

Implementation of Insurance Act Amendments on Marine Cargo Insurance

**Commissioner of Insurance
Tanzania Insurance Regulatory Authority (TIRA)
-At a Workshop on International Freight Logistics Best
Practices
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MARINE CARGO INSURANCE SEGMENT OVERVIEW

According to the recent study carried out by through Intergovernmental Standing Committee on Shipping (ISCOS Secretariat), whose membership is Kenya, Tanzania, Uganda and Zambia, the following was its outcome for Tanzania:

- Total Imports per year is about US\$ 12.6 billion;
- Marine cargo insurance market Size is about US\$ 9.9 million (more than TZS 20 billion) in Gross Premiums per year and;
- Potential Gross Premiums assuming average Marine Cargo Insurance (MCI) rate of 0.5% and 100% compliance is US\$ 45 million (TZS 100 billion) - a 450% increase.

(Source: ISCOS Report)

Amendment...

Section 133 (3) of the Insurance Act No. 10 of 2009 as amended by Section 42 of the Written Laws (Miscellaneous Amendments) Act, 2017

Require

“that ground, marine and air cargo insurance covers for Tanzania imports be effected by a Tanzanian insurer.”

Enactment...

The **bill** was signed into law by the President of the United of Tanzania His Excellence Hon. Dr. John Pombe Joseph Magufuli on 1 July 2017.

New Requirements...

With the enactment of the amended section on marine cargo insurance, there was an expected **growth in marine cargo insurance segment** and thus causing the following to happen:

- I. The need to enhance **regulation of marine cargo insurance**;
- II. **Insurance industry to sell marine cargo products**;
- III. **Importers to change** the way they used to obtain insurance covers for their cargos;
- IV. **Clearing and forwarding agents to change the way they used to serve their customers and**;
- V. **Regulatory bodies** such as TRA and TPA to get proper, accurate and timely data on marine cargo insurance.


System Needed...

A portal application that shall be used by:

- insurance companies to showcase and sell their marine cargo insurance products;
- Insurance intermediaries to sell marine cargo insurance products of their principal companies;
- Importers and/or sellers and clearing and forwarding agents to buy marine cargo insurance online from any place in the world at any time;
- TIRA to collect and analyse marine cargo insurance data for its regulatory and supervisory activities and;
- Other regulatory bodies such as TRA, TPA, TASAC and the like to get access to data/information for their statutory activities.

System Implementation...

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Tanzania Imports Insurance Portal [TIIP]

Section 133 (3) of the Insurance Act No. 10 of 2009 as amended by Section 42 of the Written Laws (Miscellaneous Amendments) Act, 2017 require that ground, marine and air cargo insurance covers for Tanzania imports be effected by a Tanzanian insurer.

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Collaboration with the Insurance Industry

- To achieve a timely and working TIRA MCI portal, TIRA called a meeting on **9th Nov 2017** with insurance industry through the **Insurance Institute of Tanzania (IIT)** and deliberated on the efficient way of implementing the amendments of the laws using ICT.
- The Institute on **behalf of the insurance industry agreed to implement the TIRA MCI proposal** in collaboration with TIRA by developing a portal called **Tanzania Imports Insurance Portal (TIIP)** using a consultant recommended by Intergovernmental Standing Committee for Shipping (ISCOS).
- In this regard, TIRA agreed to provide technical support and create a **fair and equal opportunities for all members of IIT**.

IIT: Involvement of Stakeholders

IIT before engaging the consultant, held meetings with its members and stakeholders (insurers, brokers and agents) to discuss and agree on the implementation of TIIP. The following meetings were held:

- 1) IIT Governing Council at IIT on 12th December, 2017;
- 2) IIT Stakeholders meeting at IIT on 18th December, 2017;
- 3) IIT Governing Council and TIRA on 20th December, 2017 and;
- 4) IIT Extra Ordinary General Meeting on 18th January, 2018.

