UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE

NATIONAL INSURANCE POLICY (DRAFT)

DAR ES SALAAM
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LIST OF ACRONYMS

AAISA	*Association of African Insurance Supervisory Authorities*
ADR	*Alternative Dispute Resolution*
AIO	*African Insurance Organization*
AIRDC	*Association of Insurers and Reinsurers of Developing Countries*
AISADC	*Association of Insurance Supervisory Authorities of Developing Countries*
ATI	*Association of Tanzania Insurers*
ATIA	*African Trade Insurance Agency*
BFIA	*Banking and Financial Institutions Act*
BoT	*Bank of Tanzania*
CBO	*Community Based Organization*
CISNA	*Committee for Insurance, Securities, and Non-Bank Supervisory Authorities*
CMIPS	*Capital Markets Insurance and Pensions Committee*
CMSA	*Capital Markets and Securities Authority*
CSO	*Civil Societies Organization*
DSE	*Dar Es Salaam Stock Exchange*
EAC	*East African Community*
EAISA	*East Africa Insurance Supervisors Association*
EWURA	*Energy, Water and Utility Regulatory Authority*
FBO	*Faith Based Organization*
FDI	*Foreign Direct Investment*
FSDT	*Financial Sector Deepening Trust*
FSP	*Financial Sector Support Project*
GDP	*Gross Domestic Product*
GNP	*Gross National Product*
HRD	*Human Resource Development*
IAIS	*International Association of Insurance Supervisors*
LGA	*Local Government Authority*
MDA	*Ministerial, Department and Agency*
MFI	*Micro finance Institution*
NBS	*National Bureau of Statistics*

NGO	*Non-Government Institution*
NIC	*National Insurance Corporation of Tanzania Ltd*
NIDA	*National Identification Authority*
OESAI	*Organization of Eastern and Southern Africa Insurers*
SACCOS	*Savings and Credit Cooperative Society*
SADC	*Southern Africa Development Community*
SSRA	*Social Security Regulatory Authority*
SUMATRA	*Surface and Marine Transport Regulatory Authority*
TAMFI	*Tanzania Association of Microfinance Institution*
TCDC	*Tanzania Cooperative Development Commission*
TCRA	*Tanzania Communication Regulatory Authority*
TIRA	*Tanzania Insurance Regulatory Authority*
TPDC	*Tanzania Petroleum Development Corporation*
TRA	*Tanzania Revenue Authority*
TZS	*Tanzanian Shillings*
ZIC	*Zanzibar Insurance Corporation Ltd*

DEFINITION OF TERMS

"**Actuary**" means a person who is a member or fellow of institute, faculty, society or association of actuaries approved by Tanzania Regulatory Insurance Authority.

"**Agent for Broker**" means a person who transacts insurance business on behalf of registered insurance broker.

"**Agent of Insurer**" means a person who transacts insurance business on behalf of a registered insurer and shall have the same meaning as "insurance agent".

"**Agricultural Insurance**" means insurance for crops, livestock, forests, fisheries and hunting.

"Agriculture" means a sector of human activity which involves all aspects of crops, livestock, forests, fisheries and hunting.

"**Bancaasurance**" means the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products or an arrangement in which a bank and an insurance company form a partnership so that the insurance company can sell its products to the Banks client base.

"**Compulsory Insurance**" means any type of insurance coverage that is required by law before individuals or business may engage in certain activities.

"Financial Institution" means an entity engaged in the business of banking but limited to as to size, location served or permitted as prescribed by the bank or required by the terms and conditions of its license.

"**FinScope Tanzania**" a survey measuring the demand for and access to financial services.

"general business" comprises the following classes: accident, sickness, land vehicles, railway rolling, aircraft, ships, goods in transit, fire and natural forces, damage of property, motor vehicle liability, aircraft liability, liability for ships, general liability, credit, suretyship, miscellaneous, legal expenses, and assistance.

"Government" means The Government of United Republic of Tanzania and The Revolutionary Government of Zanzibar.

"**Insurance Agent**" means a person who solicits application for insurance, collect moneys by the way or premium and acting in accordance with agency agreement and may find the registered insurer for whom he acts in the issue of insurance cover and term "agents" shall be construed accordingly.

“**Insurance Broker”** means a person who acting with complete freedom as to his choice of undertaking and for commission or other compensation and not being an agent of the insurer, bring together, with a view to the insurance or reinsurance of risks, persons seeking insurance or reinsurance undertaking, carry out work preparatory to the conclusion of contracts of insurance or reinsurance, and, where appropriate, assists in the administration and performance of the contracts, in particular in the event of a claim.

“**Insurance Business”** means the business of assuming the obligation of an insurer in any class of insurance.

“**Insurance”** means equitable transfer of risk of a loss, from one entity to another in exchange for payment.

“**Life Insurance”** means a contract between an insured (insurance policy holder) and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the “benefit”) in exchange for a premium, upon the death of the insured person.

“Long Term Business” is defined as meaning life and annuity business, marriage and birth business, linked long term business, and permanent health insurance business.

“**Loss Adjuster”** means a natural person who possesses knowledge and skill to assess the accident and adjust compensation to the injured persons.

“Loss assessors” means a natural person who assesses accidents on behalf of the insurer.

“Micro Insurance” means a protection of low income people those living on between approximately USD 1 and USD 4 per day against specific perils in exchange for regular premium payment proportion to the likelihood and cost of the risk involved the target population typical consists of persons ignored by mainstream commercial and social insurance scheme, as well as person who have not previously hard access to insurance products.

“**Reinsurance**” means the effecting of insurance business as between insurers.

“Takaful” means the Islamic counterpart of conventional insurance whereby a group of persons agree to support one another jointly against a specified loss.

“**Third Party Insurance**” means any insurance policy purchased for protection against the actions of another party.

“**Underwriter”** includes any person named in a policy or other contract of insurance as liable to pay or contribute towards the payment of the sum secured by the policy or contract.

FOREWORD

The insurance sector plays an important role within the national economy by providing the national underwriting capacity for risks and contributing towards mobilization of savings for sustainable economic development of the country. The true significance of the insurance sector lies in the fact that it enables the economy to operate efficiently and effectively. Without a reliable mechanism for risk mitigation, most of the economic activities would be exposed to risk. A safe and stable insurance industry is vital for underwriting stability and confidence in the country's economic system. This justifies the argument that efforts for improving the performance of the economy and the living standards of the population must give particular attention to development of the insurance sector.

The National Insurance Policy 2014 (NIP 2014) envisions ***a vibrant and sound insurance sector contributing significantly to financial stability and economic growth*****.** To pursue this vision, the Government endeavours ***to create an enabling environment for the development, promotion and maintenance of an inclusive, efficient, fair, safe and stable insurance sector in Tanzania*****.** This revolves around the goal of providing a comprehensive framework for entrenching insurance as a risk mitigation tool that plays a key role in the development of the country's economy while promoting a conducive environment for widening and deepening of insurance services in the country. In this regard, the government recognizes the importance of the private sector as the engine of growth and thus the business environment will be made conducive in order to catalyse the participation of private sector in the insurance sector development.

The NIP 2014 aims at addressing challenges that continue to hinder the development of the insurance sector. These include low use of insurance by government and its MDAs; delay in adoption of banc assurance as an alternative distribution channel for insurance services; shortage of insurance professionals in the industry; low uptake of insurance in rural areas; low uptake of insurance by the low income segment of the population; low contribution of life assurance in the overall insurance industry business volume; low underwriting capacity of the insurance industry to participate in key emerging economic sub-sectors; low level of public awareness on insurance products and services; low financial literacy by members of the public; lack of a legal and regulatory framework for emerging insurance products in high demand including Islamic insurance (Takaful); and low use of agriculture insurance.

