



SOCIETY OF ACTUARIES

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Activities Update in Tanzania

by Bill Klunk

Work Plan for 9/98 - 8/99

Learn Swahili, learn how to teach, learn how to survive in Tanzania, and (if there's time) promote the actuarial profession.

Report for 9/98 - 8/99

I brought promotional literature with me in case any of my students showed promise or desire regarding the profession and exams. Instead of one of my students doing this, one of my colleagues expressed a desire to become an actuary. So he sat for (I proctored) Course 100 last May.

In addition, he also arranged a meeting for me with the branch manager of the regional (Mwanza) office of the National Insurance Corporation (NIC). This proved useful as a means to write to the Commissioner of Insurance. I learned that an unannounced letter from someone calling himself the Ambassador to the SOA might not be well received.

Also, I received an invitation to attend the International Actuarial Association's (IAA) meeting in Ghana, held in September, 1999.

Lastly, I received Jim Toole's letter regarding the SOA Website.

Work Plan for 9/99 - 9/2000

- Attend IAA meeting in Ghana
- Collect data for SOA Web page for Tanzania, from:
 - Commissioner of Insurance
 - NSSF
 - Institute of Insurance
- Prepare a report on the (short) history of privatized insurance in Tanzania
- Solicit volunteers to speak at "Insurance Day" in Tanzania on behalf of the actuarial profession
- Offer training services to the Commissioner of Insurance, NSSF, and NIC
- Create/strengthen relationships between consulting actuaries and their clients

- Report to the NIC on the cost of educating actuaries

Activities thus far

- I attended the IAA's meeting in September as Tanzania's representative of the actuarial profession. It was the IAA's first meeting in Africa, and the theme was "Development and Promotion of the Actuarial Profession in Africa."

Each (African) country's representative was asked to speak about the state of the profession in their country. We spoke in order of age of each country's actuarial association, so we began with countries that have actuarial associations: South Africa, Nigeria, Ghana, Ivory Coast, Egypt; also speaking were Zimbabwe, Zambia, Malawi and Tanzania. Countries with associations spoke about difficulties with formation and continued existence. Most other countries focused on the formation of individual actuaries within their countries (sometimes just themselves). Zimbabwe wanted to know what other actuaries had done when faced with inflation above 60%, and there were those who had experience with that. I talked about the non-existence of the actuarial profession in Tanzania (all work is done by consulting firms to my knowledge) and about the difficulties of using SOA exams in Africa.

As one of the few representatives of the SOA in attendance, I found myself interrogated by a few aspiring students, mostly from Ghana. In general, they told me that a major problem for them is that they have great difficulty in securing texts for exams. Expense is an issue, but so is delivery. They pay extra for books to be sent to Africa. They wait for long periods of time, and sometimes the materials don't reach them.

My experience with testing students (university students and one SOA exam candidate here in Tanzania) focuses on the issue of time; I spoke about this in my speech. There's a saying: "No hurry in



Africa," and if you've spent any time here you know that it is founded in truth. By American standards, things move slowly here. This includes my students through their examinations. But, often, their thoroughness compensates. My point was that "thorough" is something that an actuary is expected to be, but the exams emphasize speed also. Perhaps this emphasis is changing with the new syllabus, but I wonder if it (emphasizing speed) will keep some otherwise qualified individuals from receiving credentials. Alternatively, will it lower the importance of thoroughness in some student's mind? I realize that the exams require a balance of the two (thoroughness and speed), but I wonder if that (American) balance is appropriate for African candidates. I'm not advocating any immediate changes in the examination process, but I want to relay my observations.

Also, at the meeting, I described the SOA's efforts regarding country specific Websites and invited interested actuaries to give me their names. (I don't know if the Website organizers want to use non-Ambassadors to create Websites or not, but I thought I would seize the opportunity.) Two actuaries responded (Kwasi Osei, FSA, MAAA from Ghana — VP of the Actuarial Society of Ghana; and Mike Mwemba from Zambia), and I forwarded their names to Debbie Jay at the SOA.

The meeting also included presentations by various actuaries and follow-up discussions about:

- The role of the actuary in Social Security - Giovanna Ferrara/
Chris Daykin

- The role of the actuarial profession - Max LaCroix
- Educating actuaries - Chris Daykin and Bill Haslam
- Life insurance topics
- The future of the actuarial profession in Africa

In all, the discussions were interesting and fruitful. There was healthy dialogue and exchange between many actuaries: African and non-African, experienced and less-experienced, old and young.

I found the meeting interesting. I participated more than expected and felt I added to the exchange of ideas; I was glad I went and happy to represent Tanzania.

2. Regarding the Web page for Tanzania, things have moved slowly. I've asked the help of a local businessman in approaching those in the insurance industry; I didn't want to behave in a way that would put people off and discourage them from participating. So I arranged meetings with local insurance professionals who have contacted the Commissioner of Insurance regarding my requests. I am assured that this is the best way of proceeding. I am sending letters to the Commissioner of Insurance and the NSSF this week. (Note: I live in Mwanza where e-mail access is difficult and expensive and Internet browsing is practically non-existent. So, regular mail is my best means of communication.

3. A brief report on the insurance market in Tanzania is attached. It is based on a few interviews and information included in 2 September 1999 issue of *The Express*, a weekly newspaper. This issue covered the third annual "Insurance Day" held in Dar es Salaam in September, 1999.

