THE ROLE OF TANZANIA INSURANCE REGULATORY AUTHORITY (TIRA) ON INSURANCE INDUSTRY DEVELOPMENT IN TANZANIA

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) OF THE OPEN UNIVERSITY OF TANZANIA

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance of this research paper titled "*The Role of Tanzania Insurance Regulatory Authority (TIRA) on Insurance Industry Development in Tanzania*" in partial fulfillment of the requirements for the award of Masters in Business Administration of the Open University of Tanzania.

…………………………………………………

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Date

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DECLARATION

I, Francis Thirinja Kamwambia hereby declare that this research paper is my original work based on personal study and reflections and it has not been presented anywhere to any other institution for any award. Information from other sources has been dully acknowledged.

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Francis Thirinja Kamwambia

……………………………………..……………

Date

DEDICATION

I wish to dedicate this work to my family namely my lovely wife Joyce Karimi and my two beautiful daughters Maureen Kendi and Sharon Kathambi.

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ABSTRACT

The study focused on role Tanzania insurance regulatory authority and on ten insurance companies in Dares salaam. TIRA had the population of 50 employees and seven were selected as representative sample. From the 27 insurance companies ten of them were selected with work force of five hundred employees, and one hundred were selected as a s representative sample. The study sought to find out the role of TIRA on insurance industry development and asses whether it carried out its mandate per the requirement of the law. Descriptive research survey was used. The Research design employed was purposive random sampling to select members of TIRA and the insurance companies. The sample involved 107 members of both TIRA and the insurance companies. A large data for statistical analysis was collected using structured questionnaire. Descriptive Statistics, Frequency Tables, and percentages were used to determine the relationship between the TIRA effective role and its impacts on insurance development. The findings revealed that the role of TIRA on insurance developments mainly involved regulatory role, supervisory role, monitoring role and other roles played by TIRA to ensure a stable industry thrives. The study revealed also that some of the insurance companies did not meet the thresh hold minimum imposed by TIRA on some occasions. The study revealed also that TIRA needed to employ more qualified staff to enable it effective carry out its role and enforce the rules more strictly and increase it financial resource to enable it deliver. The study further revealed there was great potential for the insurance growth, and development and more of TIRA effective was required to promote it.

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LIST OF ABBREVIATIONS AND ACRONYMS

ATI	Association of Tanzania Insurer
EU	European Union
FSB	Financial services Board
GATS	General Agreement on Trade in Services
IAIS	International Association of insurer's supervisors
IRDA	India Regulatory Development Authority
NIC	National Insurance Corporation
TIRA	Tanzania Insurance Regulatory Authority
TIBA	Tanzania Insurance brokers Association.
TATOA	Tanzania Truck Owners Association
TAN RE	Tanzania Reinsurance
UNCTAD	United Nations Conference on Trade and Development

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Problem

The development of insurance industry in this world has a long history of Babylonian and Chinese traders in the 3 and 2 mi0llennium BC, these people had a tendency of distributing or transferring risk of their business. Chinese merchant travelling in rapid rivers would redistribute their wares across many vessels to limit the loss due to any single vessels capsizing. Babylonians developed system known as code of hammurabi in 1750 BC as a form of insurance practiced by early Mediterranean sailing merchant. (Wikipedia). The insurance business came to take up shape and developed further when the capitalist world was caught up in a severe economic depression which caused grave social and economic problems. To solve the problem they scrambled for overseas territories and developed insurance market and assumed the utmost importance in European political and social life as means of easing the crises of capitalism (E-Hassan 1981).

In Africa the history of insurance business was introduced by colonial capitalist who divided Africa as their overseas colonies where they invested huge capital to run their business, to rule and control their colonies. They had to build infrastructure such as railways, ports roads and airport to facilitate their power. These infrastructure investments demanded insurance to guard against the risk of business losses and bankruptcies. (E-Hassan, 1981) states that the British insurance industry were not isolated from the economic and social welfare of prevailing in Britain and as a capital market institution insurance had the role to play in supporting business in the developing colonies and territories. This statement justifies that before the invasion by capitalist in Africa there were no formal system of insurance business. The defined business system in African countries have been inherited from the colonialist and therefore it means that there is little literature review done in developing countries including Tanzania compared to the former colonialist and this study is going to fill that gap.

The main area of insurance business and industry activities is selling protection to customers, while holding investment to cover future claims , administrative expenses and make profit to share holders. The role of insurance investment management is to manage the funds generated by the insurers business, maximizing the return while meeting the regulatory requirement on its assets and other financial constraints (Janowitz- Lomott 2010).

The insurance market and industry has been undergoing a series of changes and developments both in developed and developing countries. According to UNCTAD (2007), the Governments play an important role in establishing regulatory authorities to monitor insurance operations and ensure security and stability in the sector. Developing countries including Tanzania have sought to establish efficient domestic regulatory frameworks as a pre requites for insurance industry growth and developments.

Tanzania after independence 1961 transformed its economic policy from private form to public ownership (socialism) under the enforcement of Arusha declaration 1967, this necessitated the insurance industry to be nationalized. In 1968 the insurance Act provided the monopoly to National insurance corporation (NIC) to deal with both Life and non life insurance business to monitor and control the business all over Tanzania mainland parts. Despite the power given to NIC the corporation suffered much deficiency in the absence of proper established Authority to guide and meet the economic policy requirement . (James and Linguya 1972)

Tanzania Insurance Regulatory Authority (TIRA) was formed under the base of Insurance act 2009, to remove the monopolies of National Insurance Corporation (NIC) and transfer business to free market. The main objective of the authority was to implement and oversee the liberalization policy in the insurance industry through transforming the insurance industry into a sound and competitive agent investment for national savings mobilization and investments channeling, promoting insurance sector as an effective catalyst for enhanced economic growth, strengthening and promoting the industry health and orderly growth ,establishment of operating standards and prescriptions, exempting the industry from undue interferences, developing cost effective comprehensive and customer driven insurance service products.

Currently the insurance industry business is facing some challenges which hinder the insurance business to developments such as inadequate paid up capital, continued weakening of the Tanzania shilling against strong currencies affecting reinsurance costs and remittances, poor performance and low solvency margin levels, Lack and inadequate training facilities for professionals in the industry and Government's delay in adopting a policy on insurance of its properties. Attempting to meet the aligned objectives the current study is going to state what role should TIRA plays in enhancing the development of the insurance industry and gives answers to the persisted challenges in insurance business in Tanzania.

1.2 Statement of the Problem

The insurance companies are experiencing multiples of problem ranging from, undercapitalization, Poor performance, solvency margins and Premium rates undercutting. Recent joint Public Notice displayed on (TIRA report) industry depicts underwriting losses of TZS 2.043 Billion in year 2010 in the industry. This is a worrying trend which undermines companies stability, profitability and threatens the solvency of many companies. The solvency monitoring decreases the likelihood of insolvency and preserves the ability of monitoring agencies to provide early warning of problems (Mayerson, 1969).

The low rates under-cuttings affect the profitability. (Daily news Thursday, February 7, 2013). This affects insurance companies' solvency, performances and operational efficiency and results in late payment of claims to customers. Tanzania regulatory authority [TIRA] has been entrusted with the responsibility of ensuring adequate capitalization of insurance companies.

Further it has the function of ensuring their solvency soundness, maintenance of the statutory Reserve, investment in securities prescribed by law, adequate reinsurance arrangements, price controls, approval of insurance product, claims paid, and out standings through periodic return reports to TIRA as stipulated by the law and directives.

The study therefore seeks to investigate the role of TIRA and how is impacts on development of insurance in relation to ensuring adequate capitalization, enhancing performance, protection of customers-policy holders and how it mitigates the risk of insolvency among insurance companies, and find out whether TIRA is playing its role adequately as required by law.

1.3 General Objective

The general objective of the study was to find out the role of Tanzania Insurance Regulatory Authority (TIRA) on insurance industry development in Tanzania.

1.3.1 The Specific Objectives of the Study

(i) To find out whether TIRA had the financial and human resource capacity to perform its functions.

(ii) To assess the trend of operating capital and the solvency margin among the insurance companies in relation to requirement by the law;

(iii) To examine the premium volume production and performance of the insurance companies and the abilities to meet company objectives.

(iv) Assess the trend of customer claims repayment by the insurance companies and the main causes of repayment delay.

1.4 Research Questions

To guide the study, the following questions were formulated.

The general question was: what was the role of TIRA on insurance industry development in Tanzania?

(i) Does TIRA have financial and human resource capacity to enable it to perform its functions effectively?

(ii) What is the trend of operating capital and solvency margin among the insurance companies in relation to requirements by the law ?

(iii) What is trend of premium volume performances (production figures) among the insurance companies and the abilities to meet company objectives?

(iv) What is the trend of customer repayment claims by insurance companies and the main causes of claims repayment delay ?