A conducive policy environment is required for effective participation of all actors in addressing challenges affecting the sector as well as tapping existing and potential capabilities in order to accelerate the development of the sector. Therefore, there shall be a policy shift towards increased investment in the insurance sector and greater involvement of the public and private sectors in pursuing the objectives of this Policy.

A participatory approach was adopted in the formulation of this Policy involving the Government, the private sector, development partners and other key stakeholders; therefore, the policy is a product of inputs from stakeholder consultations. I would like to take this opportunity to emphasize Government's commitment towards implementation of this Policy and continued cooperation with the major actors in the development of the insurance sector.

The NIP 2014 is indeed a tool for facilitating the attainment of the Tanzania Development Vision 2025 and the Zanzibar Development Vision 2020 which envisage raising the general standards of living of Tanzanians to the level of a medium-income developing country and meeting the Millennium Development Goals.

HON. SAADA MKUYA SALUM (MP)
MINISTER FOR FINANCE

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

Commercial insurance practice in Tanzania started in early 1920s. During those years, insurance operations in the country were largely maintained as branches or agencies of foreign based insurance companies. At the end of Second World War some 30 insurance agencies were already operating in the country and by 1957 the number had increased to 130. However, in 1966 the number of agencies had dropped to 104 due to closure of some offices associated with capital flight that took place during the early years of independence. The country achieved its independence in 1961 from British colonial rule.

In 1967 the insurance industry underwent a significant change after the government had nationalized the insurance business as part of the Arusha Declaration. The Declaration placed all the major means of the country's economy under the control of State. A Law known as the Insurance Act No.4 of 1967 was passed effectively making it illegal for any insurance company, other than state-owned National Insurance Corporation of Tanzania Limited (NIC), to transact insurance business in Tanzania. The nationalization of the insurance industry was designed to control the large surpluses that were being transferred for investment outside the country. The Revolutionary Government of Zanzibar took a similar step in 1969. A decree known as the Insurance Corporation Order No .11 of 1969 was made to the effect that all insurance business in Zanzibar was restricted to one state insurance company in Zanzibar namely, Zanzibar Insurance Corporation (ZIC). Since then these two companies operated as sole insurance companies in the United Republic until l996 when the industry was once again opened to private participation following adoption of Trade Liberalization Policy by the Government.

In 1996 the Parliament of the United Republic of Tanzania passed the Insurance Act No.18 of 1996. The Act, among other things, liberalized the insurance business that had been the monopoly of the state owned insurance companies, permitting private participation in the sector. Liberalization of the insurance sector sought to achieve the following objectives:

(i) Transforming the insurance industry into a sound and competitive agent for national savings mobilization and development investment channelling;
(ii) Promoting insurance sector as an effective catalyst for enhanced economic growth;
(iii) Strengthening and promoting the industry health and orderly growth through establishment of operating performance standards and prescriptions;
(iv) Exempting the industry from undue interferences; and
(v) Developing efficient, cost effective, comprehensive and customer driven insurance services.

The Act also provided for the establishment of the Insurance Supervisory Department (ISD), as an Extra-Ministerial Department under the Ministry of Finance responsible for the co-ordination of policy and other matters relating to insurance business in the United Republic of Tanzania.

In 2009, the Parliament enacted the Insurance Act No.10 of 2009 to adopt international insurance supervision best practices prescribed by the International Association of Insurance Supervisors (IAIS) which had hitherto not been provided under the Insurance Act No. 18 of 1996. The Act, among other things, provided for the establishment of the Tanzania Insurance Regulatory Authority (TIRA) which took over the role of its predecessor, the Insurance Supervisory Department.

As at 31st December 2013, Tanzania insurance industry had a total of **29** insurance companies (including 1 reinsurance company), **85** insurance brokers, **283** insurance agents and **42** loss assessors and adjusters.

Since liberalization of the insurance sector, there has been limited development of insurance sector in Tanzania thus hindering its contribution to the national economy which has remained below one (1) per cent. The sector faces a number of challenges and constraints which impede its development including, but not limited to, low uptake of Insurance by majority of the population especially in the rural areas which is predominantly agrarian; a low savings culture due to traditional family safety nets; low level of public awareness on insurance products and services; low financial literacy by members of the public; lack of a legal and regulatory framework for emerging insurance products in high demand including Islamic Insurance (Takaful) and Agriculture Insurance; low contribution of life assurance in the overall insurance industry business volume; shortage of insurance professionals; and, low underwriting capacity. This Policy therefore, has been formulated to address the existing challenges and constraints and provide guidance to an orderly development of the insurance sector in Tanzania.

1.2 Situational Analysis of the Insurance Sector in Tanzania

1.2.1 Overview Performance of the Insurance Sector

The country's GDP in recent years has recorded sustained growth levels, averaging 6.7 percent in real terms and 16.3 percent in nominal terms. GDP per capita has also been growing at annual average rate of 3.5 percent in real terms and 12.6 percent in nominal terms. Meanwhile, Zanzibar's GDP grew by 7.4 percent in 2013, up from 7.1 percent attained in 2012. This was mainly associated with increased growth in the industrial and services sectors. The continued growth will create economic opportunities for businesses and households leading to higher demand for insurance products.

I. Inflation

According to the National Bureau of Statistics (NBS), the annual average headline inflation rate for Tanzania Mainland has kept a moderate pace at 10.8 percent per annum between 2009 and 2013. Overall, the trend indicates that the rate of price increase for goods and services decreased significantly in 2013 when compared to price increase in 2012. Annual Average Headline Inflation rates decreased to 7.9 percent in 2013 from 16.0 percent in 2012. This development was mainly on account of gradual slowdown in food prices following improved food supply in the country and in the East African region.

Meanwhile, Zanzibar's average annual headline inflation rate decelerated from a double digit of 14.7 percent recorded in 2011, to single digit inflation rate of 5.0 percent in 2012, mainly driven by a decline in prices of food items.

II. Interest Rates

During the period of 2012/13, money market interest rates exhibited a mixed trend compared to rates recorded in 2011/12. The Treasury bills rate averaged 13.2 percent in 2012/13, up from 13.0 percent recorded in 2011/12. Commercial banks' interest rates exhibited a general upward trend during 2012/13, with the overall time deposit rate rising to an average of 8.7 percent from 7.3 percent registered in 2011/12, and the overall lending rates increased to 15.8 percent from 15.1 percent. The increase in deposit rates was associated with increased competition amongst banks as well as commercial banks' efforts to mobilize deposits including the introduction of new financial products in the market. The spread between one year lending and deposits rates narrowed to average of 3.0 percent in 2012/13 from 4.7 percent in 2011/12.

III. Insurance Market Growth

The Tanzania insurance industry has continued to play its strategic role within the national economy by providing the national underwriting capacity and contributing towards mobilization of financial resources for sustainable economic development of the country. According to TIRA's 2013 Annual Insurance Market Performance Report, the insurance industry has grown at an annual average rate of 19.9 percent in Gross Premium Written (GPW) to TZS 476 billion in 2013 from TZS 231 billion in 2009. Meanwhile, the national GDP and the finance intermediation sector GDP in nominal terms have grown at annual average rates of 16.3 percent and 18.6 percent, respectively, between 2009 and 2013. The insurance industry has therefore demonstrated a higher average growth rate than the national and the finance intermediation sector GDP over the last five years (2009-2013).

IV. Insurance Industry Penetration

The Insurance industry's contribution to the national economy (insurance penetration ratio or premiums as a percentage of GDP) over the last five years has consistently increased from 0.8 percent in 2009 to 0.9 percent in 2013. However, this is still low compared to emerging market's average penetration ratio of 3.0 percent achieved in 2013.

