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Managing risk while facilitating innovation: The case of m-insurance in Tanzania

Regulation of m-insurance series: case study 2

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1. Introduction

1.1 Background

Mobile insurance (m-insurance) is loosely defined as insurance that is sold through and / or with a mobile network operator (MNO) (Leach, 2010 and Tellez 2013). In recent years there has been a significant increase in the number of m-insurance models with over 80-initiatives launched across the globe (especially in Asia and Africa)[1]. Due to the significant penetration of mobile phones in emerging markets and the omniscient airtime and mobile money vendors, the potential for scale is second to none which has the potential to significantly enhance financial inclusion in regions where distribution and reach are often challenges to reaching the market. However, as with all innovations, new risks are introduced and with the speed that some of the m-insurance sprinters reach scale (see Box 1) these schemes can introduce systemic risk.

Box 1. m-insurance sprinters

m-insurance sprinters are fast growing m-insurance models. Examples include:

1. EcoLife Zimbabwe reached 20% of the adult population in 7 months.
2. Telenor Easypaisa Khurshal Pakistan reached 400,000 people in 4 months.
3. Tigo Bima Ghana reached almost 1m lives in 12 months.
4. Leo Namibia reached 15% of the adult population
5. Airtel Zambia reached an estimated 2m at launch
6. Robi Bangladesh has reportedly hit 4m clients
7. MTN and Airtel Nigeria sign up 100,000 clients a month

Source: Various and author's analysis

This paper builds on a previous study which investigated the failure of an m-insurance sprinter in Zimbabwe, EcoLife. The immediate cessation of EcoLife saw 1.6 million adults lose their life cover overnight and created significant damage to the market based on findings from a demand-side survey (see Box 2 for a summary of the results undertaken as part of the research). Key findings indicate that 63% of those surveyed[2] ruled out the use of similar products in future and 42% were dissatisfied with insurance (Leach and Ncube 2014).The study proposed a risk framework that should be used to assess m-insurance schemes and developed a number of recommendations. Using Tanzania as a second case study, we test the framework and recommendations to assess their validity and sufficiency. The objective is to ensure that we balance the need for innovation to drive financial inclusion whilst ensuring financial stability, integrity, and consumer protection (also known as 'ISIP') (CGAP 2013).

Box 2: The unfortunate end of an m-insurance sprinter

20% of the Zimbabwean adult population (1,6m) reached in 7 months. In a subsequent small survey, we found that:

- At cancellation, 62% of those surveyed were not notified
- 63% Ruled out use of similar products in future
- 42% Dissatisfied with insurance
- 30% Better ways to protect against future problems than insurance

Source: quoted in Leach and Ncube 2014

The methodology utilised for this paper includes desktop research, an in-country visit to Tanzania to engage with key stakeholders (including the insurance supervisor, policymaker, MNOs, insurers, technology service providers) and a range of telephonic interviews. For a full list of stakeholders interviewed please see Appendix A below.

The intended audience for this document is primarily insurance supervisors and regulators who are increasingly facing challenges in regulating innovative new models. At the same time, key lessons from

[1] In recent years, there have been a number of m-insurance models that have entered the global market. These include MTN Ghana and Hollard's mi-Life product, Econet and FML's Ecolife product (Zimbabwe), CIC Kenya's CIC m-Bima product, ZONG and Adamjee Life's ZONG Insurance (Pakistan) and other such products across Africa and Asia. See also CGAP 2014.

[2] Africa Corporate Advisors (Private) Limited was commissioned to undertake a survey of 600 interviews between 16 -27 September 2013 in the high density residential suburbs of Harare and Chitungwiza, and the city centre of Harare.

this document are also applicable to a broader audience including MNOs (who often drive the provision of m-insurance), technical service providers and insurers.

1.2 m-insurance typology: a refresher

As m-insurance explodes on the market, we find that there are two main categories which primarily revolve around the strategic intent and involvement of the MNOs. The MNO may either see the provision of insurance as a strategic initiative which they invest in as they not only try to drive revenue through transactions but also aim to drive adjacent / non-financial benefits such as average revenue per user (ARPU), to reduce churn and create brand awareness (Tellez, 2013). They invest in the m-insurance initiative from paying premiums on behalf of their subscribers to utilising their infrastructure, use of 'big data' to target clients for cross- and up-selling, conducting limited administration, and co-funding marketing and advertising. We call this category **strategic m-insurance**.

The second category is where the MNO takes a passive role and acts as a 'dumb pipe'[3] where they essentially support transactions off the backbone of their infrastructure whether it is the GSM infrastructure (e.g. airtime or data) or mobile money infrastructure. In this model their involvement is primarily limited to supporting bill payments (payment of premiums) or supporting the disbursal of claims into a mobile money account. We characterise this as **transactional m-insurance**.

Box 3. There are two main categories of m-insurance:

Strategic m-insurance: The MNO actively drives m-insurance as a strategic imperative to meet financial and non-financial (adjacent) benefits. The MNO invests their own resources across the value chain from marketing, clients' acquisition, premium payments etc.

Transactional m-insurance: The MNO acts as a 'dumbpipe' supporting bill payment activities. MNOs will typically provide limited or no additional support or marketing.

Underlying these two categories, and described in the Zimbabwe case study in detail (Leach and Ncube, 2014) are three dominant m-insurance models: loyalty-based, airtime deduction and mobile money. These models are characterised by the premium payment mechanism utilised as shown in Table 1 below. The loyalty m-insurance model typically sees MNOs paying premiums on behalf of clients. Loyalty schemes typically fall under the **strategic** m-insurance category given the level of investment by the MNO. Voluntary m-insurance models requiring clients to pay their own premiums (airtime deduction and mobile money) may fall under the **strategic** or **transactional** category depending on whether the MNO supports the active sale of the product or primarily acts as a vehicle for bill payments.

In recent years, a 'hybrid' model has also emerged on the market. MNOs and insurers offer the market a 'taster' for insurance through introducing loyalty models (for free to clients) as a market maker, and then offer paid models as an upsell. The voluntary models can be offered from the beginning or delayed for a period until the market has experienced the benefit of the loyalty insurance.

Whilst not the focus of this paper, other models are those where insurers use the infrastructure of the MNO to support insurance, such as the use of scratch card or over-the-counter payment models.

[3] Where the MNO simply provides the infrastructure and provides the other partners within the m-insurance value chain (insurers and technical service providers) access to the customer base thus allowing them to potentially own the client base and derive revenues over time. (Silverstreet, 2013).

Category	m-insurance model
Strategic m-insurance	1. **Loyalty-based m-insurance model**. Subscribers receive 'free insurance' or, more correctly, insurance at no direct cost to the consumer[4]. The cover is underwritten by a registered insurer. Cover levels are linked to a behaviour that the distributor wishes to achieve, whether increased use of airtime, increased mobile money transactions or achieving a certain level of savings via mobile wallets. Examples of MNOs offering this model include Econet Zimbabwe, Telenor in Pakistan, Airtel Zambia, Tigo in Ghana and Tanzania as well as the first versions of Tigo Bima Tanzania and Vodacom Faraja Bima Tanzania.
Strategic or transactional	2. **Airtime deduction m-insurance model.** The airtime deduction model is provided to the subscriber on a stand-alone voluntary basis. Premium payment is through the subscriber's airtime balance. Examples include Zong in Pakistan and MTN in Zambia as well as Tigo Bima Tanzania. 3. **Mobile money m-insurance model**. The mobile money model is provided to the mobile money subscriber on a stand-alone voluntary basis, where clients are able to pay their premium through their mobile wallets. Examples include MTN and Hollard's mi-Life m-insurance product in Ghana as well as Vodacom's Faraja Bima Tanzania.

Hybrid models: The 'freemium model' is also seeing some success in driving uptake. In this approach, the loyalty models mentioned above are used as the 'market maker' to drive market discovery by the clients so they get a 'taster' of insurance. The MNO or aggregator then upsells a voluntary paid product, which allows them to increase their cover. Examples include Tigo Ghana, Tigo Senegal and Tigo Tanzania and Vodacom Tanzania. The free option may well fall away leaving the paid model in place as happened in Tanzania.

Table 1: Dominant m-insurance models
Source: Adapted from Leach and Ncube 2014.

Understanding the m-insurance value chain: As we set out in the previous case study (ibid), strategic m-insurance, which is the primary focus of this study, tends to follow the stylised structure set out in Figure 1. The main parties within the value chain include: the MNO, the insurer, the subscriber and in some cases a 'technical services provider'[5] (TSP).

These models are also identified through the structure of the policy which may define the policyholder as either the MNO (the master policyholder on behalf of their subscribers) or the subscriber themselves:

A. **MNOs as the master policyholder and insured person** – MNOs serve as the master policyholder (insured) on behalf of their subscribers. As language varies in different contexts we classify the subscribers in this case as 'subsidiary policyholders' (see Leach & Ncube 2014).

[4]The MNO pays the premium on behalf of the consumer. However, the consumer will of course pay for the product indirectly as the cost of the insurance would need to be paid from revenue that the MNO earns.
[5] A **technical service provider** may or may not be appointed to support the administration and technical support for the scheme. Examples include Milvik trading as Bima, MFS Africa, MicroEnsure, and Trustco Mobile.