1.5 Significance of Study

The insurance industry is among the financial institutions and intermediaries that facilitate and promotes the development of the economy of any country. Demirguc-Kunt and Maksimovic (1998) and Rajan and Zingales (1995) argued that availability of financial services helps to foster economic development by widening access to financial services, and countries with better developed financial markets and institutions effectively channel society‘s savings to its most productive use and tend to experience faster economic growth compared to those with less developed financial systems.

Tanzania Government is attracting investors to invest in different areas of the economy, promoting industrial growth and developments and has the task of promoting the financial institution for which insurance is a key player. Following this the study would to contribute to the existing body of knowledge concerning the role of Tanzania Insurance Regulatory Authority and its impact on the development of insurance industry in Tanzania.

The study further will to help to create awareness and understanding to the concept of regulation and its impact on insurance industry to the general public and insurers in terms of promoting growth, performance ensuring adequate capitalization and customer protection in the sector. The study offers an input to policy makers for both the government and private organization on issues related to existing policy, laws, regulatory frame works on insurance regulation supervision and performance on the industrial developments. The findings will also to help the Tanzania Insurance Regulatory Authority in designing strategies and codes of good practices which will improve the performance of insurance companies.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The chapter presents the overview and definitions of key terms on insurance, theoretical frame work of insurance business, empirical literature review, knowledge gap, conceptual framework, lastly conclusion. The study examined literature on insurance regulatory bodies and other concepts that provide a general understanding on the analysis of the role of Insurance Regulatory Authority in influencing the development of insurance industry in developed and developing countries of the world with Tanzania as the case study.

2.2 Definition of Terms

2.2.1 Insurance

According to Mehr, (2002) "Insurance may be defined as a social device for reducing risk by combining a sufficient number of exposure units to make the loss predictable. Pfeffer, (1972) defined insurance as a device for the reduction of the uncertainty of one party called the insured through the transfer of particular risks to another party called the insurer who offers a restoration of economic losses suffered by the insured. This study defines the term as insurance as a contract whereby one undertakes to indemnify another or to pay or provide a specified and determinable amount or benefit upon determinable contingencies.

2.2.2 Insurance Industry

Is an industry comprised of insurance service providers namely insurance companies, insurance Agents, insurance brokers, Loss adjusters, Loss Assessors, loss inspector & surveyors, customers, and the regulatory authority, all participating in the sector. It is used to describe the entire insurance market arena where insurance providers and buyers come together. Our discussion of the study will restrict insurance to general insurance companies in Tanzania.

2.2.3 Insurance Regulation

Insurance regulation refers to set of rules or agreed behavior either imposed by government or Regulatory authorities or other external agency or self-imposed by agreement within the insurance industry that direct and limits the activities and business operations of Insurance players in the industry to ensure that they carry out their activities in a safe and sound manner and in the accordance of the law.

Studies by Bench (1993) supports and agrees that effective Regulation and supervision of insurance companies leads to healthy and performing industry. Dimitri Vitas (1990) also believes that good regulation and supervision minimizes the chances of and impact of financial institutions insolvencies, inefficiencies and promotes developments. The Tanzania insurance Act of 2009 sets outs the regulations on how the insurance companies should conduct their business in Tanzania, and stipulates the powers of the commissioner of Insurance.

2.2.4 Insurance Regulatory Authorities

These are autonomous statutory body which regulates and develops the insurance industry in many countries of the world. In the case of Tanzania it is (TIRA) Tanzania Insurance Authority.

2.2.5 Insurance Policy

The insurance policy like all contracts is viewed as an arrangement that creates rights and duties for those who are a part to it (Dorfman, 1983). Dorfman went further to say: "*for instance, the insurance contract creates the right of the insured to collect from the insurer when a covered loss takes place. There is a corresponding duty on the part of insurer to pay for such losses".*

We define an insurance policy therefore an evidence of the contract entered between the insured and the insurer, and any differences or disputes are interpreted according to what is contained in the policy document. It shows that is covered under the insurance contract and what is excluded.

2.2.6 Insurance Premium

Is a consideration, price paid by the customer to the insurance company in order to assume the risk and the liability protection. Further an insurance premium is the amount of money charged by a company for active coverage. The sum a person pays is determined by several factors, sum insured incase of property, including age, health, and the area a person lives incase of life insurance. People pay these rates annually or in smaller payments over the course of the year, and the amount can change over time. When insurance premiums are not paid, the policy is typically considered void and companies will not honor claims against it.

2.2.7 Insurance Supervision

Is the process of monitoring insurance service providers to ensure that they are carrying out their activities in accordance with laws, rules and regulations, and in a safe and sound manner. Insurance supervision activities employed by supervisory authorities include the following issue the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration and protect the interests of the policy holders. Further, it regulates investment of funds by insurance companies, regulating maintenance of margin of solvency, adjudication of disputes between insurers and intermediaries policyholders.

2.2.8 Stable Insurance Industry

A stable insurance Industry means that Insurance service providers have the ability and capacity, financial and technical knowledge to conduct insurance services in a professional manner to meet obligations, and are making adequate profits from authorized insurance business to justify their investment while at the same time keeping failures at a minimum within the country.

2.2.9 Insurance Company

Insurance Company is company registered and licensed to transact insurance business and dealing and underwriting Insurance business. It can either be General Insurance Business, Health Insurance Company or Life Insurance Company. But for the purpose of this study insurance company will refer to the General insurance company service provider.

A general insurance company will offer insurance policies such as motor vehicle insurance, Fire Insurance on properties, Theft and Burglary on properties, marine insurance, group personal accident, money insurance, aviation and many other miscellaneous insurance covers.

2.2.10 Insurance Industry Development

Development of insurance industry refers to the general improvement in the services offered in by insurance companies, growth of the sector, better performance and stability of the sector and the solvency of the insurance companies and or the positive change of affairs in the industry. The Change should be for the better of the industry (Beers & Swanepoel 2000) and the insuring public and policy holders.

2.2.11 Undercapitalization

Capital refers to the minimum requirement of paid up share capital for an insurance company to be registered and allowed to transact insurance business. Under capitalization therefore refers to the inadequacy of the said paid up capital. In insurance it is a consideration which is traditionally used when justifying registration and licensing regulation. The capital resources work as a buffer against the possible adverse development liabilities and in the unexpected expense overruns. Thus it provides information on the financial standing of the company and alerts supervisors to take any necessary action to protect policy holders. The TIRA ensures licensed companies meet the capital requirements. Minimum adequate capital is pre-requisite for licensing and may de-registered entities that do not meet the minimum requirements. It is used to determine companies that will be permitted to enter into the insurance business and continue to operate.

2.2.12 Solvency Margin

It refers to the level of Technical provisions for actuarial liabilities measurement. Excess of admitted asset against liabilities. (Total Admitted Asset less admitted

Liabilities. TIRA enforces Technical provisions for actuarial liabilities to mitigate insolvency. Technical provisions should be set at a prudent levels which are monitored by TIRA to guarantee well being and performance of the company including its financial stability. Lower solvency margin means lower capacity to give clients good service and service affecting both growth performance and solvency of the company. Insolvency refers to the inability of the company to meet it contractual obligations and in a state of bankruptcy or closure. Claim Reserves ratio- TIRA monitors and supervises claim reserves reports. This ensures there are adequate reserves to pay claims when due and protects the customers from undue delay, and also promoting the good performance of the insurance companies.

2.3 Theoretical Literature Review

2.3.1 Market Correction and Distortion Theory

Market correction is meant to correct some inequalities in the market. The regulatory authority uses tools such barriers to entry, restricts insurers' risk and investment portfolios, and limits the products and terms they can offer. Legal restrictions on investments and other transactions, and price controls. Barrier to entry through regulation ensures the correct number to support the market development is ensured and there is no overcrowding which could result to unhealthy competition in the sector. However criticism against this move could also restrict competition which denies the consumers additional alternative which lead to lower prices and quality product from alternative sources.

Further r this move could deny companies to invest in more lucrative and profitable ventures that could guarantee them more returns to meet their claims and obligation.

Price regulation is advocated for it ensure fair price for the insurer and customer in promoting equity and avoid over exploitation. Policy terms and product restriction and approvals by the authority ensure right products are offered in the market and protects the interest of the policy holders. However criticism on restrictions on policy forms centers on limiting consumers' options and ability to purchase contracts that might better fit their needs and preferences. Hence the theory also falls short and inadequate as the reason for regulation of insurance industry and promoting their development. Despite having the shortcomings regulation was best suited to remedy certain market failures like high prices caused by other external forces, such as escalating claims costs. The purpose of regulation should be to correct market failures, and minimize their negative effects, and improve allocate efficiency (Spulber, 1988].