Rationale of Collaboration

- 1) The **LATE implementation** of amended bill signed into law by the President of United Republic of Tanzania, His Excellence Hon. Dr. John Pombe Joseph Magufuli on 1 July 2017 while the implementation started in November 2017;
- 2) The TIIP is a system that is **used to showcase and sell imports insurance covers** – it's a typical **portal for selling and buying insurance**;
- 3) The **main users of the TIIP are insurance registrants** and their customers;
- 4) The Authority's **limited resources in terms of system developers and budget/funds** for system development work;
- 5) **Fastened development** to gain pace with the speed and standard of industrialization policy of the country

Benefit of Collaboration

- 1) **Ownership and easy buy-in** by the insurance industry through their Institute;
- 2) **significant reduction of the costs** of development which **TIRA could incur in development, training and sensitization activities**;
- 3) **fastened the development** and implementation process by engaging a consultant through IIT procedures and;
- 4) **A new source of income** for both TIRA and IIT through portal administration and maintenance fee for industry development activities.

Roles of TIRA in TIIP

The roles of TIRA are to provide:

- 1) fair and equal opportunities** for all insurance registrants since the Institute management and Governing bodies are led by people from the industry;
- 2) provide technical support and maintenance** of the Portal and;
- 3) integration** with other regulatory systems.

COST SHARING

In its members meetings, IIT discussed and agreed with them on the costs of developing the system through cost sharing. They formed a fee called **Portal Administration and Maintenance (PAM)** which is charged to every insurance cover note sold or posted in the portal by insurers and intermediaries at 5% of gross premium paid.

PURPOSE OF PAM FEE

The PAM is charged in order to cover costs of the following:

- 1) **The Developer** – carrying out the development and technical support;
- 2) IIT – carrying out awareness, sensitization and training programs for TIIP and promote the insurance industry and;
- 3) TIRA - carrying out support and maintenance activities of the Portal and awareness programs.

TRAINING AND SENSITIZATION

Zone	Participants
Eastern Zone	300
Northern Zone	70
Lake Zone	78
Southern Highlands Zone	50
Southern	0
Central Zone	0 (no borders)

TIIP PERFORMANCE

The Portal went live **on 1st January 2018** and underwriters (insurance companies) started uploading imports insurance covers sold from **1st January 2018**. The performance has been improving steadily from the date the Portal went live.

