics in this document.

contributed 64% of this premium growth. All four companies have significant foreign shareholding, while both Momentum and Century only entered the market in 2009.

Company	2010 market share	Contribution to 2010 premium growth	Ownership
Jubilee	10%	15%	51% owned by Jubilee Holdings (Kenya)
Strategis	9%	19%	80% local ownership, balance of shares owned by a Dutch shareholder
Momentum	6%	13%	Majority-owned by Momentum Group (South Africa)
Century	5%	17%	52% local ownership, balance of shares owned by Kenyan and South African shareholders.

Table 1: Ownership of the fastest growing general insurers

Source: TIRA annual insurance market performance report for 2010, author's calculations & industry consultations

This suggests that the general insurance market is currently being driven by insurers that have substantial influence from abroad, mainly Kenya and South Africa, with new players making a very significant contribution to the growth.

The position in the long-term assurance market is similar, where African Life contributed 68% of the growth in premium income between 2009 and 2010. African Life is 64% owned by Sanlam Emerging Markets in South Africa.

If one considers the above-mentioned companies' areas of specialisation, it becomes clear why health insurance and embedded life assurance products have recently grown so rapidly. Strategis writes exclusively health insurance business, while 26% of Momentum's premium income in 2010 came from health insurance. 69% of African Life's 2010 premium income came from the Group Life class of business, mostly as embedded products.

It appears that these insurers have expanded the traditional market boundaries into private health insurance and embedded life assurance products, two markets that were previously not well developed. Market players that have foreign connections can draw on lessons learned elsewhere in the world to grow the Tanzanian insurance industry into non-traditional markets. This has had an obvious positive impact on increasing insurance penetration by bringing foreign product innovations. However, foreign insurers need to be careful to ensure they blend their international experience and product innovations with local knowledge to ensure they provide appropriate solutions for Tanzanians rather than merely copying successful innovations from elsewhere.

Product suite reflects traditional market focus. Industry interviews revealed that general insurance products and, to a lesser degree, long-term assurance products are focussed almost exclusively on traditional markets, which include large corporations and high-income individual clients. Insurers show little interest in the low-income market, resulting in a limited number of microinsurance products being available.

Box 1 considers the definition used to classify as product as "microinsurance" for the purpose of this analysis:

Box 1. Identification of microinsurance products for the purposes of this analysis

The ILO's microinsurance compendium (volume I)[4] defined microinsurance as "*the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risks involved*". Volume II of the microinsurance compendium[5] identifies a trend that this definition of microinsurance is becoming more operational by taking into account (1) the target group to which the product is being marketed, (2) the parameters of microinsurance products such as restricted cover levels, (3) the type of providers of microinsurance products and (4) the channels used to distribute microinsurance products.

We have applied the operational definition in determining whether a product should be considered a microinsurance product for the purposes of this analysis. Broadly speaking, we have regarded all products that are not targeted at the corporate or high-income market as microinsurance products, as well as those products that are distributed to retail clients via innovative distribution channels (e.g. embedded in the retail savings accounts of banks) and that provide relatively low levels of cover. We have also included all products encountered that are distributed via SACCOs and MFIs since these products clearly target the low-income market.

The main trends in microinsurance product provision and their implications are discussed below, while a comprehensive description of the microinsurance products encountered in the Tanzanian market is provided in Annex 1[6].

2.2. Microinsurance products and trends

Long-term assurers are the main microinsurance product suppliers. Most products encountered in the market that can be considered microinsurance products are underwritten by long-term assurers. This is to be expected given the dependence of general insurers on commercial lines of business and the view expressed by a number of insurers interviewed that future growth in the general insurance market will come mostly on the back of expected economic growth via corporate business. The exceptions are the personal accident and MNO loyalty products described below, which are underwritten by general insurers. Table 2 gives an overview of the categories of microinsurance products available in the market, followed by a more detailed discussion of the products and trends:

Category of products	Number of providers	Typical benefits and premiums	Distribution channel
Credit life	6	Repayment of outstanding loan balance on death or disability. Frequently includes additional funeral benefits and property insurance (fire and flood). Premium rates vary from 0.19% to 1.2%.	Embedded in loan products of banks, SACCOs and MFIs.
Funeral	1	Covers principle member, spouse and children for up to TZS 600,000. A free embedded product or monthly premium of TZS200.	Embedded in savings accounts from banks.
Personal accident	2	Cover levels from TZS3m to TZS7m. Annual premiums vary from TZS36,000 to TZS120,000.	Voluntary sales via 3rd party agents or passive sales.

4 Protecting the Poor - a Microinsurance Compendium, edited by Craig Churchill and first published in 2006.
5 Protecting the Poor - a Microinsurance Compendium (Volume II), edited by Craig Churchill and Michal Matul and first published in 2012.
6 Note that our product landscape scan may have missed out on some microinsurance products. The list provided here should therefore be regarded as indicative of the variety of the product suite and the typical features only. It is not an exhaustive list of all products on the market.

Category of products	Number of providers	Typical benefits and premiums	Distribution channel
MNO loyalty programs	1	Free personal accident cover of up to TZS1m, depending on airtime spent.	Voluntary via MNO agents.

Table 2: Summary of typical categories of microinsurance products

Source: industry consultations

Microinsurance products are dominated by credit life products. The first microinsurance product to be sold in the Tanzanian market was credit life. The product covers the client's outstanding loan balance on death, with typical levels of cover varying widely from as low as TZS 100,000 (approximately USD 64)[7] right up to TZS 100,000,000 (USD 64,000) (such high levels of cover would not be considered as microinsurance). Typical premium rates also vary widely from as low as 0.19% of the loan amount up to 1.2%, depending on any additional benefits included in the product. These additional benefits include permanent disability, which also pays the outstanding loan balance, and involuntary loss of employment that pays up to 6 monthly loan instalments.

Innovation through enhanced credit life products. There is evidence of insurers innovating on the standard credit life product offering by adding funeral and general insurance cover. For example, African Life underwrites a credit life product that includes funeral cover and is sold via CRDB Microfinance, a registered insurance agent for African Life. The credit life product insures CRDB Microfinance's microloans, paying the outstanding balance on death and permanent disability. Clients have the option of adding TZS 500,000 (about USD321) funeral cover, which will be paid out on death in addition to the outstanding balance of the microloan. The funeral benefit covers only the loan holder. Alliance Life offers a similar credit life product with funeral cover embedded in the loan and distributed via SACCOs. The funeral benefit covers the immediate family rather than only the loan holder.

Interestingly, some long-term insurers interviewed indicated they had enhanced their credit life offerings by packaging it with property insurance that covers risks such as fire and flooding. This type of packaged product should be particularly valuable to clients that obtain loans to finance the purchase of assets and property. Long-term insurers are writing the property insurance under their life insurances rather than sourcing the benefit from a general insurance company, which effectively crosses the demarcation boundary between life and general insurance. As discussed in *Document 7*, this type of bundling of life and general insurance benefits is allowed, provided the secondary cover (the property insurance in this case) is a rider on the primary cover (the credit life cover in this case) for which the company is licensed. Most industry stakeholders view the flexibility this concession provides as positive for market development.

Embedded funeral products on the rise. A more recent phenomenon that has provided significant growth to the long-term assurance market is funeral products that are embedded in retail banking products, typically deposit accounts. A number of the larger banks, such as the National Bank of Commerce[8] and the National Microfinance Bank, have already included

[7] All instances of exchange rate conversion draw on the three-month average USD/TZS exchange rate up to 12 September 2011 obtained from www.oanda.com.
[8] Note that NBC also offers a voluntary, standalone funeral insurance product known as Rambi Rambi Plus, launched in September 2009, in addition to its embedded Rambi Rambi product (source: http://www.nbctz.com/news/news-36).

embedded funeral products in a number of their retail deposit accounts. The embedded funeral products are underwritten mostly by African Life and provide cover of TZS 500,000 (USD 321) to TZS 600,000 (USD 386) for the account holder only or, in some cases, for the account holder and spouse. Two different charging models exist for the embedded funeral products:

- The cover is provided for free to account holders as long as the account remains active, with the cost of cover being paid by the bank. In such cases banks expect the increased loyalty displayed by clients to at least offset the cost of the funeral cover. Alternatively, the banks may pass some or all of the cost on to its clients via its normal banking charges rather than as an explicit insurance charge.
- Clients are charged an explicit (typically very low) insurance premium over and above the normal banking charges.

MNOs have begun entering the insurance market in Tanzania. To date, two mobile network operators (MNOs) have launched "m-insurance" products in Tanzania in partnership with an underwriting insurer:

Tigo Bima provides free cover as loyalty benefit. The first product on the market was Tigo Bima, underwritten by Golden Crescent in partnership with Tigo and MicroEnsure. Details of the product offering are provided Box 2 below. Tigo Bima is offered for free to Tigo clients, but requires voluntary enrolment to ensure there is increased awareness of the insurance cover. Voluntary enrolment occurs face-to-face through dedicated agents located in customer branches or mobile agents. There were 150 dedicated Tigo Bima agents as of May 2012. Two different enrolment processes are used: a web-based application for enrolments at a branch and a USSD (unstructured supplementary service data) menu if via a mobile agent. Both processes require a physical signature and a copy of the client's identification document. In addition to voluntary enrolment, clients receive monthly SMSs that communicate their current level of cover.

These two factors (i.e. voluntary enrolment and regular communication) are intended to ensure a positive insurance experience with the aim of creating a natural demand for insurance in the long-term. However, as noted in *Document 8*, some Tigo Bima users remain confused as to the exact features of the product. For example, the pattern by which cover can vary proved very confusing and some clients thought they paid for the cover via airtime deductions. Despite these complaints, clients are generally happy with the product.

The fact that the product is offered for free also lowers the risk of unhappiness from clients when compared to the banks' embedded products which, in some cases, are explicitly paid for by clients. However, the downside of free cover is that it can create an entitlement culture that reduces the willingness to pay for insurance in the future. This was raised as a concern during an industry interview, particularly given the high level of donor activity in Tanzania which may already have created an entitlement culture in the low income market.

Box 2. Details of the Tigo Bima product offering

Tigo Bima is the first mobile insurance product offered in Tanzania. It is provided free to all customers who spend a minimum of TZS5,000 per month on their mobile phone with Tigo. The insurance covers the loss of life of the client and one family member due to accident or illness. The level of cover increases as clients use their phone more – the more airtime that is loaded, the higher the cover. The minimum amount of cover is TZS 200,000 (about USD 128) with the maximum being TZS 1,000,000 (approximately USD 643). Cover lasts for 30 days and is renewed provided the client has met the minimum spending requirement during the previous month. A client's level of cover, based on their previous month's usage, is communicated to them at the beginning of the month by SMS. Valid claims will be paid within 72 hours of documentation being received.