2.3.2 Market Efficiency Theory

This theory centre on factors that promotes and enhances the efficiency of the market such as the flow of information into the market and the adjustments of prices and or products as the information are received in the market. When there are few companies in the market operating as cartels or monopolists, consumers don't enjoy the benefits of fair price brought in by competition. The Regulator may relax new entry, licensing rules to allow more companies to enter the market thus promoting efficiency**.** Regulation has the potential to both increase and decrease consumer and producer surplus. When regulation corrects significant market failures, it potentially increases social welfare. For example, if regulation reduces insolvency costs and increases consumer confidence, and these "benefits" exceed other costs imposed by such regulation, then there should be a net addition to social welfare. On the other hand, when regulation restricts consumer choice and distorts market decisions and there is no commensurate benefit to consumers, then social welfare is reduced. A common goal of most of the regulatory efforts has been the strengthening of competition within the industry and as well as the lowering of prices and the improvement of product offerings. (Mahlberg and Url, 2003, for the EU single market program).

2.3.3 Principal-Agent Conflicts Theory

The theory sought to find out the fair relationship between the principle and the agent. Principal-agent conflicts arise from their differing incentives and the principal's problem in monitoring and controlling the behavior of his agent. The principal–agent problem or agency dilemma concerns the difficulties in motivating the agents to act in the best interests of the principal. The problem arises when the two parties have different interests and asymmetric information’s, such that the principal cannot directly ensure that the agent is always acting in his (the principal's) best interests. Some activities can be useful to the principal but costly to the agent and in such cases incidences of moral hazards may arise. Indeed, the principal may be sufficiently concerned at the possibility of being exploited by the agent that he chooses not to enter into a transaction at all. (Customer-Policy holder is the principal and insurer viewed as the Agent).

The deviation from the principal's interest by the agent is called agency cost. Various mechanisms may be used to align the interests of the agent with those of the principal. In employment, employers (principal) and the employee- (agent) may use piece rates/commissions, profit sharing, efficiency wages, performance measurement including the threat of termination of employment. However the theory face some challenges in the sense that it looks on one side of the agent when there is no equal plays in the ground between the agent and the principal. The more power has been given to the principal and less to the agent while both have the same contribution for the growth of the firm for without the agent no development and the principal cannot do all the work alone .In the context of insurance and to minimize this problem, the Regulatory authority comes in to regulate the insurance company so that insurers do not misuse the customers-policy holders funds entrusted to them.

2.3.4 The Insolvency Danger Theory

Insolvency refers to the inability of the company to meet it contractual obligation on the insurance policies and contracts they have issued and entered into posing a great danger and threat to the insuring public and the industry as a whole. The insolvency danger theory, is therefore aimed on supervision on insurance companies in order to avoiding specific insolvency dangers which threaten the public and the individual as a result of insurance company collapsing and destabilizing the industry. The solvency monitoring seriously decreases the likelihood of insolvency and preserves the ability of monitoring agencies to provide early warning of problems (Mayerson, 1969).

2.3.5 The Protection Theory

The protection theory attempts to deal with the arguments that assumes supervision law is a part of industrial and industrial policing law that is meant to protect the companies from assuming risks that can destroy them leading to their collapse and at the same time protecting the interest of customers and the public at large as a function of supervision and directing the industry.

2.4 General Discussion

2.4.1 Global Picture

There is sparse literature review in the field of insurance industry regulation and development in most of the developing countries due to the historical background of the discipline in most African states including Tanzania. (E-Hassan 1981) contended that in Africa, insurance business industry were inherited from former colonial masters and the transition to political independence took the form. The statement justify that in developed countries have more and rich literature in insurance business regulation and developments compared to developing countries including Tanzania.

2.4.2 Insurance Regulatory Authorities

Insurance Regulatory authorities are autonomous statutory body which regulates and develops the insurance industry in many countries of the world. Insurance industry growth and performance is ensured through regulation and supervision. There are also economic, political, ideological and bureaucratic forces that drive insurance regulatory policies (Meier, 1988; and Klein, 1995). The economic rationale for insurance regulation is based primarily on the market failures that are caused by imperfect information and principal agent problems associated with the fiduciary aspect of insurance contracts. In theory, the regulatory task is to limit insurers' insolvency risk and ensure "fair" market practices. Regulation influences the supply of insurance by controlling insurers' entry and exit, capitalization, investments, diversification of risk, prices, products, underwriting selection, and trade practices (Klein, 1998). When more insurance companies are registered and granted trading licenses, this increases the number of companies, competition and innovation is evident promoting their growth and developments**.**

Government regulate and promotes development of insurance through licensing, special insurance funds schemes, insolvency guaranty funds, and these devices have significant effects on insurance markets development and risk management developments. (Klein, 1998)**.** Compulsory deposit schemes that are enforced by Regulators ensures that the company is protected from financial difficulties, ensure their stability and good performance in their operations**.** Regulators also approve prices and products to ensure they are "affordable" to the customers.

Studies by (Spulber, 1989), indicate the price must be reasonable to guarantee insurers profitability and stability. Through this measure the Regulator Authorities encourages fair play among competing insurers and ensures the growth and development. Several empirical studies suggest a strong correlation between regulation and development of insurance as financial service. According to Patrick (1966), admitting an insurer through regulator licensing increases the supply side of the development of the insurance industry. There is also demand lead relationship where the demand of an insurance product, or service which has to be approved by Regulator also induces the development in the industry.

2.4.3 Solvency Risk Protection

Solvency risk protection should not have the aim of completely preventing insolvencies, as institutional default is the ultimate penalty of the market for inefficient firms not fit for survival, and it must remain so. Keeping such firms alive artificially can prove very costly in the long run and may not be feasible except at exorbitant expense. Thus, solvency protection measures should be more aimed at providing incentives for firms to follow sound policies in their own interest and to internalize the external cost of default.

Instruments of solvency regulation can include a variety of measures, such as: product and price regulation, portfolio investment restrictions, mandatory (re)insurance, emergency insurance funds (company specific or industry-wide), capital and reserve regulation market entry control, general supervision and inspection. However, the exclusion or the mandatory inclusion of particular forms of assets, for instance, reduces available diversification possibilities and may even have the effect of increasing insolvency risk, rather than lowering it (Eisen, Müller and Zweifel, 1992).

2.4.4 Product Regulation

Product regulation refers to establishing regulatory rules governing the admissibility or non-admissibility of specific contracts, including material product specification and price. Regulations of this type have played an important role in the past, in Europe as well as the USA. Such regulations can be highly restrictive, stifle product development and innovation and reduce competitive pressures in the market. In effect, they amount to a cartel-type market arrangement and can impose high costs on the market and consumers. Similarly, specific portfolio investment restrictions can have adverse effects. Numerous national legislators have abandoned the individual insurance product as the object of regulation. Instead, the focus of regulation has shifted to ensuring institutional solvency in general, that is to ensure that insurance companies are able to honour their payment obligations in a continuous way with a high probability, the most important instrument being that of a generalized capital and reserve regulation, possibly supplemented by additional supervisory rules, such as investment restrictions and provisions of regular inspection by supervisory authorities. In Europe, this trend is reflected in the EU's Solvency II initiative.

2.4.5 Stability of the Financial Sector

An insurer can also adversely affect the stability of the financial system through the way in which it carries on its business activities that create the possibility of future stress. Insurers that offer savings products such as life insurance, with some element of guarantee, might be exposed to 'run risk' if policyholders are able to access their savings on more favourable terms than the insurer is able to liquidate the assets in which they have been invested. Similarly, the investment strategy of general or life insurance companies might have consequences for the rest of the system if the scale of their assets means that investment decisions accentuate movements in asset prices. In liquidation of the assets it might be difficult to get buyers affecting cashflow of the insurers. Insurer may also have the potential to affect financial stability by encouraging the unsustainable expansion of credit through the provision of generous financial guarantee products, for example mortgage indemnity insurance or structured credit enhancement or an insurer may undertake non-traditional activities that are not authorised by the regulator which bring risk to the system. Hence Regulation is very necessary. (Bench, 1993) supports and agrees that effective supervision of insurance companies leads to healthy and performing industry

2.4.6 The Protection of Policy Holder

Protection of the policy holder is generally the most basic reason for Insurance regulation and supervision. This objective is hinged on the fact that policy holders have difficulty protecting their interests when compared to other financial creditors and investors. On his part, Sheng (1990) stated the objectives of supervision as: promotion and development of sound and wide range of insurance products, and pricings that are realistic to and affordable to customers as this ensure growth and good performance and ensuring efficiency, security and solvency. Regulation encourages responsiveness to the needs and complaints of customers ensuring compliance with laid-down rules and regulations ensuring high standards, and to achieve important developmental and social goals through their compliance with good practice and policies.

