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TANZANIA

INSURANCE REPORT

INCLUDES 10-YEAR FORECASTS TO 2025

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Tanzania Insurance Report Q4 2016

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BMI Industry View

BMI View: *We have a positive long-term outlook for Tanzania's insurance sector. While small by regional and global standards, both life and non-life insurance are expected to grow at double-digit rates throughout the forecast period. The increasing uptake of insurance policies is driven by a number of factors, including the distribution of products to households via mobile phones and other online services as well as the growing availability of more affordable microinsurance products, targeting households in the lowest income brackets. In response to these developments, increasingly more foreign insurers are attracted by Tanzania's growing insurance market.*

Table: Headline Insurance Forecasts (Tanzania 2013-2020)

	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
Gross life premiums written, TZSbn	56.40	60.40	68.30	77.50	87.80	99.80	112.70	127.50
Gross life premiums written, TZS, % y-o-y	29.2	7.1	13.0	13.5	13.3	13.7	12.9	13.1
Gross life premiums written, USDbn	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross life premiums written, USD, % y-o-y	26.8	4.1	-7.7	5.0	7.9	8.3	7.5	8.3
Gross non-life premiums written, TZSbn	417.70	466.40	563.60	672.90	792.90	924.70	1,068.60	1,224.80
Gross non-life premiums written, TZS, % y-o-y	15.1	11.7	20.8	19.4	17.8	16.6	15.6	14.6
Gross non-life premiums written, USDbn	0.30	0.30	0.30	0.30	0.30	0.40	0.40	0.50
Gross non-life premiums written, USD, % y-o-y	12.9	8.5	-1.3	10.4	12.2	11.1	10.1	9.7

BMI/Tanzania Insurance Regulatory Authority

Key Updates & Forecasts

- Due to currency movements and inflation, the expansion of Tanzania's insurance sector will be higher in local currency terms than in USD terms throughout the forecast period. Total insurance premiums should grow by 16.4% on average between 2016 and 2020, equating to 10.3% in USD terms.
- With only 10% market share, life insurance in Tanzania is at the early stage of development. Market penetration (0.1%) and density (USD0.6) are particularly low in the life segment. Over the next five years, however, we are expecting life insurance to become more demanded as household disposable incomes rise and customer awareness improves. Life premiums should grow from TZS77.5bn in 2016 to TZS127.5 in 2020, at an average rate of 13.3%.
- Tanzania's non-life insurance segment is considerably larger and developed. The market is expected to grow at an average annual rate of 16.8% over the 2016-2020 period, from TZS672.9bn to TZS1,224.8bn. This growth will be driven primarily by motor insurance.

SWOT

Insurance

SWOT Analysis

Strengths	▪ Premiums are rising rapidly in both USD and TZS terms. ▪ Significant demand for personal accident insurance over the forecast period. ▪ The array of non-life insurers drives product innovation and price competitiveness across the sector. ▪ Despite its small scale, the non-life sector demonstrates strong diversification in product lines, beyond basic motor and property cover. ▪ Life sector growth, while from a very low base, will continue at high levels. ▪ Strong government initiative and support to drive under-penetrated lines such as health insurance.
Weaknesses	▪ Even by regional standards, the life sector is small. ▪ Life insurance is dominated by African Life (part of the Sanlam Group), and state-owned NIC. ▪ Limited competition within the life segment. ▪ Lack of options for low-income rural workers and communities. ▪ Lack of understanding and product knowledge pertaining to life insurance. ▪ Small middle class means disposable income for discretionary insurance spending is low.
Opportunities	▪ Health insurance is set for rapid expansion. ▪ New competitors in the life segment, like Metropolitan, could invigorate the sector and drive product innovation.

SWOT Analysis - Continued	
	▪ Microinsurance products in health and life cover offer opportunities for insurers to reach a far larger customer base. ▪ Consolidation at the top of the non-life sector could reap huge benefits for insurers.
Threats	▪ Levels of competition in non-life business may hinder the scope for profitability in some lines. ▪ With the exception of African Life, established life insurers also operate in the non-life sector and may focus on this area for expansion, neglecting life products. ▪ Poor access to healthcare and low life expectancy continue to limit demand for most life products.

Industry Forecast

Life Premiums Forecast

BMI View: *We have a positive long-term outlook for Tanzania's life insurance market. Life insurance accounts only for 10% of total written premiums in the country, making it relatively small in comparison to the non-life segment. Particularly widespread poverty, low life expectancy and consumer unawareness of the benefits of life insurance should continue to put a lid on the development of life insurance over the next five years.*

Latest Updates

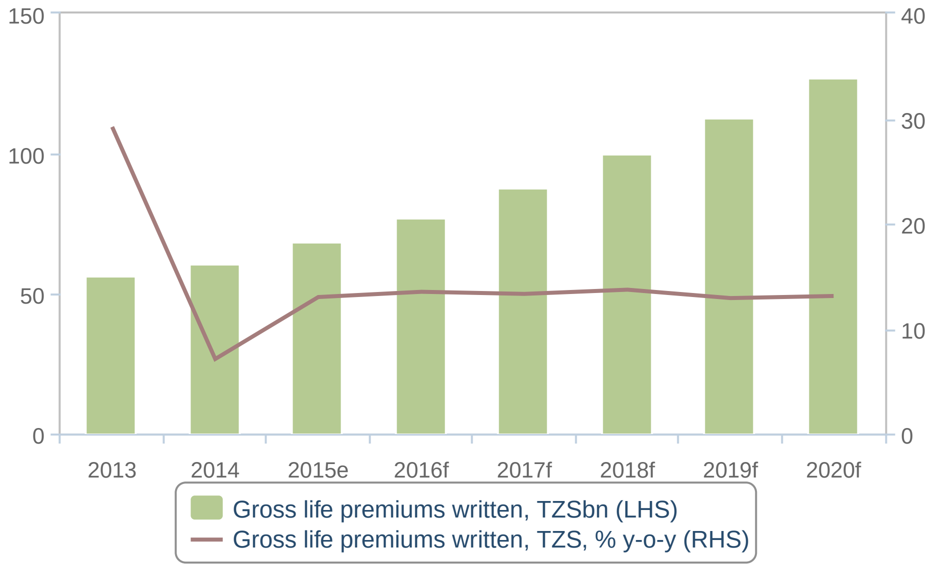
- Premiums are forecast to grow by 13.5% in local currency terms in 2016, which in dollar terms reflects as growth of 5.0% to a total of USD35mn.

Structural Trends

In a region dotted with underdeveloped insurance markets, particularly in life sectors, Tanzania's stands out as a notably immature market. Life insurance density (per capita premiums are under USD1 in 2016) is just one of the many measures demonstrating this weakness. There is, however, substantial long-term growth potential in this large population of over 53mn. Most promising of all in a market with such low per capita premiums and a large number of low-income households is the area of microinsurance. Across the region, insurers are seizing up the rapid growth in mobile networks by partnering with rising telecoms players to provide low-cost basic cover policies. Microinsurance cover offers limited short-term profitability, but the potential for mass-market rollout and eventual product upsell makes it a lucrative long-run prospect.

Gross Life Premiums

Gross Life Insurance Premiums (2013-2020)



Source: BMI/Tanzania Insurance Regulatory Authority

Life Insurance Premiums: Growing From Small Base

In local currency terms, gross life premiums will continue to grow at a steady pace. This is exemplified in our outlook for the gross life premiums, which we anticipate will increase by 13.5% in 2016, and to nearly double the present amount by the end of our forecast period, from TZS77.5bn in 2016 to TZS127.5bn in 2020. In USD terms, we will see the growth of total gross premiums in the segment take shape from 2017 onwards, due to short-term currency fluctuations.

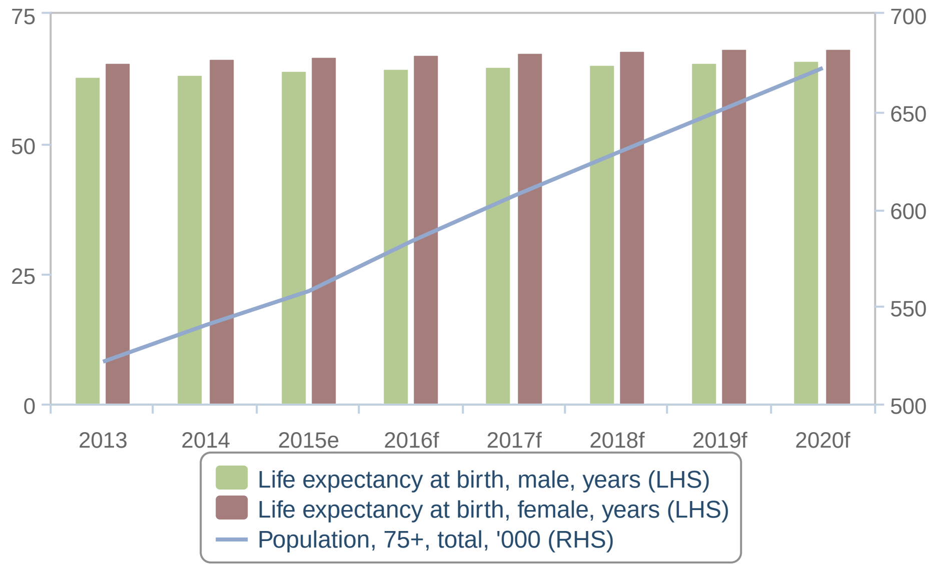
Average growth of around 8.0% from 2017 to 2020 will boost gross premiums to USD48mn by the end of this period. This will, however, still only convert to a life density of USD0.8 per capita, suggesting that significant scope remains for growth over the long term. To capture this growth potential, insurers will have to establish products that look to cater for lower-income consumers, where previously they have targeted wealthy individuals and group policies.

Although the Tanzanian economy is improving, there are still challenges in terms of widespread poverty and limited average household income rates. While the country does have a growing middle class, the majority of the population remains in the lower income brackets, limiting demand for life products. Another hindrance is the relatively low life expectancy rate for both men and women which limits demand for various retirement and later in life savings products.

Poor access to healthcare and the prevalence of diseases such as HIV/AIDS have impacted life expectancy and while we are seeing improvements, the average life expectancy will remain under 70 years by the end of the current forecast period. We do see some scope for life insurance growth by the end of our forecast period as result of the recent introduction of compulsory health insurance by the government. Increased uptake of the scheme will increase awareness as to life insurance offerings. Despite the impressive employment rate, contributions from those employed in the informal, agriculture and other rural sectors will be less likely, limiting its uptake.

Life Expectancy and Old-Age Demographics

Life Expectancy and Population Aged 75+ (2013-2020)



National Sources/BMI

There are some potential downside risks to our current forecasts for growth in Tanzania's nascent life insurance sector. While at present we are forecasting healthy annual GDP growth over the medium term, there is potential for these growth forecasts to be derailed. A major risk to our economic outlook comes from the weather. Poor rains would not only exacerbate tight food supplies (food price inflation was the major driver of rapidly rising headline inflation in 2011), but would also once again hamper hydroelectricity production, raising costs for businesses and, by extension, consumers. Should economic growth rates decline, we would look to revise our currently positive forecasts for growth in terms of life insurance premiums written.

