CHALLENGES FACING THE SUCCESS OF INSURANCE SERVICES PROVISION IN TANZANIA

BY:

PHILIP KILONZO NTHENGE

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) THE SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER 2012

DECLARATION

This research project is my original work and has not been represented for any degree in any other university.

Signature ______________________ Date 12/11/2012

PHILIP KILONZO NTHENGE
D61/72809/2009

This research project has been submitted for examinations with my approval as a University supervisor.

Signature ______________________ Date 12/11/12

VICTOR NDAMBUKI
LECTURER, THE SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI

DEDICATION

I dedicate this project to my wife Ellah, son Ted and my parents for the support and encouragement throughout my life.

ACKNOWLEDGEMENT

I would like to acknowledge the Almighty God for the gift of life, health and astuteness to be able to carry out this project.

To my Supervisor Mr. Victor Ndambuki and moderator Albert Monayo for their unwavering support while I was writing this project.

To my wife Ellah and son Ted for providing the much needed support, inspiration and above all for being with me throughout the journey, I will always be indebted to you.

Further, I wish to register my appreciation to all those who in one way or the other immensely contributed to make this project a success and their names have note been published here.

ABSTRACT

Insurance is an intangible service. It is a promise to provide for financial losses to individuals and companies upon payment of an annual premium as the consideration and are compensated once any insured perils operate. The loss has to be unforeseen and accidental.

This study looks at the challenges facing the insurance services provision in Tanzania. The study was conducted on the insurance companies registered and licenced by the Tanzania Insurances Regulatory Authority as at 31st July 2012.

Data was collected using questionnaires which were hand delivered to insurance companies targeting business development executives in self addressed envelopes. Some questionnaires were emailed to the officers in the different companies to the convenient of the respondents. The results were analysed using descriptive cross sectional design as well as co-relational research due to the qualitative nature of the data.

The key findings from the study shows that insurance services provision in Tanzania
face myriad of challenges that are inhibiting advancement. Due to these challenges the industry continues to register low penetration at as many people remain uninsured. Many challenges have been outlined in the study need to be addressed by the stake holders if the industry is to achieve a penetration increase from its current 0.84%. The challenges include awareness, immature legal framework, lack of strong market –led initiative, claims fraud and corruption, under-capitalization, legal constraint to new channels of distribution such as banc assurance, weak supervision and lack of vocational training facilities leading to shortage in skills needed in the industry.

The findings of this study are important because they will assist in developing policies that will ensure that insurance is embraced in Tanzania. This includes introducing favorable strategies that will result in increased adoption of insurance.

In addition it will help the government and other stakeholders will recognize their role so that it can support the industry.

TABLE OF CONTENTS

PRECEEDING PAGES

Declaration I

Dedication II

Acknowledgement III

Abstract IV

Table of contents V

Acronomys & Abbrevaitions VII

CHAPTER ONE: INTRODUCTION 1

1.1 Background 1

1.2 Problem Problem 5

1.3 Research Objectives 6

1.4 Value of the study 6

CHAPTER TWO: LITERATURE REVIEW 8

2.1 Introduction 8

2.2 Theoretical and Empirical Review 8

2.2.1 Demographic Variables 9

2.2.2 Economic Variables 11

2.2.3 Institutional Determinants 12

2.3 Evaluation of the enablers of growth 12

2.4 Challenges in Marketing Insurance 15

CHAPTER THREE: RESEARCH METHODOLOGY 17

3.1 Introduction 17

3.2 Research Design 17

3.3 Target Population 17

3.4 Data Collection 17

3.5 Data Analysis 18

CHAPTER FOUR : DATA ANALYSIS AND INTERPRETATION 17
4.1 Introduction 17
4.2 Data Analysis 17
4.3 Interpretation 22

CHAPTER FIVE : SUMMARY, CONCLUSION AND RECOMMENDATION 25
5.1 Summary 25
5.2 Conclusion 25
5.3 Recommendation 26
5.4 Limitation of the study 26

References 28
Appendix II: Questionnaire 31
Appendix II: Insurance Companies in Tanzania 33

ACRONOMYS AND ABBREVIATIONS

ATI	-	Association of Tanzania Insurers
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
IAIS	-	International Association of Insurance Supervisors
IIT	-	Insurance Institute of Tanzania
NIC	-	National Insurance Company
SMEs	-	Small and Medium-sized Enterprises
SHI	-	Social Health Insurance
TIBA	-	Tanzania Insurance Brokers Association
TIRA	-	Tanzania Insurance Regulatory Authority
UNCTAD	-	United Nation Conference on Trade and Development

CHAPTER ONE: INTRODUCTION

1.1 Background

The insurance sector is an infrastructural pillar of the financial services sector and the economy as a whole. It plays a key role in economic development. Several empirical studies suggest a strong correlation between the development of financial intermediaries and economic growth. According to Patrick (1966) there are two, possibly coexisting, relationships between the financial sector and economic growth. The first is the case where the financial sector has a supply-leading relationship with growth, and where economic growth can be induced through the supply of financial services. The second is a demand-following relationship where the demand for financial services can induce growth of financial institutions and their assets. Developing countries have supply-leading patterns of causality of development and have considered locally incorporated insurance institutions or State-owned monopolies an essential element of economic development.

Recently, the economic importance of the insurance sector has been increasing in most developed countries and some developing ones. Insurance companies form a growing part of the domestic financial sector. They have also become significant players in the international capital markets. The insurance sector is closely linked with macroeconomic factors (e.g. inflation, currency controls and the national income of a country), regulation and supervision, and the achievement of national development objectives, as well as the international trade regime. Given its dual infrastructural and commercial role, the sector has attracted great interest in the context of privatization and liberalization.

A developed and functioning insurance sector is a fundamental condition for economic success. The objective of insurance is to provide financial stability to individuals, organizations and businesses. As a risk pooling and transfer mechanism, insurance allows the insured to mitigate pure risks (i.e. risks that involve only the possibilities of loss or no loss). Examples of such risks are fires, flooding, ill health and unintentional damage to a third party. Insurance helps business to stay open and individuals to continue their work or education by providing financial compensation if an insured risk occurs and causes damage. Even when no loss occurs, insurance provides peace of mind, a service of considerable, if unquantifiable, value. As a financial sector, insurance is a major investor. Life insurance can stimulate and mobilize personal savings that may, in its absence, become sterile assets. It can also relieve pressure on social welfare systems. Insurance is also needed for trade and commerce where it enhances the creditworthiness of trading partners and can reduce the risk of failure of startups and small and medium-sized enterprises (SMEs) as non-diversified risk-takers. The important role of the insurance sector for trade and economic development has been affirmed many times and has been comprehensively analyzed by UNCTAD whose research and policy advice are available at its dedicated Internet website (www.unctad.orq).

In a recent study of quality of life in developing countries with reference to South Africa (Moller, 2009), income and social security (own wages, ability to provide for family, insurance against illness/death and income in old age) have been treated as one of the major indicators of quality of life. This standpoint stresses the significance of insurance to human life. Ironically, insurance services seem not to have been so accepted enthusiastically in developing countries. The abysmal level of insurance culture in developing economies has attracted relative interests among researchers and practitioners alike. Risk has been identified as a central fact of life in the rural areas of less-developed countries Udry, (1994). Some of the problems associated with this have been marketing.