Works by Sinkey J. R. (1989) states the goals of regulation as: The protection of customers interests, insurance industry from the failures of the insurance system and s from the monopolistic power of companies . Hence, regulation is necessary to break this monopolistic power and prevent abuse (Bench, 1993) supports and agrees that effective supervision of insurance companies leads to healthy and performing industry. Dimitri Vitas (1990) also believes that good regulation and supervision minimises the chances of and impact of financial institutions insolvencies, inefficiencies and promotes developments.

2.4.7 India Insurance Regulatory and Development Authority (IRDA)

(IRDA) Regulates and develops the insurance industry in India. According to studies carried by (Bharadi) International Journal in Multidisciplinary and Academic Research (SSIJMAR), Vol. 1, No. 4, November-December (ISSN 2278 V 5973). The agency Promote and ensure orderly growth of the insurance business and re-insurance business. IRDA issue the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration and Protect the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance. Further, it regulates investment of funds by insurance companies, regulating maintenance of margin of solvency, adjudication of disputes between insurers and intermediaries or insurance intermediaries IRDA protect the interest of policyholders by ensuring fair treatment by the insurance companies.

2.4.8 Insurance Regulation in United States of America (USA)

In USA the role of the National Association of Insurance Commissioners (NAIC) helps to coordinate state insurance regulatory activities and provides support services to the development of the insurance sector. The State regulators in the U.S. utilize their control of insurers' entry into their markets and authorization to conduct business as their principal tool to coerce insurers to comply with regulations. State statutes require insurers to meet certain minimum capital and surplus standards and financial reporting requirements and authorize regulators to examine insurers and take other actions to protect policyholders' interests. The states have established fixed minimum capital requirements, as well as risk-based capital requirements (based on a common formula developed by the NAIC). If an insurer fails to comply with a state's regulations, regulators can deny or revoke the insurer's license to do business. In the United States, each of the states may regulate the solvency of insurers 'doing business' in that state. The regulation extends further to regulating the insurance products policies issued. The Regulator imposes greater responsibility for disclosures encourages to monitor solvencies and hence mitigating the risks of companies insolvencies and collapse, and this resembles, in certain respects, that applying in the European Community (Hogan, 1995). Studies carried by (Sharon Tennyson*Cornell University Mary A. Weiss, Temple University Paper prepared for the Searle Center Research Symposium on Insurance Markets and Regulation, April 14th 15th 2008. Indicate that in many specific goals of rate regulation include reducing price variation across purchasers and reducing price levels for high-risk purchasers.

2.4.9 Insurance Regulation in Kenya

The insurance Act establishes Insurance Regulatory Author (IRA) which

deals with Authorization of all persons transacting insurance business in Kenya, Minimum capital requirements for insurance companies and brokers as well as local participation. Supervision entails the enforcement of rules and standards guiding the conduct of insurance business in Kenya. This is done mainly through surveillance and compliance sections of the Technical Division. Approach to insurance supervision is normally through off-site and on-site inspections. IRA undertakes due diligence of the companies through on-site inspections and surveillance by visiting company offices. The purpose is to ensure that the decisions taken by insurance/re-insurance companies and intermediaries do not pose risks to statutory objectives.

According to a paper presented by (Mr. Sammy M. Makove Commissioner of Insurance, Kenya**)** on the role of the regulatory authority in life insurance and pension business During his address to the 15th African Insurance Organization conference held in Harare in 1988. The main areas that comprise the regulatory tools. These are: -Entry restrictions through licensing ,Disclosure of information Conduct of business ,Product development ,Governance and fiduciary responsibilities ,Solvency and capital requirements Liquidity requirements, and Accountability requirements . From these requirement, it can be seen that the insurance regulatory authority monitors, regulates and supervises the insurance industry in Kenya to ensure, sound practice, good performance compliance.

Despite the measures several insurance companies have collapsed and amongst them are, United Insurance company, Lake star insurance company, Stallion Insurance Company, BlueShield insurance, National Assurance Company to mention but a few. In view of this it is evident that regulatory measures are not enough neither absolute to prevent and guarantee the solvency of insurance companies alone. Other factors and measures needs to be put in place to safeguard collapses and insolvencies.

2.4.10 Insurance Regulatory Authority and Insurance Development in China

China insurance industry has been robust and growing in the last decade. In 1980 china contributed to the total insurance premium of $ 52.171 BILLION which was 1.61 % of the world market. In 1988, a new insurance regulatory authority was created called the China Regulatory commission. In 2002 the insurance law was amended which opened up the industry to the outside world and competition. Insurance regulation and supervision of insurance companies are necessary condition for their growth and development. This proposition has been supported by several later scholars including Goldsmith (1969). Empirical evidence also suggests that there is a positive correlation between growth of premium output, investment, insurance assets and due to well regulated sector. The opposite is also possible if the insurance sector and financial sector un regulated and inefficient. It is in recognition of this that John B. Heimann, founding Chairman of Financial Stability Institute (FSI) in June 2001asserted that “the prosperity and strength of any financial institution relies heavily upon the proper and prudent functioning of the country’s regulatory system of financial and insurance sector.

2.4.11 Regulatory and Supervisory Activities in Tanzania

Studies by Saqware (2012) pointed that Tanzania adopted a socialist development strategy through the *Arusha Declaration (1967);* this strategy treated the state as a key agency of direct economic planning and management, and allocates resources according to priorities established by the state rather than through mechanisms provided by the market. Hence, it allowed the state to control all economic sectors. As a result of the state controlled nature of the economy, Reinhart and Tokatlidis

(2003) and Maxwell (2007) find out that Tanzania‘s economy was characterized by extensive administrative controls and suffered from severe internal and external imbalances, and the economy experienced negative growth of GDP as production and exports declined and capacity utilization fell.

The critical economic circumstances in the 1980s gave rise to the adoption of structural adjustment programs supported by the World Bank and the International Monetary Fund (IMF). Hence, in close cooperation with the World Bank and the International Monetary Fund, a three year Economic Recovery Program (ERP) was launched. The ERP was followed by a sister program, the Economic and Social Action Program (ESAP) launched in 1989. The World Bank and the IMF were instrumental in the preparation and actual financing of this program. The ESAP carried over all the policies introduced under the ERP with the following objectives, to improve the quality and quantity of social services, the restructuring of the publicly owned banks and insurance institutions and establishment of new financial institutions. To improve the access to financial services, the financial reforms governed by the Banking and Financial Institutions Act (BAFIA) of 2006 were introduced. This Act regulates financial institutions in Tanzania and emphasizes private participation, with the main purpose being to increase savings-, and improve the allocation and operational efficiency of the financial system which was characterized by state-owned financial institutions. Since then, the financial sector in Tanzania had been transformed, with the banking and insurance industry leading this dynamism through an expanded branch network, scope of operations and number of institutions.

Insurance regulation and supervision is an integral part of the mechanism for ensuring safe and sound Insurance practice by TIRA and is governed by insurance Act of 2009. The Authority carries out the activities of supervision through on-site examination of the institutions and off-site analysis of periodically rendered prudential returns. The activities are reinforcing and are designed to timely identify and diagnose emerging problems in individual Companies with a view to prescribing the most efficient resolution options. In line with prevailing international standards, (TIRA has continued to emphasize prudent focused Insurance supervision in Tanzania. The Authority has invested in broad and ample knowledge and experience ranging from actuarial science to contract law drawn from wide experience to be able to have the resources available to analyze, and evaluate the performance of companies. The authority has established a reliable and stable source of funding to safeguard its independence and effectiveness through the services they offer to enhance their independent functioning.

The TIRA has developed and assumed sufficient resources to co-operate and exchange information with other authorities both at home and abroad thereby supporting consolidated supervision. The supervisory authority has establish good cooperation and co-ordination schemes with other related government bodies Such as insurance institutions, TIBA, ATI , Tanzania Revenue Authority so that the given tasks are properly carried out. By year 2012, the number of operationally insurance service provider companies were 27 Insurance Companies, 100 Insurance brokers and Agents, 30 Loss Surveyors, and One Reinsurer. The Insurance Industry is contributing to the gross domestic substantially. This signifies a remarkable growth in the number of players in the industry which makes the supervision and streamlining of the industry necessary to avoid their inability to respond to the customer's needs and demand and maintain their stability in the Insurance industry and the economy as a whole.

Development of insurance industry refers to the general improvement in the services offered in by insurance companies, growth of the sector, better performance and stability of the sector and the solvency of the insurance companies and or the positive change of affairs in the industry. The Change should be for the better of the industry (Beers & Swanepoel, 2000) and the insuring public. TIRA should therefore concern itself with measures and functions that aim at promoting the growth of the industry through vetting registration, supervisory and regulatory function and ensure fare pricing of the products through price controls and approvals, products approvals, on site and offsite inspections of insurance companies, monitoring of capital adequacy and performances. Poor regulatory measures would lead to insurance companies' undercapitalization, poor performances, insolvency problems that would undermine the insurance sector in the country. The Insurance Act 2009 confers upon the Commissioner of insurance, who is the Chief executive of TIRA, powers to ensure compliance with its provisions by all registered insurers and insurance intermediaries, and require that business be conducted on the basis of sound insurance principles.