Table: Life Premiums (Tanzania 2013-2020)

	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
Gross life premiums written, TZSbn	56.40	60.40	68.30	77.50	87.80	99.80	112.70	127.50
Gross life premiums written, TZS, % y-o-y	29.2	7.1	13.0	13.5	13.3	13.7	12.9	13.1
Gross life premiums written, USDbn	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross life premiums written, USD, % y-o-y	26.8	4.1	-7.7	5.0	7.9	8.3	7.5	8.3
Gross life premiums written, % of GDP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Gross life premiums written, % of gross premiums written	11.9	11.5	10.8	10.3	10.0	9.7	9.5	9.4

Source: BMI/Tanzania Insurance Regulatory Authority

Claims: Costs Fluctuate

Life insurance claims fluctuated around financial turmoil from 2008-2009, but figures for 2012 and 2013 suggest that they have returned to a more stable and sustainable level of around 34% of gross premiums. For a fast-growing life insurance sector, this is a level that will allow ongoing expansion and profits across the sector. Preliminary data is not available for 2014, but **BMI** expects a loss ratio of around 30-35% to persist. As a result, gross claims will surpass TZS20bn, equivalent to around USD13mn. Life insurance claims of USD12mn in 2013 accounted for around 10% of all insurance claims paid across the life and non-life sectors combined. Forecasting claims levels is fraught with difficulty and is not something that **BMI** believes can be accurately anticipated. However, over the next five years, we expect claims ratios to remain within the 30-40% band. As a result, by 2020, gross life claims will fall between USD20mn and USD25mn, barring unforeseen shocks.

Table: Life Insurance Claims (Tanzania 2008-2015)

	2008	2009	2010	2011	2012	2013
Claims life, TZSbn	7.40	11.20	16.10	14.90	14.40	19.00
Claims life, TZS, % y-o-y	-32.9	50.2	44.2	-7.6	-3.4	31.8
Life insurance gross loss ratio	28.7	51.5	51.6	41.0	32.9	33.6
Claims life, USDbn	0.00	0.00	0.00	0.00	0.00	0.00
Claims life, USD, % y-o-y	-30.5	35.9	32.5	-16.0	-3.5	29.4

Source: Tanzania Insurance Regulatory Authority (TIRA), BMI

Non-Life Premiums Forecast

BMI View: *Non-life insurance claims the majority of premiums written in the Tanzanian insurance market. In comparison to the life segment, non-life insurance is relatively larger and more developed, as well as more competitive, with a broader range of providers competing for market share. Over the next five years, the segment should expand by roughly 16% annually, and will primarily be driven by motor, property and health insurance lines. Additionally, the introduction of microinsurance products have been improving the affordability and accessibility of non-life insurance, and this should continue to provide an uptick in demand.*

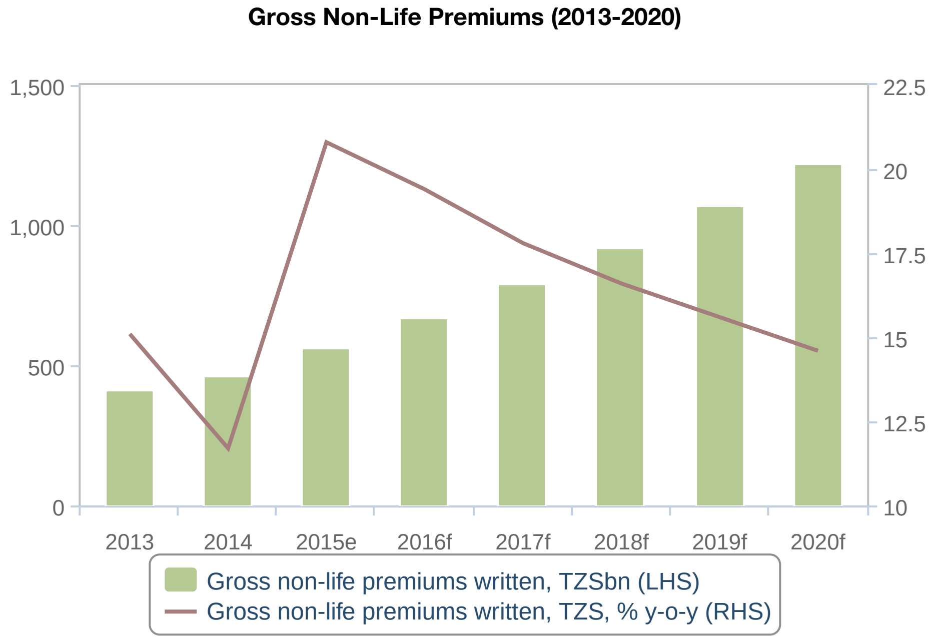
Latest Updates

- The outlook for Tanzania's non-life insurance sector is positive. Premiums are currently expected to grow by 19.4% in local currency terms in 2016, which in US dollar terms translates to growth of 10.4% to USD305mn.

Structural Trends

The non-life sector is far more competitive than the life business, with a number of companies claiming substantial shares of industry premiums. This has helped, and will continue to help, to drive innovation in products. We anticipate competition to remain high, although there is certainly scope for major gains were two of the market leaders to come together through either a merger or an acquisition. Competition does not, as yet, appear to have had any significant impact on price levels and profitability should remain high. Long-term growth potential is significant, growing as the non-life sector is from a very low base.

Gross Non-Life Premiums



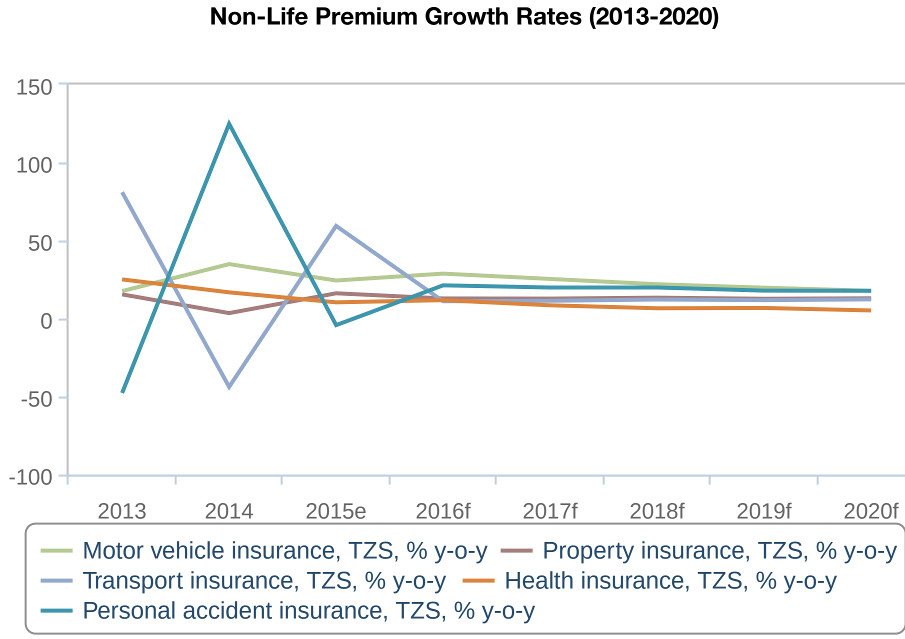
Source: BMI/Tanzania Insurance Regulatory Authority

Non-Life Insurance Premiums: Expanding Market

In terms of non-life premiums, our short-term outlook is that these will grow in 2016 by 19.4% to TZS672.9bn, a fifteenth consecutive year of double-digit growth rates in local currency terms. We believe this trend will be matched in the coming years throughout the forecast period, with expansion averaging 16.8% annually through to 2020, faster than the wider economy and a similar pace to the emerging life insurance sector.

Currency changes have impacted our forecasts in dollar terms. In comparison to the 1.3% contraction experienced in 2015, the non-life insurance market in Tanzania will experience growth of 10.4% in 2016 to USD305mn. This equates to a rate of USD5.5 per capita. Over the latter end of the forecast period, growth will remain high until 2020, averaging 10.8% per annum. By 2020, gross premiums will reach 460mn in USD terms.

Non-Life Premium Growth Rates



Source: BMI/Tanzania Insurance Regulatory Authority

As with the life insurance sector, the primary risk to our forecasts for growth in Tanzania's non-life insurance sector stems from a potential economic downturn in the country where economic growth may be hampered by ongoing policy uncertainty, particularly in the energy and mining sectors. While we expect growth to return to trend from mid-2016 onwards, risks to the medium-term growth picture are increasingly to the downside. Should current economic growth projections fail to materialise, we would look to revise downwards our forecasts for growth in the non-life insurance sector.

Table: Non-Life Premiums (Tanzania 2013-2020)

	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
Gross non-life premiums written, TZSbn	417.70	466.40	563.60	672.90	792.90	924.70	1,068.60	1,224.80
Gross non-life premiums written, TZS, % y-o-y	15.1	11.7	20.8	19.4	17.8	16.6	15.6	14.6
Gross non-life premiums written, USDbn	0.30	0.30	0.30	0.30	0.30	0.40	0.40	0.50
Gross non-life premiums written, USD, % y-o-y	12.9	8.5	-1.3	10.4	12.2	11.1	10.1	9.7
Gross non-life premiums written, % of GDP	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Gross non-life premiums written, % of gross premiums written	88.1	88.5	89.2	89.7	90.0	90.3	90.5	90.6

Source: BMI/Tanzania Insurance Regulatory Authority

Claims: Costs Expected To Rise

Non-life claims have grown substantially in recent years, and will continue to grow at around the same pace as non-life premiums. Current gross loss ratios fluctuate between 40% and 60%, and it is towards the higher end of this range that they are expected to tend towards the long term. The regulator does not produce a breakdown of gross non-life claims by line of business; however, we believe that motor insurance contributes a significant portion of these claims. Property and transport, by their nature, will exhibit claims rates that are far more prone to fluctuation than other lines. The growth in health insurance over the next five years will lead to higher gross loss ratios across the industry, increasing to over 50%, perhaps as high as 60% in the long run.