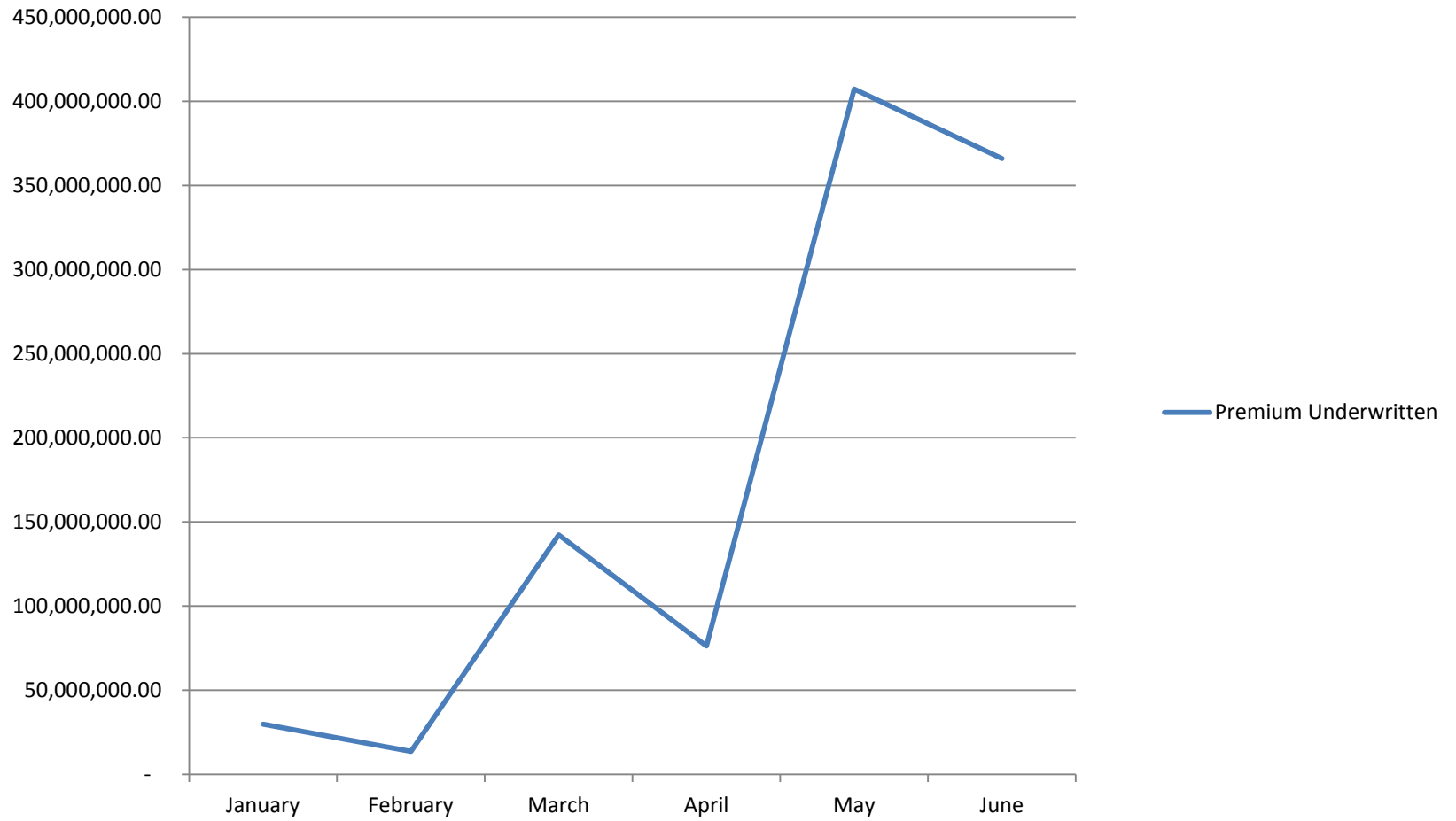
Registrants Using TIIP

- As of 30th June 2018, **Sixteen (16) companies** posted their imports insurance business directly or through intermediaries out of 19 companies selling this product.
- In the same period, **17 insurance brokers** sold imports insurance out of 121.

Premium Underwritten Trend

Month	Premium Underwritten	Sum Insured
January	29,872,283.26	17,632,270,557.48
February	13,625,166.88	3,420,467,016.45
March	142,403,094.96	45,028,862,892.70
April	76,364,188.30	14,986,393,035.73
May	407,168,535.33	139,459,480,026.44
June	365,911,803.67	182,289,336,433.04

Premium Underwritten Monthly



Number of Policies by Month

Month	Number of Policies
January	226
February	287
March	293
April	289
May	319
June	254
Total Policies (Jan-June, 2018)	1668

Generally....

There is a significant growth of the premium written at 3.2 billion for the January to April 2018 compared to the lower amount same period under review of the previous year (2017)

Therefore...

Once Section 133 is efficiently enforced, Tanzania Marine Cargo Insurance market is expected to increase from the current TZS 20 billion to TZS 90 – 120 billion over the next three years, and to continue growing at 5% or more a year.

(Source: ISCOS Reports)

WAY FORWARD

To address challenges faced, TIRA in collaboration with IIT and insurance registrants shall continue to:

- I. Get assistance from Government bodies to enforce compliance and the use of TIIP such TRA, TASAC& TPA);
- II. **create a fair and equal opportunity for all registrants** in terms of Portal usage;
- III. **sensitize and promote the usage of TIIP** to clearing and forwarding agents and other transport and business stakeholders;
- IV. Involve the insurance industry in **developing solutions for other products** to easily capture data and information for supervision and;
- V. Invite Clearing and forwarding agents to register as insurance agents and fully participate in this business.