V. Future Prospects of the Insurance Industry based on Economic Indicators

A review of developments in the country's economic indicators over the past five years suggests that future prospects of the insurance industry are promising.

The insurance market has been expanding at an average annual rate of 19.9 percent, which is higher than the growth of the national economy and that of the financial intermediation sector. The industry's contribution to GDP (insurance penetration) has also shown consistent growth over the past years.

A review of economic indicators shows that the economy has been stable over the recent past. If this Policy is successfully implemented, the insurance sector is projected to grow at average annual rate of 33 percent over the next ten years. This will also enable the country's insurance penetration ratio to grow from the current 0.9 percent to 3.0 percent in the next ten (10) years.

1.2.2 Findings of Previous Studies on Insurance Sector in Tanzania

A number of studies carried out in Tanzania have come up with findings that inform policy recommendations for the insurance sector. Key findings and recommendations arising from the respective studies are outlined below:

I. Study on Viability of Insurance of Government Properties in Tanzania

a) With the exception to Government aircrafts, the rest of Government assets (buildings, ferries, and motor fleet) are not insured. The study recommends that the Government should insure its assets in order to free the national budget.
b) The Government lacks reliable loss experience data on its assets. The study recommends that the Government initiates a strategic loss experience data base build up to be centralised in a specific government institutions such as a Directorate of Government Assets Management under the Ministry of Finance.
c) Government employees and members of the judiciary are not insured against personal accidents. It is recommended that Government employees and members of the judiciary be provided with a 24-hour Personal Accident Insurance Cover.

   Despite that there has been no specific study to quantify the cost which the Government incurs for not insuring against risks, there are few incidences in which the Government was forced to incur costs as a result of accidents which otherwise could have been paid by the insurance industry had the Government been insuring. These are like:

   - MV Bukoba accident claims paid by the Government to the tune of **Tzs 400,000,000/=**;
   - The Mbagala and Gongo la Mboto bomb blasts – Tzs **4,062,528,972/=**
   - MV Spice Islander and MV Skagil Accidents – **Tzs 332,286,500/=;**

II. *Tanzania Access to Insurance Diagnostic Study*

a) The number of people using insurance, while still small, has doubled from 6.3 percent in 2009 to 13.0 percent in 2013, an increase which is largely accounted for by improvement of services including introduction of new products in the market such as health and medical insurance, and customer-focused services due to high competition in the industry. Sixty four percent of the uninsured population indicated that they had never heard about insurance or do not know about insurance; 15.4 percent indicated that do not have insurance because they cannot afford it; 5.6 percent do not know how to find out where to buy it; and 4.8 percent do not know how insurance works. The study recommends that the population needs to be sensitized on insurance, and that insurance products should be designed with affordability in mind.

III. *Tanzania Agricultural Insurance Feasibility Study; and Weather Index Insurance: A Market Based Approach to Managing Climatic Risks.*

a) There is need to educate and raise awareness to farmers on the value of insurance policies in reducing risk to livelihoods. Insurance products are a relatively new concept in Tanzania, and farmers do not always understand the benefit of paying for something that does not provide an immediate return. In many western countries, buying insurance is seen as a natural (or even legislated) way to reduce risk; however, this concept is still new in Tanzania.

IV. *Study on Viability of Introduction of Islamic Insurance (Takaful) products and Associated Regulatory Framework in Tanzania*

a) There is sufficient demand for Islamic Insurance products in Tanzania and such demand has potential to increase in future. It is therefore important that the necessary steps be initiated with the view to address this demand within the Tanzania insurance market, including establishing an appropriate legal and regulatory framework for regulation of Islamic Insurance practice in the market.

V. *Situational Analysis of Human Resource Development and Succession Planning Within Insurance Companies in Tanzania*

a) Substantial development has been achieved in recruitment of employees in the insurance industry and appointment of Tanzanians to managerial positions. However, little progress has been noted in formulation and adoption of Human Resource Development (HRD) policies and Succession Planning policies. It is therefore recommended that Management and Boards of Directors of insurance companies put in place effective and documented Human Resource Development Policies and Succession Plans which accommodate Tanzanians. This will contribute to building local capacity in the industry at both managerial and non-managerial levels.

VI. *Developing a Framework for Banc Assurance in Tanzania*

a) There is need to create a conducive legal and regulatory environment for banc assurance operations in the country whereby banks that wish to distribute insurance products are to notify the Bank of Tanzania and apply for a special registration from the Commissioner of Insurance. Further, registration should require the bank to satisfy the Commissioner that it has a training program in place to reasonably ensure that its banc assurance sales personnel will have a level of knowledge comparable to that required by an insurance agent or broker who wishes to distribute insurance products.

1.2.3 Current Performance of the Insurance Sector in Tanzania

The Tanzania insurance sector remained stable in 2013 supported by sustained performance of the economy.

I. Market Growth and Impact on the Economy

The market grew by **17 percent** in gross premiums written in 2013 compared to the previous year's performance. The market growth was consistent with the growth of the National nominal GDP and financial intermediation sector nominal GDP during the year under review. This performance was slightly lower than the set target of **18 percent** annual premium growth for the industry. The industry's contribution to the National GDP was **0.9 percent**, compared to a similar contribution in 2012.

General insurance business showed a growth of 15 percent in gross premium income from TZS 363 billion in 2012 to TZS 418 billion in 2013. Meanwhile, Life assurance business volume increased by 29 percent from TZS 44 billion in 2012 to TZS 56 billion in 2013. Therefore total insurance premium for year 2013 was TZS 476 billion as compared to TZS 407 billion of year 2012.

II. Product Mix

General Insurance product mix shows a share of Motor insurance business at 33 percent. This is followed by Fire: 20 percent, Health: 19 percent and Marine: 12 percent. Other general insurance classes shared less than 7 percent each of total General insurance business. Life assurance, on the other hand, was dominated by Group Life class at 72 percent, followed by Individual Life 28 percent.

III. Underwriting and Profitability

The General insurance underwriting result improved to an underwriting loss of TZS 3.5 billion compared to previous year's loss of TZS 11.9 billion. The insurers recorded a combined ratio of 102 percent in 2013, being above the maximum early warning test ratio of 100.0 percent. From an underwriting perspective, general insurers' operations were unprofitable during the period under review. Marine, Motor and Engineering classes of business recorded underwriting profits at TZS 1.8 billion, TZS 1.2 billion and 1.1 billion, respectively.

From an investment point of view, general insurers attained investment income amounting to TZS 20.7 billion in 2013, having improved by 32.7 percent compared to an investment income of TZS 15.6 billion earned in 2012. Meanwhile, the insurers attained a return on equity of 10.1 percent in 2013, compared to a return of 4.0 percent prior year. The higher return on equity in 2013 is partly attributed to a more favourable underwriting result and higher return on investment during the year under review.

IV. Asset Position and Investment Portfolio

In 2013, total assets of insurers had increased by 15 percent to TZS 519 billion from TZS 451 billion of the previous year. Total insurers' investments increased by 16 percent from TZS 300 billion in 2012 to TZS 349 billion in 2013. The largest share of insurers' investment assets comprised Term Deposits (48.5 percent), followed by Real Estate investments (19.7 percent), Government Securities (12.6 percent), Shares (12.2%), and Investments in Related Parties (5.9 percent), in that order.

1.2.4 Challenges and Constraints facing Insurance Sector in Tanzania

The sector faces several challenges and constraints including the following:

(i) **Low access to insurance services:** Most of the rural areas of the country have not been reached by insurance services. This is due to the absence of Policy framework to require insurance players to extend their business to the masses especially those in the rural areas.