The product was launched in May 2011 and, as of May 2012, 170,000 clients had enrolled with most still being active users. To quote the MicroEnsure website "*The product has demonstrated the advantages of leveraging a widespread existing infrastructure to achieve scale; essential for microinsurance to be viable. The product represents an exciting opportunity to … reach out to a large section of the population in Tanzania and to build trust in insurance and understanding of its benefits.*"

Source: industry consultations and the MicroEnsure website (http://www.microensure.com/news.asp?id=148)

Vodacom Faraja Bima combines paid-for and free cover. In early October 2012, Vodacom entered the insurance distribution market by launching its Faraja offering in partnership with Heritage Insurance. The product is available to existing M-Pesa clients and is accessed through the M-Pesa menu on the mobile phone. The anchor benefit is funeral insurance (a lumpsum life benefit towards funeral expenses – but with no requirement that the money actually be spent on a funeral), with the option to add additional accidental life cover. In addition, all M-Pesa clients that make 10 or more money transfer transactions per month receive free cover of TZS 200,000 (about USD 130), valid for the next month, as a loyalty benefit[9].

Box 3. Details of the Vodacom Faraja Bima product offering

Eight different cover options are available, with premiums ranging from TZS 2,000 (about USD 1.3) per month for a funeral benefit of TZS 500,000 (approximately USD 320), to TZS 9,8000 (about USD 6.3) per month for TZS 2 million (approximately USD 1,286) in funeral cover plus TZS 6 million (USD 3,860) for accidental death cover. Cover is for the M-Pesa accountholder only – no family cover option currently exists. A 6 month waiting period applies for death by natural causes. No person younger than 18 or older than 65 years may sign up for the policy.

As the service is only available to existing M-Pesa account holders (who have already undergone "know your customer" registration for anti-money laundering/combatting the financing of terrorism regulatory purposes), it is very simple to sign up: customers enter a code on a USSD menu and select the insurance package that they want to sign up for. Confirmation of registration takes place via the mobile handset and client details are automatically sent to Heritage Insurance.

Premiums are paid via an M-Pesa bill payment and clients receive an SMS message from Heritage Insurance each month to remind them that the premium is due.

Claims are reported to a Heritage call centre, which will give the client instructions regarding how to lodge the claim. A successful claim will require proof of death to be submitted along with a copy of

[9]Source: http://www.vodacom.co.tz/vodacom-m-pesa/vodacom-faraja

the ID of the deceased. Proof of death may entail a police report, hospital or doctor's report, death certificate, or letter from the village or ward executive officer. Claims are then paid directly into the client's M-Pesa account, with a promised turnaround time of 72 hours.

Source: press reports and http://www.vodacom.co.tz/vodacom-m-pesa/vodacom-faraja

Little evidence of other voluntary, paid for microinsurance products. The most common microinsurance products by far are the embedded credit life and funeral products, as well as the MNO loyalty insurance products. Very little evidence was encountered in the industry interviews of paid-for microinsurance products that are sold on a voluntary basis, rather than being embedded in another financial services product. Three examples of voluntary, paid for microinsurance products encountered are:

- A group life product for bus drivers developed by Jubilee on a request from the Association of Tanzanian Drivers. The product includes additional disability, funeral and critical illness rider benefits that automatically form part of the product package. There are two levels of cover available: a high sum assured of TZS 7m (about USD 4,500) and a low sum assured of TZS 5m (about USD 3,200). Risk management is via a short set of health-related questions on each individual's application form, with a 6-month waiting period applying to the critical illness rider benefit. Premiums are TZS 10,000 (USD 6.44) and TZS 6,400 (USD 4.12) per month for the high and low cover respectively, payable on an individual basis by each driver. The Association collects the premiums from the drivers and pays them to the broker, who in turn remits the premiums to Jubilee. The secretariat of the Association distributes the product and enrols clients in return for an administration fee. The program has not been particularly successful since its launch in in February 2012 and has now been suspended. The main challenge has been the ability to sign up members and collect regular premiums.
- A personal accident product available for all people, but specifically targeted at motorcycle and bajaji (three-wheeled motorcycle taxi) drivers, as well as frequent travellers, developed by the NIC and called Farijika. The need for the product has arisen because motorcycle and bajaji drivers and passengers are not covered by typical third party compulsory motor insurance policies. It provides up to TZS 3,000,000 (approximately USD 1930) cover for an annual premium of TZS 36,000 (USD 23). Premiums are payable daily, currently via airtime deductions. However, the Tanzanian Communications Regulatory Authority (TCRA) does not permit airtime to be used as payment for insurance products and the NIC therefore intends to use M-Pesa as a payment channel. Clients are required to enrol via their mobile phones using a USSD menu. The NIC provides the policy terms and conditions to the applicant via their mobile phone, which must be accepted before the client can complete their application. Cover commences when the client has subscribed through their mobile phone. The physical policy wording is then sent to the client by post once the application has been accepted. There is no requirement by the NIC for a physical signature. The product was launched in May 2012 as a pilot project, accompanied by a series of marketing campaigns. It is therefore too early to gauge success.
- A voluntary/standalone family funeral insurance plan offered in addition to credit life products to MFI and SACCO members and other customers reached through CRDB Microfinance, in partnership with African Life as underwriter. Called "Bima ya Msiba Kwa Familia", the product offers various cover options, with premiums starting from TZS 1,900 (USD 1.2) per annum for TZS 200,000 (USD 128.6) of individual cover, ranging to

TZS 14,250 (USD 9.2) per annum for TZS 1.5 million (USD 965) in individual cover. Family cover for the main member plus spouse and four children starts at a premium of TZS 7,600 (USD4.9) per year for TZS 200,000 (USD 128.6) each in cover for the member and spouse, plus TZS 100,000 (USD 64.3) per child, ranging up to TZS 47,500 (USD 30.6) premium per year for TZS 1.5 million (USD 965) cover each for the member and spouse, and TZS 500,000 (USD321.6) for each child. CRDB Microfinance indicated that uptake of the product has so far been lacklustre.

Health and agricultural microinsurance products notably absent. Demand side research has shown that health-related expenses are the risk that households are most concerned about (see *Document 8* for further details). However, there is very limited activity of insurers in this space, with those insurers that underwrite health business being focussed on corporate markets and high-income individuals. See *Document 6* for a dedicated discussion on the health insurance landscape in Tanzania.

As noted earlier in this document, agricultural insurance products are also limited. This applies equally to agricultural microinsurance products, with the only notable product being a weather index insurance scheme being driven by MicroEnsure. Details of the pilot are provided in Box 4. Furthermore, CRDB Microfinance indicated that they are in talks with insurers regarding the potential for an agricultural insurance offering to be distributed through agriculture-based MFIs and AMCOS (Agriculture Marketing Co-operative Societies).

Box 4. Weather index insurance pilot driven by MicroEnsure[10]

MicroEnsure is working with the IFC, the Gatsby Foundation and local underwriter Golden Crescent, with reinsurance support from Swiss Re, to provide weather index insurance to Tanzanian cotton farmers through the Tanzanian Cotton Board. The programme provides cover for the value of the inputs provided on credit to farmers. This will enable farmers to increase their productivity while having the security that their loans will be repaid in the event of a drought.

Distribution of the product occurs at the ginners where farming inputs are supplied to participating farmers. Insurance premiums are included in the price of the farming inputs in a way similar to other embedded insurance products. As farmer awareness is critical, the insurance component is fully transparent to farmers and is explained to them. There will also be an increased focus on farmer education as the pilot project enters its second season.

The pilot ran from December 2011 to April 2012 and covered 24,000 farmers with total premiums paid equalling TZS 23.5 million (about USD 15,120). Based on the pilot's success, there are plans to expand the program for the coming 2012/13 season to cover a larger area. The intention is to extend cover to 400,000 cotton farmers in the long run.

The main challenges faced was the availability of appropriate climatic information to price the product and determine whether or not a pay-out should be made. The lack of climatic information was overcome by the use of data obtained from EARS, an institution based in the Netherlands that uses satellite imagery to generate crop yield estimates on which indices have been based.

Agricultural microinsurance is not only a challenge in Tanzania. Box 5 summarises international lessons in this regard:

[10] *Sources: MicroEnsure's "Microinsurance Matters" issue no. 13, EARS website (http://www.ears.nl/fesa.php) and the IFC's website (http://www1.ifc.org/wps/wcm/connect/cc495b804ad2ea418544ff888d4159f8/Weather+index-based+insurance+in+Rwanda+factsheet.pdf?MOD=AJPERES)*

Box 5. Agricultural microinsurance challenges: lessons from international experience

Agricultural microinsurance is highly topical in Tanzania given its agricultural context, but as discussed above, there are a number of challenges to the provision of this type of insurance. This situation is not unique to Tanzania. A number of lessons have been documented from international experiences. This Box provides a brief insight into some of those challenges and emerging lessons:[11]

- *Weather data*: Sparse data is a major challenge in developing countries as it requires data spanning 30 years to develop indices for weather insurance. A solution may be remote-analysis methods (e.g. area-wide satellite images), which are can make it easier to design relevant indices.
- *Index-based solutions*: Index covers have been designed to manage large volumes of small claims, but such products introduce basis risk[12] for the insured and reputation risk for the insurer. Product design is another challenge - simple trigger value is desirable because it is easily understood, but can increase basis risk.
- *Claims management*: Products need to be designed in such a way that claims arise from time-to-time to convey the principle of insurance. If it can be managed cost-effectively, frequent small pay-outs will build trust in the insurance scheme and increase the demand for cover for extreme events.
- *Education and capacity building*: Education and an understanding of insurance-based mechanisms require special attention when dealing with low-income clients. This is particularly true when it comes to a topic as complex as climate change that impacts over years and decades.

Sustainability: The following needs to be considered if microinsurance is to be transacted sustainably against the background of climate change: risk partnerships should be developed with the view to multi-year terms; risks should be geographically spread, which highlights the importance of reinsurance; linking loans and crop insurance is essential to reaching efficient operations; and dialogue amongst all stakeholders is necessary to reduce misunderstandings.

2.2.1. Will embedded products increase demand for insurance?

The rise of embedded products raises client value for money concerns. The rapid growth of the long-term assurance industry has been driven largely by the rise of embedded funeral and credit life products in the group life market. These two products have contributed significantly to the estimate provided in *Document 3* that 4.6m adults are now reached by the insurance market. This is obviously good for increasing insurance inclusivity, but will it lead to positive market discovery for all those first time insurance clients?

Box 6. What is postive market discovery?[13]

Market discovery is the process that introduces a person to the insurance market. Discovery can be positive if the consumer is introduced to a product in a way that allows them to understand the value that insurance holds for them (e.g. where risk was covered when needed), in which case the individual will tend to use insurance again in future. Discovery can also be negative (e.g. claim rejected due to conditions not understood by the client), in which case the client may be discouraged

[11] The reader is referred to Chapters 11 and 12 in "Protecting the Poor. A microinsurance compendium (Volume II)" for information specific to weather index insurance and livestock insurance.

[12] Basis risk is the risk that the insurance payout bears little or no resemblance to the actual loss incurred. For example, the index may not be triggered, while the insured incurs substantial losses due to crop failure.

13 Source: Bester, H., Chamberlain, D. and Hougaard, C., 2008. Making insurance markets work for the poor: microinsurance policy, regulation and supervision. IAIS-MIN Joint Working Group on Microinsurance publication. Available at: www.access-to-insurance.org

from using insurance again or for other purposes. Where clients are unaware of insurance cover that they may have (e.g. some credit life products), there is no market discovery.