Omar (2005) assesses consumers'attitudes towards life insurance patronage in Nigeria and found out that there is lack of trust and confidence in the insurance companies. Other major reason for this attitude is lack of knowledge about life insurance product. An instructive opinion suggested by the researcher is the call for a renewed marketing communication strategy that should be based on creating awareness and informing the consumers of the benefits inherent in life insurance so as to reinforce the purchasing decision. The drawback to Omar's study is in the area of its inability to capture attitude to non-life insurance products and limited sampling, which include automobile, home contents, goods in transit, marine and aviation, fidelity guarantee and so on. However, Omar's study raises fundamental marketing questions for insurance practitioners.

Arodiogbu (2005) addresses the problems of poor health sector financing using the social health insurance (SHI) and identify several factors militating against the scheme. His recommendations, unfortunately fail to address the need for private-public partnership in solving the problem as is the practice in the developed countries. In a related study, Morduch (2004) identifies weak financial institutions in low-income countries as one of the causes of low insurance culture. He explains that they besought to second-best arrangement such as borrowing from neighbours and relatives and selling durable assets to cushion the effects of unforeseen tragic circumstances.

The demand for life insurance in a country may be affected by the unique culture of the country to the extent that it affects the population's risk aversion (Douglas and Wildavski (1982) & Henderson and Milhouse (1987) argue that an individual's religion can provide an insight into the individual's behaviour; and understanding religion is an important component of understanding a nation's unique culture. Also, Zelizer (1979) notes that religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God's protecting care. Until the nineteenth century, European nations condemned and banned life insurance on religious grounds. Zelizer also states that religious antagonism to life insurance still remains in several Islamic countries.

In similar vein, Warsaw and Hill (1986) tested the effect of Islam on life insurance consumption using an international data set. The results of their study indicate that, ceteris paribus, consumers in Islamic nations purchase less life insurance than those in non-Islamic nations. This becomes more evident in the fact that there is comparatively very low ratio of Muslims in developed countries with the majority residing in medium to low human development countries. From the thirty-five low human development countries as defined by the Human Development Report (2004), seventeen have a majority Muslim population and a further five have a Muslim population of over 20 percent. Muslims around the world are commonly faced with low-income levels, and lack access to social security systems, healthcare, education, sanitation, and employment opportunities Patel (2004).
The above assertions have been corroborated in another related study of insurance penetration in Nigeria, a developing nation where the marketing of an interest-free insurance scheme gained the support and patronage of the Muslim population Yusuf (2006). This becomes attractive mainly because the scheme is interest free hence it is regarded as having religious backing.

Insurance is understood by most people to be critical to a well-functioning economy. By providing payment in the event of unexpected losses, insurance introduces security into personal and business situation. It also serves as a basis of credit as no financial institution would lend money for purchase of capital goods. The main themes in the literature of attitude and perception of life insurance policyholders have largely focused on factors predicting these attitude Skinner and Dubinsky(1984); Ozdemir and Kruse (2004), purchase decision-making responsibility Barron and Staten (1995), consumers perceived value Smith (2006) and satisfaction (Kuhlemeyer and Allen, 1999). For example, in a survey of 1,462 families, Skinner and Dubinsky (1984) found out that employment status of the wife and education of the husband discriminate mostly between which family member(s) is responsible for insurance purchasing decision. Other significant variables include wife's educational level, husband's employment status, family income, and husband's occupation. Ozdemir and Kruse (2004) explore the relationship between individual's risk perceptions and their willingness-to-pay for increased safety in a low-probability, high-consequence event. They found out that the perceived severity of tornado risk has the largest effect on willingness-to-pay and presence of children in the house significantly increases the willingness-to-pay - Yusuf, T. O. (2009).

While reviewing the performance of the insurance industry, Dorfman (1980) observes that even though life insurance industry engages in product innovation, the market for life insurance appears to have a serious weakness in that not many new improvements have been forthcoming in recent years. Some of the areas of deficiencies include lack of copyright protection for life products, regulatory opposition, consumer and salesmen's attitudes. Kuhlemeyer and Allen (1999) find out that consumer satisfaction with life insurance products is largely accounted for by the trust they repose in the sales agents in contrast to those who purchase direct from the insurance companies. The surveyed population who purchased from sales agents were more satisfied with the insurance industry than those who purchased directly from insurance companies. This apparently justifies the view held earlier by Pritchett *et al.* (1996) that —insurance is sold rather than bought. Insurance industry in developing nations is however challenged by very low penetration rates going as low as 0.6% in the least developed countries. Tanzania has a 0.84% penetration rate which is below the 7.5% world average. This study therefore seeks to find out the contributing factors to this low penetration rate and establish measures that can be taken to salvage the situation.

1.1.1 The Tanzanian Insurance Industry

Between 1967 and 1996, Tanzania's insurance sector was state-owned and run. The industry was liberalized in 1998 with 6 privately held firms. As of July 2011, the number of Tanzanian insurers had grown from 6 to 24 companies. Tanzania's Insurance Act of 1996 established a working framework for seven different categories of insurers. In addition, firms were required to meet share capital and solvency margin requirements and must also hold a certain percentage of their assets in specified investments notes, Gumbo (2007).

In Tanzania, the insurance business is defined under the Insurance Act 2009 as a business of assuming the obligation of an insurer in any class of insurance whether defined in the act or not. The insurance players are insurance companies, assurance companies, reinsurance companies, insurance brokers, insurance agents, the insuring public and the government through the regulator; Tanzania Insurance Regulatory authority (TIRA). The market was liberalized in 1998 allowing private investors and companies to be registered and to operate in the market. This saw entrepreneurs from other countries with more developed insurance markets in Africa such as South Africa, Kenya and others moving into the market. Previously, only the national insurance Corporation (NIC) a government firm was operational as a monopoly. The main objective for liberalization was among others transforming the insurance industry into a competitive agent for national savings mobilization. This was to be achieved through increasing insurance penetration to hitherto un-served markets. Thirteen years after liberalization, considerable developments have been achieved. For instance growth has averaged 21% from 2005 – 2010 (TIRA, 2010). However, Tanzania remains one of the poorest insured markets with a low insurance penetration than its east African neighbours.

Oversight responsibilities have been assigned to Tanzania's Insurance Supervisory Department, a government office to oversee the industry. The Commissioner appointed to this department is responsible for licensing all new entrants into the insurance sector. Each year, 20 percent of an insurer's net profits must be transferred to a capital reserve account. Every company is also required to reinsure a certain percentage of its liabilities with the Tanzania National Reinsurance Corporation. Reinsurance requirements have been regulated on a sliding scale through 2014 after which mandatory cessions will cease (e.g. 10% in 2006, 15% in 2007, 20% between 2008-12, 15% in 2013 and 10% in 2014).

1.2 Research Problem

The situation of the insurance market can be appreciated by using quantitative and qualitative indicators, among the latter the most important being the density and penetration. Insurance density is expressed as the ratio between the total direct gross premiums collected and the total number of the inhabitants (population) of that country, expressing the average per capita. Penetration of insurance is a synthetic indicator. It shows the contribution of insurance sector to the creation of GDP (gross domestic product). It is calculated as the ratio between the amount of direct gross premiums and GDP.