B. **Individual subscribers as the policyholder** – Subscribers serve as the policy holder and have a direct relationship with the insurer and are the insured persons. Whilst this category is less common internationally, we find that Tanzania has followed this approach due to regulatory pressures as we expand on below.

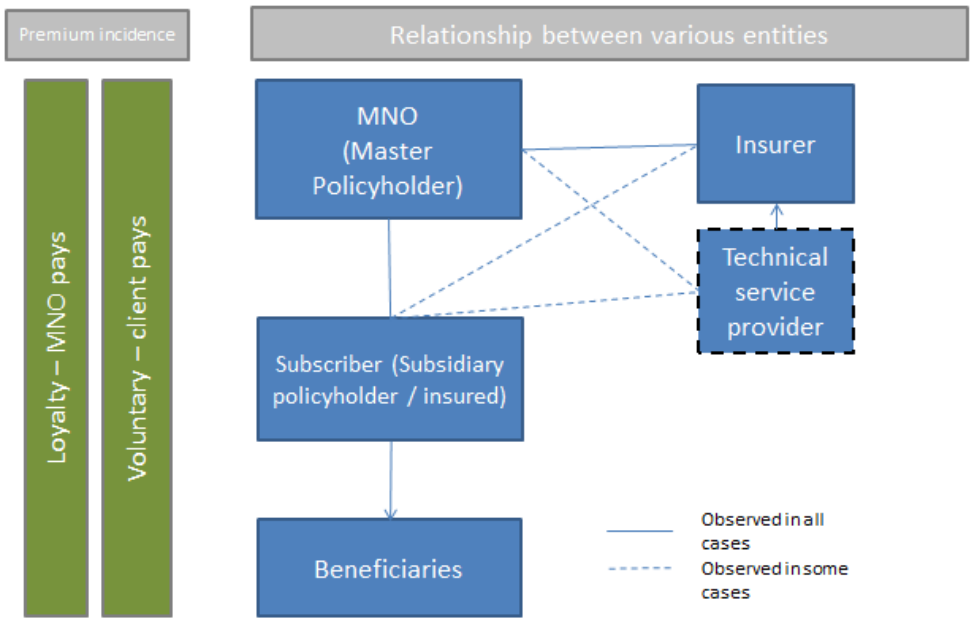

Figure 1. Understanding the relationship between various entities in the m-insurance value chain
Source: Leach and Ncube, 2014

Who pays? Understanding premium incidence: The premium incidence varies across the models dependent on the appetite and intent of the MNO and insurer. The m-insurance models discussed in Table 1 above are also differentiated by the premium incidence, that is who pays the premium. Under the loyalty or embedded models, the premium incidence lies with the MNO as the product is provided for 'free'. On the other hand, with voluntary paid products, the premium incidence lies with the individual subscriber as they have paid for the premium themselves. From a risk perspective, we have found cases in Tanzania and Zimbabwe where the MNO pays the premium as a loyalty cover. Whilst there has been some confusion, both the MNO and the insurer (and in some cases the regulator) have perceived this purely as a promotion and therefore pay less attention to how it is implemented and most importantly cancelled.

1.3 Why Tanzania?

Tanzania serves as the perfect country to test the draft m-insurance risk framework and recommendations. The country is recognised as one of the mobile money 'sprinters', being one of nine markets that already have more registered mobile money accounts than bank accounts as shown in Box 4 (GSMA 2014 and Di Castri and Gidvani, 2014). At its current growth, Tanzania is on track to overtake Kenya as the world's biggest mobile money market. Di Castri and Gidvani (2014) also highlight Tanzania for its application of the 'test and learn' principles[7] to regulation in enabling mobile money. A similar regulatory approach has also been adopted to insurance (including m-insurance) as we will discuss later in Section 2 below. On the back of the success of mobile money, 9 m-insurance initiatives have been launched and a number of m-insurance initiatives are in the planning stage.

Box 4. The growth of mobile financial services in Tanzania

- **There are now more registered mobile money accounts than bank accounts** with 31.8 million registered mobile money accounts (11 million of which are active accounts) vs 2.2 million adults with bank accounts.
- 87% of mobile money users surveyed found mobile financial services cheaper and 82% found it easier to use.
- Mobile money transactions now account for just under 10% of GDP[6], approximately US$ 4 billion short of its neighbour Kenya which is recognised as the largest mobile money market.
- There are 150,000 mobile money agents compared with 260 certified insurance agents

Source: Di Castri and Gidvani, 2014, GSMA 2014, FinScope 2014, TIRA

The opportunity for m-insurance is further reinforced by the strength of the mobile network operators (MNO) distribution network. A case in point is the fact that there are 150,000 mobile money agents (which ignores the multitude of airtime vendors) versus 260 registered insurance agents[8]. With the size of the current mobile money market in Tanzania, the potential for take-off of broader mobile financial services is not far away.

Introducing the test and learn approach: Regulators, supervisors and policymakers often have limited evidence and data concerning innovative or alternative products that enhance financial inclusion. The 'test and learn' approach, a term that was originally coined by the GSMA[9], a trade body, allows for the introduction of new services and untried business models under carefully controlled conditions (AFI, 2011). Ultimately this approach aims to balance risk management with innovation allowing for product adaptation and innovation as per the market's needs with the aim of then tightening up the regulation (that is 'testing' and 'learning').This approach has gained significant attention in recent years and is referred to in the G20's principles for innovative financial inclusion[10] as well as the International Association of Insurance Supervisors (IAIS) Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets (IAIS, 2012). It may be argued that this approach has been adopted in Tanzania in the absence of dedicated mobile money and m-insurance regulations where interim regulatory parameters have been put in place that promote innovation while also protecting the market. As we

[6]According to the World Bank Economic Indicators, Tanzania's GDP in 2012 was US$28 billion Online. (Available). http://data.worldbank.org/country/tanzania (Accessed March 2014).

[7]The Test and Learn approach was first coined by the GSMA but has since been adopted by the G20 and International Association of Insurance Supervisors (GPFI 2010, IAIS, 2012). However it is noticeable that there is limited or any guidance around how this principles should be adopted.,

[8]Tanzania Insurance Regulatory Authority, Annual Insurance Market Performance Report, 2012. Online .(Available).http://www.tira.go.tz/sites/default/files/TiraAnnualReport2012.pdf (Accessed March 2014).

[9] The GSMA represents the interests of mobile operators worldwide. Spanning more than 220 countries, the GSMA unites nearly 800 of the world's mobile operators with 250 companies in the broader mobile ecosystem. Online. (Available). http://www.gsma.com/aboutus/ (Accessed June 2014).

[10]Principle 7: Knowledge - Utilize improved data to make evidence-based policy, measure progress, and consider an incremental "test and learn" approach by both regulators and service providers.(AFI, 2011).Online.(Available).http://www.gpfi.org/sites/default/files/documents/G20%20Principles%20for%20Innovative%20Financial%20Inclusion%20-%20AFI%20brochure.pdf (Accessed April 2014).

discuss later, the authors do have some concern that there appears to be limited evidence or guidance around how to implement the test-and-learn approach effectively.

2. Tanzanian m-insurance regulatory landscape

In this section we discuss the current regulatory scheme applicable to m-insurance in Tanzania. We consider the applicable legal instruments as well the m-insurance product approval process.

Tanzanian m-insurance regulatory scheme covers three jurisdictions. The three market jurisdictions are insurance, telecommunications and payment systems. Table 2 below shows the Tanzanian m-insurance regulatory scheme highlighting the relevant legal instruments (both current and forthcoming) as well as the product approval process across the 3 jurisdictions.

	Supervisory jurisdiction		
	Insurance	**Payments**	**Telecommunications**
Regulatory authority	***Tanzania Insurance Regulatory Authority, (TIRA)***	***Bank of Tanzania, (BOT)***	***Tanzania Telecommunications Regulatory Authority, (TCRA)***
Legal instruments	Insurance Act (2009) Code of Conduct Regulations (2009) MI regulations (2014) Other various regulations	National Payment System Vision and Strategic Framework (2005) Forthcoming mobile money regulations Forthcoming Electronic payments regulations	Electronic and Postal Communications Act (2010) Tanzania Telecommunications Regulatory Authority Act (2003) Electronic Postal and Communication Act Consumer Protection Regulations (2011). Other various regulations
Product approval process	Insurers present policy wording, agreements and product information to TIRA. TIRA also requires a letter of no-objection from TCRA as part of the application process.	MNOs must approach BOT for product approval for mobile wallet models. Airtime deduction models are unregulated but the BOT has raised some concerns around possibly regulating this in the future. BOT must issue letter of no-objection to the TCRA which is then forwarded to TIRA.	MNOs must present product information in order to obtain applied services licence and short code (where necessary). Underwriters can also apply for short code with TCRA when introducing new product.