Market discovery is highly dependent upon the level of disclosure relating to the insurance product that a client receives, particularly where products are distributed on a compulsory or embedded basis. If the compulsory model is to potentially lead to a positive discovery of microinsurance, the existence of the policy and its terms must be disclosed to the client. This is particularly relevant in a market that has low levels of knowledge and awareness of insurance.

Embedded nature implies low client awareness. Embedded products are notorious for clients not being aware they actually have insurance cover because of their embedded nature. Clients frequently purchase the base financial product (e.g. microloan or savings account) without being adequately informed of the insurance product features, how much they are charged for it, and under what circumstances they can claim and how to claim, leading to significant under reporting of valid claims. Intuitively, the situation is exacerbated for products that pay on death only (such as funeral and credit life) because the person purchasing the microloan or savings account is usually the life assured and is by definition not able to claim themselves, with family members being less likely to be aware of the cover.

Box 7. The cost of credit life insurance – lessons from South Africa[14]

There has been much debate in South Africa over recent years in response to what some consider unsavoury market practices. Research found that:

- The embedded nature of most credit life products may lead to low levels of disclosure and awareness, which in turn can allow the credit provider to charge premiums significantly in excess of the cost of claims and reasonable expenses (i.e. include significant profit margins). It was found that the cost-to-cover ratio for cover provided under credit life policies was substantially lower (i.e. cost substantially more) than typical rates quoted on the open market.
- The insurance premium was frequently charged as a single premium and capitalised to the loan amount, resulting in interest being paid on the credit life premium, further increasing the cost to the consumer. This practice has subsequently been outlawed by legislation.

Note that the mention of these lessons does not imply that these practices are prevalent in the Tanzanian market, although cases were encountered where the credit life premium is capitalised to the loan amount and group life claims ratio are low, implying there may be over-charging.

Low claims ratios suggest low client value. It appears from industry interviews that the embedded product market is dominated by African Life. This view is supported by the fact that African Life had captured 57% of the Group Life market by 2010[15]. Considering that African Life's claims ratio for 2010 was 36%[16], the client value for money concerns raised above are quite valid. The claims ratio - the ratio of claims incurred over a period to the premiums earned over the same period - intuitively represents the proportion of premium paid back to the collective insured lives in the form of insurance benefits, thus providing a measure of "value"[17]. One of the banks interviewed indicated their embedded funeral product covered over two million lives (over one million account holders and their spouses) but had only resulted in 700 claims during the scheme's first year of existence. This

[14] Source: FinMark Trust submission to the Consumer Credit Panel of Enquiry (Smith), March 2008
[15] TIRA annual insurance market performance report for 2010.
[16] TIRA annual insurance market performance report for 2010.
[17] Protecting the Poor - a Microinsurance Compendium (Volume II), edited by Craig Churchill and Michal Matul and first published in 2012.

represents an annual claims rate of 0.35 per 1,000 lives as opposed to a population death rate of 15.9 per 1,000 per year[18] – the embedded funeral product has a claim rate that is 45 times lower than the population death rate, which can only be explained by the under reporting of deaths.

Credit provider rather than client interests take primacy. It is worth noting that both of the common embedded products, being credit life and funeral, have their primary focus in serving the credit provider's interests rather than those of the loan client. Credit life is usually embedded in an MFI or bank's retail loans to protect it against bad debts resulting from deaths or the additional risks covered, while funeral products are usually embedded in a bank's retail deposit accounts in an attempt to increase loyalty from the bank's clients. Banks can also earn an additional revenue stream in the form of commission. Client value is frequently a secondary consideration for these embedded products, which appears to be the case in Tanzania. However, this does not necessarily mean that embedded products are bad products.

Embedded products can lead to positive market discovery. Despite the picture of poor client value for money painted above and the fact that they primarily serve the bank's interests, embedded products can lead to positive market discovery by clients that have not previously been exposed to insurance and may not have been exposed in the near future if it were not for these products. Embedded products are clearly a quick and cost-effective way to significantly increase insurance penetration. The banks interviewed indicated that they intend their embedded products to be a precursor to future insurance products that provide more comprehensive cover which are to be sold on a voluntary basis to their clients. They expect that the embedded products will lead to the positive market discovery mentioned above, thereby creating interest and demand for further insurance products. The uptake of future voluntary products will provide proof of whether embedded products are succeeding in achieving this aim or not.

Embedded products can, however, only have a positive influence on the market if clients are aware of their cover, experience the value of insurance in the event of a claim (e.g. via marketing campaigns that focus on the benefits arising from real life claimants or word of mouth) and the client value provided by such products is improved. If these conditions are not met, embedded products could easily have the opposite effect and become viewed as just another example of insurers exploiting the average person to make quick profits. The risk of the latter is increased when banks show an explicit charge to clients for the insurance cover, unlike the current model used by mobile network operators (MNOs) discussed above. This implies that clients will be more aware of value for money issues than under a "free" model and more likely to complain about poor value (you cannot complain about the value of a product that is being provided for free). Table 3 contrasts the features of two embedded funeral products on the market: one free and one charged for.

Feature	Product A	Product B
Who is covered?	Only account holder	Account holder and spouse
Level of cover	TZS 500,000	TZS 600,000
Premiums	TZS 200/month charge	Free to the account holder

[18] The World Health Organisation United Republic of Tanzania mortality table (males aged 40).

Feature	Product A	Product B
Waiting periods	3 months for natural deaths	None
Number of lives covered	300,000 (estimated)	Between 1.1m and 1.2m account holders and their spouses (i.e. up to 2.4m lives)
Value indicators	Claims ratio: 19%	Claims ratio: 38%
Banking product in which funeral is embedded	All savings accounts	All personal accounts

Table 3: Two contrasting embedded funeral models: free versus paid for cover

Source: industry consultations, website and brochures

Pleasingly, some of the banks interviewed that offer embedded products are making an effort to ensure clients are informed via radio advertisements and client education at the point of sale of the banking product. Awareness should also be higher where there is an explicit premium charged for the embedded insurance cover.

Can a microinsurance market be created for products where "natural demand" is low? We are seeing both banks and MNOs offering simple insurance products on an embedded basis before there are clear signs of natural demand. This is particularly the case for embedded funeral products. The focus group research as summarised in *Document 8* shows that there is limited indication of demand for funeral insurance, as funeral expenses can be covered from family and community contributions. It appears the products are successful in increasing loyalty[19], but the real question is whether they will lead to "voluntary" demand from the low income market. Whether or not this is the case will emerge over the coming years, but indications are that, unless compulsory or embedded, take-up of such products will remain low. This raises further questions regarding actual client value in the embedded market.

2.2.2. Are products designed to meet target market needs?

We have previously shown that the recent general insurance market growth has been largely a result of health insurance, whereas the long-term insurance market has grown mainly as a result of embedded products, particularly credit life and funeral products. Some products, especially the loyalty benefit offerings, also provide accidental death insurance. But how well are these "popular" products matched to the needs of the low-income market? This section draws on the consumer needs identified in the demand-side analysis in *Document 8*.

Health needs of low-income market not well served. Expenses relating to health risks are by far the top-most risk on people's minds (93.4% of the population). But it is only the public community health funds (CHFs) and the private community-based health schemes that serve the low-income market. Furthermore, both forms of providers are fraught with problems such that in many cases they do not effectively meet the needs of the mass market. This leaves the majority of the low-income market underserved when it comes to the funding of health-related risks. Further details can be found in *Document 6*.

[19] One of the banks indicated that the embedded funeral product has been successful in halting the decrease in the number of its savings accounts.

Funeral insurance not a major need. Industry consultations, supported by findings from the focus group discussions, suggest that there is little demand for funeral insurance. As discussed above, there has been significant growth in the number of lives covered by embedded funeral products despite this lack of demand. In fact, funeral insurance is most often a sum assured life which is marketed as a funeral benefit. The findings suggest that it may be better to market such cover as life rather than funeral cover.

Credit life, accidental death insurance meet part of the need for life cover. Death of a household or family member is the second most common concern for people, after health expenses. Credit life products will assist in alleviating the financial impact of death where the deceased had credit, but does not meet any of the other financial needs that may arise on death such as the loss of income in the event the deceased was a breadwinner. They are generally designed to serve the credit provider's interests rather than those of the client, though some innovations regarding additional benefits/riders added to credit life are encouraging. Likewise, the examples starting to emerge of personal accident insurance (for example through the mobile channel) speak to the need for life cover. Market research suggests that clients would value life cover that also covers natural death, as well as family, rather than just individual cover options.

Examples of needs-based product design. The two voluntary microinsurance products described earlier (for bus drivers and motorcycle and bajaji drivers and passengers) are both examples of products that have been designed with the needs of low-income clients in mind. Both products are intended to address the gap left by compulsory third party motor insurance, which does not provide cover for drivers and passengers. However, both products are facing other challenges. The MicroEnsure-Golden Crescent weather index insurance product for cotton farmers is another example of a product that has been designed with the needs of the target market clearly in mind. Once again, however, a number of challenges have to be overcome and success has not yet been established.

Disconnect between demand and supply of products. The main products that are driving the insurance industry's growth are not well suited to meet the needs of the low-income market as highlighted in the demand-side research in *Document 8*. It appears as though insurers have thus far not strategically engaged with market research insights of the realities, needs and perceptions of the low-income market in order to inform appropriate, targeted product and distribution design. Instead, the focus has largely been on either the commercial sector, or corporate employee groups, or compulsory or embedded products. Some brokers and other distribution channels would seem to be more attuned to customer realities, but there is still a need for strategic market research. The lack of skills discussed in *Document 4* will be a major challenge for insurers looking to innovate around product and distribution design in order to meet the needs of the low-income market.

3. The distribution landscape

Distribution cited as a major challenge. All the industry players consulted highlighted distribution as one of the largest challenges to extending the reach of the retail insurance market in Tanzania, which is critical for the development of microinsurance. There are two main distribution challenges: (i) how to reach people outside of urban centres and the formally employed market; and (ii) how to collect premiums from them. Each is considered in turn below:

Traditional distribution channels have a limited geographic footprint. Insurance business remains concentrated in Dar es Salaam. As outlined in *Document 2*, the Tanzanian population is mostly rural and participates predominantly in the informal economy, which makes it difficult to find low-cost methods of gaining access to large groups of potential clients. Most insurers focus on the Dar es Salaam market. Outside of Dar es Salaam, they have very limited branch infrastructure that is restricted to the larger cities such as Arusha, Mbeya and Mwanza. Likewise, most brokers operate out of Dar es Salaam, with only 15 of the 74 active brokers in 2010 having their registered office in another city[20]. The NIC has the single largest branch infrastructure (24 branches providing representation in all regions of Tanzania). This lack of traditional distribution infrastructure will seriously limit the ability of the insurance industry to expand away from the traditional Dar es Salaam market and will require innovative thinking and the use of alternative distribution channels. *Document 8* provides an overview of the reach of the current infrastructure as possible touch points to the potential market segments.