A couple of studies have been done on the area of demand and consumption of insurance. Chui and Kwok (2009) studied culture and its effect on insurance consumption. They found that culture has an effect on insurance consumption. Park, Lemaire and Chua (2010) studied challenges insurance penetration in Arab countries and found that Moslem religion led to lower uptake of insurance. Hwang and Gao (2003) investigated the determinants of the demand for Life Insurance in an Emerging Economy with a Case of China. They found that certain cultures led to lower uptake of life insurance whereas urbanization which leads to diffusion of cultures was related to more uptake of insurance. Compared with the voluminous literature on life insurance country variations, very little empirical research has been devoted to the determinants of the demand for life insurance in the lesser developed countries like Tanzania. This study therefore seeks to fill that gap in knowledge.

1.3 Research Objectives

The objectives of this study were to;

i) Identify the challenges affecting the success of insurance services provision in Tanzania
ii) Find out measures that can be taken by all stakeholders to counter the challenges

1.4 Value of the study

Numerous publications in insurance journals explore the determinants of insurance consumption, and attempt to find variables that significantly impact life and non-life insurance purchases. All studies implicitly assume that policyholders are making rational decisions. maximizing benefits to dependents after death and protecting their assets, and focus on economic determinants such as income. legal system, and education using international panel data.

However, it may be unreasonable to expect such a high degree of competence and rationality on the part of insured confronted with the purchase of very complex and abstracts products. It may very well be that various variables which are dynamic and complex have a strong impact on insurance purchase decisions. Humans do not share the same decision-making process when facing economic decisions. Consumers may respond to insurance solicitations according to their cultural beliefs. experiences and income not only on economic rationality.

The value of this study is three-fold. First, the Researcher explores the challenges facing the insurance industry in Tanzania which will provide rich information for both theory and practice.

In theory the study will contribute to literature on the challenges facing insurance in developing and emerging economies which is limited. This will provide learners and scholars more material on this important area. The study will also provide basis for further research to those who would like to research on this area.

The second value of this study is on practice as it seeks to establish the challenges in insurance services provision and investigate measures that can be taken to increase uptake of insurance. This will provide the government of Tanzania with a viable basis of coming up with a sound insurance policy framework.

Thirdly, the insurance industry, insurance companies, brokers, agents and other insurance stakeholders including insuring public will recognize the issues affecting the industry. They will work on the identified challenges and recommended measures of combating them to ensure that insurance industry plays its crucial role in the economy.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter presents literature review on strategy, strategic management and strategic responses that have been applied by businesses globally, regionally and locally. The chapter is organized as follows. First is the discussion of the concept of strategy. Then, strategic management is discussed. Organizations and how they cope with their environments is also discussed and the chapter closes with the responses applied by organizations to cope with their challenges.

2.2 Theoretical and Empirical Review

This section describes the theoretical underpinnings of the researcher's empirical tests and different factors hypothesized to drive the demand and supply of life insurance policies and thus affecting penetration of insurance.

Lewis (1989) extends this framework by explicitly incorporating legal framework and the preferences of the dependents and beneficiaries into the model. Specifically, he derives the demand for insurance as a maximization problem of the policyholder's welfare together with beneficiaries, the spouse and the offspring of the insurance policyholder. Insurance consumption, however, is not only driven by consumer demand. There are important supply-side factors which affect the availability and price of insurance. Insurance companies need both the human and information resources to effectively measure the pricing and reserving requirements for products as well as adequate opportunities in financial markets to invest adequately. An adequate protection of property rights and an effective enforcement of contracts also facilitate the investment function of insurers.

These supply factors are expected to affect the costs of insurance products. Within the Lewis model, described above, these supply-side factors might be represented by the policy loading factor. While there have been attempts to model the relation between the supply and demand of insurance separately, data limitations have restricted the empirical testing of these hypotheses. While we can observe the total amount spent on insurance policies, using premium data, or the total face value of outstanding insurance policies, we cannot distinguish between supply and demand. Furthermore, premium data do not allow us to observe the actual amount of insurance coverage purchased, as they are a combined measure of price and level of coverage.

Truett and Truett (1990) notes that unless the price is constant across countries, which is unlikely, assuming that the premium is equivalent to the amount of coverage would introduce a source of noise in estimations.

On the other hand, using the variable often used to proxy price (premiums over insurance in force) in a cross-country or panel data set requires one to make a troublesome assumption, namely, that the mix of policies remains constant across countries and time. Price, however, is undoubtedly an important determinant in the consumption of insurance, and leaving it out may subject the empirical testing to omitted variable bias as observed by Thorsten Beck, Ian M. Webb (2002). This study addressed the problem of omitted variablein two ways. First, the price is a function of several supply-side factors that are likely to affect the ability of insurers to market and distribute policies cost-effectively. Varying levels of urbanization, monetary stability, bureaucratic quality, rule of law, corruption, and banking sector development all impact the insurer's ability to provide cost-effective insurance. Including these supply-side factors within my empirical model thus reduces the bias introduced by the missing price variable. Secondly, the Researchers used panel estimation techniques that eliminate biases due to omitted variables, such as the price variable in my model.

In the following the Researcher described different variables that may be linked to the demand function described by Lewis (1989) as well as several supply factors that might proxy for the policy loading factor. These are factors that can bring challenges in insurance penetration in the market.

2.2.1 Demographic Variables

A higher ratio of young dependents to working population is assumed to increase the demand for mortality coverage and decrease the demand for savings through life insurance. On the one hand, a larger share of dependents increases the total present value of consumption of the insured's beneficiaries, and therefore the demand for life insurance that provides dependents with payments in the event of the premature death of the primary wage earner. On the other hand, a high dependency ratio indicates the extent to which the population is too young to consider saving for retirement, and therefore reduced demand for savings through life insurance products. Beenstock, Dickinson, Khajuria, (1986), Browne and Kim (1993) and Truett and Truett (1986) find that the dependency ratio is positively correlated with life insurance penetration. Given opposite effects of the dependency ratio on the mortality and savings components of life insurance, however, a higher dependency ratio is ambiguously correlated with life insurance consumption.

A higher ratio of old dependants to working population is assumed to increase the demand for both the mortality and the savings component of life insurance policies. While the theoretical work focuses mostly on the life insurance policies held by primary wage earners, life insurance policies held by retirees have gained importance in many developed countries. Furthermore, in countries with a larger share of retired population, savings through life insurance policies as well as protection against superannuation gains importance.

It is expected that a higher level of education in a population will be positively correlated with the demand for any type of life insurance product. The level of a person's education may determine his/her ability to understand the benefits of risk management and savings. A higher level of education might therefore increase an individual's level of risk aversion. Education may also increase the demand for pure death protection by lengthening the period of dependency, as well as increasing the human capital of, and so the value to be protected in, the primary wage earner. Truett and Truett (1990) and Browne and Kim (1993) find a positive relationship between life insurance consumption and the level of education.