2.5 Empirical Studies

Roger (2011) investigated the impact of supervisory functions of Insurance by Social Service Board of Argentina on the Insurance companies in Argentina. The author used time series data covering the period extending from 2000 to 2010. The data was drawn from 324 insurance firms across the country. Granger causality tests were used to test the causal effect of the selected supervisory proxies on performance variables. Findings from the study suggest that supervisory functions of the board exerted a significant impact on the performance of the insurance industry in Argentina.

Cummins and Danzon (1997) study on price control and its impact on the insurance market in USA. They developed a model of price and control determination in insurance markets They found out that Price may increase or decrease following a loss shock that depletes the insurer's capital, depending on factors such as the effect of the shock on the price elasticity of demand. Empirical tests using firm-level data support the hypothesis that the price of insurance is inversely related to insurer default risk and insolvencies.

Nwokoro and Ndikom (2011) conducted a study to examine the contribution of marine insurance premium income to the development of Nigerian insurance market in the period 1984 to 2006. Premiums accruing to the Marine Departments of insurance companies were collected, analyzed and it was confirmed that marine insurance had significant impact and contribution on the level of the insurance volume income of insurance market in Nigeria. The study findings revealed that there is a positive and significant relationship between marine insurance regulation practice and the income levels of premium on insurance companies books in Nigeria; hence, the need for Government support and control to develop the business to the level of invisible source of income to the nation.

Thorsten and Ian (2001) conducted a study to analyze the determinants growth of life insurance products consumption in a cross-country sample of 63 countries over the period 1980-96 and in a panel of 23 countries over the period 1960- 96. The study used three different indicators i.e., *Life Insurance Penetration, Life Insurance Density,* and *Life income-revenue to insurance companies.* The study findings revealed that the life insurance companies had significantly increased over the last decade as provider of important financial services to consumers and as a major investor in the capital market. However, the study observed that there is still a large variance in life insurance consumption across countries, which raises the question of its determinants. It also revealed that educational attainment, banking sector development, and inflation are the most robust predictors of life insurance consumption, while income is only a weak predictor. In relation to our study, it is suggested that supervisory bodies are important in approving products and their pricings in ensuring that insurance practices promote price stability, development of sector and an efficient system that enhance the development of insurance and its products increasing their revenues.

Ghai (1986) conducted a study to examine the Government control and industrial growth experiences of Sudan and Tanzania in attempting to control their respective insurance industries to serve their development. The findings revealed that the socio-political chemistry in each country has produced a certain policy towards the insurance institution. The Sudan opted to control its industry through a regulation code; Tanzania in early stages adopted nationalization as an ultimate form of control. The study tried to examine the respective roles of the two regulation models in the insurance development process, and the findings and arguments are that direct model of insurance control such as in Tanzania is more appropriate to the needs of underdeveloped countries than a regulatory model of the Sudanese type. This conclusion derives from the need to avoid the problems which afflict the regulatory model such as the technical difficulties which involves the weakness of the regulation agency vis-a-vis the industry, the difficulty of monitoring solvency, and of enforcing investment regulations. In theory, the state is also more capable of protecting the public which seeks insurance cover from its own institution than when cover is purchased from private insurers. Most information relates to the period 1970-1977, and the study is largely based on fieldwork research in the Sudan and Tanzania and on secondary resources.

Lee (1999) conducted a study on the relationship between the development of the life insurance and market (using penetration and density measures) and factors such as price, product, and regional conditions. Generalized Method of Moments (GMM), for dynamic models of panel data for 60 countries from 1976-2005. The conditional variables consist of prices, products, and regional conditions. What we find is an interesting piece of evidence that the development of the life insurance market is influenced by pricing, product demand, and regional conditions such as urban areas and where wealthy class of people lives and has a positive effect on insurance premium income and revenue as factors which promote its growth.

Seth (1999) study on Economic theory and regulation of insurance companies argues that economic theory has often understood efforts by government to monitor and regulate the solvency of insurers as a solution as a collective action problem in the industry. View are supported by winter in his studies regarding financial institutions and intermediaries regulation and control on their operations (Winter, 199b).

(Hansmann, 1985) work and study on motivation of Regulatory authorities on insurance. His study argues and find out that insured customers are like fixed-debt investors putting money into insurers who reinvest that money and return sums to the insured in the event certain events come to pass . Given the incentive of insurers with limited liability to invest in high risk ventures, however, the likelihood of repayment is hardly assured. This motivates Regulatory Authorities or government heavily to regulates the business of insurance in order to protect the interest of the investors and policy holders.

Schmalensee (1984), studies on insurance efficiency and pricing, argues that insurers may develop a separation program-price discrimination between the low risk insured and high risk insured to promote efficiency through the pooling of risks. This works in unregulated market in favor of separation but criticism as suggested by Abraham (1986), separation techniques that examine characteristics such as race or gender that may have no causal relationship to expected loss and difficult-to-observe factors that indeed determine loss. In theory, the unregulated market equilibrium described above operates by establishing different pricing terms for identical contracts and achieves separation through verification mechanisms that reliability and validly classify individuals by risk.

O'Brien (2002) concentrated his study on an insurer's efficiency and out put measurement, namely its ability to produce a set of outputs (such as premiums and investment performance) from given inputs (such as administrative and sales staff and financial capital). He conclude that an insurance company would be technically efficient if it can reduce its resource usage without some corresponding reduction in outputs. Studies by (Mayers and Smith (1982), choose to measure company performance associated with profits reported by long-term insurers, Mayers and Smith (1982), for example, utilize an operating-income variable (defined as income before taxes and dividends to policyholders) as well as annual growth in premiums. Their finding reveals companies with high profits are good performance and vice versa and well managed.

Winter, (199b) study on insurance regulation and protection of Policy holders - argues that Insured pays premium or putting money into insurers hands who reinvest the money and in return pays to the insured in the event certain events come to pass. The future events and occurrences are difficult to predict and estimate. The result is less ability to set prices and loss reserves accurately while price competition are of the fiercest kind. Unforeseeable costs and unfamiliar competition add up to more and worse insolvencies and managing insurer insolvency through technical methods of prudential guidelines and an enforcements is quite challenging. It is this understanding of the insurance industry that motivates the predominant regulatory authorities and governments intervene by regulating and supervision insurers.

Davis and Podpiera- (2003) work and studies on insurance regulation and macro economic development asserts that insurance regulation, as attracted great interest because of the dual infrastructural commercial role the sector play in the macro-economic factors such as national income, and national developments objectives. Further Insurance companies form part of significant players in both local and the international capital market. Most of their business are also reinsured abroad. Because of the international participation, they need to corresponds to internationally prescribed standard, that are generally monitored and supervised to ensure they meet these standard which promotes their stability, solvency efficiency, and developments. These are prescribed by GAT & WTO agreements. GAT and WTO demands that member countries creates autonomous insurance supervisory authorities to supervise insurance markets based on sound principles for their efficiencies performances and developments.

Studies carried out by Akerlof (1970) on adverse Insurance selection and insurance performance. This refers to selective of some risk while declining others. To curb selection/ selective underwriting among some classes of business perceived to be bad business/ risk- unchecked adverse selection can destroy an insurance market and the benefit conferred thereby. Akerlof, (1970) the law in the united states has been developed to curbing the ‘asymmetric information’ between insured and insurer that causes adverse selection. In recent years, however, it has become increasingly common for laws in support of private adverse selection control to collide with other social goals such as wealth redistribution or antidiscrimination entitlements.

Diacon, and O’Brien, (2002) studies on the insurance regulation and information technology find that Regulatory authorities encourages use of information technology to encourage growth of the sectors, return by use of electronic, Insurance regulation and use of information technology and development given the current state of production technology in the industry Authorities monitor and an Audit insurance report on line and communication is done on the same way. Through this modern use of technology the regulator encourages and promotes the development of the sector to communicate easily and meets the demands of the customers through innovative technology of new products and developments.

Mayers and Smith, (1981) studies on insurance contract monitoring and protection of policy holder. They find that still many small policy holders cannot be able to monitor or control the insurers- hence governments through approval of policy products through licensing ensures and supervision of insurers to protect the insured/ investors and promote the insurance industry developments. This is very necessary as policy contracts are worded in manner that might favor the insurer and the client may not understand the legal jargons used. By ensuring the policy product and wording is seen and approved by Authorities consumer welfare and protection is guaranteed.

Price regulation on insurance product. Selten (1975) studies indicate that regulation may occur either through the direct setting of a price for various forms of insurance or by constraining the prices an insurer may charge to some range. By requiring that rates be ‘adequate’, insurers are protected from ‘trembling hand’ instabilities in the system whereby the perhaps irrational decision of one insurer to under price-(undercut) can drive out more rational insurers and lead to the collapse of an insurance system.