Alternative distribution requires viable aggregators. Third party entities with an existing footprint and client or membership base such as banks, MNOs, MFIs and agricultural cooperatives, can provide insurers with access to new markets and overcome current distribution infrastructure challenges. We refer to such third parties as "client aggregators" and distribution through them as "alternative distribution" vis-à-vis the traditional broker and agent channels. To be viable, aggregators must be able to provide a sufficiently large client base, have existing communication channels to members and preferably be transacting financially with members to provide an existing premium collection channel. A further critical consideration for insurers when selecting potential aggregators is the level of trust that members have in that aggregator, as clients will most often associate the insurance product with the brand of the aggregator rather than the insurer. Existing aggregators and potential opportunities will be discussed later.

Finding an effective premium collection channel. The ability to collect regular premiums from those who are informally employed or reside in rural areas was mentioned as a major challenge to mass market expansion by virtually all of the insurers and brokers consulted. The most common premium collection channel currently used for individual clients is cheque payments or, in a few limited instances, direct debits[21]. For group policies, the employer would do a payroll deduction and then pay over a bulk cheque to the broker or insurer. In order to tap into the informally employed and unbanked market, it is therefore essential to find a way to collect premiums from them.

The rise of mobile money in Tanzania provides an important opportunity to reach non-traditional markets. However, though it provides an effective payment system, it solves only part of the premium collection challenge in a product scenario where premiums are paid voluntarily rather than automatically deducted. Internationally, insurers are often looking to aggregators with an existing payment stream from clients/members to whom an insurance premium can be added (e.g. an agricultural processor paying smallholder farmers for their produce, or a cooperative or society receiving membership fees). In this way, premium collection is delegated to a third party with an existing financial relationship with the

[20] TIRA annual insurance market performance report for 2010.
[21] According to the industry consultations, direct debit payments are only currently available from international banks which have a relatively small client base compared to domestic banks and tend to focus on the higher income market.

individuals. This would however require careful set-up and management of distribution partnerships (more on distribution partnerships below).

These distribution challenges are by no means limited to Tanzania. Indeed, a whole literature is evolving, internationally, on microinsurance distribution and the role of alternative distribution[22]. The challenges in this regard in the microinsurance sphere have meant that microinsurance has in many respects become a "distribution innovation incubator" for the insurance industry at large.

Below, we consider the current distribution landscape in Tanzania as well as the opportunities and challenges for achieving microinsurance distribution at scale.

3.1. Role of brokers

Most business is currently signed up through brokers. 62% of all insurance premiums in 2010 were transacted via brokers[23] that negotiate insurance contracts with corporate clients and employee groups. The balance of premiums is distributed either via insurance agents or directly to clients. Figure 3 shows that the brokers' share of general insurance premiums has reduced between 2006 and 2010, although brokers still dominate the distribution of general insurance. It also shows that brokers are beginning to play a more active role in the long-term assurance market[24]:

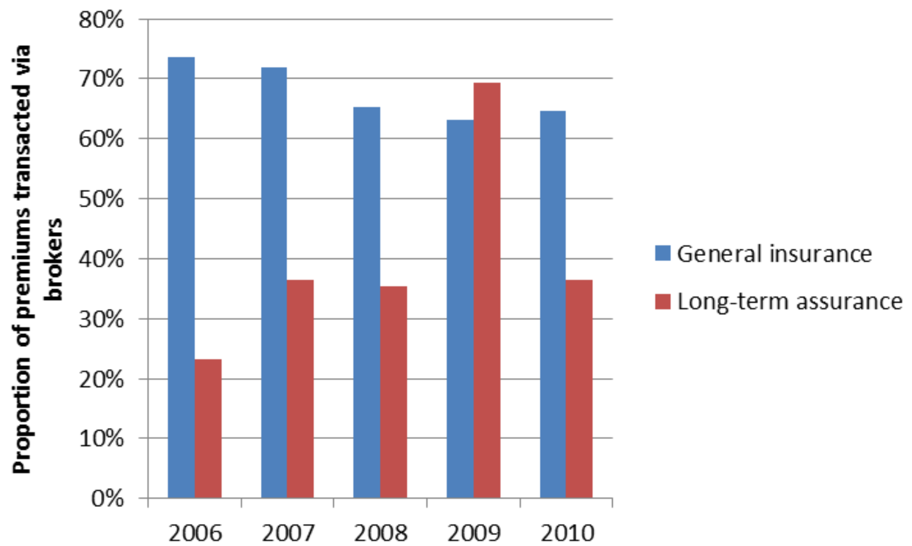

Figure 3: Percentage of general insurance and long-term assurance premiums transacted via brokers

Source: TIRA annual insurance market performance reports for 2006 to 2010

The broker market is dominated by a few large companies. Figure 4 shows that the market share of the top five general insurance brokers (in terms of premiums transacted) has remained at about 70% between 2006 and 2010 despite the number of active brokers having

[22] For additional information see Part VII (Delivery channels and intermediaries) of Protecting the Poor, A Microinsurance Compendium Volume II. The ILO's Microinsurance Innovation Facility's series of Emerging Insights contains a number of papers relating to microinsurance and alternative distribution channels (http://www.microinsurancefacility.org/en/knowledge-center/emerging-insights).

[23] TIRA annual insurance market performance report for 2010.

[24] The spike in broker premiums in 2009 was caused by TZS 4.4bn (USD 2.83m) of Medicare business that was not repeated in 2010 (source: TIRA annual insurance market performance reports for 2009 and 2010).

increased from 46 to 74 over the same period[25]. The market share ranking of the top five brokers has also remained unchanged between 2006 and 2010 with only MIC Global having grown significantly faster than the overall average growth rate for the broker market (MIC Global's growth was 68% per annum between 2006 and 2010 compared to the average of 21% for the entire broker market[26]).

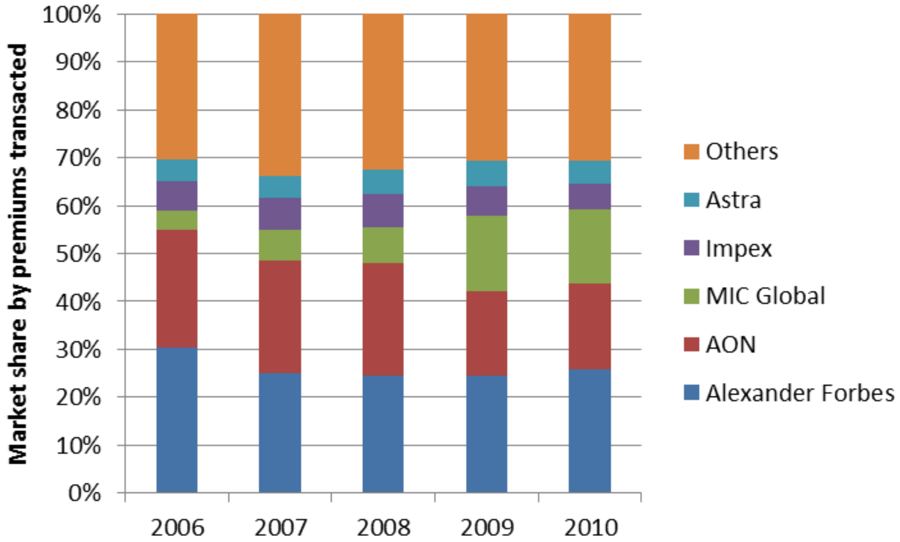

Figure 4: Market share of the five largest general insurance brokers compared to all others

Source: TIRA annual insurance market performance reports for 2006 to 2010

The picture for long-term assurance brokers is similar to that for general insurance, with the market share of the top five brokers varying between 85% and 94% between 2006 and 2010[27]. This shows that the increased competition from the growing number of active brokers, particularly in the general insurance market, is having little impact on the largest brokers who have been able to maintain their share of the growing market. Furthermore, as highlighted in *Document 4* there is substantial competition amongst the many small general insurance companies for a share of the traditional market. This further strengthens the position of the large brokers since they will carry the balance of the negotiating power.

Broker participation in retail business remains limited. The selling of individual life and personal lines of the general insurance business by brokers is still limited. For example, individual life premiums transacted via broker was TZS300m (USD 193,000) in 2010 representing only 3% of total individual life premiums written, which in turn makes up 33% of total long-term assurance premiums[28]. The reason most frequently cited by brokers for their lack of interest in the individual life market is the difficulty with collecting premiums from retail customers. Others reasons cited include:

- The view that there is sufficient *growth potential in the corporate market* that is causing brokers to ignore the more difficult retail market.

[25] TIRA annual insurance market performance reports for 2006 to 2010.
[26] TIRA annual insurance market performance reports for 2006 to 2010.
[27] TIRA annual insurance market performance reports for 2006 to 2010.
[28] TIRA annual insurance market performance report for 2010.

- The potential risk of mis-selling by individuals due to a *lack of selling skills* in the market, resulting in dissatisfied clients and ultimately brand damage to the brokerage. See *Document 4* for a more detailed discussion on the issue of skills.
- *Legislation*: According to the consultations, the regulatory landscape in Tanzania implies that tied individual sales agents are regarded as employees, which triggers the Labour Relations Act requirement on minimum pay for permanent staff. This implies that sales agents employed by brokers are being paid a salary as well as commission. This requirement does not apply if the agent is registered as an independent agent, using an independent agency licence. However, the requirement to register independently would require one to incorporate a company and may be unaffordable. Furthermore, labour legislation makes it difficult to retrench tied sales agents that are not meeting minimum productivity targets, as they would be regarded as fully-fledged employees rather than contract workers[29]. Such non-performing agents could effectively write the minimum number of policies to ensure dismissal procedures cannot be brought against them, while being certain of earning the minimum wage. Such a situation can make a distribution channel of agents selling retail policies financially unsustainable because of the potential combination of low volumes and fixed costs.

3.2. Other distribution channels traditionally less developed

This section considers the non-broker distribution channels that were encountered in the Tanzanian market: insurance agents, banks, MFIs and SACCOs and MNOs. Each of these channels will be covered in detail below and their relevance and scope in microinsurance distribution will be explored.

Insurance agents are stagnating in a growing market. Despite the recent rapid growth in the insurance market, the number of active[30] insurance agents has remained fairly constant between 2006 and 2010 at approximately 220[31]. On the contrary, the number of active brokers has increased from 46 in 2006 to 74 in 2010, representing a compound annual growth rate of 13%[32]. As shown in Figure 5, there is a high proportion of inactive agents, with the proportion increasing over time.

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[29] According to the World Bank report “Doing business in East Africa 2010”, Tanzania is the only East African country where fixed-term contracts are prohibited for permanent tasks. This would imply that agents would need to be regarded as employees, not contract workers. Furthermore, there are broad-ranging minimum wage requirements, implying that no agent would be allowed to earn commission-only without guarantee of at least the minimum wage. Full report available at: http://www.doingbusiness.org/reports/regional-reports/east-african-community. The minimum wage for the commerce, industrial and trading sector is TZS 80,000 (appr. USD 51.5) as per the current schedule of minimum wages available at: http://www.ate.or.tz/new/images/documents/circular_2010_03.pdf

[30] Active insurance agents are those that have renewed their license for the year and have actively participated in writing business during the same year. The number of registered insurance agents includes a number of agents that have not renewed their license for the year and are therefore not actively participating in the market.