The religious inclination of a population may affect its risk aversion and its attitude towards the institutional arrangements of insurance. Religious opposition against life insurance, while stronger in African countries before the 21st century still persists in several Islamic countries today. Followers of Islam are known to disapprove of life insurance because it is considered a hedge against the will of Allah. Unsurprisingly, Browne and Kim (1993), find a dummy variable for Islamic countries to be negatively correlated with life insurance demand. This study employs a broader measure of religious inclination by including Protestantism, Catholicism and a composite of other religions. The religion variables are defined as the ratio of adherents of one religion over the entire population. While I expect the Muslim share of the population to be negatively related to life insurance demand, I do not have prior expectations about the signs on the other religion variables.

Economies with a higher share of urban to total population have higher levels of life insurance consumption. The concentration of consumers in a geographic area simplifies the distribution of life insurance products, as costs related to marketing, premium collection; underwriting and claim handling are reduced. Lower costs, in turn, should encourage a greater supply. Further, societies with longer life expectancies should have lower mortality coverage costs, lower perceived need for mortality coverage, but higher savings through life insurance vehicles. This would imply an ambiguous correlation with the demand for life insurance products. Previous authors Beenstock, Dickinson, Khajuria (1986), and Outreville (1996) have found life expectancy positively related to Life Insurance Penetration.

2.2.2 Economic Variables

Insurance consumption should rise with the level of income, for several reasons. First, an individual's consumption and human capital typically increase along with income. This can create a greater demand for insurance to safeguard the income potential of the insured and the expected consumption of his/her dependents. Second, insurance may be a superior good, in as much as increasing income may explain an increasing ability to direct a higher share of income towards retirement and investment-related life insurance products. Finally, the overhead costs associated with administrating and marketing insurance make larger size policies less expensive per shilling of insurance in force, which lowers the price of life insurance policies. Campbell (1980). Beenstock. Dickinson. Khajuria (1986), Truett and Truett (1990), Browne and Kim (1993). and Outreville (1996) have all shown that the demand for life insurance is positively related to income. using both aggregate national account data and individual household data.

Inflation has a negative relationship with life insurance consumption and penetration. As life insurance savings products typically provide monetary benefits over the long term, monetary uncertainty has a substantial negative impact on these products' expected returns. Inflation can also have a disruptive effect on the life insurance industry when interest rate cycles spur disintermediation. Fixed interest rates and loan options imbedded in some life insurance policies, for example, spurred disintermediation in the U.S. life insurance market during the inflationary 2008 and 2009. These dynamics make inflation an additional encumbrance to the product pricing decisions of life insurers, thus possibly reducing supply in times of high inflation

Banking sector development is expected to be positively correlated with life insurance consumption. Well-functioning banks may increase the confidence consumers have in other financial institutions, e.g. life insurers. They also provide life insurers with an efficient payment system. The efficient development of the entire financial system - as might be reflected in the absence of interest rate ceilings and other distortionary policies – is thought to help life insurers invest more efficiently. This in turn may translate into a better value, or price, offered to consumers for their life insurance. Outreville (1996) finds a significantly positive relationship between financial development and life insurance penetration.

2.2.3 Institutional Determinants

Thorsten Beck, Ian M. Webb - 2002 notes that the tenability of a vibrant life insurance market depends to a large extent on the institutional framework of a country. An inclination to fraud may induce individuals to file duplicitous claims or claims arising from intentionally induced death of insured. If fraud is common in claim reporting, then the insurance mechanism will become prohibitively costly for a large part of the population, or simply break down entirely. Moreover, highly inefficient government bureaucracies tend to go hand in hand with inefficient judiciaries. The inability to appeal the breach of life insurance contracts by insurers reduces the value of an insurance contract to consumers and may deter them from committing large sums of money into these products. Finally, the lack of property protection and contract enforcement impedes life insurers' ability to invest efficiently and control the price of their products.

2.3 Evaluation of the enablers of growth

The development of an insurance market is a function of the underlying enablers of growth, and the existing state of the market is a reflection of the maturity of these enablers. From review of literature, there are five types of enablers that shape an insurance market. In order to develop policy recommendations to address the underlying enablers (and consequently promote the growth and development of the market), it is necessary to evaluate the maturity of each of these enablers. Since the state of development of the enablers differs by country, it is necessary to perform this evaluation at the country level, Vayanos (2008). This study will seek to find out which one of these enablers are hindering the growth of insurance in Tanzania.

The first enabler is legal framework. At the legal and regulatory levels, there is wide variability in the maturity of the frameworks that govern national and regional insurance markets. Until recently, almost all African countries had outdated insurance laws and regulations; some countries had no insurance law at all. Over the past few years, many countries have initiated serious efforts to upgrade their regulatory frameworks, as evidenced by the enactment of new laws. They have strengthened the independence and supervisory capabilities of regulatory entities in line with the core principles of the International Association of Insurance Supervisors (IAIS); they have also issued sector guidance notes covering, for example, governance, market conduct, and risk management. That said, there still remains a wide variation in the comprehensiveness and application of legal frameworks across the region.

Regulatory bodies are another indicator. Regulatory bodies operate in tandem with legal frameworks. Not surprisingly, the level of maturity of these bodies is a reflection of the underlying laws and regulations. Many countries have an insurance regulator, although the form of the regulator varies. In some countries, the insurance sector is supervised by an existing financial services regulator, such as Tanzania Insurance Regulatory Authority (TIRA) in Tanzania. In other countries, the sector is supervised by a government ministry. The comprehensiveness and effectiveness of regulatory processes, especially supervisory processes, varies considerably across the African region. As mentioned above, this is a function of the maturity of the underlying legal and regulatory frameworks, Vayanos (2008). Within the African region, there is a need to upgrade the capabilities of selected regulators to ensure comprehensive and consistent enforcement of regulations.

The nature of competition is another indicator of insurance growth. The insurance markets of Africa are generally competitive. This can be measured by the extent to which foreign insurers are present in the market, the level of state involvement through government-owned firms, and the extent to which the market is fragmented. Over the past few years, countries in the region have lifted restrictions and/or moratoriums on the operations of foreign insurers. As a result, the markets of these countries are now open to foreign insurance companies, which are present to various degrees throughout the region. However, their share of the local market tends to be small; this circumstance can be traced to previous restrictions on market entry, regulations that require insurers to invest a large proportion of premiums in local markets, and the fact that the individual markets of the region may not have been attractive given their small size. With the lifting of restrictions and expected market growth, the level of activity of foreign insurers is expected to grow significantly. Additionally, foreign insurers in many cases in Tanzania have focused on the composite insurance business. This can be ascribed to the fact that local insurers have been less active in this area due to less-developed capabilities and limited demand from nationals owing to various challenges - Vayanos (2008).

Encouraging the formation of large (but not dominant) well-capitalized insurers is vital to the development of the regional insurance sector, since these companies can invest in the capabilities needed to promote growth. In addition, creating the conditions to attract foreign insurers is important to ensure the transfer of skills and best practices to the region.

Across the region, the insurance sector is characterized by a shortage of skills—particularly product development, underwriting, and actuarial skills. The absence of skills clearly affects the development of the sector, specifically in the areas of product innovation, risk assessment, and pricing. This situation is exacerbated by nationalization requirements in some countries, which extend the time required to train and equip staff for key positions, and the availability of highly attractive positions in other areas of the financial services sector. The generally limited number of training institutes and the absence of international accreditations hamper the development of skills. Again, there is wide variability across the region in terms of training facilities. The shortage of skills and limited training facilities are perhaps the greatest impediments to the development of the insurance sector in the region.