(ii) **Low Underwriting Capacity of the Insurance Industry to Participate in Key Emerging Economic Sub-Sectors:** Low technical and financial capacity of the local insurance industry to participate effectively in insurance of risks emanating from new emerging economic sectors such as Oil and Gas will lead to fronting of significant insurance placements to offshore insurance companies, thus reducing financial resources to be retained locally for economic development.

(iii) **Shortage of insurance professionals in the industry in key disciplines including actuarial science** - due to lack of local training institutions that offer qualifications which meet international standards. There is also scarcity of financial resources to enable Tanzanians pursue such qualifications in other countries which offer relevant training.

(iv) **Low use of insurance by Government and its MDAs as a risk management tool:** Most of the Government assets go un-insured against such risks as fire, burglary, theft, etc. This exposes the Government and its MDAs to irrecoverable losses which would otherwise be met by insurance companies had they been insured.

(v) **Un-harmonised Government Self-managed Insurance Funds:** The Government has not established a self-managed insurance fund to mitigate losses of a catastrophic nature such as floods, earthquakes, and wild fires. The good intention of the Government to establish self-managed insurance funds has not been fully realised due to lack of a harmonised system to ensure that the Funds are run professionally and according to the Core Insurance Principles. For instance, low statutory workmen compensation levels provided in the Law continue to affect public confidence in insurance services.

(vi) **Limited Requirement of Compulsory Insurance:** Professional indemnity insurance is a requirement for only a few types of professions. There is a critical need to streamline the liability procedures to ensure that coverage and benefit amounts are sufficient enough to offset the economic loss of individuals affected by mistakes committed by professionals such as engineers and medical doctors.

Similarly, Public liability insurance is not a requirement for many types of properties, including most of those used by the public. Eventualities of accidents involving properties and structures which do not have public liability insurance cover lead to dire consequences to victims of such accidents, including members of the public. There is need to introduce a requirement on public liability insurance for specified structures.

(vii) **Low contribution of life assurance in the Economy:** The contribution of life assurance continues to be about 10% of total industry premium volume.

(viii) **Limited Requirement on Agriculture Insurance:** Much as the existing Government's policies have attempted to address agricultural insurance needs, the focus has been mainly on crop and livestock sub-sectors. There is need to widen the agricultural insurance scope to include all agricultural sub-sectors.

(ix) **Micro Insurance**: Low income segment of the population make little or no use of insurance services as a risk management facility and as a means to enhance access to loans from financial institutions.

(x) **Delay in adoption of banc assurance as an alternative distribution channel for insurance services –** due to non-harmonization of the Insurance Act and the Banking and Financial Institutions Act (BFIA).

(xi) **Lack of a legal and regulatory framework for emerging insurance products in high demand including Islamic Insurance (Takaful):** Despite increasing demand on emerging insurance products including Takaful, the necessary legal and regulatory framework to ensure safe delivery of the products has yet to be established. This affects opportunities for growth of the industry.

(xii) **Low level of public awareness on insurance products and services:** public awareness programs require significant outlay of financial resources by the industry. Absence of a sustainable funding mechanism for such programs continues to adversely affect delivery of the required public education programs in the country. Lack of a requisite financial education program (including insurance education) in the formal education system lead to low appreciation by members of the public (including members of the judiciary and policy makers) on the role of insurance as a risk management tool.

CHAPTER TWO

2.0 IMPORTANCE OF THE NATIONAL INSURANCE POLICY

2.1 Rationale of the National Insurance Policy

Economic growth is dependent on efficiency in the financial sector in general. The financial sector determines the allocation of resources and the stronger and more sophisticated this sector is, the better the outcome. Likewise, insurance plays vital role in making the financial sector more efficient and able to drive economic growth. In addition, Insurance is necessary for mitigation of risks faced on a day to day basis. Individuals and companies will invest easily in the means of production if covered by insurance, thereby assisting the country to attract Foreign Direct Investments (FDIs) for achieving sustainable growth and economic development.

The size of the insurance market in Tanzania, as measured by the insurance penetration ratio, is currently 0.9 percent which is lower than the average in the emerging markets, which is 3 percent. Low levels of insurance penetration are consistent with low levels of per capita income and a small life insurance sector. There is also a marked deficiency in the insurance market infrastructure which can only be addressed if there is an appropriate policy framework to guide an orderly growth of the industry.

Currently, there is more supply of insurance services than demand in Tanzania. This is evidenced by cut-throat competition in the insurance market. Therefore, the Policy will generate new business opportunities for insurance sector and the economy. The adoption and full implementation of this Policy is not only expected to boost the public image of insurance sector, but will also assist the Government to run the National budget in a more orderly manner by transferring risks through various insurance mechanisms. In addition, the private sector will benefit from a more robust investment environment bolstered by insurance savings.

This Policy is in line with the goals of the Tanzania Development Vision 2025; the Zanzibar Vision 2020; The National Strategy for Growth and Reduction of Poverty 2010 – 2015; Zanzibar Strategy for Growth and Reduction of Poverty 2010 – 2015; and, other National Policies and Strategies. In addition, the Policy aims at harmonizing the insurance practices across the East African Community (EAC) and Southern Africa Development Cooperation (SADC), in compliance with core principles of the International Association of Insurance Supervisors (IAIS).

2.2 Vision, Mission and Objectives

2.2.1 Vision

"A vibrant and sound Insurance sector contributing significantly to financial stability and economic growth"

2.2.2 Mission

"To create enabling environment for the development, promotion and maintenance of an inclusive, efficient, fair, safe and stable insurance sector in Tanzania"

2.2.3 Objectives

2.2.3.1 Main Objective

The main objective of the Policy is to provide a comprehensive framework for entrenching insurance as a risk mitigation tool that plays a key role in improving livelihoods of Tanzanians and development of the economy**.**

2.2.3.2 Specific Objectives

(i) To ensure a range of products and services that meets the needs of the population.
(ii) To ensure a high level of access to a wide range of insurance services to individuals, households and enterprises.
(iii) To ensure sustainable capacity building in the insurance sector.
(iv) To create an enabling environment for the Government to insure its assets and liabilities.
(v) To enhance protection of third parties and the general public against accidents.
(vi) To ensure that Government self – managed insurance Funds operate on Insurance Core Principles.
(vii) To widen life insurance industry for enhanced economic growth.
(viii) To develop agricultural insurance industry in Tanzania.
(ix) To create an enabling environment for insurance of emerging risks.
(x) To create an enabling environment for new insurance distribution channels.
(xi) To enhance knowledge and awareness to the population on insurance matters.
(xii) To strengthen Regional and International cooperation in insurance.
(xiii) To strengthen adherence to principles and practices of corporate governance in insurance sector.
(xiv) To enhance insurance consumer protection and customer fair treatment.
(xv) To ensure that the pricing of insurance is economically efficient and promotes financial stability.
(xvi) To create an enabling environment for placement of extractive industry risks (mining, oil and gas) in the international market.

CHAPTER THREE

3.0 NATIONAL INSURANCE POLICY ISSUES AND STATEMENTS

3.1 Fundamental National Insurance Policy Issues

3.1.1 Access to Insurance Services

According to FinScope Tanzania 2013 survey, countries in Africa with the highest access to insurance services (above 60 percent) are South Africa and Namibia. The same Survey indicates that the formal insurance services in Tanzania remain low with only 13 percent of adult population having access to insurance services. The low level of intermediation and access to majority rural households hinders the insurance sector from substantially contributing to economic growth and poverty reduction.

The main challenges facing access to insurance services in Tanzania are: lack of awareness and knowledge of the insurance products and services; limitation of distribution system for insurance services; affordability of existing insurance products and services; lack of innovative products and services to cater for low income population; and lack of consumer protection framework.

Policy Objective:
Expand the level of access to a wide range of insurance services to individuals, households and enterprises.