Kimball, (1992) studies supports Price regulation that ensures that consumers are not exploited by uncaring insurers or don’t take advantage of the ignorant customers who don't have much information on the market prices of the products they are purchasing. Hence equity is maintained by regulatory Authority for both the customers and the Insurer.

2.6 Research Gap

The process of putting in implementation of the policy of liberalized economy needs the integrations of many sectors including the financial institution (Insurance industry). Tanzania now is addressing this policy by attracting the foreigner investors to invest. In spite of all these efforts Tanzania cannot reach the goal if the marketing regulations are not in favor of both customers and companies in Insurance business. The current study is going to address the problem within the insurance industry and provide knowledge that will be used to engage the stakeholders of the insurance industry fulfill their goals.

2.7 Conceptual Framework

The success of any business industry is grounded on the base of markets regulations that balance the relationship of the customer and the service provider. The poor integrations of markets regulations and control tools lead to poor performance of service provider and the customer receives the burden of poor service or exploitation or one of these participants can get more benefits / burden than normal. The good the integrations of markets regulations and control tools lead to the good benefits both customers and services provider, the Government –Regulator and the economic development of the sector and the country.

2.7.1 Conceptual Framework= POSITIVE EFFECTIVE ROLE OF TIRA

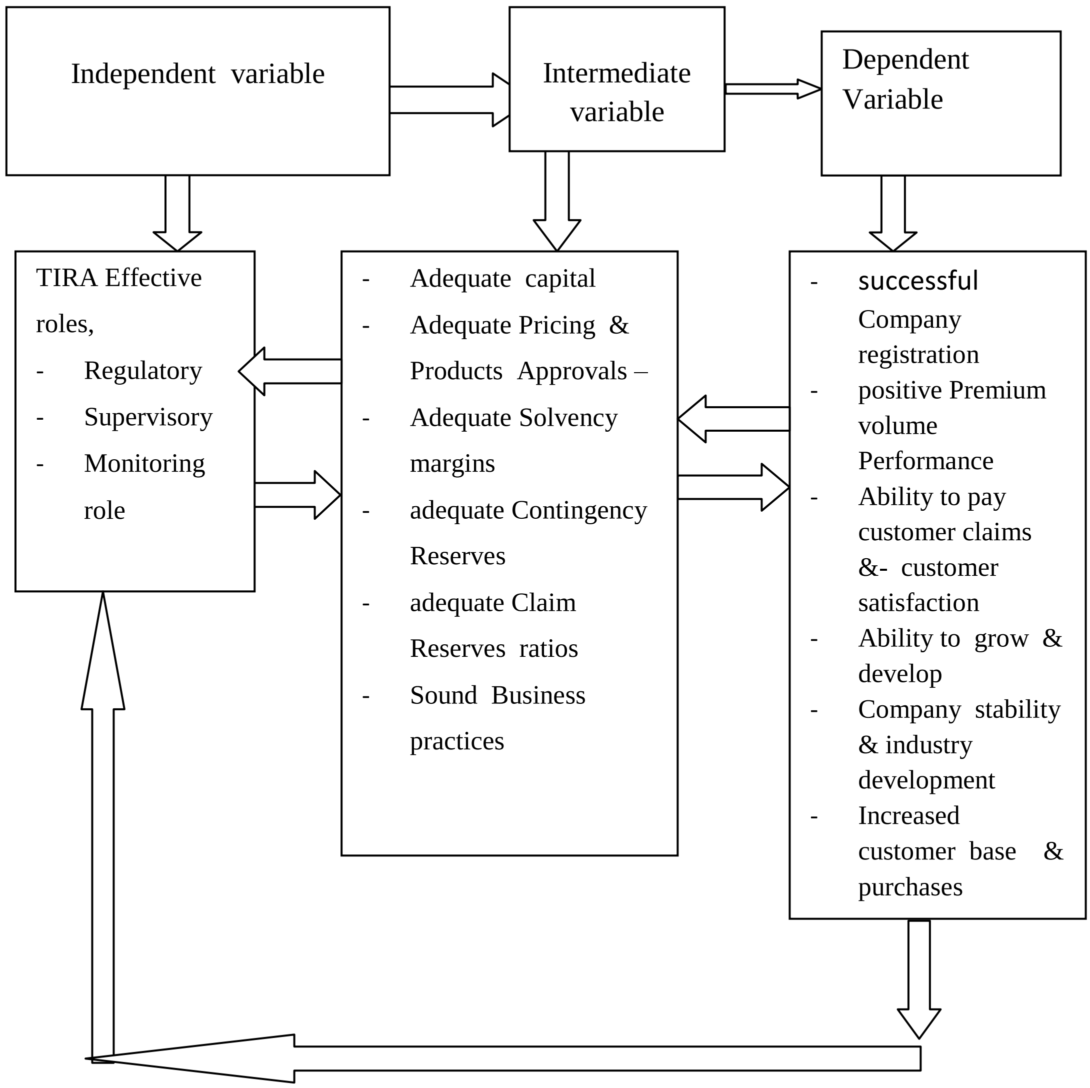

Figure 2.1A: Positive Effective Role of TIRA

Source: Own Idea

2.7.2 Relationship Between Variables

The study discusses on how the illustrated in Figure 1 above, independent variables effective roles of TIRA which are, regulatory, supervisory and monitoring roles affectively applied influence positively on the intermediate variables which finally results into either increase –positive, successful registration of companies which performs better on approvals of adequate prices and products enhancing company performance.

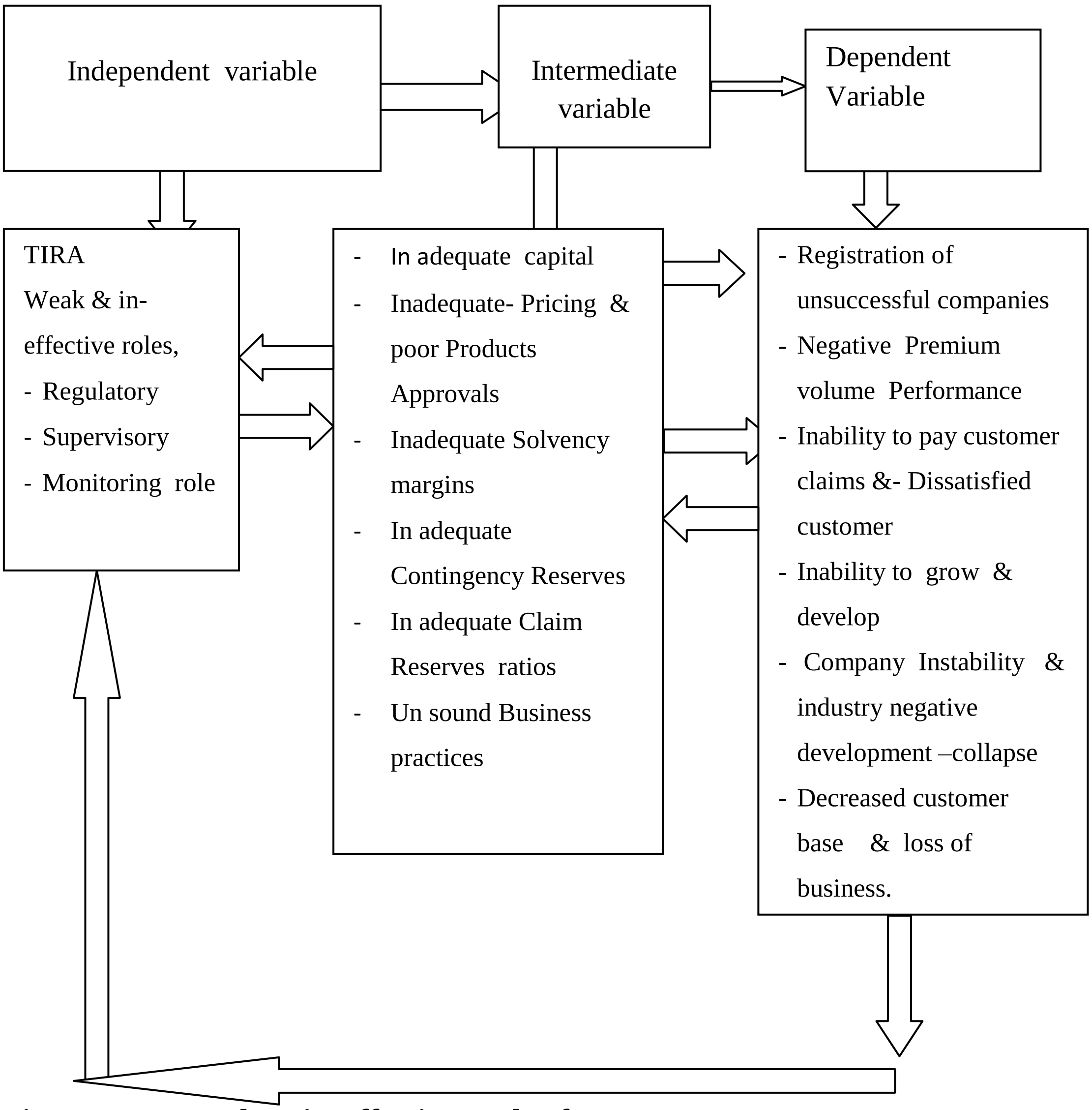

Figure 2.1B: Weak or in Effective- Role of TIRA

Source: Researchers own Idea, (2013)

Effective supervision and monitoring ensure adequate Solvency margins, adequate contingency reserves, adequate claim reserves ratios, sound business practice which yields ability to pay customer claims and customer satisfaction, ability to grow, develop Company stability and industry development while Increasing customer base and purchases and consumption of insurance services and products leading to their growth and good performance of the industry reflecting finally the success and effectiveness of TIRA.