Market-led initiatives refer to initiatives at an industry level that seek to develop the sector as a whole. This includes market standards and the availability of statistics to enable insurers to improve product development and pricing, the existence of industry associations to foster cooperation between industry players, and the existence of industry programs to create awareness among the population of the concept and benefits of insurance. Although these initiatives occur at the country level, my assessment will cover efforts to improve coordination among individual regulators and players. Across the region, there is a lack of reliable market data. In the markets that do collect data, the data are neither comprehensive nor sufficiently granular to provide insurers with the necessary insights to improve product development and pricing. Almost all of the region's markets either have an insurance industry association or are in the process of forming such an association. These associations play an important role in promoting the sector by facilitating cooperation between insurance companies and professionals.

On the awareness level, there are limited programs in place in the countries of the African region. Similarly, there are limited, if any, programs aimed at raising the profile of the insurance industry and attracting university/college graduates and other professionals. On a regional level, pan-regional cooperation has manifested itself in numerous forums, associations, and standard-setting organizations. Each of these bodies aims to foster the development of the regional insurance sector and promote regulatory coordination.

2.4 Challenges in Marketing Insurance

Insurance is significantly underdeveloped in the least developed countries. Life insurance has historically had limited take-up in the African region, resulting in an average level of insurance penetration for life insurance in 2009 of around 0.7 percent. There are various reasons that have led to this low uptake and more so in Muslim populations

First, the purchase of insurance products is strongly influenced by perceptions of whether or not the products are compliant with *sharia*. Similar to other conventional financial products, life insurance is perceived to have prohibited elements of uncertainty (*gharar*), gambling (*maiser*), and interest income (*riba*). Uncertainty stems from the notion that the outcome of the insurance contract is not known at the time it is created and varies according to the time of death of the insured. Gambling stems from the notion that the insured may gain large amounts (that is, profit) from the insurance coverage if certain events take place. Interest income stems from the notion that the premiums are invested in non-sharia-compliant, interest-bearing instruments. This has led to the low uptake of insurance in Arab countries which are predominantly Moslem.

A limited awareness of life insurance and its benefits among the citizens of selected countries has limited the take-up of such products. This is partly driven by cultural factors, such as the reliance on the extended family network, and partly by structural factors, such as the provision of generous benefits by the state in the event of death or disability. Until recently, there were few related financial products (such as mortgage lending) that stipulated the purchase of life insurance to settle outstanding obligations in the event of the death or disability of the borrower. Fragmented supply base with a large number of small competitors, limited presence of foreign insurers and a few big insurers can also affect uptake. From a supply perspective, many markets in developing countries are characterized by a large number of small players when measured by capital employed. Selected countries (including Egypt, South Africa and Morocco) have recently introduced legislation to raise the minimum level of capital. However, average levels remain very low when compared with international standards. There is also a limited presence of foreign insurers in the markets in terms of market share. Furthermore, many of the international insurers have a narrow focus, particularly on the life side.

The role of intermediaries in developing markets is important since they not only increase the distribution of products, but also serve as a means to educate customers about products. Across the eastern and southern Africa region, the level of penetration of brokers and agents varies. In the cases of South Africa, Zimbabwe and Kenya brokers are very active, especially on the corporate side. In other markets, intermediaries are less active and the business is driven through sales forces tied to companies. The informal conditions, under which brokers and agents operate, however, are common across the region. There are a number of reasons for these conditions, including: Absence of regulatory frameworks to govern intermediaries.

Until recently most countries in the region did not have a regulatory framework to govern the activities of agents and brokers. This in turn undermines the credibility of companies and individuals acting in this capacity. Lack of qualifications, accreditations, and licensing requirements was another impediment. The absence of these standards undermines the development of intermediaries since there is no way for customers to independently verify the quality of the agent or broker with whom they are dealing.

Bancassurance, or the sale of insurance products through a bank, is a similarly informal channel. Vayanos (2008) observed that specific challenges facing bancassurance include ensuring adequate training and incentive schemes for bank staff to sell insurance products, implementing systems to facilitate the processing of policies, addressing regulatory issues such as which regulator (banking or insurance) should oversee bancassurance activities, and determining whether conventional banks are able to distribute products.

In summary, it appears that the Tanzanian market is underdeveloped on both the demand and supply sides. That said, there is significant potential for future growth. Capitalizing on this potential will require regulators and policymakers to address gaps in the underlying enablers of growth which this study seeks to unravel.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the Research Methods that were used. These included research design, the target population, sampling, data collection instruments and data analysis techniques that used.

3.2 Research Design

The research adopted descriptive cross sectional survey design. It was important as it enabled comparison between challenges encountered by the various insurance companies to avoid a biased view. The comparison was done among insurance companies in different categories, ages and sizes. This design was also appropriate because it enabled the collection of a broad category of data from insurance companies without bias. This data assisted in describing the nature of challenges encountered in marketing insurance and relate responses designed to counter those challenges. Descriptive research was used to portray an accurate profile of events or situations surrounding the challenges encountered in marketing insurance. According to Angus and Katona (1980), it is this capacity for wide application and broad coverage which gives the survey technique its great usefulness.

3.3 Target Population

The target population of this study was the 27 licensed Insurance companies in Tanzania as at 31st July 2012 (TIRA, 2012). The research employed a census method due to the small size of the population which did not validate sampling. Thus, all the 27 licensed insurance companies were included as study subjects.

3.4 Data Collection

The study used primary data which both qualitative and quantitative. Primary data was collected using semi-structured questionnaires (Appendix I) to various business executives in all Insurance firms. The questionnaire was the chief data collection instrument. The questionnaire was distributed to business executive employee of each insurance firm who are involved in marketing plans affecting the company. This resulted in a total of 27 questionnaires distributed to all the targeted insurance companies. The questionnaire was designed to address the research questions. The questionnaire was divided into three sections; A, B and C. Section A addressed the general information about insurance in Tanzania. Section B addressed the specific objective about determining what challenges are encountered by the insurance companies in developing insurance markets. Section C addressed the responses that insurance companies are designing to counter the challenges determined. The questionnaire will consist of both open and closed-ended questions. They will also consist of Likert type questions that are intended at weighing the challenges.

After designing the questionnaire, the researcher piloted test for appropriateness of the instrument on 3 Business executives' employees from the insurance companies who did not participate in the main study. Respondents were required to critique the questionnaire on content, design and reliability in collecting desired data. This pretest was done to detect and correct any weaknesses in the questionnaire. After the pretest, the researcher made the amendments that were deemed necessary.

The researcher distributed the final questionnaire to the marketing executives in the Insurance companies. An introductory letter accompanied the questionnaires so as to give authenticity to the research and explained the purpose of the survey. The researchers requested the respondents to fill the questionnaires and were collected within 5 working days.

3.5 Data Analysis

The data obtained through the questionnaires was first checked for completeness and consistency. All the questionnaires were found correctly filled and fit for analysis were coded and all the data entered into statistical package for social sciences and analyzed based on descriptive statistics. The descriptive statistics that was used included mean scores and percentages .Percentages were used to analyze the positioning strategies that are employed. Mean scores were used to determine the magnitude of competitiveness achieved from strategic positioning. These were then presented using tables. pie charts and bar graphs for easier interpretation.