Policy Statements
The Government in collaboration with stakeholders will:

(i) Create public awareness to stakeholders on insurance services and benefits;
(ii) Enhance regulations and supervision of insurance industry;
(iii) Promote introduction of innovative products and services that meet the needs of the public, including the underserved;
(iv) Develop mechanisms for consumer protection for insurance services; and

3.1.2 Capacity Building in Insurance Industry

The existing human resource capacity in the insurance sector is not adequate to handle activities related to underwriting, claims, actuarial analysis and dispute resolution. Insurance is a business of managing risks which requires a high level of professionalism attained through appropriate training and experience. In addition to traditional lines of business there have been emerging risks such as agriculture insurance, Takaful, micro-insurance, banc assurance, mining and energy risks. The handling of each requires international exposure and experience in insurance business.

Meanwhile, local training facilities continue to offer courses leading to Undergraduate and Post graduate Degrees in Insurance which to a large extent cover only traditional insurance studies leaving out insurance related to emerging risks. This has created a gap between top job requirements and competences available in the insurance sector necessitating the hiring of foreign expertise. Parallel with efforts to enhance capacity building, knowledge transfer from foreign experts to local personnel is needed for building appropriate capacity in the insurance sector.

Policy Objective:
A sustainable capacity building in the insurance sector ensured.

Policy Statement:

The Government in collaboration with stakeholders will:

(i) Design and implement a strategy for development of human resource in insurance sector;
(ii) Establish a fund for capacity building in insurance sector;
(iii) Build insurance capacity of judicial system, law enforcement organs, prosecutors, and policy makers;
(iv) Promote research and development in insurance.

3.1.3 Government Assets

The Government should insure its assets for both property and liability risks for the purpose of freeing the national budget. This will boost the industry and promote public awareness of insurance and its use in mitigating risks. The economy would benefit from the correlation between the sector and the national growth rates.

With exception of its aircrafts, the Government of the United Republic of Tanzania does not insure its assets. The Revolutionary Government of Zanzibar, on the other hand, insures its motor fleet to the extent of third party liability insurance cover. There is a practice in the Local Government Authorities (LGAs) to insure their assets mainly motor fleet but due to absence of specific Government policy on this matter some of the LGAs do not insure their assets, therefore exposing themselves to risks.

Often large losses involving government assets such as motor vehicles, trains and marine vessels occur whereby those suffering the losses are not equitably compensated. Previous loss experiences include MV Bukoba, Dodoma Railway accident, and bomb blasts in Mbagala and Gongo la Mboto; all of which involved loss of lives and properties. These losses are highly detrimental to social welfare and economic growth of the country. There is, therefore, inadequate management of risks which could be addressed by insurance.

Policy Objective
Government assets and liabilities insured

Policy Statement
The Government in collaboration with stakeholders will establish a mechanism for insurance of government assets and liabilities.

3.1.4 Government Self – Managed Insurance Funds

For the Government to manage risks related to health of its citizens, it has been found necessary to establish Government self – managed insurance funds such as NHIF and CHF. Also, with regards to disaster management, the Government maintains a Disaster Relief Fund as risk mitigation tool. Similarly, the Government has now established the Workers Compensation Fund to provide for compensation to employees for disablement of death caused by or resulting from injuries or diseases sustained or contracted in the course of employment.

The above mentioned Funds assist the Government to manage losses thereby guaranteeing safety to its population. However, the Public do not differentiate between Government Insurance practice and commercial insurance. Therefore, it is important that these Funds are run on the Insurance Core Principles (ICPs) like those applying to commercial insurance businesses, in order for them to remain effective, sustainable and maintaining good public image.

Policy Objective
Ensure that Government self – managed insurance Funds operate on Insurance Core Principles.

Policy Statement
The Government in collaboration with stakeholders will:

(i) Enhance legal and regulatory framework for Government self – managed insurance Funds; and
(ii) Adhere to good governance principles within Government self – managed insurance Funds.

3.1.5 Compulsory Insurance

The Government can mitigate widespread risks within the population with regards to third party liabilities on motor vehicles by way of compulsory insurance. The idea behind this type of mandatory coverage is to protect the wellbeing of those who would otherwise be adversely affected, if the event covered in terms of the policies were to take place. In Tanzania, the only compulsory insurance class is motor third party liability which requires motorists to have insurance coverage against risks of bodily injuries and deaths on the part of the pedestrians on the public roads or passengers in public vehicles. Despite this requirement to be compulsory by law, road accidents victims are not automatically entitled to medical treatment at any hospital following the accident by operation of this law, since insurance policies currently in place do not provide for emergency treatment but only provides for compensation including medical expenses once one has been treated and discharge from the hospital. Experience has shown that the lack of compulsory emergency treatment to road accidents victims contributes to a great extent to deaths.

In a developing country like Tanzania, motor accident deaths are a significant deterrent to economic development. National statistics on motor accidents estimates the economic cost of road crashes and injuries annually to be 3.1 of Gross National Product (GNP). In many of these accidents the victim is the breadwinner of the family. This impoverishes a family for three generations.

In addition, a number of incidents in recent days have been recorded especially in the construction industry and Medical Profession which call for the application of professional indemnity insurance in Tanzania. Another area which calls for attention is the school buses. When busloads of students get involved in accidents, there have been times that those buses will have no insurance to compensate the injured students. The same applies to fires that ravage the school dormitories and property.

There is a critical need to streamline the liability procedures to ensure that coverage and benefit amounts are sufficient enough to offset the economic loss of those killed and injured in the accidents. This requires professionals to be covered by professional indemnity insurance to pay individuals and the society for the losses caused by their mistakes. However, the coverage of compulsory insurance in the country is narrow thus exposing third parties and the general public to losses and damage arising from risks.

Policy Objective:
Protection of third parties and the general public against accidents enhanced.

Policy Statements:
The Government in collaboration with stakeholders will:

(i) Ensure that property and liability insurance for specified assets are compulsory;
(ii) Ensure that compensation benefits under mandatory motor third party liability insurance are adequate to reduce the economic impact of accidents on the public and on the nation;
(iii) Extend professional indemnity cover to persons whose errors would negatively impact the economics of the individual or family; and
(iv) Establish “hit and run” fund for compensating road accidents’ victims caused by uninsured vehicles and untraced drivers.
(v) Incorporate emergency treatments in compulsory motor insurance policies.

3.1.6 Life Insurance

Life insurance plays a significant intermediation role in the society. The sum of those many small premiums creates reserve funds which in turn are invested in the securities market of the country, thereby providing the investment funds needed for expansion of the financial sector. In all countries with a well developed insurance sector it is the life insurance industry which would be contributing highly to the national economy. Currently in Tanzania, life insurance industry's contribution to the national GDP is 0.1 percent which is lower when compared to the average in emerging markets which is 2 percent. This situation is attributed to number of factors including low use of life insurance as collateral for accessing loans in financial institutions and lack of incentives for purchase of individual life insurance.

In order to achieve a high contribution, the life insurance industry must be a major instrument for collateralisation of loans in the financial institutions; the housing mortgage finance industry should be highly developed whereby life insurance is a condition for acquiring housing loans; and, with a vibrant stock exchange market for trading of life unit-linked products. There is also a need for tax incentives to be provided for employee benefit insurance policies such as life, health insurance or pension plans to enable companies to hold group health policies that pay the cost or part of the cost of illness or disability.

Policy objective
Life insurance industry for enhanced economic growth widened.

Policy Statement
The Government in collaboration with stakeholders will:

(i) Create enabling environment conducive for loans to be accessed using life insurance as collateral; and,
(ii) Institute incentives to individual life policy holders.