Table 2. Tanzanian m-insurance regulatory scheme showing applicable legal instruments and the product approval process
Source: Author's analysis of various regulatory instruments and stakeholder interviews

2.1 Insurance

However innovative or new to the market it may be, m-insurance is of course just an insurance product and therefore falls under the primary supervisory and regulatory jurisdiction of the insurance supervisory authority, the Tanzania Insurance Regulatory Authority (TIRA).

Insurance Act and Code of Conduct and Ethics are core components of insurance regulatory framework: The Tanzanian insurance regulatory framework comprises the Insurance Act 2009 and its Regulations, as well as the Code of Conduct and Ethics. The Code of Conduct and Ethics covers intermediation and market conduct during the sales process. The Insurance Act provides the Commissioner of Insurance with discretionary powers, for instance permission may be given to general insurers to underwrite funeral insurance under the miscellaneous product category (Hougaard et al, 2012).

New microinsurance (MI) regulations provide for lower intermediary requirements: Table 3 below is a summary of the key tenets of the microinsurance (MI) regulations which also form a part of the m-insurance regulatory scheme. While there are no provisions for the creation of microinsurers, there are lower intermediary requirements for microinsurance agents as the minimum qualification is an Ordinary Secondary Education Certificate with at least three passes (including English). The regulations also make provision for a broad spectrum of individual and corporate agents including NGOs, MFIs and self-help organisations.

Clauses	Definitions	Implications
Definition of MI and MI products	• Microinsurance is defined as insurance that is accessed by low-income households or individuals. The regulations define low-income individuals as those operating in the informal sector. • Microinsurance products fall under both the general and life product classes.	m-insurance falls under the definition of microinsurance as the product target market typically falls within the low-income group. Definition of target market may be restrictive as it is limited to informal groups (ignoring the employed) and does not appear to consider groups such as cooperatives, mutual or SACCOs.
Definition of MI policies	Microinsurance policies are defined as policies that are sold under a specific plan which has been approved by TIRA. Section 5(h) of the regulations state that insurers must notify the Commissioner of the microinsurance products they seek to launch.	Wide power for TIRA to approve or disapprove MI policies. This creates some uncertainty around what is permissible but allows the registrar to regulate according to 'test and learn' principles.
MI agents	Microinsurance agents are defined as individuals, corporate and social (including self-help groups, MFIs, NGOs, mutual and cooperatives) entities that have been appointed by insurance registrants to conduct microinsurance business.	Both individual and corporate agents are permitted which supports m-insurance. In addition, low-income aggregators such as MFIs, NGOs, mutual and cooperatives are also permitted. However, the rules appear to be designed more around individual agents rather than corporate agents especially when one considers the limited penalties (approx. $600) as discussed below. However TIRA did point out that the penalties could be imposed against each manager or director which would increase the level of the fine.
MI agent qualifications	Part III (7)(2) of the regulations state that microinsurance agents must be in possession of an Ordinary Secondary Certificate (with three passes one of which must be English) and or a holder of a Certificate of Proficiency (COP). Microinsurance agents are also required to adhere to the Code of	Whilst uncertified agents have been approved by the Commissioner in the past e.g. African Life and Tigo Bima, the regulations currently require COP qualified agents (certified agents) which limits the opportunity to leverage off the MNO's

Clauses	Definitions	Implications
	Conduct and Ethics.	infrastructure. As there appears to be a lack of requirement for training, it is unclear whether a secondary qualification is permitted as an alternative to a COP. A presentation by the Institute for Finance Management (IF) stated that they were working on a 6 week COP course for MI Agent[11]s which appears overly onerous, disruptive to the business and expensive. Non-insurance aggregators may find training requirements prohibitive.
Complaints resolution	Part V (20) of the regulations states that insurers must have the necessary complaints resolution mechanisms in place for microinsurance policyholders. Insurers are also required to send quarterly reports to TIRA regarding the disposal of complaints. The regulations make provision for an Ombudsman in theory – but still needs to be established in practice.	This is a positive development which will help ensure consumer protection should it be implemented in full.
Claims settlement	Part V (21-1) every insurer shall settle a claim within three working days of the receipt of the claim.	Facilitates positive market discovery and helps ensure low-income clients appreciate value of insurance. It will however be challenging and unrealistic to expect an insurer to pay within three days, at least initially.
Penalties	Part VI (24) of the Microinsurance Regulations states that the Commissioner may issue a fine of up to 1 million TZ shillings (approximately US$ 600) to microinsurance agents that are conducting business contrary to the law. Section 160 of the Insurance Act states the maximum penalty as 5 million TZ shillings (approximately US$ 3,000).	The penalties are too limited to have any impact on a corporate agent. Even the penalties under the main Insurance Act (US $3,000) are too limited to have a disciplinary effect on the insurer or MNO. However, TIRA did point out that other forms of non – monetary punishment could be imposed and that the penalties could be imposed against each manager or director, which would increase the overall level of the fine.

Table 3. Summary of Tanzanian microinsurance regulations
Source: Tanzanian Microinsurance Regulations

2.2 Payments

The Bank of Tanzania (BOT) is the national payment system's regulator and supervisor providing oversight, administration and planning for the payment systems, arbitrating in the event of complaints and handling compensation procedures, (Bank of Tanzania, 2014).

Policy approach set out in the National Payment System Vision and Strategic Framework (2005): In the absence of broader legislation for the payment systems, the BOT has adopted a 'test and learn' approach to the supervision of mobile financial services as it has become 'acquainted with the market to determine the appropriate regulatory framework for mobile money,' (Di Castri and Gidvani, 2014). In 2003, the Bank of Tanzania Act (Section 6) was amended and granted the Bank of Tanzania (BOT) power to regulate, monitor and supervise the National Payments System including payments products, clearing and settlement systems. The payment systems policy approach to the Tanzania payment system is set out in

[11] Statement made by a representative from the Institute for Finance Management (IFM) from Dar es Salaam at a microinsurance workshop on 24 March 2014.

the National Payment System Vision and Strategic Framework, 2005. At the time of writing, the draft National Payment Systems Act had been tabled before parliament. Once passed, the Act will give the Bank of Tanzania additional regulatory and supervisory powers. Currently, payment system provider licensing e.g. for mobile money operators is done on a case by case basis.

Concerns around usage of airtime as a premium payment mechanism: The BOT National Payment Systems Division has raised concerns around the usage of airtime to pay for premiums. In the BOT's view, airtime is a commodity which should not be used as a currency. The BOT has indicated that it is considering closer examination of airtime deduction models.

Electronic signatures not formally regulated but implicitly permitted: Alternative insurance distribution models such as m-insurance require unconventional and innovative contracting procedures. An example of this is the utilisation of electronic signatures (e.g. sms) during the digital self-registration process. The Income Tax Act (2004) was amended to recognise electronic transactions for tax administration purposes and thus electronic signatures are implicitly permitted but not formally regulated. The forthcoming electronic payment regulations will also regulate various aspects of electronic commerce transactions including contracting (digital and electronic signatures versus wet signatures). The regulation of electronic or digital contracting (in the case of m-insurance) is important to ensure consumer recourse and disclosure mechanisms are in place to avoid misselling and consumer abuse.

2.3 Telecommunications

The Tanzania Communications Regulatory Authority (TCRA) serves as the statutory regulatory body supervising and regulating telecommunications in Tanzania.

Electronic and Postal Communications Act (2010) serves as primary telecommunications instrument regulating MNOs: The Electronic Postal Communications Act (2010) serves as the primary law regulating MNOs under the telecommunications jurisdiction. The Tanzania Communications Regulatory Authority Act (2003) makes provision for the TCRA to grant electronic and postal communication licences[12] including those for the provision of value added services such as mobile money under the 'application services licenses'. Application services licences were first issued for data and then later for mobile money. As a part of the application process, MNOs seeking to provide value added services (including m-insurance or mobile money) must apply under their existing Application Services License unless it is purely a bill payment model (transactional insurance) which does not require approval. The MNO furnishes the TCRA with the product details and information for approval purposes. An additional component of the application process is the application for a short code as the TCRA has set up a numbering plan for all mobile financial services, from *150*00# up to *150*100#. If satisfied with the product, the TCRA issues a letter of no objection and the applicant is granted permission and given a short code.

Electronic Postal Communications Act also augmented by Consumer Protection Regulations: The Electronic Postal and Communications Act Consumer Protection Regulations (2011) apply to all electronic and postal communication licensees including MNOs. Section 7(1) of the regulations provides guidance concerning promotions (such as loyalty or embedded m-insurance products which are provided to clients for free). The regulations state that licensees (including MNOs) should ensure that:

- Promotions do not have an anticompetitive effect;

[12] Under the converged licensing framework, there are 4 types of licenses that are issued by TCRA. (1) Network facility license – licenses issued to authorised electronic communication providers giving them permission to develop necessary infrastructure.(2) Network service license - licenses issued for the carrying of information in the form of speech or other sound, data, text or images. (3) Application services license – license issued for the provision of non-telecommunications value added services including mobile financial services which requires an addendum to be submitted for additional value added services such as data, mobile money or m-insurance (4). Content services license – license issued for the provision of radio or television content.