CHAPTER FOUR: DATA ANLYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses the results from the study. It is very useful since it shows a reflection of what is practically happening on the ground. Data from the field was checked for completeness, then coded and entered into the Statistical Package for Social Sciences (SPSS). The results from SPSS were then described using tables to show how the factors being studied relate to the objectives of the study. A total of 27 questionnaires were distributed and 21 were returned making a response rate of 77.7%. This was considered to be good since the industry under study is very restrictive on giving out. The first section of the questionnaire aimed at collecting the respondent's personal information and the organization they work for. Most of the respondents choose not to give the name of their company probably for security reasons.

4.2 Data Analysis

4.2.1 Challenges Affecting Insurance uptake

The respondents were asked to indicate what they would term as the greatest challenge affecting insurance penetration in Tanzania. The results are as indicated here below;

Table 4.1 challenges in Insurance penetration

Challenge	No. Of Responses	Percentage
Culture	3	14.3
Poor Regulation and laws	2	9.5
Low incomes	6	28.6
Poor Intermediation	2	9.5
Lack of knowledge	5	23.8
Poor innovation and pricing	3	14.3
TOTAL	**21**	**100%**

The results in Table 4.1 indicates that the greatest challenge in insurance penetration low incomes followed by lack of adequate knowledge, culture & poor innovation. poor regulation and poor intermediation.

4.2.2 Current status of insurance industry in Tanzania

The respondents were asked to indicate the extent they agreed with various statements made regarding the insurance industry in Tanzania. The statements generally touched on various possible challenges affecting the industry such maturity frameworks, legal constraints supervisory, competition, capitalization, skills, Market initiatives, awareness, products and services innovations and poverty. The results are as follows;

Table 4.2 Challenge Industry status

Challenge	Average	Percentage
Maturity frameworks	4.00	13%
Legal constraints supervisory	2.38	8%
Competition	2.14	7%
Capitalization	3.33	11%
Insurance Skills	3.57	12%
Market initiatives	3.05	10%
Insurance Awareness	4.76	16%
Products and services	1.43	5%
Innovations	1.19	4%
Poverty	4.57	15%
TOTAL	**30.43**	**100%**

The results in Table 4.2 indicates that the insurance market is currently suffering due to lack of insurance knowledge by the potential insuring public followed by poverty, lack of insurance skills, immature frame works, lack of adequate capitalization of the insurance companies and at the least the market is bothered about innovations.

4.2.3 Two major Challenges facing Insurance Industry

The respondents were provided with an open ended question to the effect that they should indicate the two major challenges that they felt were affecting the industry. The results are as follows:

Table 4.3 Major challenges facing insurance uptake in Tanzania

Challenge	Responses	Percentage
Insurance Supervision	17	22%
Claims Fraud & corruption	21	27%
Unfair competition	10	13%
Lack of insurance skills	11	14%
Lack of awareness	9	12%
Managing service providers	6	8%
Other	4	5%
TOTAL	78	100%

The results in Table 4.3, indicates that the respondents who are representatives of insurance companies perceive insurance supervision and claims fraud and corruption as the greatest challenges facing the industry. Other key challenges include lack of skills, unfair competition and lack of awareness.

4.2.4 Dealing with the challenges

The respondents were asked of the challenges that have affected uptake of insurance in Tanzania how well can those challenges be countered. The results are as follows;

Table 4.4 Dealing with the challenges

Suggested	Responses	Percentage
Legal framework and TIRA's role	19	28%
Developing Market-Led Initiatives	9	13%
Increased advertising & access of insurance	14	21%
Mergers & Takeovers for capacity	6	9%
Vocational Training & sponsorship	15	22%
Regionalization of the insurance sector	3	4%
Others	2	3%
TOTAL	68	100%

The results in Table 4.4, indicates that 28% of the respondents feel that the insurance industry challenges can better be addressed by the government putting in place clear legal framework and empowering the Tanzania Regulatory Authority; 22% indicated that the industry lacked the relevant skills to administer insurance and hence suggested vocational training to uplift the skills and companies to sponsor staff to motivate them;21% believed that increased advertising and access to insurance companies will lead to increased uptake and 13% noted that the market required to have many industry wide market initiatives to address the challenges affecting the market.

4.3 Interpretation

The results obtained are useful in determining the objectives of the study. From the results, the challenges facing the insurance uptake in Tanzania comes out clearly and therefore shows the areas that need intervention in order to improve the uptake of insurance services in Tanzania.

4.3.1 Challenges facing insurances services uptake in Tanzania

In any insurance industry or sector there are usually challenges that affect the stakeholders who include insurance companies, the regulators, intermediaries and the insuring public. Many of the challenges affect the various sectors of the industry but the effects are felt throughout the industry.

The insurance industry provides a mechanism for risk transfer – the insured transfers risk to the insurance company and in turn the insurance company transfers risk to reinsurer who in turn retrospectively seeks protection to reduce their exposure. The process is usually hindered by challenges which must be faced and addressed.

From the study, it shows that the insurance Industry is faced by lack of awareness of what the insurance business is all about. The insurance industry has not put enough resources in educating the general public of the role of insurance such that they are able to appreciate the need of insurance. The role of insurance in any economy is to provide peace of mind, capital reserve, identification and measurement of risk etc most Tanzanians hold motor third party covers which is the basic cover required by law since they lack knowledge of the various important covers that are available and competitive prices.

Tanzania is mainly an agricultural country with a population estimated at 46.22 Million according to a World Bank report. The people rely on subsistence farming and also majority of them reside in rural areas. This means that a great population is within the low income bracket. Due to poverty, many of this people cannot afford to purchase insurance as they are mainly concerned with first addressing security needs which are mainly food and shelter. This poses a challenge for those selling insurance services as the majority of population cannot afford. Due to rural urban migration, many young people have migrated to urban areas were job vacancies are limited and therefore are struggling to make ends meet. Due to the effects of low income, many insurable populations remain uninsured.

The study further indicates that the insurance industry is in dire need of vocational training for its movers to enable them gain skills required to induce insurance uptake. Training is necessary so that those who are spear heading distribution are in a position to understand what they are recommending to customers. One cannot sell a good or a service that they do not have knowledge of as it will mislead and the repercussion are huge. The industry may start a college as market-led initiative to foster professional growth.

The quality of the legal and regulatory environment in Tanzania has a significant effect on market development, inter alia by enhancing the credibility of insurance contracts. The Tanzania Insurance Regulatory Authority (TIRA) is mandated by the Government to regulate and supervise the insurance industry in Tanzania. The respondents feel that the body is not strong enough to impact on the rogues of the industry to provide a level ground. There is need to empower the body and rid it of corruption to aid the industry.

Insurance claims fraud and leakages continue to dog the industry. The insurance companies face a myriad of obstacles in effort to eradicate the unethical practices that lead to huge losses in the industry. The losses are occasioned by collusion between insurance company staff, intermediaries, services providers such garages, lawyers, loss assessor, investigators, loss adjusters etc with the insured part to perpetrate fraud. It is worth noting that the expansiveness of the Tanzania as a country allows fraudsters to commit their acts a thousand miles away or across the borders while scheming to frustrate any investigations that can be instigated to ascertain the circumstances. There are allegations that the police force is deeply involved in aiding the fraud against the insurance companies. This is a major setback as the institution should be at forefront in ensuring that the vice is crushed.