Table: Non-Life Insurance Claims (Tanzania 2009-2015)

	2009	2010	2011	2012	2013
Claims non-life, TZSbn	89.40	120.30	125.50	166.50	236.70
Claims non-life, TZS, % y-o-y	16.7	34.5	4.4	32.6	42.2
Non-life insurance gross loss ratio	42.7	47.0	40.7	45.9	56.7

Source: BMI/Tanzania Insurance Regulatory Authority

Non-Life Sub-Sector Forecast

BMI View: *Tanzania's relatively more developed non-life sector is set to grow at high double-digit rates over the next five years. The segment is dominated by motor insurance, which currently accounts for 44% of non-life premiums written. Due to rising household disposable income levels, property and health insurance are also seeing increasing demand as they become more affordable.*

Latest Updates

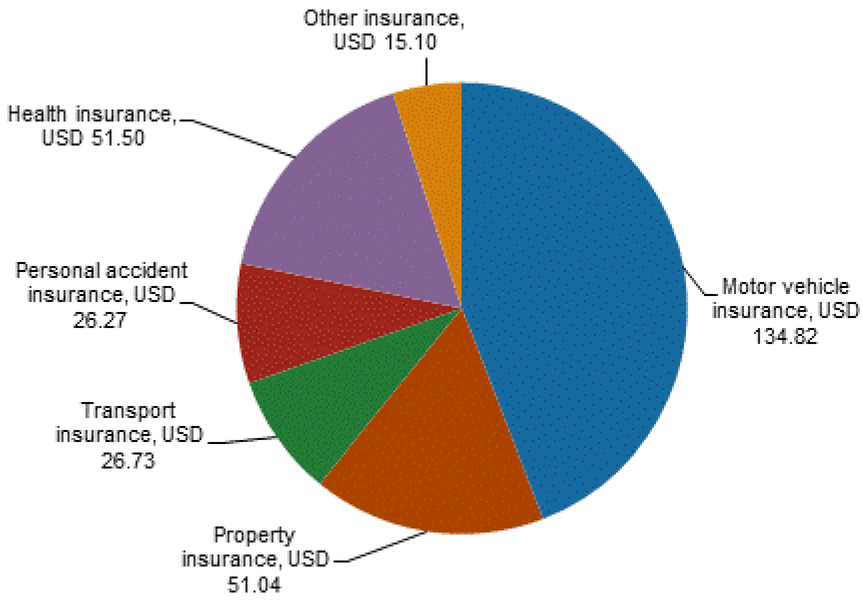
- We are maintaining our forecasts for growth in local currency terms, while adjusting US dollar measured forecasts to reflect ongoing currency movements. In 2016, motor insurance premiums are therefore forecast to grow by 28.8% in local currency terms and 19.1% in US dollar terms.
- A similar trend is expected in property insurance, where premiums are forecast to grow by 12.9% in local currency terms while and grow by 4.4% in US dollar terms. In the health insurance sector, we expect premiums to grow by 11.8% in local currency terms, reflecting growth of just 3.4% in US dollar terms.

Structural Trends

Motor insurance is the largest non-life line by a significant margin, accounting for approximately 44% of all premiums in the sector. Health and personal accident insurance are two key lines in Tanzania and are popular due to the lack of public health and disability benefits available in the country. These lines are expected to show strong long-term growth as household incomes rates rise and as more affordable products enter the marketplace. Across most non-life lines, the development of a wider range of products, including affordable microinsurance products catering to low-income households, will support healthy and sustainable growth beyond the current forecast period.

Motor Insurance Dominates

Non-Life Premiums Breakdown (USDmn), 2016



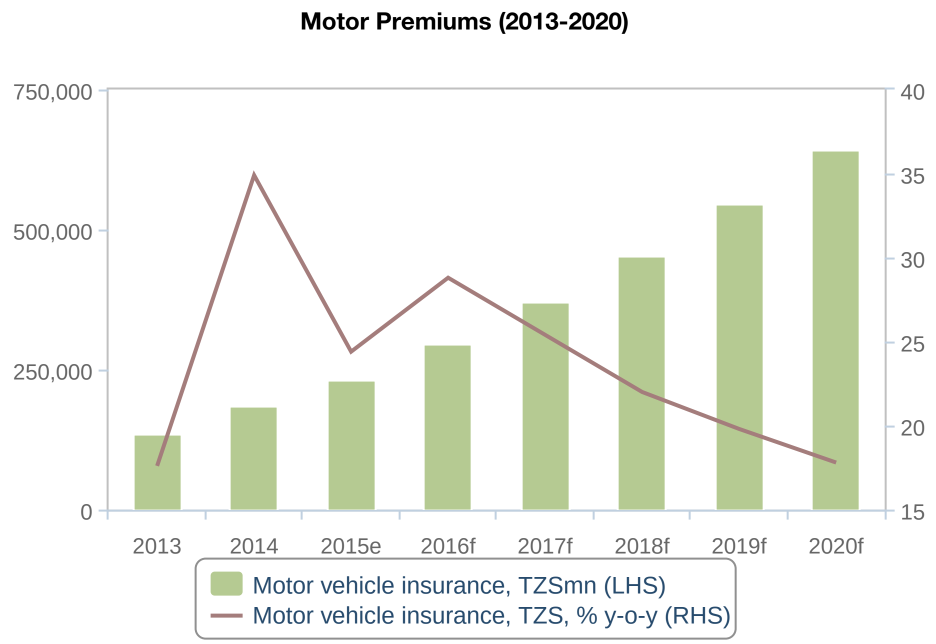
Source: Tanzania Insurance Regulatory Authority/BMI

Motor Insurance: Takes The Lion's Share

Motor vehicle insurance remains the largest non-life line in Tanzanian insurance, a status that will not be overturned within the next decade. We expect to see premiums grow by 28.8% in local currency terms in 2016 to reach TZS297bn, while in US dollar terms currency movements mean we expect to see motor insurance premiums expand by 19.1% to reach USD134.8mn. Motor insurance will account for around 44.1% of all non-life premiums written in Tanzania over the year.

The growth in the motor insurance line is matched by steady growth in the Tanzanian vehicle fleet forecasts from **BMI**'s Autos team. While vehicle fleet expansion is set to remain around 3%, this will involve a number of new drivers and newer vehicles (with a strong recovery in new car sales expected from 2016 onwards), driving up average policy prices, despite improving road safety. This will allow gross motor insurance premiums to grow more rapidly than the country's vehicle fleet size, despite competition across the sector.

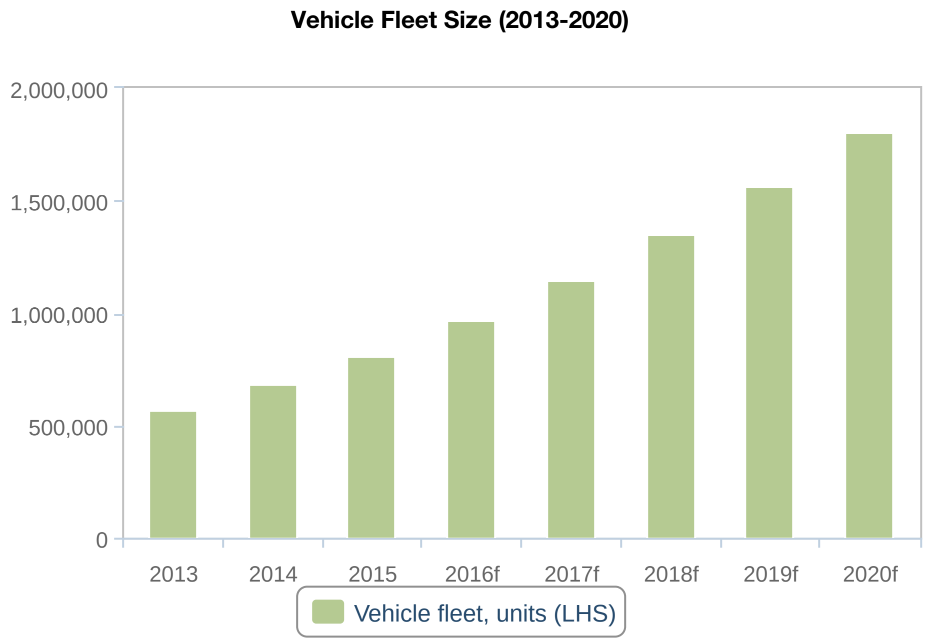
Motor Premiums



Source: BMI/Tanzania Insurance Regulatory Authority

We expect that motor vehicle insurance will reach USD240.8mn in 2020 as the market records average annual growth of 15.6% between 2017 and 2020. In local currency terms, premiums are expected to consistently record high double-digit annual growth rates to reach premiums of TZS641.6bn in 2020. As a result, motor insurance will continue to account for a large share of the non-life market, writing around half of all non-life premiums in Tanzania.

Vehicle Fleet Size



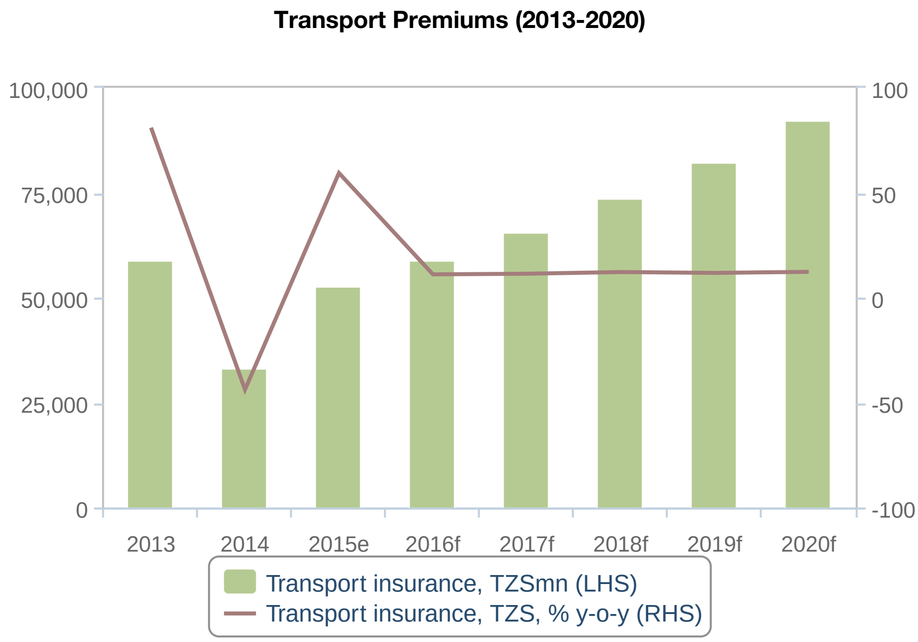
Source: National Sources/BMI

As one of the most developed lines in the Tanzanian non-life market, growth is likely to stabilise as the market matures, but opportunities for expansion remain. Looking beyond the current forecast period, there remains substantial scope for growth in motor insurance. This growth will be primarily dependent upon wider economic growth and rising household incomes, increasing demand for new autos sales, which in turn require higher insurance premiums. There is also potential to improve profitability by lowering claims and operational costs.

Transport Insurance: Reliant On Exports Outlook

Tanzania offers a low-cost transit destination for many goods heading to and from landlocked countries in the region. The country's external sector, however, continues to suffer from a dearth of domestic productive capacity. Despite possessing a relatively diversified export base, the performance of exports will be hampered by weak global commodity prices and an uncompetitive agricultural sector. As a result, demand for transport insurance is relatively low, with this line expected to write premiums of USD26.7mn in 2016.

Transport Premiums



Source: BMI/Tanzania Insurance Regulatory Authority

Averaging growth rates of around 5.9% year-on-year (y-o-y) between 2017 and 2020, premiums in this line will reach USD34.7mn by 2020, accounting for 7.5% of premiums written in Tanzania's non-life sector. Transport premiums are principally captured by the marine insurance line, rather than aviation. Within this sector, **Jubilee**'s share of the sector declined significantly in 2013, accounting for 12% of premiums in the line, half the company's share in 2012. **Heritage** and **Alliance** were the leading players in this area in 2013, with around 20% of premiums each, but with most general insurers offering these products, competition is healthy.