- Promotions may cover a minimum period of three months and may be extended for a maximum of two months subject to approval by the Authority;
- When promoting a product or service, a licensee shall indicate clearly the total charge for the package and terms and conditions that are applicable;
- Licensees shall not engage in unsolicited communication.

2.4 Informal multi-jurisdictional product approval process

De facto multi-jurisdictional approval process: TIRA has a rigorous product approval process where all insurance (including m-insurance) products must be reviewed and approved by the Commissioner prior to launch (Hougaard et al, 2012). As shown in Figure 2 below, the m-insurance product approval process is a de facto multi-jurisdictional one where TIRA will require letters of no-objection from other regulators e.g. TCRA, should the distribution entity be supervised by another regulator[13]. By virtue of this, there is de facto inter-regulatory coordination, albeit at varying levels across the jurisdictions. This lays the basis for strengthened inter-regulatory coordination which is further reinforced by the existing memoranda of understanding between the various regulators.

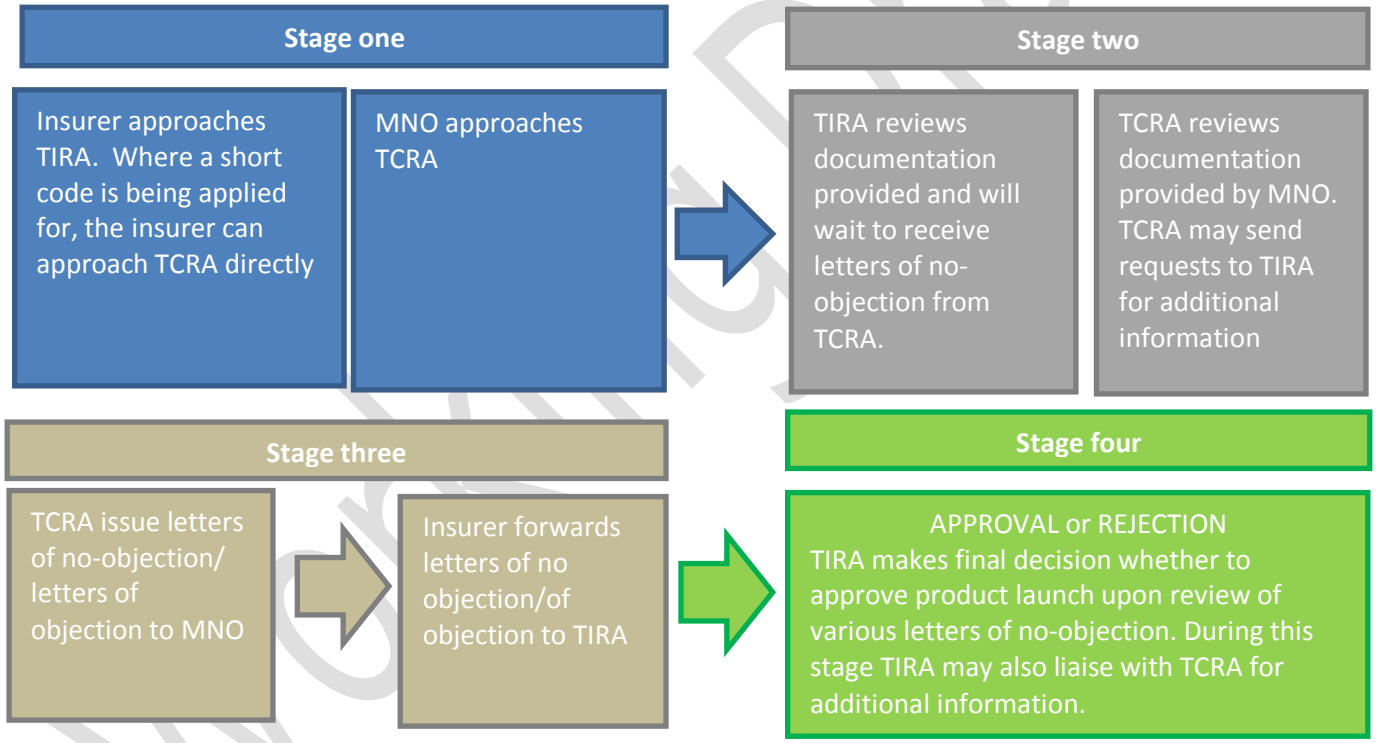

Figure 2. m-insurance product approval process
Source: Author's analysis

Various parties within the value chain approach respective supervisory authorities during the product approval phase: The provision of m-insurance is facilitated by a value chain comprising various players, each of whom fall under different supervisory jurisdictions. Each player engages with their primary supervisory authority during the product approval process. For example, MNO's will engage with the TCRA either for letters of no-objection or approval, whilst underwriters/insurers and brokers will engage with TIRA. In some instances, the partners will approach the supervisory authorities together.

Implicit involvement of the bank of Tanzania in product approval process: As shown in Table 2 below, the payment systems jurisdiction is also included in the regulatory scheme as it covers mobile money and

[13]This is supportive of Insurance Core Principle 3 on Cooperation and Information Exchange (IAIS,2012).

airtime deduction m-insurance models. This would imply that the BOT is somewhat involved in the m-insurance product approval process. While the BOT is involved in the initial approval and review of mobile money products, it appears there is limited involvement in subsequent additions to mobile money platforms such as the introduction of insurance premium payment options on mobile wallets. In future, the BOT may play a more intentional role in the product approval and review of m-insurance models. The bank has expressed increased scrutiny of airtime deduction models due to the dual usage of airtime both as a commodity and premium payment mechanism.

Commissioner of Insurance undertakes a comprehensive review of the product material and partnership agreement: The licensed insurance entities (insurers, brokers or agents) provide TIRA with the product details, agent training materials, structure of the value chain including any agreements. The Commissioner of insurance reviews the relevant documentation and will at times liaise with the other relevant supervisory authorities (BOT and TCRA) for additional information prior to giving approval.

2.5 Other regulatory developments

Other regulatory developments that have implications for the supervision and regulation of m-insurance: There are a number of other developments that will have implications for the supervision and regulation of m-insurance models. These developments have implications on two levels: firstly influencing the regulation of m-insurance as we know regulators are often influenced by ancillary regulatory developments and secondly, reinforcing the inter-jurisdictional processes that already exist.

- **Forthcoming bancassurance regulations** – TIRA and BOT are currently in the process of finalising the bancassurance regulations based on a draft paper in 2010[14]. Bancassurance has some similarity to m-insurance, which has also been referred to as 'telcassurance', in that it follows a similar approach of selling to an existing base. Based on experiences with bancassurance regulations, TIRA may opt to adopt or adapt the regulatory framework to m-insurance based on the similarities possessed by both models as shown in Table 4 below.
- **Forthcoming mobile money regulations** – will provide BOT with the necessary regulatory guidelines concerning the regulation and supervision of mobile money in Tanzania and may ultimately extend to m-insurance as well. In addition, the regulations may have implications for the regulation of mobile wallet and airtime deduction models.
- **Forthcoming electronic payment regulations** – the forthcoming electronic payment regulations will regulate electronic commerce transactions and potentially stipulate electronic contracting processes and mechanisms. These regulations could be adapted and utilised for all electronic or digital transactions (including m-insurance).
- **Financial Stability Forum –** TIRA, BOT and other financial sector regulators are members of a forum that brings together financial sector regulators to focus on macro-prudential risks and systemic risks which includes consideration of insurance. The Forum may also potentially serve as a platform to strengthen the inter-jurisdictional processes currently in place. TCRA is not a member of the Forum.
- **Financial Inclusion National Council –** The Financial Inclusion National Council is the overall policy body for Tanzania's financial inclusion agenda .The National Council is chaired by the BOT with TIRA a member, and convenes bi-annually (Tanzania National Financial Inclusion Framework, 2014). The TCRA is not currently a member. The council may also potentially serve as another platform through which the inter-jurisdictional processes may be strengthened and formalised.

[14] The paper outlined the proposed bancassurance regulatory regime: (i) Intermediation only, no underwriting (ii) Banks would apply for special registration with TIRA, and submit notification to BOT (iii) Banks to satisfy Commissioner of internal training program to ensure staff skills in insurance sales and servicing at same level as brokers and agents. Hence no individual bank agent/representative licensing or qualification/Certificate of Proficiency requirements (iv) White-labelling under bank brand allowed, but with disclosure of underwriter (v) Banks to file annual returns with TIRA, copied to BOT (vi) Tied sales prohibited - though taking out insurance could be a condition to the loan, customers must have a choice of insurance provider and this must be properly disclosed to them.

- **Inter-jurisdictional MOUs** – There are two inter-jurisdictional MOUs that are of relevance to m-insurance. An MOU between the BOT and TIRA as part of the bancassurance engagements and an MOU between BOT and TCRA concerning the oversight of mobile money. Going forward there may be additional MOUs arising. Ultimately, the MOUs potentially strengthen the inter-jurisdictional processes that are in place.