[31] TIRA annual insurance market performance reports for 2006 to 2010.

[32] TIRA annual insurance market performance reports for 2006 to 2010.

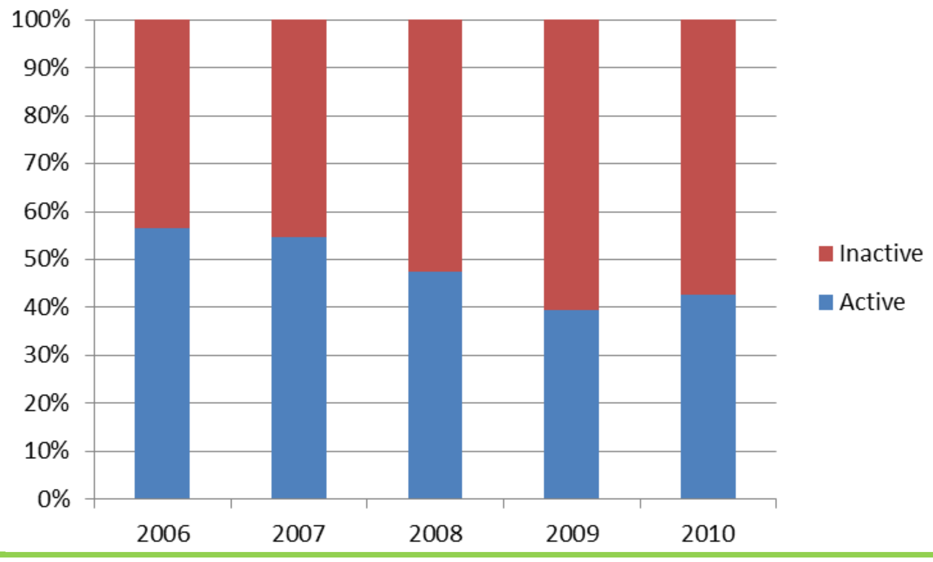

Figure 5: Registered insurance agents split between active and inactive

Source: TIRA annual insurance market performance reports for 2006 to 2010

Few insurers use insurance individual agents as a major distribution channel. The only insurer consulted that makes substantial use of insurance agents is the NIC, whose long-term business is mostly distributed via this channel. General insurer Phoenix also indicated that 65% of its business is conducted outside of the broker sphere, either through agents or direct sales through their branch network. According to the NIC, up to 80% of registered agents are affiliated with them. The relatively low growth of the NIC's long-term premium income over recent years (12% per annum compared to the industry average of 33%) could possibly be ascribed, at least in part, to the stagnation of the insurance agent channel highlighted above. Common reasons provided by other insurance companies for the relative lack of interest in using insurance agents as a major distribution channel include:

- *Labour legislation*: It is difficult for insurers to effectively manage the productivity of an agency sales force for the same reasons as outlined above for brokers (i.e. the legislative requirement to pay a fixed minimum salary and the difficulty of dismissing non-performing individuals).
- *Turnover of agents* tends to be very high, resulting in increased training costs and impacting negatively on overall productivity levels.
- *Certificate of proficiency* (COP) *requirement*: The minimum qualification for an insurance agent is a COP. Tertiary education institutions provide COP courses that, according to the consultations, cost approximately USD400 per student. However, the general view of insurance companies is that successful students have to receive substantial additional in-house training before they can effectively sell insurance. This places a substantial cost burden on insurers, which they are unprepared to carry, particularly given the high turnover rate.

African Life provides a good example of the difficulties faced when making use of an agent sales force. Their initial market entry model in 2005 was to sell funeral insurance on an individual basis via their own agent sales force. After encountering the challenges outlined above, they switched focus to the corporate group life market. Since then, African Life has rapidly become the long-term assurance market leader, with group life premiums making up 69% of their total premium income[33].

Banks are playing an increasing role in insurance distribution. The product landscape discussion above showed rapid growth in long-term assurance premiums driven by credit life and embedded funeral products. Both of these products are, by their nature, exclusively distributed by banks (and other lending organisations such as SACCOs and MFIs in the case of credit life). This demonstrates the increasing influence that banks are having on the distribution of insurance products. Furthermore, industry consultations revealed that some banks are beginning to consider the distribution of insurance products to their client base on a voluntary basis, with the distribution models being in the early stages of development. On the other hand, a number of banks indicated they expected further guidance from TIRA on bancassurance before they were willing to play in that space. This is despite them already being able to distribute insurance products via one of the existing distribution channels such as brokers or insurance agents without the need for explicit bancassurance regulation.

MFIs and SACCOs act as distribution channels for credit life. A number of examples were encountered where MFIs and SACCOs are being used as distribution channels for credit life products. The products appear to be mostly underwritten by African Life (much of it in partnership with CRDB Microfinance, which acts as wholesale lender to MFIs and SACCOs), although both Alliance Life and Jubilee indicated they underwrite credit life products distributed by SACCOs. The credit life products tend to be embedded in the microloans, with no evidence encountered that MFIs or SACCOs are being used at scale as distribution channels for voluntary products. As discussed, CRDB Microfinance/African Life does have a standalone funeral/life plan, but has not built up a large client base for it.

Mobile network operators are entering distribution landscape. There is a strong trend internationally for MNOs to become involved in insurance, particularly in the low income market. MNOs have a strong value proposition to offer the microinsurance market[34]:

- They tend to be *large aggregators* that provide access to many previously uninsured clients that have few if any other access points to insurance. 46% of the Tanzanian population were mobile telephone subscribers in 2010, representing approximately 21 million lives[35].
- MNOs control a range of *communication channels* that can support the promotion and sales of and enrolment in insurance policies. They can also allow insurers to handle routine customer enquiries and account management. Finally, they can be used to streamline claims handling, which is one of the most important parts of the value chain to clients.
- Insurance providers can leverage the *existing distribution network* of airtime dealers and/or mobile money agents as a low-cost sales channel. There are in excess of 30,000 mobile network agents[36], with MNOs aiming to have agents present in every district in Tanzania.

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[33] TIRA annual insurance market performance report for 2010.
[34] "Emerging Practices in Mobile Microinsurance" by Camilo Téllez.
[35] United Nations Statistics Division.
[36] Industry consultations revealed that Vodacom has 30,000 agents, Tigo 10,000 and Airtel about 6,000 active agents. Thus 30,000 agents would be an under-estimate of the true number of agents, but we use it as lower bound estimate so as to account for potential duplication of agents between networks.

- Mobile infrastructure offers a number of ways to *collect premiums* and to *disburse claim payments*. It is estimated there are 6.4m mobile money users in Tanzania[37].
- The real time rendering of insurance and mobile *transaction information* (airtime or mobile money usage patterns, geo-tagging, etc.) gives insurers access to reliable data to find patterns necessary for better understanding their customers, ultimately allowing them to design more appropriate products for them.

- MNOs can lend their substantial *brand power* to give credibility to insurers in the eyes of their clients.

As described in Section 2.2, Tigo and Vodacom have already entered the insurance market in partnership with underwriting insurers. In addition, there are a few instances where premium collection is already done on the back of mobile money. Generally, MNOs distribute insurance in order to increase client loyalty. The next step will be to test whether active selling of paid-for insurance products will be successful in Tanzania. To do this, MNOs would most likely need to utilise their extensive network of vendors, which would have a number of implications from both the MNOs' perspective and the regulatory perspective, including:

- MNO vendors are not insurance sales people. They would therefore require a substantial amount of training before being able to sell even the most basic insurance product. This will have significant cost implications for MNOs.
- The enrolment process is likely to present logistical challenges. Tanzanian legislation does not yet formally recognise electronic signatures and customer due diligence procedures also still as a rule require hard copy documents, meaning that paper-based applications will be necessary. Where clients are already signed up for a mobile money service (as is the case for the Vodacom-Heritage Faraja product, which is limited to M-Pesa clients that have already undergone Know Your Client registration), this challenge falls away.
- The regulatory framework will need to consider how to regulate the market conduct of the MNO vendors without being too onerous in terms of its requirements.

If voluntary selling of paid-for products by MNOs proves successful, it will change the rules of the insurance game in Tanzania, given the very strong value proposition provided by MNOs detailed above. MNOs have the ability to generate massive scale, as evidenced by the rapid growth of mobile money. Growth and scale at this rate is virtually unheard of in the insurance world. Additionally, MNOs have the technological infrastructure to achieve a high level of efficiency.

Limited current distribution through agricultural value chain. There is currently very little activity in the use of the agricultural value chain for distribution of insurance products. Industry consultations revealed no plans that indicate this situation will change in the near future. The only activity uncovered was the MicroEnsure weather index insurance product that uses the Tanzanian Cotton Board as distribution channel (as discussed in Box 4, page 9) and plans by CRDB Microfinance to utilise MFIs and AMCOS (Agriculture Marketing Co-operative Societies) that are active in the agricultural sector as a distribution channel. This is

[37]See *Document 2* for further details.

against the backdrop of the massive rural dependence upon agriculture outlined in *Document 2*, which would suggest an apparent need for agricultural insurance. As discussed in *Document 2*, the main reason is the underdevelopment of agricultural sector infrastructure that could viably be leveraged for distribution. The 2011 AgFiMS survey[38] findings indicate that the number of potentially commercially viable farmers and agribusinesses is limited to 500,000, implying a small potentially viable target market spread throughout the country, without many "quick-win" distribution options.

Isolated examples of distribution through other aggregators. Besides the distribution channels described above, only isolated examples were encountered of distribution via other aggregators. One such example is the distribution of a group life product to bus drivers via the Association of Tanzanian Drivers. There is no indication that any of these isolated examples have reached scale.

3.3. Implications and opportunities for microinsurance distribution

Section 3.2 introduced the concept of aggregators and gave an overview of the current distribution role of the various aggregators. Here, the attention turns to potential future opportunities presented by selected aggregators and the likely microinsurance distribution trends going forward. This we do by taking stock of the total landscape of potential aggregators in Tanzania, not only limited to those already involved in insurance distribution, and assessing their likely reach, interest and capacity to act as insurance conduits. The reader is referred to Annex 2 for a detailed listing of potential aggregators of microinsurance clients uncovered during this study.

Traditional distribution channels unlikely to grow microinsurance market, making alternative distribution a necessity. It is clear from the discussion above that, while brokers can play a significant role in expanding microinsurance penetration, many of them remain largely focused on the corporate and employee group market. Likewise, insurance agents do not seem to be well placed to become a dominant microinsurance distribution channel. Combined with the distribution and premium collection challenges outlined above, this means that should insurers want to reach the mass market they have no choice but to tap into alternative distribution channels. That is, they must piggy-back on existing client groupings and the distribution footprint of third parties. In bringing together these partnerships, brokers have a potentially important role to play.