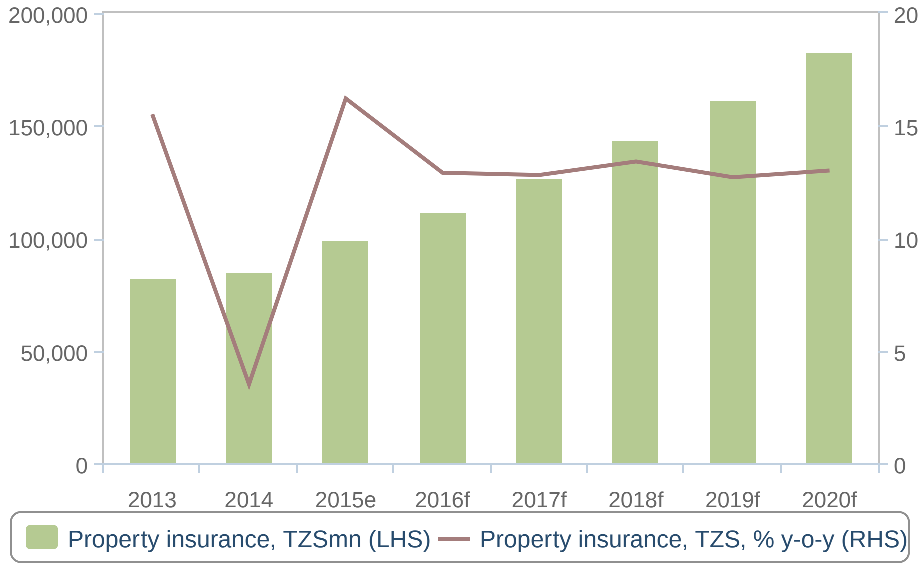
Property Insurance: Developed Line

Property insurance, which currently accounts for around 17% of the non-life market in Tanzania, will continue to show a positive upward trend, and we do see this reflected in our positive outlook for residential and non-residential property development and sales. In the short term, the property insurance segment will grow by 12.9% in local currency terms to TZS112.4bn (remaining relatively flat in US dollar terms at

USD51.0mn). As recent investments into the commercial and residential property lines take effect and the government continues to address housing shortages, we will see this figure continue to grow.

Property Premiums

Property Premiums (2013-2020)



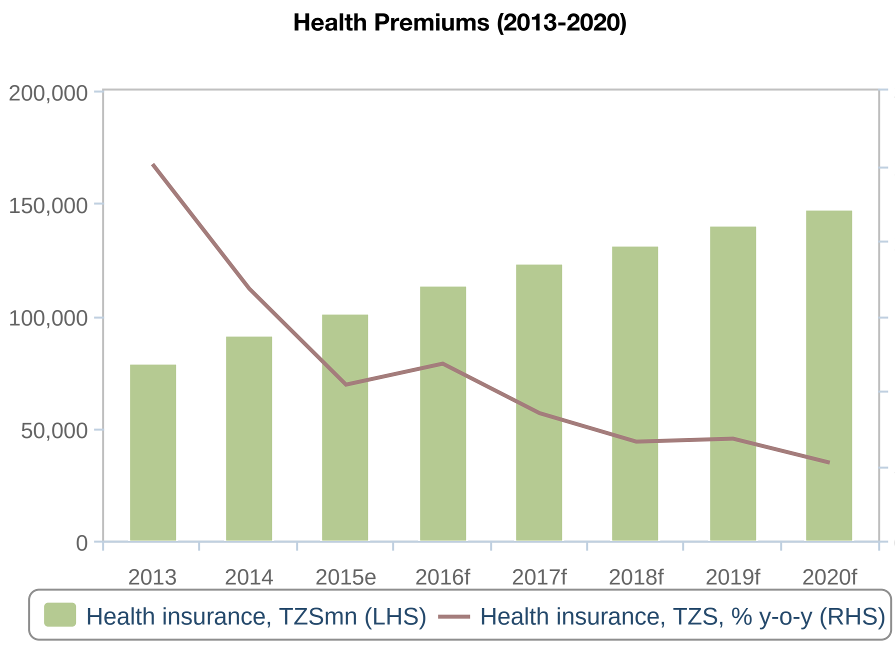
Source: BMI/Tanzania Insurance Regulatory Authority

A number of developments support our forecasts for growth in property insurance. For example, South African firm **Sanlam** is looking to invest USD85mn in Tanzania's real estate sector, which reflects strong investment patterns into the country, highlighting opportunities for new and existing players in the space in terms of property insurance. We forecast that the property sub-sector will grow at around 7.7% annually from 2017, growing to USD68.7mn by 2020. Given the high ceding ratios in Tanzanian insurance, and in particular the property cover line, profits are not expected to be significant, even for the market leaders. That said, claims levels are believed to be low in this sector and are likely to remain so, barring a major natural event.

Health Insurance: Rapidly Expanding Market

Health insurance is set to be Tanzanian insurance's great success story in the coming years. The government is keen to encourage greater private health insurance coverage as public healthcare services in the country are extremely limited. As more insurers provide a greater range of products and as medical care facilities expand, we expect to see steady growth in health insurance premiums, starting with 11.8% growth in 2016 to TZS113.5bn (translating to growth in US dollar terms of 3.4% due to currency movements, with premiums of USD51.5mn).

Health Premiums



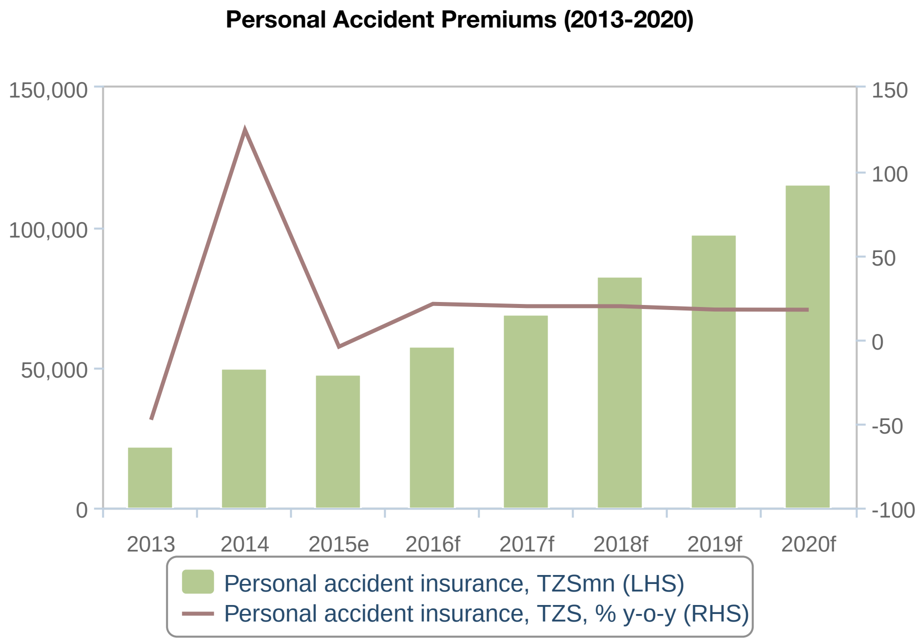
Source: BMI/Tanzania Insurance Regulatory Authority

As Tanzanians begin to prioritise health insurance, we will see premiums rise to USD55.3mn by 2020 with stronger growth in local currency terms leading to premiums of TZS147.4bn - around 12% of non-life premiums written in the market. Furthermore, the low ceding ratio of less than 25% in 2013 is set to continue, creating opportunities for profitability. The key beneficiaries of the growth in health insurance are set to be Kenyan-owned **AAR Health**, a specialist health insurer currently writing over 50% of all health premiums; **Jubilee**, a composite insurer whose broad customer base and expertise overseas creates great opportunities to sell health cover on top of existing policies; and **Strategis**, also a pure health insurer with fast-growing business in the sector.

Personal Accident Insurance: Popular When Affordable

In countries like Tanzania, where government-provided public welfare benefits such as disability payments, medical care or income protection are limited (or indeed, non-existent), for those households that can afford cover, personal accident insurance is a popular non-life line. This sub-sector has struggled in recent years in Tanzania. However, in 2016 we expect premiums to show healthy growth of 21.3% to TZS57.9bn, which due to currency movements translates to growth of 12.2% in US dollar terms to USD26.3mn.

Personal Accident Premiums



Source: BMI/Tanzania Insurance Regulatory Authority

Strong double-digit growth rates are expected to be maintained throughout the remainder of the forecast period, with annual average growth of 18.9% expected in local currency terms leading to premiums of TZS115.6bn in 2020. This translates to premiums of USD43.4mn - or around 9.4% of all non-life premiums written in Tanzania. One factor which supports rapid growth in personal accident insurance is the expansion of affordable microinsurance products, which expands the reach of personal accident cover to low-income households and more first-time users.

Table: Non-Life Insurance Premiums by Product Line (Tanzania 2013-2020)

	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
Motor vehicle insurance, TZSmn	137,426.0	185,370.0	230,620.9	297,008.8	372,448.4	454,564.5	544,738.1	641,570.7
Motor vehicle insurance, TZS, % y-o-y	17.6	34.9	24.4	28.8	25.4	22.0	19.8	17.8
Motor vehicle insurance, % of non-life insurance	32.9	39.7	40.9	44.1	47.0	49.2	51.0	52.4
Property insurance, TZSmn	82,836.0	85,725.0	99,580.3	112,439.3	126,821.3	143,766.4	161,960.6	183,012.9
Property insurance, TZS, % y-o-y	15.5	3.5	16.2	12.9	12.8	13.4	12.7	13.0
Property insurance, % of non-life insurance	19.8	18.4	17.7	16.7	16.0	15.5	15.2	14.9
Transport insurance, TZSmn	59,124.0	33,245.0	52,984.8	58,889.7	65,574.9	73,588.3	82,237.3	92,368.9
Transport insurance, TZS, % y-o-y	81.0	-43.8	59.4	11.1	11.4	12.2	11.8	12.3
Transport insurance, % of non-life insurance	14.2	7.1	9.4	8.8	8.3	8.0	7.7	7.5
Health and personal accident insurance, TZSmn	100,851.0	141,718.0	149,183.1	171,334.2	192,514.6	214,491.5	238,310.3	263,030.6
Health and personal accident insurance, TZS, % y-o-y	-19.8	40.5	5.3	14.8	12.4	11.4	11.1	10.4
Health and personal accident insurance, % of non-life insurance	24.1	30.4	26.5	25.5	24.3	23.2	22.3	21.5
Other insurance, TZSmn	37,437.0	20,308.0	31,219.2	33,256.9	35,563.9	38,329.2	41,313.9	44,810.2
Other insurance, TZS, % y-o-y	2.8	-45.8	53.7	6.5	6.9	7.8	7.8	8.5
Other insurance, % of non-life insurance	9.0	4.4	5.5	4.9	4.5	4.1	3.9	3.7

Source: BMI/Tanzania Insurance Regulatory Authority

Insurance Risk/Reward Index

Sub-Saharan Africa Risk/Reward Index

Sub-Saharan Africa is the lowest-scoring region in **BMI**'s Insurance Risk/Reward Index, with an average score of just 26.0, compared with a global average of 45.6. This is primarily due to the small size of the region's markets with the exception of South Africa and the offshore financial hub of Mauritius. South Africa, in particular, is a significant outlier accounting for almost 80% of insurance premiums written in Sub-Saharan Africa. A number of the region's markets do, however, benefit from strong regulatory practices, with Ghana, Kenya and Botswana the key examples of this.

The strength of South Africa's insurance sector compared with the region as a whole has allowed a number of its domestic players to expand operations into other Sub-Saharan markets. Ultimately, our view is that this expertise and increased competition will benefit both consumers and the wider industry over the coming decades. This has yet to reach the markets of West and Central Africa which continue to face significant challenges through a lack of consumer engagement and income.