Competition is important in any business as it stimulates growth and innovation. Unfortunately if the same is unhealthy, it will deter development. For instance the insurance industry faces unhealthy completion as the regulator has been unable to stamp their authority. There is rampant premium under-cutting whose consequences is insurance companies are reduced to compete only on pricing and end have charging premium which is not commensurate with the risk they take. There are allegations of some insurance companies bribing intermediaries by paying commissions above what is regulated and also giving handout. The need to be the biggest insurance company in volumes has driven some insurance companies to take on their books fronted business free of charge. All these marketing practices and strategies pose threat to fair competition and should be discouraged.

The industry has seen the emergency of some market-led initiatives that have not been vibrant. There are various organizations that have been set up by the industry players such Association of Tanzania Insurers (ATI) a membership body for the insurance Companies, Tanzania Insurance Brokers Association (TIBA) and Insurance Institute of Tanzania. This organizations were formed with the aim of self-regulating of its members and enabling market led initiatives. For instant, the ATI has a members' code of ethics that is supposed to guide members' actions. The association has generally accepted rating guides that all members ought to follow. Due to lack of better enforcement mechanism the association has failed to deal with defaulting members. There is also a need for industry data interchange to enable the industry deal with claims fraud.

For an insurance to be able to carry risk, it should be properly capitalized. Many insurance companies are under-capitalized and lack the capital base to carry huge risks. This necessitates the risks to be placed off-shore for want of capacity. Consequently, the country is deprived of income that should have been used within the country to support development.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter discusses the study findings in summary, the conclusion drawn by the researcher and the recommendation. The chapter is important as it provides an opportunity to overview the study and the recommendation.

5.1 Summary

From the study, it is evident the insurance industry in Tanzania not performing well and therefore there is need to have some interventions that will increase the insurance uptake and penetration. There is an urgent need for all the stakeholders i.e. The government, insurance companies, intermediaries insuring public and others to work together toward the prosperity of the insurance industry in the country. The benefits of undertaking insurance are enormous and therefore all necessary measure should be put in place to ensure its success.

From the study, a number of challenges including lack of general insurance knowledge, lack of suitable insurance products, shortage in technical skills, moral hazard and fraud, unfair competition, lack of Market led initiative and low capitalization have been identified and there is need to intervene in terms of having good policies that will ensure good performance of insurance. The challenges unless addressed, they will continue to hinder the growth of this of insurance industry in Tanzania.

Once the challenges are addressed, the benefits of having vibrant insurance industry such as responsive to client needs and investments in the country will spur economic growth. The study conclusions and recommendations are as indicated here below.

5.2 Conclusion

Insurance sector remains an important economic undertaking and a primary source of livelihood for many families in Tanzania. With a comprehensive management of the industry, it will no doubt play a vital role in economic growth. Therefore, all stakeholders at all levels should intensify efforts in the provision of infrastructures required to support growth of the industry.

It is evident that the industry though showing significant growth since liberalization in 1998 the same still lags behind in penetration at 0.86 percent in 2010 compared to the world average of 7.5% (premiums as a percentage of GDP) – source TIRA's Annual Performance Report 2010. Therefore major interventions and measures ought to be taken into consideration for the industry to prosper.

5.3 Limitation of the Study

The study focused mainly on insurance company Business Executives as respondents with only one questionnaire per company which left out ideas and opinions from other stakeholders such as insurance intermediaries, insurance service providers and insuring public whose opinions though important were not considered as the study would have been expensive to call.

5.4 Recommendations

5.4.1 Recommendations with policy implications

The challenges identified from the study include having a clear legal framework that ensures that interests of all stakeholders are provided for and protected. The government through its arm TIRA must work hand in hand with the stake holders to ensure that adequate measures are put in place including the relevant legislation that will provide a conducive environment for insurance business to be carried out. The government should avoid unnecessary interference with the industry and should encourage self-regulation by the stake holders.

The government's delay in adopting a policy on insurance of its vehicles affects the industry much as this gesture if taken up will send the right signal to the citizens as it will be seen as course worth emulating. The government must show its commitment in sustaining the industry by insuring its own employees and property.

The government should move with speed in adopt new distribution methods such as banc assurance by addressing cross-sector financial institution regulators. These are the Tanzania Insurance Regulatory Authority (TIRA) and the Bank of Tanzania (BOT).

Lack of facilities in the country for training professionals in the fields that have direct bearing to the development of the industry including, actuarial science, and other related risk management studies deny Tanzanians an opportunity of managing insurance business, the government needs to adopt insurance studies in university curriculum.

5.4.2 Recommendations for further Research

Although this study has identified the challenges facing insurance uptake in Tanzania, a lot more research need to be undertaken to investigate why Tanzanians at large have not embraced insurance and what can be done to increase penetration of insurance in Tanzania. It is therefore recommended that a study be done to establish whether the intended insurance liberalization objectives set out thirteen years ago have been achieved.

REFERENCES

Arodiogbu (2005), Introducing social health Insurance to solve problem of poor health sector financing in Nigeria, Research Paper pp 30 -33

Barron and Staten (1995), Coercion in the selling of credit life insurance, Psychology & Marketing Volume 12, Issue 8, PP 765–787, December 1995

Beenstock, Dickinson, Khajuria, (1986), The determination of life premiums:
An internationalcross-section analysis 1970–1981 Insurance: Mathematics and Economics, Volume 5, Issue 4, October 1986, PP 261–270

Browne, M.J., and K. Kim, 1993, An International Analysis of LifeInsurance Demand, Journal of Risk and Insurance, 60(4): 616-634.

Chui, Kwok (2009), Cultural practices and life insurance consumption: An international analysis using GLOBE scores Original Research Article Journal of Multinational Financial Management, Volume 19, Issue 4, October 2009, PP 273-290

Dorfman, M. S. (1980). A faculty views its retirement benefit plan: An empirical observation and analysis. Research in Higher Education, 13(1), 49-60.

Douglas, Wildavski (1982) Risk and Culture: An Essay on the Selection ofTechnical and Environmental Dangers (Berkeley, CA: University of California Press), pp 263-287

Gumbo, P. (2007), "Niko Insurance to venture into Rural Areas",IPP media, January 24, 2007, URL: http//www.ippmedia.com/ipp/guardian/2007/01/24

Henderson, G. and V. H. Milhouse (1987). International Business and Cultures: A HumanRelations Perspectives. New York: Cummings and Hathaway.

Human Development Report (2004). The Rise of the Citizen: Challenges and Choices. Kosovo http://www.kosovo.undp.org/repository/docs/KHDR2004.pdf.

Hwang, T. and S. Gao (2003) "The Determinants of Demand for Life Insurance in an Emerging Economy-The case of China", Managerial Finance, Vol. 29; pp 82-96.

Kuhlemeyer, G. A. & Allen, G. H. (1999). Consumer satisfaction with life insurance: A benchmarking survey. *Financial Counseling and Planning, 10* (2), 35-47.