The opposite is true if weak and ineffective roles are employed, in adequate capital, inadequate- Pricing & poor Products Approvals ,inadequate Solvency margins,
in adequate Contingency Reserves,-in adequate Claim Reserves ratios ,Un Sound Business practices prevails which in turn lead to registration of unsuccessful companies,- Negative Premium volume Performance ,inability to pay customer claims and dissatisfied customer ,inability to grow & develop, Company instability & industry negative development –collapse, decreased customer base & loss of business and in turn poor, week and regulatory roles of TIRA.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The study intended to investigate the role of TIRA on the development of insurance industry in Tanzania. The study was important due to the fact that Tanzania is attracting foreigner investors, therefore without strong insurance industry the investments could be at high risk.

3.2 Research Paradigm

The chapter describes the methodologies that were used in conducting the study. Specifically the research design, study area, population of the study, sample size, sampling techniques, data collection methods, and data analysis procedures.

3.2.1 Research Design

Descriptive research survey was used. This is due to its appropriateness in providing information that describes an existing phenomena such as attitudes, opinions, and perceptions on the state of affairs of TIRA Regulatory role and supervisory role and it impacts on insurance development in Tanzania. Descriptive survey is a method of collecting the information by interview, administering questionnaire to sample of individuals (Orotho, 2003). The design generated a large data for statistical analysis. The study combined both quantitative and qualitative research techniques in expressing the state of affairs of insurance companies and about the TIRA role on the insurance industry.

3.2.2 Area of the Study

The study was carried out in Dares Salaam Tanzania. Data was collected from the Tanzania Insurance Regulatory Authority (TIRA) and Insurance Companies. TIRA was the institution given mandate to regulate insurance activities in Tanzania. Also data was collected randomly from selected Insurance Companies in Tanzania.

3.2.3 Population of the Study

Table 3.1: Population of the Study

Population	Total Number
TIRA	50 employees
Insurance Companies	27 companies

Source: Field Data

Table 3.2: Sample Size

S/n	Category	Population	Sample Size	Percentage %
1	**TIRA Respondents**	**50**	**7**	**7**
2	**Insurance Companies accessible population**	**500**	**100**	**93**
	TOTAL	**550**	**107**	**100**
***The Insurance Companies are: -**				
1	A	80	15	16
2	B	75	10	15
3	C	50	10	10
4	D	25	8	5
5	E	45	10	9
6	F	80	10	16
7	G	25	9	5
8	H	50	10	10
9	I	30	10	6
10	J	40	8	8
	TOTAL	500	100	100

Source: Field Data

According to Asika (1991), the population of a research study is defined as the sum total of all items or objects that possess the same characteristic or that have the same knowledge of the phenomenon being studied. The population for the study was from Tanzania Insurance Regulatory Authority with 50 employees and twenty seven (27) insurance companies in Tanzania.

3.3 Sample and Sampling Techniques

Seven (7) respondents were randomly selected from among 50 employees of TIRA for this purpose and out of 27 insurance companies in Tanzania, 10 insurance companies had accessible population of 500 and 100 respondents were selected.

3.3.1 Sampling Technique

The researcher used purposive sampling to get data, and judge mental sampling means. These sampling technique are used which according to Saunders (2003), enables one to use his judgment to select cases that best enable one to answer ones question(s) and to meet ones objectives. This form of sampling is used to select cases that are informative and knowledgeable about a particular aspect. In this study, the researcher selected claims, underwriting, accounts and marketing managers of insurance companies who posses the relevant knowledge on insurance operation activities and interact with TIRA on day to day basis. On TIRA the researcher used managers in the respective departments to obtain information.

3.3.2 Data Collection

The researcher used numerous sources of data from TIRA and Insurance companies namely TIRA annual reports, and insurance companies audited accounts. The use of various sources of primary and secondary data enabled the researcher to overcome the weaknesses of validity that are inherent in using one source. The weakness of one source of evidence was compensated from the other sources.

3.3.3 Primary Data Collection

Primary data in this study were collected by means of structured questionnaire with open and closed-ended questions direct from respondents and interview from the TIRA representative and insurance companies. These were data collected afresh and for the first time and thus happen to be original in character (Kothari, 1999).

3.3.4 Secondary Data Collection

The researcher collected data from different sources of information such as TIRA Annual reports, insurance Company annual reports, Bank of Tanzania annual reports, and in books, internet and from other researchers for further references. These were data that had already been passed through the statistical process Kothari, 1999).

3.4 Data Collection Methods

The most important tools used in data collection were questionnaires, Interviews, documentary review. Interview and documentary review were used to supplement the questionnaires where it was evident that certain types of data were either lacking or not accessible from the documents or some clarification needed to be sought.

3.4.1 Questionnaire

Structured questionnaires were used to acquire information and from the respondents who were busy and or difficult to interview (Saunders, 2000). The questionnaires were filled in by the respondents in the presence of the researchers or were left for collection later. This method of collecting data gave quick responses at a rate convenient to the specified study period and also advantageous in terms of economy.

3.4.2 Interview Method

Interviews were flexible in nature and helped to clear up any misunderstanding immediately.

3.4.3 Secondary Data

Secondary data was obtained from different sources such as, TIRA annual reports, Insurance companies Audited accounts, research reports, and other readily available documents, office reports, brochures and documents. Some of the Secondary data supplemented the primary data.

3.5 Data Analysis

Both qualitative and quantitative methods were used to analyze the data. Qualitative research incorporated many methods. Qualitative research methods are shaped by anthropology, economics, and sociology. Qualitative research it is about linking events and meanings during the construction of a social reality, as experienced by organizational members (Van Maanen, 1998: xxi). Descriptive statistics were used to analyze quantitative data. Descriptive statistics is a method of organizing; summarizing and presenting data in an informative way (Mason, 1999). Descriptive statistics involved computation of mean, percentages, frequency of variables. Tables, Graphs, pie charts and figures were used to present findings.

3.6 Validity of Data

Validity of data refers to the degree to which results from the data analysis actually represents the phenomena under study. Validity deals with how accurate the data obtained in the study represents the variables in the study such that meaningful inference can be made. Kothari (1985) Indicated that validity refers to the extent to which a test measures what we actually wish to measure. The validity of our measurement were confirmed by test and retesting method by administering the same instrument twice to the a few individuals group of people and later to the larger group collecting the same piece of information and compared to ascertain validity.

3.6.1 Content Validity

Refers to whether an instrument provides adequate coverage of the topic. This was taken care of by getting expert opinions before moving into the field to collect data who confirmed the instrument covered the contents adequately.

3.6.2 Construct Validity

Is a measure of degree to which data obtained from the instrument meaningfully and accurately reflects or represent a theoretical concept. A technique known as confirmatory factor analysis, using previous researchers tests to re-confirm.

3.7 Reliability of Data

The reliability of the measuring technique was confirmed by making sure that the interviews were conducted in a way that ensured that external sources of variations such as fatigue and boredom are avoided. In this case the interview was conducted during the off peak hours of business activities to enable the respondent to be active and concentrate in understanding and responding to the questions. Motivation was used to avoid boring respondents and ensuring that measuring instruments are reliable and stable. Also the researcher employed and administered the same questionnaire, and interview to many respondents and the answers were compared to confirm the fact.

3.8 Ethical Issues

The researcher considered good ethical principles. Brynard, (1997) stated that a researcher should at all times and under all circumstances report the truth and should never present the truth in a biased manner. Participants were informed about the purpose of the interview and assured that results would remain confidential. This strategy assisted in ensuring that people are open and honest with their comments, without fear of being identified or victimized in any way. Huysamen as cited in Maila (2006) indicated that interested parties often claim access to information obtained during the research. He argued that regardless of how much such requests are intended, it would be unethical to disclose such information to them.