Bancassurance regulatory framework	Application to m-insurance
Banks would apply for special registration with TIRA, and submit notification to BOT.	MNOs / TSPs would apply for special registration with TIRA with no objection from the relevant supervisory authorities e.g. TCRA.
Banks to satisfy Commissioner of internal training program to ensure staff skills in insurance sales and servicing at same level as brokers and agents. Hence no individual bank agent/representative licensing or qualification/Certificate of Proficiency requirements.	MNOs, brokers, TSPs will satisfy Commissioner of internal training programmes for agents and other staff to ensure skills in insurance sales are sufficient (may not necessarily need to be at the same level as that of COP).
White-labelling under bank brand allowed, but with disclosure of underwriter.	Important for MNOs to explicitly disclose underwriter within the digital platform.
Banks to file annual returns with TIRA, copied to BOT.	Underwriter to file annual returns with TCRA with MNO filing returns with TCRA.
	Non-advice sales permissible as long as no advice supported i.e. allowed to disclose product information

Table 4. Application of bancassurance regulatory framework to m-insurance
Source: Author's analysis

Overall, Tanzania seems to have adopted a flexible 'test-and-learn' approach to the regulation of m-insurance: Across all three jurisdictions (insurance, payments and telecommunications), Tanzania appears to have adopted a 'test-and-learn' approach, where all the above mentioned supervisory authorities exercise a balance of flexibility and caution concerning the introduction of innovative new products in the absence of a dedicated m-insurance regulatory framework. This is potentially a function of the fact that there is currently no dedicated mobile financial services regulatory framework.

3. Tanzania m-insurance landscape

Insurance take up in Tanzania is currently limited – only 13%[15] of the adults have formal insurance albeit this has grown significantly from a low of 6,3% in 2009 (FinScope 2014 and Hougaard et al, 2012). This is contrasted with 14% of adults that are banked and a remarkable 49,9% who use mobile money supported by 150,000 mobile money agents (FinScope 2014 and Di Castri and Gidvani, 2014). Outside of payroll deduction, bank accounts and mobile money are typically the most efficient means to support the payments of premium due to the cost and risks of using cash so this growth in mobile money use appears promising for voluntary insurance. When we consider 'traditional' insurance distribution in Tanzania we find that there are only 79 brokers and 260 certified agents (TIRA, 2012). However, outside of m-insurance, there is a growing focus on bancassurance through banks and non-banking entities such as MFIs.

Box 5. Comparing mobile money agents against insurance agents and brokers

Tanzania has over 150,000 mobile money agents but only 260 certified insurance agents and 79 insurance brokers.

[15]This is based on findings from the FinScope Tanzania 2013 survey. FinScope is a nationally representative survey that measures usage and perception of financial services and products.

Considering this context of low insurance penetration and limited distribution, m-insurance provides an opportunity to leverage over 63% of the adult population (16m adults)[16] that own a mobile phone and 15.5 million unique mobile money subscribers (Hougaard et al, 2012 and Di Castri and Gidvani, 2014).With the growth of mobile money, MNOs and insurers in Tanzania are looking at various ways in which to leverage this platform to introduce other mobile financial services such as m-insurance. We identified 9 m-insurance products that have been launched in the Tanzanian market, with 7 currently in operation and 2 that have since been cancelled (as shown in Table 5). We are aware of 3 more initiatives that are in the planning stage.

		Product	Type	Status	MNO	Underwriter	TSP	Take up
Strategic m-insurance	**Loyalty**	TigoBima	Life	Cancelled	Tigo	Golden Crescent	MicroEnsure	●●●
		FarajaBima	Life	Cancelled	Vodacom	Heritage Insurance	Liberty South Africa	●●●
	Airtime deduction	Bima	Hospital cash with life	Active	Tigo	MO Insurance (formally Golden Crescent)	Milvik/Bima[17] (formerly MicroEnsure)	●●
	Mobile money	FarajaBima	Life	Active	Vodacom	Heritage Insurance	Liberty South Africa	●●
		Farijika	Personal accident	Active	Zantel	National Insurance Corporation	UhuruOne (part of Selcom)	●
Transactional m-insurance	**Transactional**	Safari Njema	Personal accident	Active	Airtel	African Life	Selcom?	●
		N/A	Motor vehicle	Active	Airtel	Heritage Insurance	Selcom?	●
		N/A	Motor vehicle	Active	Airtel	Real Insurance	Selcom	●
		N/A	Motor vehicle	Active	Airtel	Reliance Insurance	Selcom?	●

Table 5.m-insurance products in the Tanzanian market

Take-up shown above merely indicative and does not strictly adhere to a prescribed scale
Key: **Level of scale achieved** - ● - low ●● - medium ●●● - high

There is a wide range of sales models in the Tanzanian market: Table 6 below shows the sales models that were identified in the Tanzanian market which varied based on the intensity of the sales process. These models are bifurcated between low touch (digital self-registration, non-advice) and high touch ('uncertified sales agent' and certified insurance agent). We also indicate the regulatory approval sought for each sales model and differentiate between those that obtain explicit exemption from the insurance regulator, versus those that received implicit or 'de facto' approval via the product approval process (as discussed in Section 2.4.

None of the models have reached considerable scale: Despite the active mobile money market, most of the m-insurance initiatives are struggling for various reasons (as shown in Table 5 above). Reasons for low take-up include:

[16]Tanzania Access to Insurance Diagnostic. Note 2: Context. Online (Available).http://cenfri.org/documents/microinsurance/2012/Tanzania/TZ%20Access%20to%20Insurance%20Diagnostic_Doc%202_Context_30.10.12.pdf

[17]Kinnevik is a major corporate conglomerate with investments in various entities including Milvik and Bima. Milvik in turn owns Bima with the latter serving as the former's insurance arm.

- **Generally low demand for insurance –** there is generally a low demand for insurance prevalent in the market with 13% of adults having some form of insurance.
- **Cultural resistance to funeral insurance** - The two loyalty models were cancelled[18] partly due to the cultural resistance to funeral insurance. One MNO confirmed that they had had clients contacting them to remove them from the 'free' funeral cover as they felt it was 'bad luck'. This has meant that both Tigo and Vodacom have shifted to offering hospital cash insurance. The most successful initiative, TigoBima, has reached over 150,000 clients through a high touch sales model relying on uncertified agents and a call centre.
- **Technical failures –** one insurer cited technical difficulties as one of the main challenges behind achieving take-up. For instance, servers were unable to process client data and addition clients could not renew their cover due to challenges with the product interface.

	Sales model		Examples	Regulatory approval
Low Touch	**Digital self-registration**	Clients register themselves via the digital platform (mobile phone menu)	Farijika (Zantel and NIC) Safari Njema (African Life and Airtel)	**Implicit exemption** - By virtue of obtaining approval for product from the regulator.
	Face-to-face	Clients can opt to register for the product via digital self-registration or face-to-face sales support e.g. MNO outlets and branch staff. Due to regulatory requirements, the provision of advice is not permitted.	FarajaBima (Vodacom) Farijika (Zantel and NIC)	**Implicit exemption** - By virtue of obtaining approval for product from the regulator
High touch	**'Uncertified sales agent'**	Clients can register with sales agents that have been trained by a certified agent but do not have the formal insurance qualification (COP).[19]	TigoBima (Tigo and Golden Crescent)	**Explicit exemption** - Obtained from the insurance regulator by presenting training materials and sales process.
	Certified insurance agent	Clients can register with the assistance of qualified insurance staff with COPs.	Motor vehicle insurance models.	**Explicit approval** - As agents are formally qualified and have gone through the formal registration process and obtained the Certificate of Proficiency.

Table 6. Various m-insurance sales models

Lack of clarity in the Act and Regulations has led to the bulk of sales models using some form of digital self-registration. In our interviews, a number of interviewees confirmed that only agents with Certificates of Proficiency were allowed to sell insurance. With the exception of Tigo Bima, this has prevented many of the initiatives from leveraging the infrastructure of the MNOs for sales and promotion due to the cost of training and certifying of agents. This has potentially undermined the take-up of m-insurance. In assessing the Insurance Act and the Microinsurance Regulations, we do indeed find that there is some

Box 6. To certify or not to certify

The Insurance Act specifies that employees of agents and brokers can 'accept' insurance as long as the commission paid does not relate to the volume of business (s61). However S.10 of the Regulations specifies that all registered agents must have a Certificate of Proficiency in Insurance . In practice we have found that the Commissioner has used his discretion to exempt uncertified agents as long as he approves the training material.

[18] For a summary of how Vodacom and Tigo ended their loyalty cover, see Table 8.

[19] There is some confusion in whether uncertified agents are allowed or not. The Insurance Act specifies that employees of agents and brokers can 'accept' insurance as long as the commission paid does not relate to the volume of business (s61). However S.10 of the Regulations specifies that all registered agents must have a secondary education certificate with at least 5 passes plus a Certificate of Proficiency in Insurance (3 month course).

lack of clarity which would lead a more conservative insurer to ignore the potential of using uncertified agents. In practice the Commissioner has used his wide discretional powers[20] to exempt the use of uncertified agents through reviewing and approving the training material and process which a registered insurer / broker will undertake.