The Insurance Risk/Reward Index takes into account objective measures of the current state and long-term potential of both the non-life and the life segments. It also takes into account an assessment of the openness of each segment to new entrants and economic conditions. Collectively, these measures enable an objective assessment of the limits to potential returns across all countries and over a period of time. The scores also incorporate an objective assessment of the risks to the realisation of returns. The risk assessment is based on **BMI**'s Country Risk Index. It embodies a subjective assessment of the impact of the regulatory regime on the development and the competitive landscape of the insurance sector.

Table: Sub-Saharan Africa Insurance Risk/Reward Index - Q416

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
South Africa	70.00	65.00	75.00	54.77	63.91	65.00	63.07	63.84	63.89	1
Mauritius	38.75	32.50	45.00	61.45	47.83	60.00	67.98	64.79	52.92	2
Botswana	23.75	20.00	27.50	51.51	34.86	60.00	74.97	68.98	45.09	3
Namibia	32.50	27.50	37.50	42.41	36.46	40.00	53.09	47.85	39.88	4
Ghana	26.25	27.50	25.00	37.68	30.82	50.00	58.18	54.91	38.05	5
Kenya	31.25	37.50	25.00	31.00	31.15	45.00	43.92	44.35	35.11	6
Nigeria	20.00	22.50	17.50	41.47	28.59	25.00	47.76	38.65	31.61	7

Sub-Saharan Africa Insurance Risk/Reward Index - Q416 - Continued

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
Gabon	11.25	17.50	5.00	40.74	23.05	30.00	51.60	42.96	29.02	8
Uganda	13.75	15.00	12.50	30.58	20.48	40.00	43.29	41.97	26.93	9
Côte d'Ivoire	20.00	20.00	20.00	27.46	22.98	40.00	32.89	35.74	26.81	10
Malawi	11.25	12.50	10.00	32.65	19.81	40.00	45.09	43.05	26.78	11
Tanzania	13.75	20.00	7.50	27.04	19.07	40.00	47.35	44.41	26.67	12
Angola	12.50	17.50	7.50	34.05	21.12	40.00	35.60	37.36	25.99	13
Senegal	13.75	20.00	7.50	26.80	18.97	30.00	49.62	41.77	25.81	14
Zambia	10.00	12.50	7.50	40.66	22.26	15.00	42.97	31.78	25.12	15
Zimbabwe	27.50	30.00	25.00	25.08	26.53	20.00	10.47	14.28	22.86	16
Benin	8.75	10.00	7.50	23.45	14.63	30.00	44.61	38.77	21.87	17
Cameroon	12.50	17.50	7.50	22.75	16.60	30.00	33.41	32.05	21.23	18
Mali	7.50	10.00	5.00	27.97	15.69	20.00	42.09	33.25	20.96	19
Burkina Faso	7.50	7.50	7.50	26.11	14.94	30.00	34.91	32.95	20.34	20
Togo	11.25	12.50	10.00	24.66	16.61	20.00	32.53	27.52	19.89	21
Congo-Brazzaville	8.75	15.00	2.50	22.57	14.28	20.00	40.97	32.58	19.77	22
Rwanda	5.00	7.50	2.50	32.37	15.95	10.00	38.92	27.35	19.37	23
Madagascar	5.00	5.00	5.00	26.87	13.75	10.00	36.97	26.18	17.48	24
Niger	6.25	7.50	5.00	25.99	14.15	15.00	29.45	23.67	17.00	25
Ethiopia	3.75	5.00	2.50	29.27	13.96	10.00	33.13	23.88	16.93	26
Burundi	6.25	7.50	5.00	24.63	13.60	20.00	27.72	24.63	16.91	27
Central African Republic	3.75	5.00	2.50	24.38	12.00	20.00	21.67	21.00	14.70	28
Chad	3.75	5.00	2.50	23.94	11.82	20.00	16.55	17.93	13.66	29
Guinea	2.50	2.50	2.50	19.02	9.11	20.00	20.42	20.25	12.45	30
DRC	3.75	5.00	2.50	17.45	9.23	10.00	23.48	18.09	11.89	31

Scores out of 100, with 100 the best. Source: BMI

Market Overview

Life Market Overview

BMI View: *Tanzania's life insurance market is at an early stage of development and is characterised by low rates of penetration (premiums over GDP) and density (premiums per capita). Market competition is consequently also limited. Low levels of household disposable income and limited awareness of the benefits of life insurance among potential customers, have traditionally put a lid on the market's growth prospects. Over the coming five years, however, we expect the market to become increasingly more attractive, as it should grow consistently at double-digit rates. This may lead to new players entering the market in the foreseeable future.*

The Product Offering

The Tanzanian life insurance sector exhibits the characteristics of an industry segment that is at a stage of infancy and it is not currently primed for growth. The life insurance carriers have specifically tailored their products for the wealthy elite and corporations as the lack of a sizeable middle class constrains discretionary income spending. The life insurance products on offer by the two large corporations, having around 80% of the market share, are surprisingly diverse and comprehensive. The primary forms of life insurance cover available in Tanzania are term life insurance policies and endowment life insurance policies. Term life insurance policies cover the policyholder and pay a lump-sum in the unforeseen event of death to the beneficiary. Endowment life insurance policies, on the other hand, cover not only the risks arising from an early death, but double up as a savings plan, where the policy holder can withdraw premium based savings at any point in time in the form of a lump-sum. The endowment life insurance plan is arguably the most popular one in Tanzania. Furthermore, the Tanzanian market also has a few other niche life insurance products that establish a recurring income stream for the beneficiary of the deceased in the event of an untimely death.

Among other kinds of life insurance policies, which may witness some growth eventually at a later stage as the economy grows and the consumers become knowledgeable of the benefits of life insurance, are pensions and savings plans targeted towards employers. Currently, only the **National Insurance Corporation** (NIC) of Tanzania, the government-owned entity is championing this form of product offering. The two primary pension offerings in Tanzania fall under the group endowments and annuities categories. Group endowments are normally savings options where all premiums of the employees are pooled together and invested at the insurers' discretion to yield a high rate of return. Annuities in Tanzania are characterised by deferred annuity plans, sponsored by employers, where regular contributions are made for employees to save and invest in their pension policies. They begin receiving their pensions at the age of retirement, and, in the unforeseen event of death before retirement, the beneficiary of the deceased is normally given a lump-sum based on his contributions into the scheme.

The Competitive Landscape

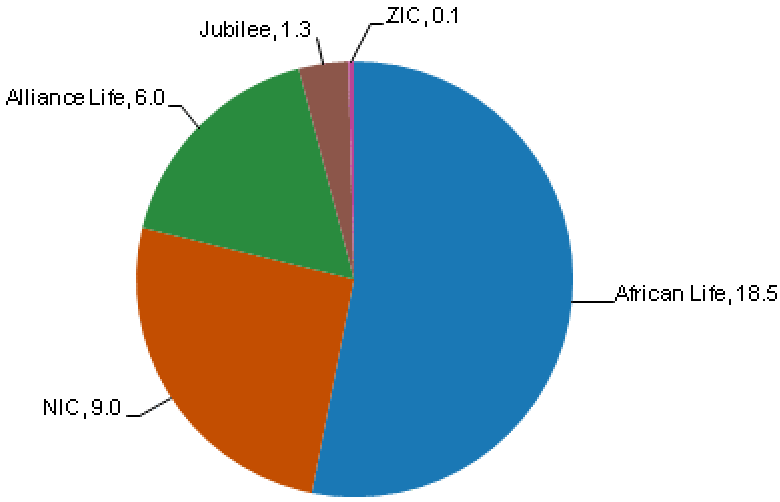
The Tanzanian life insurance market is characterised by two firms having approximately 80% of the market share and the other three holding the remaining 21% of the share among them. All the insurers active in the life segment would rank as very small companies in most of the markets that **BMI** surveys. In theory, the market is open to foreign groups, in practice, it is an undeveloped market that is not yet primed for growth and the environment is not one that is suitable to foreign entities. Furthermore, the strengths of the two industry titans do indeed post another barrier to entry.

African Life (**Sanlam**), the largest life insurer in Tanzania, holds a market share of approximately 53% in 2013. The South African based company is a specialist life insurer and the only one in Tanzania. African Life, having been founded in 2005 and currently being rebranded as Sanlam has made tremendous gains in the market in terms of market shares and premiums underwritten. Given its life insurance expertise in East Africa, the company has been able to offer a wide variety of products to a growing number of Tanzanians who are able to afford various forms of life insurance.

NIC, the state insurance company, on the other hand has witnessed a relative decline since African Life commenced operations. NIC held a life market share of 92% in 2003 and has now seen it dwindle to 26%. Nevertheless, African Life's success has come at the expense of the state insurer that has been unable to innovate and cultivate market growth opportunities.

African Life (Sanlam): The Life Behemoth

Life Insurance Market Share, 2013 (USDmn)



Source: Tanzania Insurance Regulatory Authority (TIRA)

The dynamics between NIC and African Life suggest that a regional African company has been able to enter the Tanzanian life insurance market and successfully build a client base by offering new and unique innovative products. Furthermore, African Life's success is testament to the fact that it has not cut into the premiums of NIC but it has generated new demand for its premiums to gain the lion's share of the market. Logically, the same holds true that NIC has been unable to strategically position itself to compete aggressively with its new regional competitor. NIC troubles and inability to defend its market share may stem from the fact that the company is geared towards specific clients and networks of the public sector. Given the strong government backing of NIC, inertia may have lead to its relative decline in the life sector. Nevertheless, NIC's comprehensive pension programmes geared towards enterprise clients just may be a crucial factor in ensuring that the future success of the company. In absolute terms, NIC has witnessed a constant rise in premiums since 2003 till 2013 with only four sporadic years of premium declines.

Table: Tanzania Life Insurance Market, 2007-2013 (USDmn)

	2007	2008	2009	2010	2011	2012	2013
African Life (Sanlam)	3.0	6.6	6.1	10.1	10.8	13.9	18.5
NIC	9.5	11.3	7.1	7.9	7.1	7.9	9.0
Alliance Life	1.5	3.4	2.5	2.9	3.4	3.9	6.0
Jubilee	0.4	0.6	0.5	0.7	1.5	1.8	1.3
ZIC	0.2	0.2	0.1	0.1	0.1	0.0	0.1

Source: TIRA, BMI

The smaller players in the Tanzanian life insurance market have a combined share of around 21% in 2013. **Alliance Life,** the largest of the second tier companies, has a market share of 17% with 2013 premiums around only USD6mn. **Jubilee** has premiums of around USD1.3mn with a market share if around 3.7% and, **ZIC**, the smallest life insurer has a market share of under 0.5% with premiums under USD0.1mn. All three of these insurers are local Tanzanian insurers with headquarters in Tanzania. Jubilee is the only regional African company with operations outside of Tanzania. Alliance and Jubilee have both seen their premiums and share of the market increase since 2007 onwards but ZIC is the only one that has witnessed a decline in life premiums and market share.

The relative and absolute underdevelopment of the Tanzanian life insurance market is such that it is not a lucrative opportunity for foreign players looking to enter the market. The only success story has been African Life, building on the brand image and expertise of South African Sanlam that they have been able to uniquely carve out a position that competes with domestic state-owned insurer NIC and has capitalized on the gains resulting from growth.