4. At the IAA meeting in Ghana, I spoke to an actuary from South Africa about having someone come to "Insurance Day" in Tanzania next year to speak about the importance of the actuary in insurance. At first, we thought he could come and

speak, but then we decided a non-actuary might be a more convincing speaker. So we're working on having a CEO come.

I would like to solicit SOA members who might be interested in addressing the Tanzanian insurance industry to come, too. I don't expect the Tanzanian insurance industry to fund any of this, so interest on someone's part would have to include financing. Again, I think non-actuaries would be well positioned to address this topic, but anyone willing to come would be welcomed. Swahili speakers would be ideal!

Another topic that interested me at the IAA meeting came from the discussion on life insurance. South African actuaries discussed their efforts dealing with skyrocketing HIV infection rates in South Africa and its effect on life insurance. One idea they hit upon was to revive "funeral benefits" type life insurance. In short, it occurred to me that this product (for reasons other than increasing HIV infection rates) might be good for Tanzania. From my perspective, I see that deaths place quite a strain on the local (community, neighborhood) economy. Neighbors and relatives are expected to contribute at times of death to help cover funeral costs. Additionally, life insurance sales (see below notes on TZ Ins Industry) are very low. It would seem that a successful campaign for such a product could provide financial relief, boost life sales and provide an education for Tanzanians on the benefits of life insurance.

I discussed this with Paul Truyens, actuary for Southern Life in South Africa and we decided to work on the idea. I'm not sure how to introduce the idea to the industry or even if it already exists. In a related topic, one of the university's journalism students interviewed me about the IAA meeting and included some information about my thoughts on this product, its success in South Africa and its possible application in Tanzania. I'm hopeful that this article (slated for publication in a Dar es Salaam newspaper), will reach insurance professionals and/or interested buyers and spark some interest. I would welcome any guidance from the SOA or

individual actuaries on how to proceed. What was done in Eastern Europe to "set up" markets?

5&6 Included in my letters requesting information from the Commissioner of Insurance, the NSSF and the NIC, I am offering my services as an actuary. Specifically, I am offering training (computer training, data training) for those dealing with actuarial data and/or consultants. My availability is limited as I am teaching here in Mwanza and these activities are likely taking place in Dar es Salaam. With the NSSF, I hope to encourage them to send someone to ISSA's data training seminar next year.

7. The NIC has asked me to investigate the cost of educating actuaries. With the exam syllabus changing, I am unable to merely report to them registration fees and textbook costs. Additionally, I am hopeful that Tanzanian candidates will qualify for reduced fees under the SOA's proposed program. I have gathered some information from the Institute of Actuaries on this topic, so I am awaiting the SOA's response in order to give them my answer.

Some time ago, the NIC sent two students to the United States to study actuarial science at a university and to pass exams. I don't know all the details, but the plan was not successful. So they're interested in how to go about "growing" their own actuary and how much it will cost.

The Tanzanian Insurance Industry

Tanzanian banking and insurance industries have undergone major changes recently. After years of government domination, the Banking and Financial Institutions Act of 1991 encouraged liberalization, private sector participation and increased competition. Bills to liberalize insurance were twice tabled in Dodoma (administrative capital of Tanzania) in 1995. In 1996, the Insurance Act No. 18 was enacted, with the following objectives:

- To transform the industry into an agent for savings, investment

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- To promote the insurance sector as a catalyst for economic growth
- To strengthen and promote the industry's health and growth
- To exempt the industry from interference (as with banking)
- To develop customer driven services

In 1998, the Tanzanian economy showed signs of stabilizing: when inflation slowed to 11%

Prior to privatization, there were only two insurance companies in operation: The National Insurance Corporation (NIC) on the mainland and the Zanzibar Insurance Corporation on the islands. As of July 31, 1999, there are:

- 11 insurance companies registered under the Insurance Act; all have at least one-third Tanzanian ownership.
- 156 insurance agents
- 24 insurance brokers

- 16 loss adjusters/assessors (data from the Commissioner of the National Insurance Board)
- 1998 premium amounts (in millions of Tanzanians shillings (Tsh); approximately 800Tsh=\$1):
 - 7,558.03 in long term insurance (life assurance, pensions, permanent health insurance)
 - 31,584.35 in general insurance (fire, motor, personal accident, transport, miscellaneous)
 - 39,142.38 Total Premium. This represents 2.70% of GDP

A further premium table breakdown for general insurance is depicted below.

My impression from the Mwanza branch manager for the NIC is that all actuarial work in Tanzania is done by foreign consultants, largely from Kenya and India.

From a press release, I learned the following about Tanzania's National Social Security Fund (NSSF). It was established by Act No. 29 of 1997 and became operational July 1, 1998. All members of the National Provident Fund (NPF) became founder members.

Benefits are conferred on unemployed, terminated, retrenched members or conferred upon attainment of age 60. By June 30, 1999, 48,000 members have received Tsh 7,500 million.

At age 60, a member receives between 30% and 67.5% of last salary. If a member loses employment prior to age 60, he can claim benefits immediately.

From the IAA meeting in Ghana, I encountered some actuaries who claim that a valuation of the fund is required every three years and has been recently performed (I don't know the actual date or the results of that valuation.)

William J. Klunk, ASA, MAAA, works for the Nyegezi Social Training Institute in Mwanza, Tanzania. He can be reached at nyegezi-sti@mwanza.com

Type of Insurance	Millions Tsh	Share
Fire Engineering	4,194.50	13.30%
Motor	19,600.70	62.10%
Personal Accident	937.40	3.00%
Marine	2,049.70	6.50%
Miscellaneous	4,802.00	15.20%
Total	31,584.30	