3.1.7 Agricultural Insurance

Agricultural insurance acts as a foundation for improved productivity in the agricultural sector and thereby supporting government's efforts of reducing poverty. Agricultural insurance is fundamental to the national economy as adverse events like drought, floods, storms, pests, fire and animals that cause heavy losses to farmers pose a major threat to production and farmer's incomes. Apart from mitigating risks related to the agricultural sector, agricultural insurance acts as a catalyst for orderly development of the sector as financial institutions would normally issue loans where insurance cover against agricultural risks has been provided.

Eighty percent of the Tanzanian population is agrarian which remains exposed to a real risk of income deterioration due to circumstances beyond control that affects agricultural output. In addressing this challenge, the Government revised its Agricultural Policy in 2013 which underscores the importance of agricultural insurance in Tanzania.

The Policy also focuses on promotion of public and private sector delivery of agricultural insurance; the need for legal framework for enhancing the provision of such insurance services; as well as creation of public awareness on the importance of insurance services for safe-guarding farmers against losses.

Much as the existing Government's policies have attempted to address agricultural insurance needs, the focus has been mainly on crop and livestock sub-sectors. This Policy, therefore, aims at widening the agricultural insurance scope to include all agricultural sub-sectors.

Policy objective:
Agricultural insurance industry in Tanzania developed.
Policy statement:
The Government in collaboration with stakeholders will:

(i) Facilitate the establishment of agricultural insurance fund;
(ii) Ensure availability of reliable weather data;
(iii) Build capacity for farmers, insurers, banks, financial institutions and policy makers on agricultural insurance; and,
(iv) Create public awareness on agricultural insurance.

3.1.8 Micro Insurance

Low income households are vulnerable to risks a fact that is widely recognised as one of the key drivers of underdevelopment. In Tanzania, with a large agrarian population, low income people are exposed to multitude of risks that keep them in a vicious circle of poverty. Illness, death, natural disasters, damage to and loss of property, and accidents all have devastating effects on livelihoods especially in situations where there is no buffer to help people mitigate the financial impacts of these events.

Initiatives have been deployed in the insurance sector with the aim of expanding the reach beyond its current client base into mass market. This has resulted in the number and type of insurance service providers piloting micro insurance products in Tanzania including mobile insurance services as well as crop insurance. However, micro insurance performance as measured by operation coverage and range of services is still dismal within the insurance sector.

Government's efforts to address the population's risk management needs support of the private sector which opens a window of opportunity for micro insurance to mitigate low income households' vulnerability to risks and help smoothen their way out of poverty. It is the aim of this policy to create enabling environment for developing innovative products and services to cater for the low income population thereby expanding the reach of the insurance sector into the mass market.

Policy objective:
The reach of insurance services into low income households expanded.

Policy statement:
The Government in collaboration with stakeholders will:

(i) Facilitate formalisation of insurance provision by informal providers;
(ii) Collateralise microfinance loans with microinsurance; and
(iii) Harmonise the operations of banks and financial institutions offering agricultural loans with micro-insurance.

3.1.9 Banc assurance

Banc assurance has gained a foothold in many countries as an insurance distribution channel primarily because the provision of an additional range of products through an existing branch network will allow the bank to make more efficient use of its staff and generate additional revenue with little increase in fixed costs. In addition, it is well accepted in banking that the greater the range of bank services that are being utilized by a bank customer, the greater the chance of being able to keep the customer over an extended period of time. Banks play a key role in the financial sector and have been able to create a huge client base in Tanzania which insurance companies would use as a platform for delivering insurance services.

Experience in other markets has shown that where banks have been actively involved in selling insurance products their business portfolios and that of the insurance sector have both greatly benefitted and improved economic welfare of the population. However, there is no legal and regulatory framework for banks and financial institutions in Tanzania to distribute insurance services. There is also low capacity on the part of the insurance and banking industries to practice banc assurance.

Tanzania's financial sector could grow faster if banc assurance practice would be established. There is need for banks to be allowed to sell insurance as part of their daily activities.

Policy Objective
An enabling environment for banc assurance practice created

Policy Statements
The Government in collaboration with stakeholders will:

(i) Establish the legal and regulatory framework required for banks and financial institutions to distribute insurance services;
(ii) Encourage banks and financial institutions to distribute insurance services; and
(iii) Build capacity of the insurance and banking industries to practice banc assurance.

3.1.10 Takaful

Takaful (Islamic Insurance) is perceived as cooperative or mutual insurance, where members contribute a certain some of money to a common pool. The purpose of this system is not profit but to uphold the principle of bearing one another's burden. Conventional insurance is strictly not favourable for Muslims as it is perceived to contain the elements of uncertainty, gambling, and interest ("ribah"). The principles of Takaful are as follows: policyholders cooperate for their common good; every policyholder pays his subscriptions to help those that need assistance; losses are divided and liabilities spread according to the community pooling system; uncertainty is eliminated in respect of subscription and compensation; it does not derive advantage at the costs of others.

Takaful is a relatively new practice not only in Africa but in other parts of the world with an exception of Middle East and Asia. There has been a tremendous growth on the numbers of users of the Takaful products in countries where it has been established and therefore, this is another means through which the masses can access insurance.

There is a growing demand for Takaful services to be offered in Tanzania following the recent introduction of Islamic Banking which must be complemented by equivalent insurance products.

Policy objective
An enabling environment for Takaful practice created.

Policy Statements
The Government in collaboration with stakeholders will:

(i) Establish the legal and regulatory framework required for Insurance companies to offer Takaful services; and
(ii) Encourage insurance companies to offer Takaful services.

3.1.11 Public Education in Insurance

A program of public education which addresses issues of consumers' rights, transparency, disclosure of business practice, complaints handling and dispute resolutions would be beneficial for the sector as it will inform consumers when making decision about insurance. Increasing awareness and understanding the need and utility of insurance will also drive growth in the industry in the long run.

Tanzania suffers from a lack of public awareness about insurance. People do not know what it is, how it is obtained and what use it would be. The low level of knowledge can be attributed in part to lack of marketing by a still small industry, a lack of educational programs and a void in the public schools curriculum.

Policy Objectives:
Knowledge and awareness to the population on insurance matters enhanced.

Policy statement:
The Government in collaboration with other stakeholders will:

(i) Incorporate insurance matters in educational curricula; and
(ii) Finance a public education program on insurance.

3.1.12 Regional and International Cooperation

Cooperation with regional and international community is important for development of the insurance sector. The developed insurance markets continuously engage in research and development activities on insurance matters which can only be accessed by the industry through cooperation with international bodies. Tanzania through TIRA is currently a member of regional and international bodies including IAIS, CISNA, CIMPC, AIO, EAISA, OESAI, AAISA, AISADC, AIRDC and International Microinsurance Network.

There is need to strengthen cooperation with international bodies to take advantage of their facilities, resources, and experience.

Policy objective:
Regional and International cooperation in insurance strengthened.

Policy Statement:
The Government in collaboration with stakeholders will:

(i) Domesticate regional and international treaties, protocols and Memoranda of Understanding on insurance matters;
(ii) Promote investment opportunities in the industry for mutual benefits to the regional and international communities.

3.2 Cross – Cutting Issues for Insurance Sector

3.2.1 Corporate Governance in Insurance Industry

Good corporate governance is an important element for business development and economic growth of a nation. It is about structures and institutions by which rights and obligations among different stakeholders to the business such as the board, management and shareholders, are spelt out to ensure equity and fair play. Insurance sector which plays a crucial role in the economy by the way of mobilisation of funds for investments requires to embrace higher level of corporate governance.

Currently, there is a requirement on insurance players to observe good corporate governance principles in their business but a Code of Conduct for insurance directors and business owners has yet to be put in place. Similarly, there is no Code of Conduct for employees within insurance industry although there is one for insurance professionals. It is in this respect that the need to institute good corporate governance within the insurance sector is of utmost importance.