Understanding the agent-led sales model in the Tanzanian context: TigoBima and MO Insurance's m-insurance product is the only one that utilises the uncertified sales model. Tigo utilises dedicated uncertified agents that are located within various Tigo Customer Care Branches. During the product approval process, the insurance regulator (TIRA) was approached to seek permission to utilise dedicated 'uncertified' agents to sell the product. Through approving the product, the training material and the training process, the Commissioner exempted the agents from the need for a certificate of proficiency (COP). These agents are employed and managed by Milvik (the TSP) and were initially trained by the previous broker / TSP, MicroEnsure[21] and now by MO Insurance. There are currently over 100 Bima agents at present. This figure represents just over a third of the number of insurance agents in the Tanzanian market.

Various types of technical service providers (TSPs) in operation in the Tanzanian market: Technical service providers provide technical support to the partnership in a number of ways: developing the m-insurance platforms and data interfaces, administration and serving as the brokers or agents in some instances. TSPs operating in the Tanzanian market include UhuruOne, MicroEnsure and Bima. Two categories of technical service providers were identified in the Tanzanian m-insurance market:

I. **Captive TSPs** – Captive TSPs have some form of relationship with at least one of the other parties within the value chain. For instance, a captive TSP may be owned by or fall under the same holding company as one of the other players within the value chain. Examples of captive TSPs are Milvik, which has a common shareholder with Tigo, and Liberty South Africa, which serves as the TSP for Vodacom's Faraja Bima product as it provides systems and technical support. Both Liberty South Africa and Heritage Tanzania are members of the Standard Bank Africa Group. As they are part of the group, the potential for conflict between the parties is lessened.

II. **Independent TSPs** – Independent TSPs have no form of relationship with other parties within the value chain. An example of independent TSPs may be Selcom, the owner of UhuruOne (TSP for Zantel and National Insurance Corporation's Farijika) and MicroEnsure which do not have any formal relationship with the other players within the value chain. As an independent third party, the potential for risk is higher which will require more focus on the service level and partnership agreements.

Tanzania offers best cases of 'failing well': Failing well is a critical part of managing systemic risk and we have found two positive examples in Tanzania as represented in Table 7. Failing well – comparing the end of three initiatives. We contrast the cessation of TigoBima and Vodacom Faraja Bima's loyalty schemes with the EcoLife Zimbabwe product. All three are loyalty products which were offered to respective subscribers. We further test how the scheme was ended against the recommended approach developed in the Zimbabwean case study (ibid).

[20] The Commissioner may, where he deems that it is in the interest of the insurance industry and the public in general and by notice published in the Gazette, grant specific exemption to any person, company or body of person from application of the provisions of this section under any terms and conditions. Insurance Act Section 18 (3).

[21] In November 2013, MicroEnsure terminated their partnership with Tigo and saw Bima take over as the TSP for the product.

	Tanzania		Zimbabwe
	Vodacom	**Tigo**	**Econet**
Ensuring a sufficient and well-communicated notice period.	Vodacom gave 30 days' notice before ending the loyalty scheme.	TIGO gave 45 days' notice by SMS that the product was ending.	Product cessation was only communicated to clients ex post.
Alternative options are available to clients, including voluntary paid cover, before the scheme is stopped.	Clients had the option to move over to voluntary cover.	Clients had the option to move over to voluntary cover.	No alternatives were available to Ecolife subscribers.
Arrangements are made concerning appropriate payment mechanisms for the alternative schemes.	Clients could pay via mobile wallet for voluntary cover.	Clients could pay via airtime deduction for voluntary cover	N/A as there were no alternative options available.
Ensuring that the MNO and insurer continues to monitor and address complaints for a set period.	Vodacom continues to assess impact	Notified regulator and trained call centre agents to prepare for client queries.	No communication between the parties following the cessation of the scheme due to court cases.
The supervisor is routinely updated on the wind down of the scheme and the levels of complaints	TIRA informed of product cessation and appeared actively engaged in the process.	TIRA informed of product cessation and appeared actively engaged in the process.	Supervisor informed of product cessation ex post. Supervisor summoned MNO and underwriter.

Table 7. Failing well – comparing the end of three initiatives
Source: Author's own analysis

Understanding why the models failed: In Tanzania both the m-insurance loyalty initiatives ended due to limited take-off and cultural resistance to funeral insurance as discussed above. In Zimbabwe the EcoLife initiative ceased due to a dispute between two parties within the value chain. It was also interesting to note how engaged the Tanzanian Commissioner was in the process and both Tanzanian insurers appeared to keep the Commissioner informed of the process.

4. Assessing the risk of the Tanzanian m-insurance market

In this section, we assess the primary and consequential risks potentially arising from m-insurance products using the risk framework that was utilised in the previous study and contrast this against the Zimbabwean assessment (Leach and Ncube 2014). It is important to note that the Zimbabwean assessment was based on the failure of the EcoLife product while the Tanzania assessment is focused on the m-insurance market at large and takes a broader market view.

The risk assessment framework uses the typology of microinsurance business model risks developed from a synthesis of global microinsurance studies which the Access to Insurance Initiative is leading (Cenfri on behalf of A2ii, forthcoming).The risks shown in Table 8 below were the predominant risks that were found across microinsurance business models around the world.

Key

	High risk		Medium risk		Low risk

Risk	Comparative analysis	Zimbabwe	Tanzania
1.Prudential risk Risk that insurer not able to keep its promises and deliver benefits - can relate to deficient entry requirements; inadequate risk management practices; scale of the underwriter; defective product design and limited supervisory capacity.	• Unlike Zimbabwe, none of the Tanzanian m-insurance models have achieved significant scale and thus insurers appear to be able to meet all claims. It is noted that there is some concern that the capital of the insurers need to be strengthened (Hougaard et al, 2012). • In both countries m-insurance schemes appear to be led by TSPs and MNOs which raises some concern around corporate governance – understanding of legal relationships may not be clear. • In Tanzania, lack of clarity around application of the regulations which is further exacerbated by various exemptions result in an unlevel playing field. • Similar to Zimbabwe, maximum penalties in Tanzania are too limited to have impact ($5,000 max penalty for an agent in Zimbabwe vs Tanzania where it is $10,000 for an insurer, $3000 for a 'traditional' agent or $600 for a Tanzanian microinsurance agent). As noted above, TIRA pointed out that they believed that these fines could be imposed against each manager or director which would increase the level of the fine. • Tanzania employs a multi-jurisdictional approval process that implies de facto multi-jurisdictional coordination and oversight which supports the corporate governance oversight. • TIRA (Tanzania insurance regulator) is relatively well-staffed with individuals with adequate technical skills and expertise (Hougaard et al 2012). In addition, TIRA's engagement during product approval process indicates a strong scrutiny of the schemes. • Actuarial data limited in both countries.	High	Medium

Risk	Comparative analysis	Zimbabwe	Tanzania
2.Policy awareness risk Risk that the insured are not aware that they are insured – e.g. models such as public policy initiatives where the state pays the premium and embedded products where insurance is embedded in another product such as credit or mobile money or a bank account have an increase risk that the consumer will not be aware of their cover.	• Tanzanian m-insurance initiatives provide clients with a variety of disclosure options including client brochures, policy documents and links to policy documentation via USSD platform during sign up process. • In Tanzania (similar to Zimbabwe), there was evidence that limited disclosure was present in the digital self-registration models and unclear disclosure requirements under a master policy. • In Tanzania, uncertified agents may not have sufficient oversight or understanding to appropriately explain the product terms and conditions. • TIRA's product approval process also requires that the insurer discloses the manner in which terms and conditions are disclosed to clients.	High	Medium
3.Aggregator risk Where insurer accesses the aggregated client base of a non-insurance third party to sell its products through that platform – reduced value to client due to inappropriate product; disproportionate costs due to the distribution/partner structure; legal relationship between insurer and aggregator and client not clear.	• Partnership structure where MNO serves as master policyholder or agent may mean there is lack of clarity concerning the end client (the 'subsidiary client'). This is an issue that is of concern in both Tanzania and Zimbabwe. • In both Zimbabwe and Tanzania the power imbalance between the MNO and insurers / TSPs means that aggregator risks exist without clear legal agreements and accountability. • In both countries there appears to be limited rights for the 'subscribers' / subsidiary policyholder under master policy agreements –the regulator and insurers views are that they should only deal with the (master) policy holder.	High	High
4.Payment risk Risk that premium will not reach the insurer or collecting a premium will be very costly – prior (contractual) relationship between intermediary & client relevant; payment options and instruments available to client; geographic proximity.	• In Tanzania premium flows did not appear to go through TSPs where payment risk would be introduced. Should funds pass through the TSP, then payment risk would be a concern. • BOT raised some concern around the use of airtime as they perceive it to be a commodity, not a payment mechanism. Airtime is also typically expensive and cost can range from 7% to 50% of premium plus VAT.[22]	High	Low
5.Sales risk Risk that sales person will misrepresent the product to the client or sell a product that the client does not need - the skills, training and accountability of the salesperson is relevant here.	• Generally, limited disclosure for digital self-registration models may create risk that clients may not understand the product. • In Tanzania, lack of clear guidance for training and oversight of uncertified agency force may increase the risk of misselling and result in negative market discovery. Hands-on product approval process which examines training material does limit the risk. • EcoLife Zimbabwe clients did not have access to individual copies of the terms and conditions. In addition, EcoLife Zimbabwe clients also activated product via digital	High	Medium

[22] MNOs are also seen as aggressive in terms of their expectations of share of revenue where one insurer informed us that two MNOs demanded 56% and 75% of premium respectively. Whilst this may be the standard for typical VAS, it is not appropriate for financial services.