Alliance and Jubilee are examples of smaller players who have competed rather successfully to increase their respective shares of the market and to grow their premiums by competing with NIC and African Life. The success of foreign African Life and domestic private insurers Alliance and Jubilee is not convincing enough for **BMI** to form the opinion that further investments in the Tanzanian life market are lucrative ones. We retain the opinion that this segment still requires enough time and macroeconomic growth to be viable for foreign corporations to be able to profitably function in the market despite the modest success achieved by African Life.

Non-Life Market Overview

BMI View: *Accounting for roughly 90% of total written insurance premiums in Tanzania, non-life insurance is considerably larger and well-developed than the life segment. Higher market penetration and density rates make this market relatively more attractive. The non-life segment is highly competitive, with both domestic and regional firms rivalling for market share. This greater degree of market fragmentation should lead to more consolidation in the near future.*

The Product Offering

The Tanzanian non-life insurance sector consists of a broad product offering, and over the course of the last few years, an area of growth has been the health insurance segment of the non-life sector. The Tanzanian government looks to make health insurance mandatory while raising awareness for the service. In 2016, less than 20% of the population is covered by either public or private health insurance.

Volume growth for most lines of non-life insurance in Tanzania is positive and we anticipate this trend to grow further as the market is forecast to grow significantly. At present, the main policies are motor vehicle insurance, property insurance and personal accident insurance. Products available in the market include aviation cover, building and contents, contractors, directors liability, employers liability, fire, goods in transit, industrial, marine cargo, motor (and motor trade risks), public liability and workers compensation.

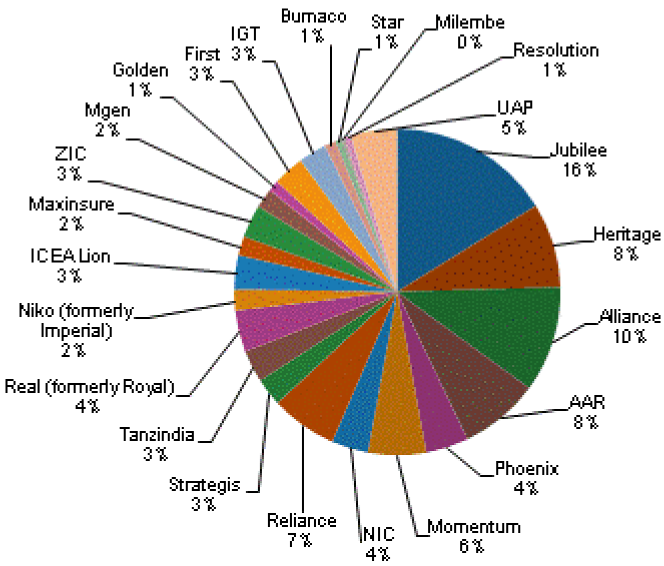
The Competitive Landscape

Most of the non-life insurance companies operating in Tanzania are small local insurers that cater specifically to the national non-life demand. From the 24 non-life insurance companies operating in the market, it is evident that the market is rather fragmented with no clear industry leader, unlike in the life segment.

The non-life insurance companies of Tanzania are local Tanzanian companies or regional East African companies but by international standards they are small. Some of them have the benefits of being composite insurers but none of them possess a significantly large market share to impact the industry premiums as a whole. There are four main non-life companies that hold a combined market share of 45%. All four of them are local Tanzanian insurance companies with an almost exclusive focus on the non-life Tanzanian market. **Jubilee**, the market leader with a non-life share of over 16.9% and 2014 premiums over USD47.9mn is a Tanzanian firm specialising in health insurance and travel insurance. **Heritage Insurance**, with a market share of over 8.8% and premiums over USD24.9mn is another local non-life insurer focusing largely on enterprise insurance solutions catering towards the needs of businesses and corporations.

Highly Diversified Non-Life Market

Non-Life Market Share, 2014 (%)



Source: Tanzania Insurance Regulatory Authority (TIRA), BMI

The market dynamics of the non-life insurers are such that it is evident that companies have emerged to capitalize on the growth prospects being put on offer by the significant expansion in the non-life segment. Jubilee had premiums of only TZS7bn in 2007 representing a non-life market share of 11%. Today it has premiums over TZS79bn with a market share of 16.9%. Heritage and **Alliance**, the second and third largest insurers by market share have followed a similar trajectory. Both firms had a rather small percentage of the market in 2003 and have witnessed an almost astronomical growth in premiums. **AAR Tanzania**, an East African company specialising in health insurance stands out in particular as it has cornered a market share of around 8.8% in 2014 with premiums over USD39mn in 2014 despite commencing operations as late as 2007.

Table: Non-Life Insurance Market, 2007-2014 (USDmn)

	2008	2009	2010	2011	2012	2013	2014
Jubilee	13.8	15.1	18.5	25.2	32.1	40.3	47.9
Heritage	24.2	25.7	23.2	23.5	24.6	28.4	24.9
AAR	5.8	7.5	9.3	16.1	20.4	23.3	23.4
Alliance	16.9	17.8	16.5	17.8	19.4	23.1	30.9
Reliance	8.1	9.1	8.9	9.4	12.7	17.1	19.5
Momentum	n.a.	6.0	9.9	10.6	11.4	13.5	17.0
Real (formerly Royal)	7.5	7.0	6.7	7.0	9.6	11.5	12.2
Phoenix	11.5	11.4	11.8	11.7	12.9	10.8	12.6
NIC	9.8	9.1	10.1	9.6	9.7	10.6	10.8
ICEA Lion	6.0	5.5	6.5	5.8	10.0	9.2	10.0
Century	n.a.	3.4	8.6	9.2	6.1	8.4	0.0
Tanzindia	7.0	6.5	7.2	7.8	7.6	8.3	9.5
ZIC	6.0	6.2	5.6	5.7	6.3	7.6	9.7
Strategis	6.9	11.1	16.2	8.0	6.3	7.4	8.2
Maxinsure	n.a.	n.a.	0.5	5.7	7.6	6.6	5.6
First	n.a.	n.a.	0.8	2.4	4.7	6.6	9.2
IGT	n.a.	n.a.	0.2	2.1	4.0	6.2	8.2
Niko (formerly Imperial)	6.7	7.9	7.0	6.9	5.5	5.8	6.1
Mgen	4.0	4.7	4.9	4.8	4.2	4.6	5.8
Golden	2.1	3.1	2.5	2.6	3.0	3.4	3.3

Source: BMI, TIRA

The non-life market is currently primed for growth and we estimate that each segment will witness a lucrative premium expansion. Motor vehicle and health insurance categories will continue to be extremely profitable and property and transport insurance segments will also post solid annual growth. **BMI** research reveals that none of the new companies looking to capitalise on the non-life segment growth are large Western insurers. Most companies happen to be local Tanzanian companies or subsidiaries of small, regional East African insurers with expertise in neighbouring Kenya.

The high levels of diversification prevalent in the market at present suggest to us that significant gains could be realised if two major insurers were to merge and join forces. Nevertheless, none of these seem forthcoming and we do not anticipate that many have the financial cloud to pull off an acquisition. Also, likely over the coming years, as the market begins to mature further and investors see the benefits, we believe neighbouring South Africa and Kenyan insurers will attempt to purchase the local insurers of Tanzania as a means of getting entry into the market. South African based **Sanlam**, the market leader in the life segment, has already acquired a major stake in **Niko** and **BMI** believes that similar deals are likely over the next decade given the fact that the non-life segment is inevitably posed to grow.

There have nevertheless been some underperformers in recent years. We point out specifically **Heritage.** While the market has seen annual expansion, the company has seen its market share dwindle from 20% in 2007 to around 8.8% in 2014 yet it still remains the second largest insurer in the non-life segment. **Phoenix** and **NIC**, the government-owned corporation, have also been significant underperformers in the non-life segment having lost significant market shares on an annual basis. Between 2007 and 2014, Phoenix saw its market share decline from 9.3% to 4.5% whereas NIC saw its share plummet from 8.8% to 3.8% in the same period. We attribute this loss largely to the inability of these companies to innovate their product offerings and to attract newer clients among the rising middle class, something that Jubilee and AAR have done successfully.

We do not expect heavy foreign presence into the Tanzanian non-life insurance sector at present, despite overwhelming growth prospects. Nevertheless, we anticipate that in the next decade, regional insurers from neighbouring Kenya and South Africa will look to expand into Tanzania by means of mergers and acquisitions or joint ventures as they look to expand beyond their home turf and into neighbouring markets.

Company Profile

African Life

Strengths

- African Life has, since 2010, been the largest life insurer in Tanzania.
- Between just 2007 and 2012, African Life's share of the Tanzanian market has grown from 20% to over 53% in 2013.
- Gross premiums in the life insurance market are double that of the next largest insurer, equalling USD18mn in 2014.
- The support of the international Sanlam Group gives African Life an advantage against many of its life sector competitors.
- Awarded first prize for four consecutive years (2010-2013) as Tanzania's best insurer.

Weaknesses

- While dominating the sector, African Life is a small player by almost any standards, with gross premiums estimated at around USD16mn in 2013.
- Poor capitalisation leaves some susceptibility to financial market shocks.

Opportunities

- Tanzania's economic growth will continue to expand the customer pool for African Life to target.
- Growth in the life sector is set to average around 8% over the coming five years; much of this new business will be taken by African Life.
- The company commands a heavy presence in rapidly expanding markets such as Kenya, Ghana, Lesotho, Namibia, Zambia and Tanzania.

Threats

- As part of the Sanlam Group, African Life has little or no prospect of expanding overseas, limiting growth opportunities.
- Other life insurers operate non-life business, allowing them to sell life business to existing non-life customers, an option not available to African Life.

Company Overview

African Life was founded in 2005 as Tanzania's first specialist life insurer, and has since become the country's largest life insurer, writing USD13.9mn in gross premiums in 2012, over 50% of the total life sector. African Life is part of the South African-based Sanlam Group.

Tanzania's Insurance Regulatory Authority has published preliminary figures showing a continued increase in the company's premium income to TZS29.96bn, a market share of 53%. If confirmed, these figures will show a consolidation in the company's dominant position in the market. A lingering concern is the company's level of capitalisation, although with enduring premium growth and consistent profitability, this is not likely to cause any issues in the near term.

Asset accumulation to guard against slowdown or a volume of claims should be a priority for African Life over the next five years as growing market share and profitability continue. From a product development perspective, African Life could look to partner, as many other insurers in the region do, with a telecoms provider to introduce low-cost policies for low-income customers. These products broaden the company's customer base and, while not bringing in substantial revenue, they create an important opportunity to later sell higher value products to the same customers.

Strategy

The company is in the process of rebranding itself under a new name as it transitions itself under its new heading, Sanlam Life Insurance Company of Tanzania. The company hopes to capitalise on the strong brand name of Sanlam in Tanzania and East Africa as a whole. The company looks to improve its strategic positioning in the life market in Tanzania by offering innovative new products to both personal clients and to group businesses.

African Life Insurance is a consolidation of Sanlam's entry level insurance option which seeks to primarily cater for those who have previously not been able to acquire insurance. As such, the company strives to make life assurance more accessible and affordable to the majority of people in Tanzania.