Policy Objective:
Adherence to principles and practices of corporate governance in insurance industry for all players strengthened.

Policy Statements
The Government in collaboration with other stakeholders will:

(i) Strengthen corporate governance in systems and structures for all players; and
(ii) Promote a culture of compliance with rules and regulations regarding Insurance industry.

3.2.2 Environmental Risks and Insurance

A healthy and sustainable environment is a precursor to the long-term well-being of society, which strengthens the economy and benefits the insurance business. Climate change is one of the most significant risks facing the world today. It is generally recognized that harm to the environment is harm to the citizens of the country and to the economic future of the society. This is a particularly pressing issue given the expected future growth of the resource sector. The insurance industry can play a vital role in providing coverage against risks associated with climate change.

The recent discovery of large deposits of natural gas and potential discovery of oil in the country call for an evolving insurance industry capable of insuring the risks of pollution and others of catastrophic nature. Similarly, increasing mining activities in Tanzania call for creation an enabling environment for Tanzania insurance companies to arrange covers appropriate for insuring risks. In the absence of local content provisions, insurances required for oil and gas as well as mining risks will continue to be arranged directly in the international markets without involving the local industry thereby defeating the purpose of insurance sector liberalisation.

Policy Objective
An enabling environment for placing of extractive industry’s risks (mining, oil and gas) in the international market created

Policy Statements
The Government in collaboration with stakeholders will:

(i) Promote the participation of local insurance companies in handling extractive risks
(ii) Promote creation of innovative products and services with emerging technologies and practices of adapting to otherwise unavoidable impacts of environmental damage;
(iii) Promote a culture of environmental risk reduction and risk management in the society;
(iv) Establish appropriate risk sharing and risk transfer schemes.

CHAPTER FOUR

4.0 LEGAL AND REGULATORY FRAMEWORK

An effective Insurance Sector requires continuous review of the legal and regulatory framework impacting on the performance of the sector. The envisaged legal and regulatory reforms seek to comprehensively address, among other things: good corporate governance within the Sector; compliance with Regional and International core principles and standards; aspirations of Tanzanian population in accordance with the Tanzania Development Vision 2025 and the Zanzibar Vision 2020; and creation of higher demand for insurance services. This Policy creates an enabling environment for the institution of an appropriate legal and regulatory framework for the rapid growth and sustainable development of the insurance sector.

Commercial Insurance practice in Tanzania is regulated by the Insurance Act No.10 of 2009, which mandates the Tanzania Insurance Regulatory Authority to supervise the operations of the sector.

In effecting this policy, it is essential to review, amend and harmonize various existing related laws including but not limited to, the Insurance Act No.10 of 2009, The Bank of Tanzania Act No. 4 of 2006, The Banking and Financial Institutions Act No.5 of 2006, the Public Finance Act No. 6 of 2001, the Mining Act No. 14 of 2010, The National Health Insurance Fund Act No. 8 of 1999, the Zanzibar Land Tenure Act No. 12 of 1992, the Zanzibar Cooperatives Societies Act No.4 of 1986, the Zanzibar Workmens Compensation Act No. 5 of 1986 (amended 2005) and Zanzibar Public Finance Act of 2005.

The envisaged Legal and regulatory framework will among other things provide for:

(i) Insurance of government assets;

(ii) Establishment of a central data bank and safe sharing of data between insurance Industry and other related players;

(iii) Compulsory Insurance;

(iv) Distribution of insurance services by Banks (Banc assurance) and financial institutions, Takaful;

(v) Recognition of emerging insurance risks;

(vi) Insurance services for the rural sector;

(vii) Enhancing risk based supervision

(viii) Compliance with regional and international standards and practices;

(ix) Specific guidelines on corporate governance;

(x) Enhancing local content with regards to extractive industry; and

(xi) Incentives for good performance and penalties for non-compliances.

Implementation of this policy will be undertaken by relevant Ministries, Government's Departments and Agencies (MDAs), Local Government Authorities (LGAs), Non State Actors, Development Partners, the Private sector and other stakeholders. Under this policy, several laws and regulations fall under different ministries and have a bearing in the development of the Insurance Sector. The implementation of this Policy will need a support of all relevant stakeholders and all structures of government, depending on the specific role of each structure supported by a strong and effective legal framework.

CHAPTER FIVE

5.0 INSTITUTIONAL FRAMEWORK, MONITORING AND EVALUATION

5.1 Institutional Framework and Roles of Stakeholders

The successful implementation of the National Insurance Policy depends on the institutional framework that is in place to develop tools for operationalizing, enforcing, monitoring and evaluation of performance to ensure desired outcomes. A wide scope of actors shall be responsible for the implementation of this Policy. These include the Government, Local Government Authorities, regulatory authorities, private sector, academic institutions, the media, and civil society organizations. The proposed institutional framework articulates major roles of key institutions and direction towards a transformed insurance sector which contributes effectively to sustainable economic growth and development.

The functions of each stakeholder are as follows:

5.1.1 Government Ministries

The Government Ministries of both Tanzania Mainland and Zanzibar will facilitate the insurance policy by putting in place appropriate enabling environment. The growth of the Insurance sector in Tanzania requires the involvement of the Government in directing resources and leading other players towards a desired development.

I. Ministries responsible for Finance shall:

a) Coordinate the implementation of the Policy;
b) Strengthen the legal and regulatory framework for insurance sector;
c) Monitor and evaluate the Policy and its Implementation Strategy;
d) Ensure a stable macro-economic environment and financial stability;
e) Build capacity to ensure effective implementation of the Policy;
f) Contribute to the development of the insurance sector;
g) Use insurance services to manage risks related to Government assets; and
h) Avail financial resources for the implementation of the Policy.

II. Ministries responsible for Agriculture shall:

a) Create legal and regulatory framework to ensure agricultural loans have insurance coverage;
b) Build capacity of farmers organizations to enable them offer insurance to their members;
c) Facilitate availability of data relevant for development of agricultural insurance; and
d) Ensure all Agricultural Trade Fairs have insurance coverage against fire, terrorism, and public liability risks.

III. Ministries responsible for Education shall:

a) Incorporate insurance subjects in the national educational curricula;
b) Collaborate with Regional Secretariats and LGAs (in Tanzania Mainland) to ensure risks in the education sector including school buses and school buildings are properly insured against fire and accidents;

IV. Ministries responsible for Energy and Mining shall:

a) Ensure that the local content in all energy and extractive industries safeguards and promotes the interests of the local insurance industry;
b) Create awareness to actors in the energy and mining sectors on the essence of insurance against pollution and environmental damage.

V. Ministries responsible for Health and Social Welfare shall:

a) Create an enabling environment to ensure universal health insurance in Tanzania;
b) Create legal and regulatory framework for Health Management Organizations (HMOs) and Medical Aid Schemes.
c) Facilitate the development of microinsurance in Zanzibar

VI. Ministries responsible for Livestock and Fishing shall:

a) Create legal and regulatory framework to ensure loans in the livestock and fishing sub-sectors have insurance coverage;
b) Build capacity of organizations for livestock keepers and fishermen to enable them offer insurance to their members; and
c) Facilitate availability of data relevant for development of livestock and fishing insurance.

VII. Ministries responsible for Industry and Trade shall:

a) Create legal and regulatory framework to ensure loans in the industry sector have insurance coverage;
b) Ensure industries and warehouses have insurance coverage; and
c) Ensure all Trade Fairs and Social halls have insurance coverage against fire, terrorism, and public liability risks.

VIII. Ministries responsible for Sports and Culture shall:

a) Ensure all sports, shows and entertainment events have insurance coverage against fire, terrorism, and public liability risks.