Risk	Comparative analysis	Zimbabwe	Tanzania
	self-registration. In Tanzania various m-insurance initiatives provided clients with various disclosure mechanisms including online, leaflets and brochures as well as various MNO branches.		
6.Post-sale risk Risk that insurer does not honour its commitments after accepting the policy and receiving the premium - delays in processing claims; paying the wrong party (risks other than prudential risks).	• In Zimbabwe claims processes were not clear and there was limited information available. Recourse options were not understood or acted upon • In Tanzania some lack of clarity on the claims process was apparent due to limited upfront disclosure. A positive example is that of Tigo uncertified agents that supported clients with the claim process. • In interviews in Tanzania, it was stated that subsidiary policyholders did not have explicit rights to approach the insurer directly or have claim paid – it was up to the master policyholder's discretion. • In Zimbabwe, Econet (MNO) was responsible for paying the client's premiums but did not give due notice to insurer and clients. The two loyalty models that were launched in Tanzania and subsequently cancelled, were both cancelled responsibly.	High	Medium
7.Data risk Risk that the underwriter's operational systems do not provide correct, complete and up to date data on how the business is managed or that confidential client data is lost or not kept confidential.	• In Zimbabwe, an unlicensed TSP, Trustco managed the data. Due to court proceedings the data was withheld and the scheme could not operate. For further details see Leach & Ncube 2014. • In one Tanzanian model, the scheme could not continue as the system did not work well and renewals were not possible which caused the initiative to end. • There is lack of regulation around administrators and outsourced service providers in both countries.	High	Medium
8.Regulatory backlash risk The risk that the supervisor may impose stringent regulatory requirements that limit the development of m-insurance.	• The negative fallout from Zimbabwe included more stringent licensing conditions for m-insurance and more barriers. • There was limited risk of regulatory backlash in Tanzania due to: 1. Multi-jurisdictional product approval process 2. TIRA's extensive engagement with the product during the product approval process.	High	Low
9.Systemic risk Risk of the collapse and destabilisation of the entire insurance market due to failure to provide value to clients and deliver on promise which may result in a market backlash.	• EcoLife reached 20% of the adult population in 7 months before cancellation, which created the potential for systemic risk. • In Tanzania, none of the m-insurance products on the market have achieved significant scale. The two schemes that have been cancelled (Vodacom v1 and Tigo v1) were also wound down responsibly and in line with best practice. Systemic risk appears to be limited at this stage, with an active and involved regulator, although all the conditions exist for rapid take off.	High	Low
Overall assessment	• The risk posed by m—insurance in the Zimbabwean market appears high largely due to the scale achieved by EcoLife Zimbabwe, the limited technical capacity of the insurance regulator, the digital self registration model utilised and the lack of direct access to terms and conditions. m-insurance in Tanzania poses medium risk to the market as it is still to take off, and TIRA appears to have stronger technical capacity and understanding of m-insurance models in the market. Furthermore,Tanzania also has de facto inter-jurisdictional regulation via the product approval process.	High	Medium

Table 8. Comparative assessment of m-insurance risks in Tanzania and Zimbabwe

Aggregator risk rated as a high level risk in both Tanzania and Zimbabwe: Aggregator risk was ranked as a high level risk for both Tanzania and Zimbabwe. In both countries there were m-insurance partnership structures where the MNO served as the master policyholder which often results in lack of clarity concerning the insurer's responsibilities due to the subsidiary policyholder. In turn this presents post-sale risk especially where the insurer only delivers on its obligations to subsidiary policy holders through the master policy holder. For example the insurer may choose to disclose terms and conditions to the master policyholder only.

Overall it appears that the risks arising from m-insurance in Tanzania are lower than that of the Zimbabwean market as shown in Table 8. This is due to a number of key regulatory and market factors.

- *None of the Tanzanian m-insurance products have achieved scale.* Various country consultations indicate that none of the m-insurance products launched on the Tanzanian market achieved significant sale thus limiting the potential for systemic risk.
- *Unlike Zimbabwe, Tanzania has already set some necessary safeguards in place.* For instance TIRA's product approval process which sees the Commissioner reviewing individual m-insurance products prior to their launch. In addition, TIRA's staff complement has the necessary technical skills required to engage with m-insurance.
- *De facto multi-jurisdictional regulation (via product approval process).* While unintentional, the multi-jurisdictional product approval process means that Tanzania has adopted a de facto multi-jurisdictional regulatory approach to m-insurance. In future, this process could potentially benefit from better co-ordination as the burden on supervision ultimately lies with the insurance supervisor (TIRA).

5. Testing recommendations

In this section we test the m-insurance regulatory recommendations that were developed as part of Leach and Ncube (2014), based on the Zimbabwean experience. The recommendations are ultimately key questions and issues that insurance supervisors should clarify to manage potential risks arising from m-insurance products. The recommendations seek to provide regulators with the appropriate tools and considerations that promote innovation and also protect consumers.

Table 9 below shows a comparative analysis of the recommendations provided as well as their relevance in Zimbabwe and Tanzania. We test whether the recommendations are applicable to the relevant jurisdictions based on whether there are legal instruments or regulatory processes that are in place.

Draft recommendations for m-insurance	Zimbabwe	Tanzania	Rationale for the recommendations
1. Define the m-insurance product **The m-insurance product should be appropriately defined in legislation**. In both jurisdictions m-insurance products such as loyalty products are not defined in legislation which created confusion around whether the loyalty product was indeed an insurance product or only a value added benefit.	X	X	Unless the product is appropriately defined, it will be challenging to effectively regulate. This is of concern with loyalty based schemes which may be classified as value added services and not as insurance. However where there is a guaranteed benefit, then it will typically be treated as insurance
2. Clarify the policyholder **The policyholder needs to be determined, whether it is a group or individuals, as well as how the insured (in this case, the subscribers of the MNO) are covered.** In both jurisdictions there are no regulatory instruments in place that define and determine the policyholder. Furthermore, the demarcation between master policyholder and subsidiary policyholder as well as the rights and responsibilities due to both are not clear.	X	X	It is important to understand how the policy is constructed in order to deduce the insurer's responsibility to the client. m-insurance policies are typically constructed as group schemes. Master policy agreements may not place as much responsibility on the insurer to disclose terms and conditions to the subsidiary policyholder as the proof of cover may lie with the master policyholder.
3. Define the nature of the legal relationship and the responsibilities pertaining to all parties involved. In both jurisdictions there were no regulations that require the rights and responsibilities of the various parties to be defined (and communicated to the client). This creates risk and needs to be addressed.	X	X	Not all parties in the m-insurance value chain fall under the supervisory jurisdiction of the insurance supervisor. Clarifying the nature of the legal relationship between the various parties and the responsibilities helps to enforce accountability of all parties across the m-insurance value chain and set up the basis of inter-supervisory coordination and oversight.
4.Determine whether premium incidence changes the risk profile The premium incidence should be assessed to understand the parties involved and understand whether the regulation allows for the model e.g. group policies or loyalty schemes. In both jurisdictions, there was evidence of lack of clarity around how the premium incidence affected the risk and whether loyalty models should have a lower level of oversight.	X	X	The premium incidence determines the rights and duties due to the insured and should be assessed to understand the parties involved and understand whether the regulation allows for the model e.g. group policies or loyalty schemes. This is especially important for loyalty schemes where the premium incidence often lies with the MNO or another party and the rights and duties due to the subsidiary policyholder (the end client) are potentially vague. Regardless of whether the m-insurance is voluntary or loyalty based, there are rights and obligations due to the subsidiary policyholder.
5. Assess whether there are appropriate levels of disclosure	X	X	m-insurance models are at a nascent stage of development and are testing the limits of digital sales, which have

Draft recommendations for m-insurance	Zimbabwe	Tanzania	Rationale for the recommendations
The m-insurance initiative needs to be assessed to ensure that the subsidiary policyholder has sufficient information to understand the product and their rights and obligations. While there are disclosure requirements – there were none that were stipulated for subsidiary policyholders specifically. This is due to the absence of regulations and legal instruments stipulating rights due to subsidiary policy holders (versus master policy holders) in both jurisdictions – with one regulator stating that the subsidiary policyholder essentially had no rights. This creates significant scope for risk to the end clients who may not be (well) informed about the cover, claims process and any rights.			the benefit of enhancing the reach. There are concerns around appropriate disclosure to clients through such models i.e. are clients provided with adequate content and sufficient information concerning terms and conditions. An additional concern is the timing of disclosures – e.g. with an m-insurance product should SMSs be sent to the client during various stages of the sign up process.
6. Clarify consumer recourse options available Clients and subscribers should have clear consumer recourse options and be educated around their options in an appropriate and accessible manner. In Tanzania and Zimbabwe the legislation made reference to general disclosure requirements but these do not articulate the level, depth and timing. Furthermore, there are no disclosure requirements stipulated for subsidiary policyholders.	X	X	Given the limited face-to-face selling time with m-insurance, it is important to ensure that available consumer recourse options are clearly communicated to clients (either before, during or after the sales process).
7.If you fail, then fail well - creating a living will Whilst failures are an inherent part of a financial system, it is important to ensure that a failure is managed well and limits the impact on the market. Neither Tanzania nor Zimbabwe had any regulatory requirements or instruments pertaining to resolution plans. The impact of a lack of a living will was clear in Zimbabwe. Whilst Tanzania had two examples of schemes that had ended well, it is not clear whether this would always happen.	X	X	The potential scale of the m-insurance schemes means a living will (or resolution plan) should be in place ex ante to manage the likelihood of negative systemic impact. This could include the insurer, MNO, and supervisor jointly agreeing on ensuring a well communicated notice period, alternative options are made available to clients, and supervisor is routinely updated concerning the winding down of the product.