Financial Data

Sanlam Group Results For 2015 Include:

- 16% growth in new business volumes to TZS211bn.
- Net value of new covered business down 15% to TZS1.4bn.
- New fund inflows of TZS19bn.
- Group equity value per share of 5.057 cents.
- Return on Group Equity Value Per Share of 12.8%.
- Normal dividend of 245 cents per share, up 9%.
- 12.8% return on group equity value per share.
- 6% increase in net result from financial services per share.

Alliance

Strengths

- Alliance's non-life business writes a diverse range of products, offering the opportunity to cross-sell to an existing customer base.
- Alliance Life has steadily increased its market share while more than doubling premium volume between 2007 and 2012.
- Combined gross premiums for the group grew by 20% in 2013, with life business expanding by over 50%.
- The same reports show growth of 18% in Alliance's general business.
- Assets have grown strongly in the past three years and the fiscal position of the company is such that it can withstand an external shock.
- Comprehensive corporate and personal insurance offerings.

Weaknesses

- In a highly diversified non-life sector, there is little to differentiate Alliance from its competitors.
- Alliance's life sector business was worth less than USD4mn in 2012, small by any standards.
- Local brand with limited presence across the rest of Africa.

Opportunities

- Alliance's general business may be able to build on existing corporate clients as the market for property insurance expands.
- Growth in the marine line of business should benefit Alliance as it leads the sector with over 20% of premiums in the line.
- Continued product innovation, particularly into cheaper offerings, gives Alliance opportunities among lower-income consumers in the non-life sector.
- Has twice won the Superbrand East Africa award, in 2012-2014 and 2015-2016, suggesting that the company is improving its branding and identity in East Africa.

Threats

- The strength of African Life as a dedicated life insurer will likely reduce opportunities for new business among other life insurers.
- Alliance Life's focus on group policies over individual leaves little opportunity for expansion into a new, lower-income clientele.

Company Overview

Alliance is one of Tanzania's four insurers operating in both life and non-life lines of business. Its life business is the third largest in the sector and non-life operations are the fourth largest in the general insurance segment.

Alliance is expanding operations to neighbouring country Uganda. The company is hoping to benefit from the low penetration of the Ugandan market which currently sits at 0.8% penetration compared to 1.1% penetration for Tanzania. It also has a small presence in Comoros.

The company offers a broad range of non-life products covering fire, marine, motor, business interruption, goods in transit, workmen compensation, professional indemnity and engineering risks on both a group and individual basis. Alliance also provides composite non-life products for corporate customers called Corporate Plus, Asset All Risk, Material Damage and Fire Policy as well as group motor cover.

Financial Data

Key Financial Results For 2014 Include:

- Gross earned premiums of TZS67.95bn (TZS57.69bn in 2014).
- Net earned premiums of TZS32.8bn (TZS26.6bn in 2014).
- Net income of TZS45.6bn (TZS37.2bn in 2014).
- Pre-tax profits of TZS8.7bn (TZS8.2bn in 2014).
- Total assets of TZS103.7bn (TZS82.2bn in 2014).

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Heritage

Strengths

- Heritage is long-established in the Tanzanian market and has developed a brand to match this history.
- Heritage has grown every year bar one since 2003. Preliminary reports suggest this continued in 2013, with growth of 18% in gross premiums, above the market average.
- An extensively wide variety of corporate non-life insurance policies that cater to virtually all types of business related insurance requirements.

Weaknesses

- Heritage's focus on corporate business may limit growth in certain non-life lines, such as motor and health.
- With approximately 50% of premiums concentrated in industrial property lines, ceding ratios are high at around 70%, greatly limiting potential profits.
- Profit margins have been slim in recent years.
- Heritage's market share has declined significantly in recent years from a market-leading 20% in 2007 to just 8.8% in 2014.
- Gross premiums declined in 2014 to USD24.6mn, bringing them in line with 2012 figures.

Opportunities

- Heritage's relations with a number of large corporate clients put the company in prime position to target growing health premiums.
- Personal accident insurance is also set to grow quickly and is already Heritage's most profitable line.
- A continuation of Heritage's expansion of individual-focused products will reach an ever greater number of consumers and allow the company to capture a greater market share.

Threats

- The surge of Jubilee in recent years looks set to continue, while AAR and Alliance (Tanzania's third- and fourth-largest insurers) are also targeting Heritage's market share.

- Heritage's parent company in Kenya is far larger and is liable to neglect Tanzanian business.
- Currency movements are undermining growth in USD terms.

Company Overview

Heritage is Tanzania's second-largest insurer by premiums written. Operating solely in the non-life sector, the company was founded in 1998 and in 2013 wrote premiums of TZS43.26bn. Heritage is a subsidiary of Kenya's Heritage Insurance Company, which owns 60% of the business while MAC Group Limited has a 40% share. Heritage Insurance Company is in turn owned by South Africa based Liberty.

The company won awards for corporate leadership in 2014, suggesting that the recent decline in market share may have been halted. Heritage has explicitly sought to attract new customers through innovation and the anticipation of customer needs. One such example is a partnership with Vodacom to deliver low-cost funeral cover, regulated in some other markets as life insurance, reaching a broad customer base and expanding the company's brand presence. There have also been moves towards selling more products to individuals than to business or through group schemes, which will increase the potential for growth.

Strategy

Heritage Life Insurance company has strategically positioned itself for competing in the non-life market by offering a very unique and diversified portfolio of offerings, targeting many niche markets. The company offers risk cover tailor made for corporations and all types of assets including machinery breakdown, construction and building insurance and hotel liability.

Financial Data

Liberty's Group (Parent Company) Financial Results For 2015 Include:

- Liberty Africa Insurance had normalised operating earnings of ZAR25mn, down from ZAR59mn in 2015.
- New business value of ZAR654mn in 2015, down from ZAR793mn in 2014. 56% of new business came from South Africa (an 82% growth), compared to 44% from East Africa (a 56% growth).
- Gross sales of ZAR25,622mn, up from ZAR25,216mn in 2014.
- Net cash flow of ZAR8,454mn compared to a loss of ZAR7,321mn in 2014.

Heritage Insurance Company 2014 Financials Include:

- Gross written premiums of KES6.19bn.
- Net income of KES4.0bn.
- Net claims payable of KES1.2bn.

- Profit before tax of KES807.1mn.
- Underwriting profit of KES254.2mn.
- Total assets of KES9.08bn.

In Tanzania:

- Insurance premiums revenue of TZS43.7bn.
- Net insurance premiums revenue of TZS13.4bn.
- Net income of TZS20.3bn.
- Net insurance claims paid of TZS6.2bn.
- Profit of TZS3.3bn.

Jubilee

Strengths

- Growth has been exceptional, at over 10% each year since 2003 and over 20% annually from 2009 to 2012.
- Jubilee is now by far the largest non-life insurer in Tanzania, writing almost 18% of premiums in a highly diversified sector.
- Non-life insurance premiums grew almost 19% between 2013-2014 reaching USD47.9mn.
- A strong brand has enabled Jubilee to become a market leader across East Africa.
- Jubilee's diverse insurance offering portfolio has allowed it to cater to both mainstream and niche demands.

Weaknesses

- Jubilee's life business has generally exhibited far more disappointing growth, failing to leverage the strength of its brand.
- Life premiums of under USD2mn make the life business insubstantial, even by Tanzanian standards.

Opportunities

- A partnership with Vodacom to boost access to health insurance will help Jubilee to capture much of the growth in this product line.
- As a member of the Jubilee Group, one of East Africa's leading insurers, Jubilee Tanzania can expect to remain at the forefront of product innovation.
- Modest growth in life insurance sector as life premiums grew to TZS3.13bn in 2013, up 8.7%.
- Exploring opportunities in bancassurance channels in East Africa and is offering its insurance products through Imperial Bank channels in Kenya as of September 2015.
- Jubilee has ambitions to extend its distribution network and grow its client base ninefold in the next five years.

Threats

- Jubilee's life business risks being increasingly neglected as more lucrative non-life lines deliver short-term gains.

- Tanzania's volatile stock market remains a challenge to insurance companies.

Company Overview

Jubilee is Tanzania's largest non-life insurer. Jubilee resumed operations in Tanzania in 1998, but it was almost a decade before growth really took off. Jubilee also operates a far smaller life business. Jubilee is part of the wider Jubilee Group headquartered in Kenya.

Jubilee leads the Tanzanian market in engineering, motor and personal accident lines of non-life business. It is also a major player in health insurance, an area that is expected to grow significantly. Existing business in personal accident lines present strong opportunities for the company to sell additional products in the health line.

A partnership, established in January 2015, with Vodacom will strengthen Jubilee's position in the emerging health insurance line of business. The product, called bimaAFYA, is explicitly targeted at lower income individuals, where previously Tanzania's health insurance sector focused on corporate customers. This is likely to be a lucrative area of business over the next five to ten years, and this move will bolster Jubilee's position to the fore of the market.

The company is actively looking to engage in bancassurance partnerships across East Africa. In September 2015, Jubilee Insurance signed an agreement with Imperial Bank of Kenya to distribute its products through Imperial Bank branches in the country. It is highly likely that the bancassurance model will be replicated across East Africa as the markets begin to grow and Jubilee will be looking to strength such sales networks.

In recent years Jubilee Holdings implemented a strategy to diversify investments to reduce
the risk of volatility from stock market movements. This strategy included increasing inv estments in government bonds and diversifying into investments in the energy sector, such as Tsavo power and Bujagali, and in other infrastructure projects such as SEACOM, that are giving returns in dollar terms. This strategy appears to have proven sound during a period of market volatility. The company maintained revenues in general insurance, generated strong net growth of 32% in medical insurance, 14% in ordinary life, and saw income from the pension business double.

Financial Data

Financial Results For 2015 Include:

- The regional insurance group achieved a turnover of KSH30.16bn in 2015.
- Pre-tax profits of KSH4.15bn, an increase of 5% over last year.
- Dividend of KSH8.5 per share.
- Gross written premiums of KHS30bn, up from KHS29bn in 2014.

- Gross earned premiums down from KHS16bn to KHS14bn in 2015.
- Total income down from KHS24bn to KHS21bn in 2015.
- 24% increase in operating activities from KHS2bn in 2014 to KHS4bn in 2015.
- Total equity increased by 24% to KHS20bn.
- Total assets increased 11% to KHS82bn.
- Net assets increased 24% to KHS20bn from KHS16bn in 2014.

National Insurance Corporation

Strengths

- State ownership provides a financial backing unlike anything available to its competitors. NIC operates branches across the country, with a greater reach than its competitors.
- Has an active and robust network of agents and brokers distributed throughout the country that specialise in life and non-life products.

Weaknesses

- NIC's share of the Tanzanian life insurance market declined in 2013 from 28.7% to 26%.
- NIC's position in the non-life sector has also witnessed decline falling from 4.1% to 3.8% between 2014 and 2013.
- Anticipated life business growth of 16% in 2013 in TZS terms is below the sector average.
- While state-backing has benefits, NIC suffers from brand weakness that will be almost impossible to resolve.
- High management expenses in 2013 have resulted in an underwriting loss in non-life business.
- Product offerings are not as innovative and dynamic as life and non-life competitors.

Opportunities

- With complete national scope, NIC is well positioned to target the lowest-income consumers if it chooses to focus on low-cost products.
- Financial soundness and decades of operations make NIC the most stable insurer in Tanzania.
- Non-life business has returned to growth since 2009.