IX. Ministries responsible for Tourism shall:

a) Ensure all hotels, resorts and lodges have insurance coverage against fire, terrorism, and public liability risks.

5.1.2 Local Government Authorities (LGAs)

LGAs have direct interaction with several actors at community levels and are responsible for protection of lives and properties of the masses through insurance. The role of LGAs in insurance sector development includes:

i. Enacting by-laws for appropriate insurance covers for managing risks including those related to terrorism, collapsing of buildings, and fire in the public places;
ii. Use insurance services to manage their risks; and
iii. Coordinate programs to stimulate insurance awareness.

5.1.3 Insurance Regulatory Authority

The current regulatory authority for regulating and supervising the insurance sector is the Tanzania Insurance Regulatory Authority (TIRA) which is mandated to promote and maintain an efficient, fair, safe and stable insurance market for the benefit and protection of policyholders.

The role of the regulator shall include to:

a) Perform functions conferred to it in accordance with the Insurance Legislation;
b) Coordinate and implement policies on insurance;
c) Specify the code of conduct for members of the insurance industry;
d) Effect supervision and monitoring of insurers, brokers and agents;
e) Protect interests of policyholders;
f) Specify requisite qualifications for members of the insurance industry.

5.1.4 Other Government Authorities and Agencies

Other Government Authorities including BoT, SSRA, CMSA, NIDA, TPDC, TCDC, TCRA, TCAA, ZAA, SUMATRA and TRA shall cooperate with TIRA in achieving the objectives of this policy as follows:

i. BOT - To coordinate bancassurance practice in the banking sector as well as facilitate National Payment Systems with regards to Mobile insurance services;
ii. SSRA – To streamline regulations on private pension schemes and annuities for attraction of life insurance players;
iii. CMSA – To create an enabling environment for stock exchanges to remain vibrant for enhancement of insurance sector profitability through new investments;
iv. NIDA, TRA, Police Traffic division and SUMATRA – To create an enabling environment for establishment and maintenance of a central databank for insurance sector;
v. SUMATRA – To ensure that all passenger – carrying vessels including buses, mini-buses, taxis, *bodaboda*, *bajaji*, ferries, boats, pantoons, have insurance for covering passenger legal liabilities;

vi. TCAA – To ensure that all aircrafts have insurance for covering passenger and third party legal liabilities, also all airports and airfields maintain insurance cover against airport risks ;
vii. TCRA – To create an enabling environment for mobile insurance service delivery;
viii. TCDC – To facilitate development of the micro insurance industry; and
ix. TPDC and STAMICO to ensure local content with regard to insurance in the energy and extractive industry.

5.1.5 Insurance Industry

The insurance industry which includes insurance companies, brokers, agents, loss assessors and related trade associations are important in providing substantial capital investment and expertise needed for the development of the Insurance sector. These will also play an important role in dissemination of insurance information for enhanced financial inclusion; build underwriting capacity within the industry; facilitate collection of training levy; build and maintain a central data bank for the insurance industry; and provide appropriate and affordable insurance products and services. This policy will provide a suitable environment for effective participation of the insurance industry in the development of the Insurance Sector.

5.1.6 Academic Institutions

Academic institutions play an important role in training personnel for the insurance sector. Development of the sector requires requisite skills and expertise in the field of risk management including actuarial science, insurance, finance, marketing, and law. There is therefore need to develop long-term and short term training programs to meet the professional needs of the sector.

5.1.7 Insurance Professional Associations

Insurance Professional Associations shall:

a) Promote continued professional development for up scaling the insurance knowledge;
b) Build a pool of professionals needed for succession planning in the insurance sector;
c) Develop and enforce codes of conduct for their members;
d) Ensure uniform standards, transparency and good corporate governance practice among their members;
e) Provide platform for peer review, capacity building, generic product development and marketing; and
f) Work with other stakeholders for promoting of financial literacy on insurance and consumer protection.

5.1.8 Other Professional Associations

Other Professional Associations shall:

a) Require their Professionals to arrange insurance covers to protect themselves against professional liabilities;
b) Create awareness to their members on the need and benefits of professional indemnity insurance.

5.1.9 Media

The essence of Media is to enhance provision of Insurance awareness in the sector. It is important for the insurance industry to strengthen collaboration with the Media to ensure the objective of this Policy is achieved.

5.1.10 Civil Society Organizations (CSOs)

CSOs which include NGOs, CBOs, and FBOs play an important role in advocacy and mobilization with communities which form the main target for micro-insurance services due to their nature as aggregators. The Government shall provide a favorable environment for effective participation of CSOs in the development of the insurance sector.

5.1.11 Development Partners

Development Partners will provide financial support and technical assistance for the development of insurance sector including agricultural insurance capacity building to stakeholders and will operate within the relevant provisions of this Policy.

5.1.12 Other Stakeholders

The stakeholders which fall under this group include employees, trade unions, politicians, employers, and the general public. This group is expected to support the implementation of this Policy through dissemination of insurance information in order to create an understanding of the nature of the sector as well as importance and benefits of insurance in their respective areas of operations.

5.2 Monitoring and Evaluation

M&E system is instituted as a review mechanism to monitor the progress and assess the level of attainment of specific targets as compared to the planned specific objectives. The successful functioning of M&E system highly depend on a well-coordinated and functioning of all components of the system, from data collection to the highest level of analysis and reporting to relevant stakeholders.

The overall responsibility for the monitoring and evaluation of National Insurance Policy implementation lies with the Ministry of Finance Tanzania Mainland and Zanzibar, working in close collaboration with the Tanzania Insurance Regulatory Authority (TIRA). The Ministry of Finance plays key roles in the implementation process, monitoring as well as performance evaluation. Likewise, other stakeholder will be involved in monitoring and evaluation of this policy. For effective monitoring and evaluation, each responsible Ministry or participating institution will have to establish a reliable internally monitoring system and ensure capacity is available to assess the organization efficiency and effectiveness in relation to the National insurance policy.

The Monitoring and evaluation will involve among other things; establishment of performance indicators, conducting baseline survey and setting M&E framework. Tracking progress on implementation of the milestones and targets will be done on quarterly, semi-annual and annual basis, formal review will be conducted which include annual review. The reviews will focus on whether the planned activities are performing towards achieving annual target.

In addition the review will involve conducting case studies, diagnostic studies, surveys, and beneficiary assessments to track any changes interms of outputs realized over the period under review. The findings will be used to adjust the implementation strategy or reviewing the Policy.

5.3 Conclusion

A safe and stable insurance industry is vital for underwriting stability and confidence in the country's economic system. Therefore, efforts for improving performance of the economy and living standards of the population must give particular attention to development of the insurance sector. This requires addressing challenges that continue to hinder the development of insurance sector including low use of insurance by government and its MDAs; low uptake of insurance in rural areas and by the low income segment of the population; lack of use of agriculture insurance; low level of public awareness on insurance products and services; and low financial literacy by members of the public.

This Policy aims at providing guidance for ensuring that benefits from the insurance sector are maximized and contribute to the building of Tanzanian economy. It also forms a comprehensive framework for entrenching insurance as a risk mitigation tool that plays a key role in the development of the country's economy.

The Government is committed *to creating an enabling environment for the development, promotion and maintenance of an inclusive, efficient, fair, safe and stable insurance sector in Tanzania*. The ultimate goal is to contribute toward improving the quality of life of Tanzanians at present and in the years to come. This could be achieved through a mechanism which balances domestic and foreign market and attracts foreign investment. A linkage of the insurance industry with the other sectors is considered to be of paramount importance.

This Policy document is supported by a Strategy to ensure effective implementation toward facilitating social and economic transformation of Tanzania to become a middle-income country by 2025.