Table 9. Comparative analysis concerning application of m-insurance regulatory recommendations in Zimbabwe, Tanzania

All recommendations applicable to both Tanzania and Zimbabwe: In analysing the two markets, it is apparent that whilst the risk is different, the recommendations have relevance to both jurisdictions and should be considered by the regulators.

6. Conclusion

m-insurance has the potential to significantly grow access to financial services and act as what the Centre for Financial Inclusion calls an 'on ramp'[23] to financial inclusion, where insurance can give people a reason to become financially included. Whilst the m-insurance ' sprinters' still only represent a handful, the scale they have reached in such a short period of time creates tremendous awareness around formal financial

[23] See http://nextbillion.net/blogpost.aspx?blogid=3807

products. The question is whether people's first experience of insurance is positive or negative. In undertaking the Tanzania assessment, we have found a large range of m-insurance initiatives and a very involved supervisor. We found that Tanzania has done an admirable job of balancing the policy objectives of financial Inclusion against Stability, Protection (and Integrity) and that the risk threshold for m-insurance is low to medium.

However, whilst Tanzania has a highly successful mobile money industry, none of the 9 m-insurance initiatives we encountered have reached any real scale. Whilst regulation is only one part of the barriers to take-off, our regulatory analysis shows that it has become clear that there are a number of areas that need to be addressed to support the take-off of microinsurance overall as well as m-insurance:

Clarity required concerning microinsurance agents: The recent microinsurance regulations make provision for microinsurance agents. However, clarity is currently required concerning the minimum qualifications for the agents - whether or not agents will be required to obtain COPs to qualify and what level of training is required. Similar to the bancassurance regime we recommend that provisions be allowed for uncertified agents:

- MNOs and TSP could apply for special registration with TIRA.
- All parties within the m-insurance value chain will be required to furnish TIRA with details of training programmes for staff (including sales staff and agents).

Need for appropriate penalties: Section 166 of the Insurance Act states that the maximum fine or penalty that may be issued by the Commissioner for agents is 5 million TZ shillings (US$ 3,000) or US $600 for a Microinsurance Agent under the Microinsurance Regulations. Whilst TIRA did respond to this point stating that these fines could be imposed against each manager or director, there remains some ambiguity here. Given the size and scale of revenues generated by MNOs and insurers, even the cumulative figure is not significant enough to discourage any negative behavior or serve as a punitive ex-post measure. One way of mitigating the potential risks arising is to potentially scale up the penalty regime or link it to the size of the scheme either in terms of numbers or premiums received.

Need to clarify master policy requirements: Master policy arrangements potentially raise some risks around disclosure and awareness of cover namely sales risk, post-sale risk and aggregator risk (see Table 8 discussing risks). Currently there are no provisions for master policy agreements within the current regulatory insurance framework. Given some m-insurance schemes are written on a group basis, it is important to clarify master policy requirements and ensure that the necessary regulatory measures are in place to mitigate potential risks arising.

Clarifying who can receive commission payment: Section 136 of the Insurance Act states that only registered brokers and agents may receive commission. Various m-insurance products have commission or remuneration arrangements that fall outside of this and yet need to be supported[24]. Without greater clarity, this may dis-incentivise these models.

m-insurance risk framework and recommendations provide a useful way to manage risk: In evaluating our m-insurance risk framework and recommendations, we feel that they hold and are a useful mechanism to assess the risk in a market. In terms of recommendations, we therefore make the following recommendations:

1) **Extend the risk framework analysis across other key m-insurance jurisdictions**
   Further countries should be assessed so we can get a better comparative view of how m-insurance is regulated and the state of risk that is being introduced to the market.

[24] For example, TigoBima's uncertified agents receive remuneration (possibly as one of the conditions under the exemption). Milvik/Bima, the TSP is unable to receive any commission until they complete the broker registration process.

2) **Pilot the risk framework and recommendations**
The risk framework and recommendations should be piloted with a supervisor/s in one or two jurisdiction where m-insurance schemes are active and be monitored and evaluated for effectiveness.

3) **Undertake case based research around the ' test and learn' principles**
A range of 'test and learn' models are quoted but there appears to be limited depth or evidence for how to implement them. We recommend that a case based approach to the 'test and learn' approach be undertaken to provide more guidance. We hope this study will assist with this body of knowledge.

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Appendix A. List of stakeholders interviewed

Organization	Name	Designation
African Life	Nura Masood	General Manager - Corporate Business
Airtel	Elinami Mangesho	Compliance Manager M-Commerce
Airtel	Francis Ndikumwami	Marketing Manager - New products development
Airtel	Mburu Gatukui	Alliances Manager - Airtel Money Africa
Airtel	Rwebugisa Mutahaba	Marketing Manager - Usage and Retention
Airtel	Fariji Mayenje	Account Manager - SMB
Bank of Tanzania	Bernad J. Dadi	Manager Systems Development Support, Directorate of National Payment Systems
Bank of Tanzania	Amani Itairo	Senior Financial Analyst, Directorate of National Payment Systems
Bank of Tanzania	Isabella N. Francis	Assistant Manager, Directorate of National Payment Systems
Golden Crescent	Punnoose Varkey	CEO
Heritage Insurance	Anil Chopra	CEO
Metropolitan	Kevin Massingham	General Manager
MicroEnsure	Urasa Sarakikya	Country Manager, Tanzania
MicroEnsure	Bertha Magodi	Account Executive
MicroEnsure	Peter Gross	Regional Director
National Insurance Corporation	Justine. P. Mwandu	Managing Director
National Insurance Corporation	Henry Machoke	Director of Marketing and Customer Service
Providing for Health (GIZ)	Nina Siegert	
Real Insurance	Sodson Manatsa	COO
Real Insurance	Amani Boma	Business Development and Marketing Manager
Tanzania Communications Regulatory Authority	Professor John Nkoma	Director General
Tanzania Insurance Regulatory Authority	Paul Joel Ngwembe	Director of Legal Services
Tanzania Insurance Regulatory Authority	Samwel Mwiru	Director - Surveillance and Research
Milvik (Bima)	Christian Karlander	Country Manager at Milvik (Bima)
Tigo	David Zachariah	
Tigo	Yaya N'djore	Program Manager
Vodacom	Isack Nchunda	Head of M-Commerce, Product Development and Marketing
Vodacom	Clemence Mhuwa	Product Manager - Consumer services
Vodacom	Jacques Voogt	Chief Operations Officer

Appendix B. Abbreviations/glossary

BOT	Bank of Tanzania
CLF	Converged Licensing Framework
COP	Certificate of Proficiency
FAIS Act	Financial Advisory and Intermediary Services Act (South Africa)
MI	Microinsurance
MFI	Microfinance institution
MNO	Mobile network operator
NGO	Non-governmental institution
SACCO	Savings and credit cooperative
NIC	National Insurance Corporation
TIRA	Tanzania Insurance Regulatory Authority
TCRA	Tanzania Communications Regulatory Authority
TSP	Technical service provider

Appendix C. Assessing the recommendations

In Section 4 we analysed key risks that were predominant across microinsurance business models around the world. In Section 5 we also looked at key recommendations that support the regulation and supervision of m-insurance models. In Table 10 below we analyse whether the recommendations put forward deal with the various risks raised.

	1.Prudential risk	2.Policy awareness risk	3.Aggregator risk	4.Payment risk	5.Sales risk	6.Post sale risk	7.Data risk	8.Regulatory backlash risk	9.Systemic risk
1.Define the m-insurance product	X								
2.Clarify the policyholder		X	X		X	X		X	X
3.Define the nature of the legal relationship and the responsibilities pertaining to all parties involved	X		X	X			X		X
4.Determine whether premium incidence changes the risk profile	X		X		X				
5.Assess whether there are appropriate levels of disclosure		X	X		X	X		X	X
6.Clarify consumer recourse options available		X	X			X		X	
7.If you fail, then fail well - creating a living will	X	X	X			X		X	X

Table 10. Analysis of recommendations against microinsurance business risks