Where do the largest aggregator opportunities lie? A number of first-order opportunities can be explored:

- *Banks and MFIs*. As indicated in *Document 4*, embedded insurance products have reached in excess of 50% of bank accounts, which means that there is fairly limited scope for growth from embedded products besides growth in the number of banked people. The opportunity in the banking sector lies in the cross-selling of voluntary insurance products to the financial sector client base, particularly given that the existing embedded products (credit life and funeral) at best only partly satisfy client needs. Initial indication was obtained during industry interviews that some banks were beginning to consider this as the next step.

[38] Tanzania Agricultural Finance Market Scoping survey, 2011. See: http://www.agfims.org/headline-findings

- *Mobile network operators*. An even larger opportunity is provided by the client base and vendor networks of mobile network operators. Latest available estimates quoted in *Document 2* show that 63% of Tanzanian adults own a mobile phone, of which up to 6 million or more have signed up for mobile money services. Between them, the three largest mobile network operators have tens of thousands of vendors. The FinScope 2009 survey data suggested that 89.3% of the population lives within an hour's walk from an airtime seller. It is likely that, in the period since, the distance has decreased significantly. In addition to the opportunities presented by MNO vendors for distribution and by mobile money as a premium payment channel, the MNO client base also presents the opportunity for passive sales and sign-up via mobile devices. However, the passive sales approach will face two major obstacles: (1) client experiences that emerged during the focus group discussions indicate that face-to-face contact is an essential part of the sales process to ensure that it is also a learning experience for clients, particularly first time clients. One of the brokers consulted summed this requirement up well by stating "people still want to have a conversation"; and (2) the absence of an electronic communications legislation in Tanzania means that some can argue that a contract is technically not valid until it has been physically signed. However, this would seem to be subject to interpretation; we have encountered at least one product example where there is no need for a physical signature before cover commences.
- *Cooperatives large reach, but capacity constraints.* According to our consultation with the *Ministry of Agriculture, Food Security and Cooperatives*, there are currently more than 10,000 cooperatives catering for 2 million members. Of these, around 5,000 are SACCOs and the rest are agricultural, livestock, fisheries, consumer, mining and housing cooperatives. Despite their large reach, the distribution potential of cooperatives is challenged by capacity constraints. After a tumultuous history characterised by state involvement, the cooperative sector is again on the rise. Yet legacy issues imply that, outside of the larger SACCOs, the cooperative sector, notably agricultural cooperatives, would not seem to have much potential for insurance distribution. The advantage of agricultural cooperatives from an insurance distribution point of view is that they have a large rural footprint. Yet indications are that capacity is very limited. It would seem that those cooperatives that have the capacity to distribute insurance (such as the police and teacher SACCOs) have already been targeted by insurers, notably through the CRDB and African Life partnership, as well as others such as Alliance Life.
- *Faith-based networks*. A number of religious groups have very large member bases and networks across Tanzania, totalling millions of members. Industry consultations suggest that faith-based organisations are not necessarily viable distribution channels due to challenges associated with premium collection and the fact that the interests of the organisation do not necessarily align with that of the insurance partner. Nevertheless, religious networks can be explored further as potential aggregators.
- *Agricultural sector aggregators*. Aggregators that are linked to the agricultural value chain, such as agricultural processors, storage facilities, produce buyers and agricultural input shops, could all potentially become distribution and premium collection points for insurance products, particularly agricultural insurance products. However, the discussion of agricultural infrastructure in *Document 2* suggests that distribution opportunities through well-capacitated agricultural value chain entities are fragmented and it will be difficult to achieve scale. The most immediate aggregator opportunity may be lenders

targeting the agricultural sector, but even here indications are that credit extension to the agricultural sector is underdeveloped.

- *Other client aggregators*. Besides these "big win" channels, there is likely to be a host of other potential client aggregators, ranging from NGOs, to petrol stations, retailers and home shops, to village savings associations, market or traders' associations and other affinity groups. Not all client aggregators will have the interest or capacity to distribute insurance. A prerequisite will be a large enough client or member base to achieve scale, existing communication channels to members and, preferably, existing payment or financial transactions mechanisms to which an insurance premium could be added.

Figure 6 summarises the relative size of the potential market opportunity of the aggregators described above to deliver insurance. It provides a rough estimate of those who already use insurance by type of aggregator (shaded block), as well as our view on the *potential additional* insurance users (non-shaded block) that each could reach in future, should their full client or membership base be tapped:

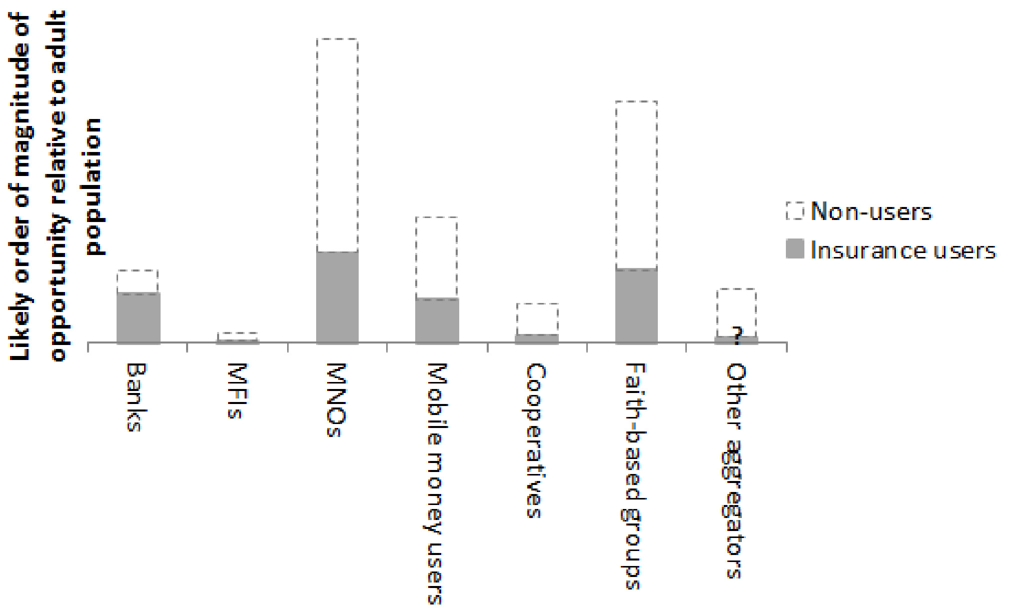

Figure 6: Opportunities presented by the main aggregators

Source: various and own calculations

In interpreting the graph, it is important to note the following:

- Those indicated as current insurance users on the graph will still have further insurance needs. Most of them will only have credit life, embedded funeral cover or will be members of one of the state health schemes and therefore will still have a substantial need for more comprehensive insurance cover (i.e. the opportunities will be larger than indicated in Figure 6).
- The aggregator itself is not necessarily the channel through which those inside its client or membership base currently access insurance (for example, we deemed most of the currently insured to belong to a faith-based organisation – yet such organisations do not play a significant role in insurance distribution yet). The graph therefore only depicts the

likely served and unserved client or membership base within each aggregator category at present.

- The capacity constraints as described above for some aggregator categories may hamper their ability to reach the full potential. Therefore banks, MNOs, mobile money services and, to a lesser extent, MFIs, are more likely opportunities than cooperatives and faith-based groups, despite the very broad reach in the population of the latter.
- We indicate mobile money users as a separate category as mobile money represents a distinct distribution and premium collection opportunity. However, in actual fact, all mobile money users will also be MNO clients, thus mobile money is a subset of the MNO opportunity.

Ironing out distribution partnerships. These alternative distribution opportunities can only be unlocked if effective partnerships can be forged between insurers and the aggregators mentioned above. Internationally, setting up and managing distribution partnerships is one of the key topics in ensuring microinsurance success. Aggregators and insurers typically have very different ways of operating and will have different incentives that would need to be aligned through the partnership. Aggregator staff will not primarily be insurance salespeople and would need training and appropriate incentives. It will also be important to make aggregators' systems "talk" with that of insurers. Furthermore, agreeing on remuneration structures may be a significant challenge. In other countries, it is not uncommon for aggregators controlling access to large client bases to demand the bulk of the premium in return for access to the clients and for administrative services rendered. This leaves very little to be dedicated to the risk premium and, hence, leads to very low claims ratios and low client value. As aggregator distribution takes off in Tanzania, all of these factors will need to be considered. Box 8 summarises some international lessons in this regard.

Box 8. Five international lessons for effective distribution parnerships[39]

1. **Align incentives**. Insurers and partners have different core businesses. This makes it imperative, firstly, to understand what the distribution partner's business problem is and, secondly, to clearly define and reach agreement upfront on what the value of the partnership is for each and to get potential partners to see the partnership as one that supports their core business (how insurance can "fix" their business problem). Opportunities should also be explored for integrating their core business with the insurance benefit provided. For example, a life insurance policy sold through a utility company could cover a stated number of months of the deceased family's electricity account as part of the pay-out. Such policies can be found in Brazil and Colombia.
2. **Clear communication**. Where roles are not clear and the partnership does not work as efficiently as it should, a broken telephone problem may arise with blame being shifted around to the detriment of the partnership. Effective communication channels should therefore be designed from the start. By working through issues and challenges together, you ensure that trust and commitment are cemented into the partnership. Here there is an important role for a third party facilitator to ensure genuine dialogue between partners and help them to identify potential issues upfront. To help the facilitator and partners in this regard, the partnership assessment questionnaire developed by the ILO Microinsurance Innovation Facility is a handy tool[40] .
3. **Shape partnership expectations**. An important part of aligning incentives and ensuring clear communication is to manage expectations among both partners on what the partnership can achieve. To this end, it may be useful to develop a joint business plan. Various training materials

[39] Drawing partly on the Top 5 Tips for managing partnerships in microinsurance available at: http://www.microinsurancefacility.org/en/thematic-pages/distribution
[40] www.microinsurancefacility.org/sites/default/files/content/thematic_page/tools/Partnership_Assessment_-Questionnaire.pdf

and tools are available for business plan development in microinsurance[41]. It is also important to recognise upfront that partnerships get harder to manage as initial excitement wears out. Setting learning objectives and measuring progress against them can help retain commitment.

4. **Navigate regulatory implications**. Aggregators that operate in the informal sector may not want to come into the regulatory net. An insurance distribution partnership typically entails some kind of regulatory oversight. This could make them reluctant to come on board as distribution partners. Hence the role of the regulator in the stakeholder process to facilitate interaction between the regulator and potential distribution channels to build mutual understanding and devise an appropriate and proportionate regulatory response to aggregator distribution all become important strategies.

5. **Balance power**. It is important to get the balance of power in the partnership right. Friction may arise regarding who owns the client base, who has access to client information, and who gets what share of the revenue pie. Where insurers all compete for the business of a few core aggregators with a large client base, the balance of power may be shifted in favour of the aggregator and they may demand a high proportion of premiums, implying that claim payments as a percentage of premiums can only be very low, in turn implying poor customer value and consumer protection concerns. In engaging with potential partnerships and helping insurers to navigate them, the stakeholder group should be aware of these potential problems and actively engage with activities aimed at overcoming them as is relevant to the particular context.