Threats

- NIC risks being left behind by product innovation from competitors.
- With a weak brand and little penetration into a new customer base, it will be difficult for NIC to arrest its decline in the non-life sector.

- Insurers in Tanzania face risk from the country's volatile stock market; NIC is equally as exposed to this risk.

Company Overview

NIC was incorporated in 1963 and was long the only licensed insurer in Tanzania. While it has now faced competition for the best part of two decades, it remains the second largest life insurer and among the top 10 non-life insurers. It remains fully state-owned.

Life insurance products provided include whole life insurance, term life insurance, endowments life insurance, credit life insurance, various pension and education savings plans and group products including gratuity payments upon completion of contracts. Outside motor insurance and the small aviation sector, NIC's non-life business does not have any standout performance areas. It is almost or completely absent from property, marine and aviation lines of business, likely to provide some of the strongest growth in the industry over the coming years. It does provide workers compensation insurance, domestic servants and general/professional liability products as well as more specialised cover such as sporting gun protection.

The company has launched two initiatives to improve operational efficiency. The first, prompted by revenue below expectations in 2014, seeks to boost NIC's ability to collect premiums and takes the form of an arrangement with National Microfinance Bank. NIC state that through this partnership, premiums can be taken directly from the policyholder's bank account, allowing both parties to simplify the premium-paying process.

NIC's second efficiency move seeks to accelerate the payment of claims through the national ICT Backbone, allowing NIC to verify claimants' information and process the payment of benefits more easily.

Financial Data

Key Financial Data For 2012:

- Life premiums written: USD7.9mn (TZS12.5bn - an increase of 10.4%).
- Non-life premiums written: USD9.7mn (TZS15.3bn - an increase of 0.9%).

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Methodology

Industry Forecast Methodology

BMI's industry forecasts are generated using the best-practice techniques of time-series modelling and causal/econometric modelling. The precise form of model we use varies from industry to industry, in each case being determined, as per standard practice, by the prevailing features of the industry data being examined.

Common to our analysis of every industry, is the use of vector autoregressions. Vector autoregressions allow us to forecast a variable using more than the variable's own history as explanatory information. For example, when forecasting oil prices, we can include information about oil consumption, supply and capacity.

When forecasting for some of our industry sub-component variables, however, using a variable's own history is often the most desirable method of analysis. Such single-variable analysis is called univariate modelling. We use the most common and versatile form of univariate models: the autoregressive moving average model (ARMA).

In some cases, ARMA techniques are inappropriate because there is insufficient historic data or data quality is poor. In such cases, we use either traditional decomposition methods or smoothing methods as a basis for analysis and forecasting.

BMI mainly uses OLS estimators and, in order to avoid relying on subjective views and encourage the use of objective views, **BMI** uses a 'general-to-specific' method. **BMI** mainly uses a linear model, but simple non-linear models, such as the log-linear model, are used when necessary. During periods of 'industry shock', for example poor weather conditions impeding agricultural output, dummy variables are used to determine the level of impact.

Effective forecasting depends on appropriately selected regression models. **BMI** selects the best model according to various different criteria and tests, including but not exclusive to:

- R2 tests explanatory power; adjusted R2 takes degree of freedom into account;
- Testing the directional movement and magnitude of coefficients;
- Hypothesis testing to ensure coefficients are significant (normally t-test and/or P-value); and
- All results are assessed to alleviate issues related to auto-correlation and multi-co linearity.

Sector-Specific Methodology

BMI's insurance reports provide detailed insight into insurance markets globally, examining both the present conditions in and prospects for each market. Incorporating the most up-to-date information available from sources such as industry regulators, trade associations, comparable information from other countries and **BMI's** own economic and risk data, our analysts provide a comprehensive picture of the insurance sector. The principal focus of the reports is on gross written premiums, to which 'premiums' refers unless otherwise stated.

The following are considered in our reporting of the sector:

- **BMI** considers health insurance to be included in the non-life sector. As such, in instances where sources report health insurance as part of the life sector, the required adjustments are made to conform to our standardised definitions.
- Where a market contains a significant inward reinsurance sector, these accepted premiums are considered as part of the non-life sector and are classed within the 'Other' category of our non-life breakdown.
- Life insurance contains all long-term savings products that are legally structured as insurance products and therefore do not contain pension plan contributions and other long-term saving schemes that are not legally constituted as being within the insurance sector

Life

In projecting life insurance premiums, the following are considered:

- The likely development of population.
- The likely development of life density (life premiums per capita).
- Wider macroeconomic trends.

In some instances, further factors are considered, including:

- Maturity of the life insurance sector.
- Competitive and regulatory environments.
- Life density in nearby markets at similar levels of development.

Non-Life

In projecting non-life insurance premiums on a line-by-line basis, the following are considered:

- The likely development of nominal GDP.
- The likely development of non-life penetration (non-life premiums as a percentage of GDP).
- Autos sector data, typically passenger car fleet size.
- Banking sector data, typically Client Loans figures.
- Shipping/Freight data, typically freight tonnage.
- Household stratification data, typically number of permanent properties.
- Healthcare data, typically private health expenditure.

In some instances, further factors are considered, including:

- Maturity of the non-life insurance sector.
- Competitive and regulatory environments.
- Non-life penetration in nearby markets at similar levels of development.

Reinsurance and Net Premiums

When forecasting the size of reinsurance markets, the following are considered:

- Historic levels of reinsurance coverage in both life and non-life sectors.
- Projected development of the life and non-life sectors.
- Prevalence of reinsurance in similar markets.

Where applicable, 'net premiums' refers to net written premiums and is considered as gross written premiums, less the cost of reinsurance. In some instances, source data is reported according to different definitions of 'net premiums'. In these cases, this data is used and forecasts for net premiums and reinsurance are made separately.

When forecasting net premiums independently of the reinsurance market, the following are considered:

- Historic levels of net premiums in both life and non-life sectors.
- Projected development of the life and non-life sectors.

At a general level we approach our forecasting from both a micro and macro perspective, taking into account the expansion plans of relevant domestic and international firms, as well as wider economic outlook. In this regard, **BMI** macro variable projections, such as output, consumption, investment, policy, and GDP growth are employed.

Burden of Disease

The 'burden of disease' in a country is forecasted in disability-adjusted life years (DALYs) using **BMI's** Burden of Disease Database, which is based on the World Health Organization's burden of disease projections and incorporates World Bank and IMF data.

Risk/Reward Index Methodology

BMI's Risk/Reward Index (RRI) provides a comparative regional ranking system evaluating the ease of doing business and the industry-specific opportunities and limitations for potential investors in a given market.

The RRI system divides into two distinct areas:

Rewards: Evaluation of sector's size and growth potential in each state, and also broader industry/state characteristics that may inhibit its development. This is further broken down into two sub categories:

- Industry Rewards (this is an industry specific category taking into account current industry size and growth forecasts, the openness of market to new entrants and foreign investors, to provide an overall score for potential returns for investors).
- Industry Rewards (this is a country specific category, and the score factors in favourable political and economic conditions for the industry).

Risks: Evaluation of industry-specific dangers and those emanating from the state's political/economic profile that call into question the likelihood of anticipated returns being realised over the assessed time period. This is further broken down into two sub categories:

- Industry Risks (this is an industry specific category whose score covers potential operational risks to investors, regulatory issues inhibiting the industry, and the relative maturity of a market).
- Industry Risks (this is a country specific category in which political and economic instability, unfavourable legislation and a poor overall business environment are evaluated to provide an overall score).

We take a weighted average, combining market and country risks, or market and country rewards. These two results in turn provide an overall risk/reward rating, which is used to create our regional ranking system for the risks and rewards of involvement in a specific industry in a particular country.

For each category and sub-category, each state is scored out of 100 (100 being the best), with the overall risk/reward index a weighted average of the total score. Importantly, as most of the countries and territories evaluated are considered by **BMI** to be 'emerging markets', our rating is revised on a quarterly basis. This ensures that the rating draws on the latest information and data across our broad range of sources, and the expertise of our analysts.

BMI's approach in assessing the risk/reward balance for infrastructure industry investors globally is

fourfold:

- First, we identify factors (in terms of current industry/country trends and forecast industry/country growth) that represent opportunities to would-be investors.
- Second, we identify country and industry-specific traits that pose or could pose operational risks to would-be investors.
- Third, we attempt, where possible, to identify objective indicators that may serve as proxies for issues/ trends to avoid subjectivity.
- Finally, we use **BMI's** proprietary Country Risk Ratings (CRR) in a nuanced manner to ensure that only the aspects most relevant to the infrastructure industry are incorporated. Overall, the system offers an industry-leading, comparative insight into the opportunities/risks for companies across the globe.

Sector-Specific Methodology

In constructing these ratings, the following indicators have been used. Almost all indicators are objectively based.

Table: Indicators

Rewards	
Insurance market rewards	**Rationale**
Non-life premiums, 2015 (USDmn)	Indicates overall sector attractiveness. Large markets more attractive than small ones.
Growth in non-life premiums, five years to end-2019 (USDmn)	Indicates growth potential. The greater the likely absolute growth in premiums the better.
Non-life penetration, %	Premiums expressed as % of GDP. An indicator of actual and (to an extent) potential development of non-life insurance. The greater the penetration the better.
Non-life segment measure of openness	Measure of market's accessibility to new entrants. The higher the score the better.
Life premiums, 2015 (USDmn)	Indicates overall sector attractiveness. Large markets more attractive than small ones.
Growth in life premiums, five years to end-2019 (USDmn)	Indicates growth potential. The greater the likely absolute growth in premiums the better.
Life penetration, %	Premiums as % of GDP. An indicator of actual and (to a certain extent) potential development of life insurance. The greater the penetration the better.
Life segment measure of openness	Measure of market's accessibility to new entrants. The higher the score the better.
Country rewards	
GDP per capita (USD)	A proxy for wealth. High-income states receive better scores than low-income states.
Active population	Those aged 16-64 in each state, as a % of total population. A high proportion suggests that market is comparatively more attractive.
Corporate tax	A measure of the general fiscal drag on profits.
GDP volatility	Standard deviation of growth over 7-year economic cycle. A proxy for economic stability.
Financial infrastructure	Measure of financial sector's development, a crucial structural characteristic given the insurance industry's reliance on risk calculation.
Risks	
Regulatory framework	
Regulatory framework and development	Subjectively evaluates de facto/de jure regulations on development of insurance sector.
Regulatory framework and competitive landscape	Subjectively evaluates impact of regulatory environment on the competitive landscape.
Country risk (from BMI's Country Risk Ratings)	
Long-term financial risk	Evaluates currency volatility.

Indicators - Continued	
Rewards	
Long-term external risk	State's vulnerability to externally induced economic shock, which tend to be principal triggers of economic crises.
Policy continuity	Evaluates the risk of sharp change in broad direction of government policy.
Legal framework	Strength of legal institutions. Security of investment key risk in some emerging markets.
Bureaucracy	Denotes ease of conducting business in a state.

Source: BMI

Weighting

Given the number of indicators/datasets used, it would be inappropriate to give all sub-components equal weight. Consequently, the following weighting has been adopted:

Table: Weighting of Indicators

Component	Weighting, %
Rewards	70, of which
- Industry rewards	65
- Country rewards	35
Risks	30, of which
- Industry risks	40
- Country risks	60

Source: BMI