Omar.O. E (2005),The retailing of life insurance in Nigeria: an assessment of consumers' attitudes. Journal of Retail Marketing Management Research, 1 (1) pp.41-47.

Outreville (1996), 'Life Insurance Markets in Developing Countries'T he Journal of Risk and Insurance Vol. 63, No. 2 (Jun., 1996), pp. 263-278

Ozdemir. O. and J. B. Kruse (2004)- Disaster Losses in the Developing World: Evidence from the August 1999 Earthquake in Turkey,. Turkish Economic Association Discussion Paper

Park, Lemaire and Chua (2010), Is the Design of Bonus - Malus Systems Influenced by Insurance Maturity or National Culture? — Evidence from Asia' The Geneva Papers On Risk & Insurance Practice (2010) 35, S7–S27. doi:10.1057/gpp.2010.37; published online 1 December 2010

Patel. S. (2002), Insurance and Poverty Alleviation: the Cooperative Advantage. ICMIF.

Patrick. H.T (1966) ,''Financial Development and Economic Development and Cultural Change, Vol. 14 (2) pp 174-89

Skinner, S.J. and A.J. Dubinsky (1984). Purchasing Insurance: Predictors of Family Decision - Making Responsibility. *Journal of Risk and Insurance*, 51(3). 513-523.

Smith. S. (2006). Persistency in Pension Contributions in the UK: Evidence fro Thorsten. B. and Ian W. (2002). "Determinants of Life Insurance consumptions across Countries". The World Bank Development Group; February 2002. Policy Research Working Paper 2792 pp8

Truett, D.B and Truett , L.J (1990), "The Demand for Life Insurance in Mexico and The United States; A comparative study , the Journal of Risk and Insurance 57, pp 321-328

Udry, C. (1994) Risk and Insurance in a Rural Credit Market: An Empirical Investigation in Northern Nigeria. *The Review of Economic Studies*, Vol. 61, No. 3 pp. 495-526.

.Vayonos, P. (2008). "Promoting the growth and competitiveness of the insurance sector in Arab world", Booz & Company 2008. 2007, URL: http://www.booz.com/media/uploads/Insurance_Sector_Arab_World.pdf

Warsaw, B. and R. D. Hill (1986). The Insurance Industry in Economic Development. NewYork: New York University Press

Yusuf, Tajudeen Olalekan, Gbadamosi, Ayantunji and Hamadu, Dallah . Attitudes of Nigerians Towards Insurance Services: An Empirical Study (July 16, 2009). African Journal of Accounting, Economics, Finance and Banking Research, Vol. 4, No. 4, July 2009 .

Yusuf, T. O. (2006). Insurance in Muslim Countries: Nigeria's Takaful Scheme in Focus, Journal of Islamic Banking and Insurance, 6(2), 15-33.

Zelizer, V.A.R.(1979). Morals and markets New York: Columbia University Press..

Appendix I: Questionnaire for Insurance Business Executives

SECTION A: GENERAL INFORMATION

1. Name of the Insurance Company: ______________________________
2. Year of Inception of the Company: ______________________________
3. What is your gross premium per annum? ________________________

SECTION B: CHALLENGES IN INSURANCE PENETRATION

1. What can you term as the greatest challenge to insurance penetration in Tanzania? (You can tick more than 1 if it applies)

   [ ] Culture

   [ ] Poor Regulation and laws

   [ ] Low Incomes

   [ ] Poor Intermediation

   [ ] Lack of knowledge of products among customers

   [ ] Poor innovation and pricing by Insurance companies

2. Please indicate the extent the statements provided in the table below apply to the state of insurance market in Tanzania. Use the following rating:

   Very great extent [5] Great extent [4] Moderate extent [3]

   Low extent [2] Very low extent [1]

Challenge	Ratings				
	1	2	3	4	5
There is inadequate maturity of the frameworks that govern national and regional insurance markets in Tanzania					
Tanzania has outdated insurance laws and regulations which do not spur growth in the industry					
In Tanzania, the independence and supervisory capabilities of regulatory entities have not been strengthened enough					
The comprehensiveness and effectiveness of regulatory processes in Tanzania is inadequate which inhibits growth					

The insurance market of Tanzania is generally not competitive which fails to spur growth					
Insurance companies in Tanzania are not well-capitalized which lowers their ability to serve competently and comprehensively in the market					
The insurance sector is characterized by a shortage of skills—particularly product development, underwriting, and actuarial skills which hinder growth					
There are few market-led initiatives that seek to develop the sector as a whole.					
There are limited, if any, programs aimed at raising the profile of the insurance industry and attracting university/college graduates and other professionals					
The insurance industry is poor on raising awareness levels in the insuring publics					
The products and services provided in the markets are not well suited to the local market and thus leads to low demand					
Innovation and product development is poor among Tanzanian insurers					
The poverty levels in the country are high thus leading to low demand of insurance products					

3. Indicate the two most serious challenges facing Tanzanian insurance market

SECTION C: DEALING WITH CHALLENGES

1. Of the challenges that have affected uptake of insurance in Tanzania. How well can those challenges be countered.

Thanks for your contribution in the survey

Appendix II: Insurance Companies in Tanzania

1. AAR Insurance Co. Ltd
2. African Life Assurance Company Limited
3. Alliance Insurance Corporation Ltd
4. Alliance Life Insurance Company Limited
5. Bumaco Insurance Company Limited
6. Century Insurance Company Limited
7. First Assurance Company (T) Limited
8. Golden Crescent Assurance Co. Ltd
9. Heritage Insurance Co. (T) Ltd
10. Insurance Group of Tanzania
11. Lion of Tanzania Insurance Co. Ltd
12. Maxinsure (Tanzania) Limited
13. MGen Tanzania Insurance Co. Ltd
14. Milembe Insurance Company Limited
15. Momentum Insurance Company (T) Limited
16. Mwananchi Insurance Company (T) Limited
17. National Insurance Corporation (T) Limited
18. Niko Insurance (Tanzania) Limited
19. Phoenix of Tanzania Assurance Co. Ltd
20. Real Insurance Tanzania Ltd
21. Reliance Insurance Co. Tanzania Ltd
22. Star General Insurance Tanzania Limited
23. Strategis Insurance (T) Limited
24. Tanzania National Reinsurance Corporation Ltd (TanRe)
25. Tanzindia Assurance Company Limited
26. The Jubilee Insurance Co. (T) Ltd
27. Zanzibar Insurance Corporation

Source: Tanzania Insurance Regulatory Authority (TIRA) July 2012 website: http://www.tira.go.tz

Appendix III: Letter of introduction

....

....

....

....

....

Dear Sir / Madam,

RESEARCH PROJECT FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) IN THE UNIVERSITY OF NAIROBI – KENYA

I am a student from University Of Nairobi undertaking a research project in fulfillment of the requirement of my MBA graduation.

I will be conducting a survey on Marketing – specifically looking at the Factors & Challenges affecting success of Insurance Services Provision in Tanzania. I would request you take part in the survey.

The survey questionnaire will have both open ended and close ended. The answers should be answered with honesty as I will use these answers to analyze the overall data. The data is will be kept confidential and I will share the results once the analysis is finished.

You are requested to answer all questions. Please be honest and make the survey Successful.

Yours Faithfully

Philip Kilonzo Nthenge