4. Conclusion

Will embedded products lead to positive market discovery? Embedded funeral and credit life products have significantly increased insurance penetration in Tanzania over the recent years. But will they have a positive impact on the industry by helping to create an appreciation and demand for other voluntary insurance products? The insurance industry has the opportunity now to significantly influence the outcome towards positive market discovery by increasing awareness of embedded products and ensuring they provide good client value. If the industry does not take the initiative to ensure these actions are taken, client experiences of insurance are unlikely to be positive, thereby negatively impacting future demand.

A disconnect between products offered and client needs. Low-income client needs are dominated by products that provide for health-related expenses and secondly for easing the financial impact of death in the household, particularly a breadwinner. The most common microinsurance products, on the other hand, are credit life, embedded funeral and personal accident products, as well as health products provided by public and private community-based schemes. The health products speak directly to the most common need, but their provision is fraught with a number of challenges that impact their effectiveness. Funeral products are not seen as important by low-income clients. The credit life and personal accident products begin to address the death needs of low-income clients, but personal accident products do not provide cover for natural death. The focus group discussions also suggest that clients do not feel that product features are specifically tailored to their needs. In conclusion, then, insurers need to become more proactive in understanding the needs of the low-income market and develop products accordingly.

Aggregators rather than insurers driving microinsurance innovation. Industry consultations suggest that aggregators are approaching insurers and not the other way around and that

[41] See, for example: http://www.microinsurancenetwork.org/publication/fichier/Business_Planning___2011.pdf. Also see the business planning training curriculum available from:

brokers or aggregators often play an important role in product design and distribution innovation. Examples of innovation from aggregators include:

- Alexander Forbes has played a key role in facilitating many of the credit life and embedded funeral schemes that have been instrumental in the growth of microinsurance in recent years. Furthermore, Alexander Forbes indicated they have been forced to obtain foreign underwriters for products they have developed locally due to a lack of interest from local underwriters. They are also beginning to place their own staff members in some banking halls to sell retail insurance products on a voluntary basis.
- MicroEnsure is another broker with international connections that is bringing a number of highly innovative solutions to the Tanzanian microinsurance market covering product development, distribution and critically also administration. Examples include the Tigo Bima product for which MicroEnsure played a key role in facilitating the partnership between the mobile network operator and the underwriter; the weather index insurance product for cotton growers where they have again played a key role in facilitating partnerships, including the sourcing of technical expertise to overcome the lack of climatic data; as well as innovations in the private community-based health fund/capitation benefits space (details are provided in *Document 6*).
- The Association of Tanzanian Drivers approached Jubilee Insurance with the idea of developing a personal accident product for their members.
- MNOs have a variety of ideas for leveraging their client base and distribution capability to grow their insurance-related revenue stream, ranging from loyalty programs to voluntary products that are paid for.

Insurers have thus far taken a passive underwriting role. The analysis suggests that insurers generally tend to take a more passive underwriting role and do not proactively search for aggregators or design products tailored to their needs. This business model will provide significant growth for insurers for as long as the aggregators continue placing their business with them. However, the next logical step for the larger aggregators (e.g. MNOs and some banks) would be to either obtain their own insurance license and begin underwriting their own insurance products or to gain so much power that they are able to play insurers off against each other. The latter outcome would likely lead to undercutting or the aggregator demanding a large portion of premiums as an “access fee”, as has been the case for example in Brazil, resulting in an unsustainable situation for insurers. Both potential outcomes will have significant implications for those insurers that have relied on the passive model.

Insurers must look towards alternative channels. Traditional distribution channels are unlikely to play a major role in reaching the low-income market, besides those brokers that are specifically focussed on this market. Most brokers are focussed on the corporate and high-income retail markets, while insurance agents seem to be playing a diminishing role in the industry. Thus, insurers will need to find alternative distribution channels in order to expand into the low-income market in a meaningful way beyond embedded and loyalty products. Banks and MNOs are the obvious distribution partners. Such partnerships will have their challenges and require careful management to have a reasonable chance of success.

Beyond the first-order distribution opportunities, there is a large landscape of other potential aggregators to consider. However, unlocking distribution opportunities here will be more challenging, as it may be difficult to find partners with the right mix of interest, scale and capacity to serve as viable microinsurance distribution channels. Here, brokers can play an important market making role. The role of “market making” could include activities such as providing product design inputs, back office administrative systems and support and acting as partnership brokers between the aggregators and insurers. The fact that brokers play a very influential role in the industry places them in an ideal position to take the lead as market makers.

Agricultural insurance requires greater focus. A substantial part of the Tanzanian population is dependent upon agriculture for their livelihoods. However, there are virtually no insurance products available to this segment and fairly limited aggregators that can serve as distribution channels. The insurance industry is thus currently unable to adequately serve the needs of a large part of the Tanzanian population, in particular the many small-scale farmers, despite the increasing risks they face due to climate change. This situation calls for a coordinated effort to better serve the risk management needs of a large and vulnerable segment of the population, which should form part of the action plan (see *Document 1*).

Finding a health solution. The same goes for the significant health need. This topic is discussed and concluded on separately in *Document 6*.

Appendix 1: Overview of microinsurance products encountered

Formal microinsurance products excluding health							
Underwriter	**Product name**	**Product description**	**Target market and distribution**	**Premium Range**	**Number of lives covered**	**Waiting period**	**Underwriting requirements**
African Life	Credit life with bundled funeral benefit	Standard credit life product that repays the outstanding loan balance on death or permanent disability of the borrower. Includes a bundled funeral benefit of TZS 500,000 on the borrower's life only.	Embedded in microloans issued by CRDB Microfinance. CRDB is a registered agent for African Life.	Not available	200,000	3 Months	No underwriting. Maximum entry age of 65.
African Life	NBC embedded funeral product	A funeral benefit of TZS 500,000 on the account holders life only. An equivalent Takaful (Sharia compliant) product is embedded in NBC's Sharia compliant savings accounts.	Embedded in NBC savings accounts, including their Sharia compliant accounts.	Free to all active holders of the NBC personal accounts	378, 000	3 Months	None
African Life	Embedded credit life	A credit life product that pays the outstanding loan balance in the event of death or permanent disability of the borrower. The product includes a benefit payable on the involuntary loss of employment of the borrower equal to a maximum of 6 monthly loan repayments.	Embedded in NMB loans.	Not available	200,000	None	No underwriting. Maximum entry age of 65.
African Life	NMB Faraja	A funeral product that provides cover of TZS 600,000 on the death of active NMB savings account holders and their spouses.	Embedded in all NMB personal accounts.	Free to all active holders of the NMB Personal Accounts	2.4m lives (1.2m accounts)	None	Maximum entry age of 65.

Formal microinsurance products excluding health							
Underwriter	**Product name**	**Product description**	**Target market and distribution**	**Premium Range**	**Number of lives covered**	**Waiting period**	**Underwriting requirements**
African Life	Fanikiwa funeral benefit	A funeral product that provides cover of TZS 200,000 on the death of the principle member and his / her spouse and TZS 100,000 on the death of up to four children.	SACCO members who wish to buy additional funeral cover at their individual capacity. Distribution is through CRDB Microfinance sales team and SACCOs themselves.	Not available	85	3 Months	None
Alliance Life	Credit life for Pride MFI	Standard credit life product that repays the outstanding loan balance on death or disability. Includes cover for loss of property due to fire and flood equal to the outstanding loan balance plus an additional payment to the borrower equal to the loan balance, to a maximum of TZS 1m. Also includes a funeral benefit of TZS 600,000 for the borrower and his / her spouse.	Embedded in loans issued by Pride (one of the largest MFIs).	Not available	90,000 to 100,000 loans (i.e. up to 200,000 lives)	None	None
Alliance Life	Credit life for SACCOs	Standard credit life product that repays the outstanding loan balance on death or disability. Includes a funeral benefit of TZS 600,000 for the borrower and his / her spouse.	Embedded in loans issued by participating SACCOs.	Not available	Cover 200 to 250 new loans each month	None	None
Golden Crescent	Tigo Bima	Life insurance that covers death of the client and one family member due to accident or illness. Level of cover increases from TZS 200,000 to TZS 1m as monthly airtime spending increases.	Distributed to Tigo client base by dedicated agents (in store and mobile). MicroEnsure acts as broker and administrator.	Free to all customers that spend a minimum per month.	170,000	None	None

Formal microinsurance products excluding health							
Underwriter	**Product name**	**Product description**	**Target market and distribution**	**Premium Range**	**Number of lives covered**	**Waiting period**	**Underwriting requirements**
Golden Crescent	Micro Credit Life & Property Package	A credit life product that pays the outstanding loan on the death of the borrower. Includes cover for fire and flood damage to the property for which the loan was granted and up to TZS 1m funeral cover for the borrower, his / her spouse and up to two children.	Embedded in loan products provided by MFIs. MicroEnsure acts as broker and administrator.	Depends on the loan amount and risk profile of the borrower.	Over 140,000 annually	None	None
Golden Crescent	Weather index insurance product for cotton growers	The programme provides cover for the value of the inputs provided on credit to farmers based on a weather index model.	The product is targeted at cotton farmers and distributed at the ginners where farming inputs are supplied to participating farmers (embedded).	Not available	24,000	Not applicable	Not applicable
Jubilee	Group credit life cover	A credit life product that pays the outstanding loan on the death or total and permanent disability of the borrower. Includes catastrophe cover (fire, floods, etc.) and funeral benefit (TZS 500,000 cover for borrower and TZS 250,000 for rest of family members) riders. Loan amounts covered vary between TZS 100,000 and TZS100m.	Embedded in loan products of lending institutions. Sold by brokers or direct to lending institution.	Average premium at a rate of 0.7% of the loan amount.	±3 000	None	Medical testing limits set per scheme. Maximum entry age is 65.
Jubilee	Group life product for bus drivers	Death, disability, critical illness and funeral cover for bus drivers belonging to the Association of Tanzanian Drivers. Two levels of cover: TZS5m and TZS7m.	Distributed to bus drivers and conductors belonging to the Association of Tanzanian Drivers by the association's secretariat on a voluntary basis. A broker facilitated the scheme.	TZS 6,400 and TZS 10,000 per month for the two cover levels.	± 400	6-months on the critical illness benefit	Short set of health-related questions to be completed by each applicant.

Formal microinsurance products excluding health							
Underwriter	**Product name**	**Product description**	**Target market and distribution**	**Premium Range**	**Number of lives covered**	**Waiting period**	**Underwriting requirements**
NIC	Farijika	A personal accident product that provides up to TZS 3m cover on the death of the life assured.	Targeted at bajaji drivers and their passengers as well as businessmen who travel frequently. Purchase of cover is voluntary based on a passive sales model with enrolment via a mobile phone.	Annual premium is roughly TZS 36,000 payable daily - intention is to use M-PESA as the premium collection channel.	Too early to gauge	2 weeks	None

Health insurance products relevant to the microinsurance market							
Underwriter	**Product name**	**Product description**	**Target market and distribution**	**Premium Range**	**Number of lives covered**	**Waiting period**	**Underwriting requirements**
NHIF	National Health Insurance Fund	The NHIF serves the public service employees including their spouses and up to four children and/or legal dependants. Currently the benefit package includes: registration fees, basic diagnostic tests, outpatient services including medications and investigations, in-patient care (fixed rate per day per level of health facility), surgery, spectacles, physiotherapy, optical services, dental services, retirees health benefits, medical/orthopaedic appliances.	Civil servants (compulsory membership), students and pensioners	6% of basic salary	2.5 million beneficiaries (468,611 policy holders)[42]	3 Months	Not available

[42] National Health Insurance Fund (NHIF). *Fact Sheet Inside NHIF*: *2001-02 to 2010-11*.

Health insurance products relevant to the microinsurance market							
Underwriter	**Product name**	**Product description**	**Target market and distribution**	**Premium Range**	**Number of lives covered**	**Waiting period**	**Underwriting requirements**
NSSF (National Social Security Fund)	NSSF-Social Health Insurance Benefit (SHIB)	The SHIB scheme covers employees and dependants (one spouse and up to four children). It aims to provide most general healthcare services for beneficiaries including:- A. Out-patient services B. Consultations C. Basic and specialized investigations D. Drugs under the National Essential Drug List E. Simple procedures	NSSF covers the following categories of employers and employees:- A. Private sector which includes. B. Government ministries and departments employing non-pensionable employees. C. Parastatal organizations. D. Self-employed or any other employed person not covered by any other scheme. E. Any other category as declared by the Minister of Labour. Membership is compulsory.	20% of gross salary: 10% employee contribution, 10% employer contribution.	51,300 beneficiaries (31,000 policy holders)	Not available	Not available
CHF	Community Health Funds	Covers principal member, spouse and children below the age of 18 years for public primary healthcare & some hospital services. Paid for on a capitation basis. Administered by the NHIF.	A state scheme that caters for the informally employed. Membership is voluntary.	An annual premium of between TZS 5,000 and TZS 15,000, which is doubled by a matching grant from the national budget. Those who cannot afford the membership fee can theoretically benefit from an exemption policy.	3.4 million beneficiaries (531,154 principle members)	Not available	None

Health insurance products relevant to the microinsurance market							
Underwriter	**Product name**	**Product description**	**Target market and distribution**	**Premium Range**	**Number of lives covered**	**Waiting period**	**Underwriting requirements**
Golden Crescent	Imani	MicroEnsure in conjunction with the Anglican Health Network have launched 'Imani', a health insurance programme that provides unlimited access to in-patient and out-patient care for five ailments: malaria, maternity, diarrheal disease, pneumonia and acute respiratory infections. Imani is Swahili for 'Faith, Belief, Trust'. Provides cover for up to five people (adults or children) living under the same roof.	MicroEnsure acts as the broker. Sold as a voluntary product through sales representatives (who are embedded into the Anglican Church of Tanzania); other sales partners are being identified for Imani including other religious groups and Microfinance Institutions (MFIs).	Costs TZS 60,000 per family payable in one or two instalments	Not available	None	None

Informal microinsurance products							
Underwriter	**Product name**	**Product description**	**Target market and distribution**	**Premium Range**	**Number of lives covered**	**Waiting period**	**Underwriting requirements**
SCCULT	Loan Cover	In-house credit life fund covering the outstanding loan balance plus interest on the death or permanent disability of the borrower.	Embedded in the loans granted to borrowers of SACCOs affiliated to SCCULT.	Annual premium rate of 1.2% (with 40% rebate) or 0.75% (without rebate) of outstanding loan balance.	39, 489	Not available	Death cover cease at age 65 and permanent disability cover at age 60.
Fanikiwa	Credit life	In-house credit life fund covering the outstanding loan balance plus interest on the death of the borrower only.	Embedded in the loans granted to Fanikiwa borrowers.	1% of loan amount	± 4 000 lives covered	None	Depend on loan selection criteria to limit risk. Maximum entry age is 65.

Informal microinsurance products							
Underwriter	**Product name**	**Product description**	**Target market and distribution**	**Premium Range**	**Number of lives covered**	**Waiting period**	**Underwriting requirements**
Postal Bank of Tanzania - self-insurance	**Consumer Loans Indemnity fund**	In-house credit life fund covering the outstanding loan balance on the death or permanent disability of the borrower.	Embedded in loans granted by Postal Bank.	TZS 416.67 monthly to to TZS 83,333.33 monthly (depending on the amount of loan taken)	30,402	None	No medical tests. Maximum entry age restricted to 60.
Postal Bank of Tanzania - self-insurance	**Microinsurance Fund for Micro Credit & Staff salary Loans**	In-house credit life fund covering the outstanding loan balance on the death or permanent disability of the borrower. Includes cover for fire and burglary.	Embedded in microloans and staff salary loans granted by Postal Bank.	TZS 250 monthly to TZS 8,333.33 monthly (depending on the amount of loan taken)	1,226	None	No medical tests. Maximum entry age restricted to 60.
N/a	KNCU Health Plan	MicroEnsure, in partnership with the PharmAccess Foundation (PharmAccess), recently launched a health plan serving members of the Kilimanjaro Native Cooperative Union (KNCU) in the Kilimanjaro area of North Tanzania. Benefits are funded on a capitation basis and offers full outpatient services and inpatient maternity cover.	Each cooperative votes on whether or not it should take out the health plan. If more than 50% of the cooperative vote in favour, the whole group is enrolled into the health plan and the premium is deducted from the proceeds of their coffee sales. MicroEnsure acts at the broker.	Each member pays an annual premium of TZS 12,000; while a further payment of TZS 28,500 is funded by PharmAccess.	5,000 principle members	Not available	Not available

Appendix 2: Examples of potential microinsurance aggregators encountered

The table below summarises some of the potential microinsurance aggregators identified other than the main opportunities highlighted in the main text (banks, MNOs, MFIs, SACCOs). These are the results from a preliminary desktop scan only and further research is required to map the full landscape of potential aggregators.

Trade unions and employer associations				
Name of aggregator	**Description**	**Geographic reach**	**Number of members**	**Examples of current microinsurance products**
TUTCTA (Trade Union Congress of Tanzania)	TUCTA is the umbrella body for 14 labour unions. The Tanzanian Teachers Union has just under 150,000 members and is by far the largest affiliated union. Other large affiliated unions include TALGWU (representing local government workers), TUICO (industrial and finance institution workers) and TUGHE (government and health workers) with just over 50,000 members each.	Whole of Tanzania	408,838 total members	n/a
ZATUC (Zanzibar Trade Union Congress)	There are 9 unions that form the umbrella organisation - ZATUC. ZATU (teachers union) has the highest membership in ZATUC with 5 327 members, followed by TASU (Zanzibar seafarers union). ZPAWU (Plantation workers union) has the lowest number of union members at 218 members.	Restricted to Zanzibar only	17,234 members	n/a
ATE (Association of Tanzanian Employers)	ATE is the apex employers' association and consists of members from seven varying sectors of the economy. i.e. Agriculture, Banking & Finance; Commerce; Industry; Mining; Oil Industry; Utilities & services.	Tanzania	826 member employers with total of 165,089 employees	n/a
Association of Tanzanian Drivers			10,000 members	See the product landscape table for details of a microinsurance product offered by Jubilee.

Agricultural associations				
Name of aggregator	**Description**	**Geographic reach**	**Number of members**	**Examples of current microinsurance products**
KILICAFE (Association of Kilimanjaro speciality of coffee growers)	Kilicafe is a brand name of the Association of Kilimanjaro Specialty Coffee Growers, a Tanzanian Coffee Smallholder association that was launched in 2001 by 10 groups.	Tanzania's three Arabica-growing areas; Kilimanjaro, Mbnga and Mbeya	The association currently (2009) represents 137 groups with 11,000 smallholder members.	n/a
UTEGA (Tea growers association)	About 5,800 tea farmers are organized in the Usambara Tea Growers Association (UTEGA). Its members sell their dried tea leaves to Mponde Tea Estate, a company co-owned by UTEGA (10%) and Afri Tea and Coffee Blenders Ltd. (90%), a tea and coffee business operating in eleven regions of Tanzania with an annual turnover of approximately eight million Euros.	11 of Tanzania's 30 regions	5,800 members	See the product landscape table for details of this product.
TSGA (Tanzanian Sugar Growers Association)	A sugar cane farmers association that represents approximately 18,000 of the 21,000 small scale sugar cane farmers in Tanzania.	Kilimanjaro, Kagera and Morogoro regions.	Approx. 18,000 members	n/a

Community based organisations				
Name of aggregator	**Description**	**Geographic reach**	**Number of members**	**Examples of current microinsurance products**
VICOBAs (Village Community Banks)	Local village-based savings groups, typically with membership of 15 to 30 people. Members purchase shares in the VICOBA and contribute to the Loan Fund in proportion to their shares. The Loan Fund is then available as pooled capital from which to grant loans to members.	Country wide	Approx. 700,000 (average group size is 15 to 30 members)	Each VICOBA has a Social Fund in addition to the Loan Fund. All members contribute an equal amount to the Social Fund. Members can then "claim" a payment from the social fund if one of the emergency events listed in the VICOBA constitution occurs, for example death of a family member, loss of property due to fire.
VSLAs (Village Saving and Loan Associations)	Same concept as VICOBAs	Country wide	1.3m to 1.5m members in total (significant overlap with VICOBAs)	Has a Social Fund that functions the same as for VICOBAs.

Mobile network operators (MNOs)				
Name of aggregator	**Description**	**Geographic reach**	**Number of members**	**Examples of current microinsurance products**
Mobile network operators	The biggest four mobile operators in Tanzania are Vodacom, Airtel, Tigo and Zantel. The market shares according to quarterly subscriptions for the period January 2012 to 31 March 2012 are as follows: Tigo - 20%; Vodacom - 47%; Aitrel - 26%; Zantel - 6%; Sasatel 0,02%; TTCL - 1%; Benson 0.005%	Country wide	2010 Figures: 46% of the population which translated to 20,983,853 using mobile phones.	Tigo Bima is the first mobile insurance product offered in Tanzania, with indications that other operators also have plans in this regard. Airtel (Tanzania) facilitates payments for Real insurance through its Airtel Money platform.

Microfinance institutions (MFIs) – selected examples			
Name of aggregator	**Number of members**	**Name of aggregator**	**Number of members**
ECLOF (Ecumenical Church Loan Fund)	5,051 in 2010	**FINCA Tanzania**	54,196 in 2010
PTF (Presidential Trust Fund)	10,064 in 2005	**PRIDE Tanzania**	100,055 in 2011
YOSEFO (Youth Self Employment Foundation)	18,120 in 2011	**Akiba Commercial Bank**	21,843 in 2011
SELFINA (SERO Lease and Finance Ltd)	7,746 in 2007	**Opportunity International Tanzania**	7,767 in 2012
Mbinga Community Bank	6,053 in 2008	**BRAC – TZA**	112,271 in 2011
Tujijenge Microfinance Limited	8,265 in 2008	**IDYRC**	13,569 in 2010
SEDA (Small Enterprise Development Agency)	17,167 in 2010		