3.9 Establishing Rapport

Rapport is defined as 'involving the exchange of meaningful dialogue and demonstrable behaviors so as to shed light on the social world of those who live and experience the phenomenon being studied'. Rapport building involved understanding of the nature and objectives for interviewing. At its core was the construction of talk between interviewer and respondent (Kvale, 1996). Interview were interactive and constructive in which respondents were viewed as active subjects rather than passive objects. The Researcher was sensitive to respondent and tried to understand them in order to make the best out of them during the interviews.

CHAPTER FOUR

4.0 FINDINGS, ANALYSIS, AND DISCUSSION

4.1 Introduction

In this chapter the data collected on the role of TIRA on the insurance industry development was analyzed, presented and discussed. Data was analyzed using descriptive statistics such, Frequency tables, mean-average, percentages, and pie charts were used. The analyzed data gives information on the respondents on TIRA human and financial capacity to carry out its role effectively, the trend of insurers operating capital and solvency margins in relation to legal requirement, the trend of premium volume performance, claims repayment trend and factors affecting delay , the trend of the number of employees in the industry and the level of opinion regarding the TIRA role on the development of insurance industry.

4.2 Data Analysis, and Discussion

Table 4.1: The Trend of Operating Capital in TZS ("000,000,000")

	YEAR					
Companies	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
A	2.5	6.4	5.5	6	6	6
B	2.8	2.8	4	4	6	6
C	0	0.353	0.353	0.7	0.91	0.91
D	0	0	1	1.1625	1.5	1.5
E	0	0.5	5.4	3.8	6	6
F	1.625	1.625	1.625	1.125	1.125	1.125
G	0.5	0.524	0.68	0.68	1	1
H	1	1	1	1.25	1.25	1.25
I	1.1	1.1	1.1	1.25	1.5	1.5
J	0.5	1	1.25	1.25	1.5	1.5
Total	10.025	15.302	21.908	21.2175	26.785	26.785
Industry Average-mean	1.43	1.70	2.19	2.12	2.67	2.67
TIRA Mini Requirement	0.5	0.5	1	1.25	1.5	1.5

Source: Field Data, (2013)

From the analysis Table 4.1 it can be noted that out of 10 companies surveyed for the entire 5 years span, company (C) and (G) had operating capital below the statutory minimum requirement. This represents 20% of under performing companies while the 80 % were performing well on their operating capital. This implies that TIRA was not keen in strictly enforcing the law and reflects a dangerous trend for the industry. Further this margin capital affected the companies performance negatively and their abilities to meet customer claims and their other obligations.

However there is general trend in the growth operating capital for the rest of the companies from year to year, and this indicate and implies a positive in the development of the sector and the abilities to perform well. The question that would remain un answered here is why TIRA is allowing this to happen without invoking the de-registration measures. This indicates some weakness on the TIRA not to enforce their laws strictly.

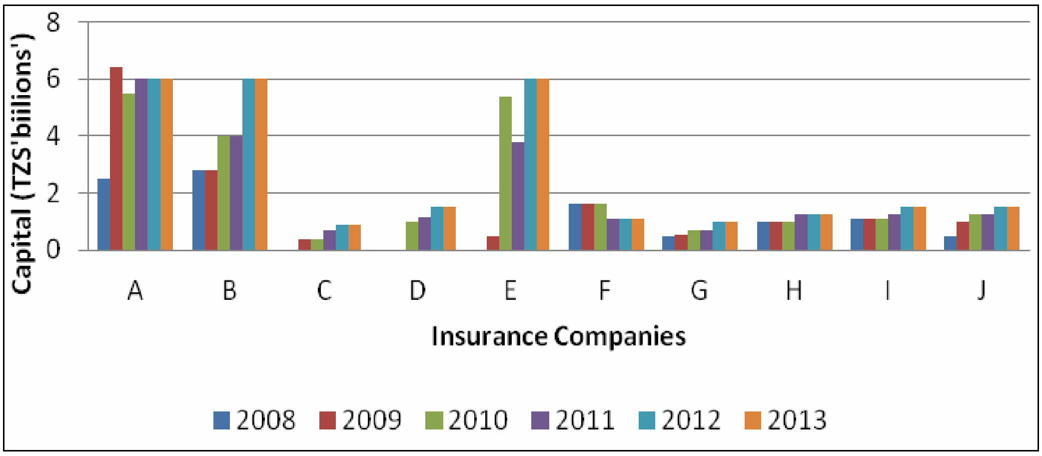

Figure 4.1: Trend of Operating Capital among the Insurance Companies

Source: Field Data, (2013)

The current operating capital in the year 2013, is not different from what was observed in the year 2012, since the year is not yet over, and the full results will be clear at end of the year. From the Figure 4.1 it shows that although more than 80% of the companies surveyed had capital above the minimum requirement of TIRA, companies A, B and C have been performing exceptionally well; while companies C and G have been operating dismally with lower capital among the ten companies surveyed.

Table 4.2: Responses on Operating Capital Maintained and whether it Affected Company Performance

Companies	Yes frequency	No frequency	Total
A	6	1	7
B	6	0	6
C	6	1	7
D	6	0	6
E	7	0	7
F	6	0	6
G	7	0	7
H	5	0	5
I	6	0	6
J	7	0	7
Total	**62**	**2**	**64**
Percentage %	96.875	3.125	100

Source: Field Data, (2013)

From the Table 4.2, 96.875% of the respondents indicated that the level of operating capital maintained affected the company performance and only 3.125 % stated that the level of capital Maintained did not affect the performance of their companies. The implication here means that operating capital was very crucial and necessary for the good performance of the companies and meet their obligations promptly. Further it implies that those with low capital were not able to meet their obligations promptly and indicates negative impact on the industry. This affected customer claims settlements and caused delays and dissatisfaction indicating under performance of TIRA on their role. Responses from the study show the level of capital maintained was related to company performance and their ability to meet obligations.

Table 4.3: The Trend of Solvency Margin among the Insurance Companies in Relation to Requirement by the Law. Amounts in TZS (Billion)

	Year					
Companies						
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
A	2	8	9	12	14	14
B	2.6	10	10	14	15	15
C	0	0.5	0.6	0.3	0.5	0.5
D	0	0	0.9	1.1	2.2	2.2
E	0	1.2	1.9	4	6	6
F	6	6.9	7.6	8.6	10.2	10.2
G	0.591	0.212	0.749	1.068	-1.8	-1.8
H	2	2	2	3	3	3
I	3.3	3.5	4	1.1	1.7	1.7
J	0.5	1	1.25	1.25	1.5	1.5
Total	16.991	33.312	37.999	46.418	52.3	52.3
Industry Average	2.42	3.70	3.79	4.64	5.23	5.23
TIRA Min Required min	0	0.25	0.45	0.55	0.75	0.75
Reg . 21 (1)						

Source: Field Data, (2013)

From Table 4.3 indicate the total Solvency margin for the surveyed companies was TZS 16.991 with a mean-average TZS 2.47286 for the year 2008. In the year 2009, the total solvency margin was TZS 33.312 Billion with an industry average of TZS 3.71033. The solvency margin set by TIRA during this year was TZS 0.25 Billion. From the analysis company G did not meet the minimum requirement which had solvency margin of TZS 0.21 Billion. This company represent 10% of the companies surveyed which did not meet the minimum requirement. However, 90 % had met the required minimum criteria set by TIRA. This implies there is an indication on the laxity, weakness, underperformance on the TIRA supervisory role and this has negative impact in the industry. During year 2010, the TIRA minimum requirement solvency margin for this period was TZS 0.45 Billion and from the data all the companies had higher solvency margin than the minimum. The consistent growth of the solvency margin from year to year for the most of the companies is good indication for the industry growth and development and can be attributed to effective regulatory function of TIRA.

In the year 2011, the total Solvency margin for the surveyed companies was TZS 46.418, Billion with an average of 4.64 solvency margin. Further there was a growth of industry solvency margin by TZS 8.419 Billion, reflecting a growth of 22.2 % from the previous year. However, the bench mark for the TIRA minimum was TZS 0.55 Billion, however company C did not meet this minimum. The Company had 0.3 Billion. This company reflect 10% out of the company surveyed, while 90 % had met the required solvency margin. This further reflects some weakness on TIRA to ensure companies abide by the rules and the law.

During the year 2012, the total solvency margin was TZS 52.3 Billion. With an Average of TZS 5.23 Billion. Although there is recorded solvency growth from the previous year companies C and G did not meet the minimum requirement. One of the companies had negative solvency margin of TZS 1.8 Billion which again is bad reflection and under performance on TIRA on their role to monitor and supervise insurance industry. Despite this the analysis shows the industry growth on solvency by TZS 5.882 Billion, which reflect 12.6 % growth. The implies that the solvency margins maintained was related to the ability of the companies to meet claims .

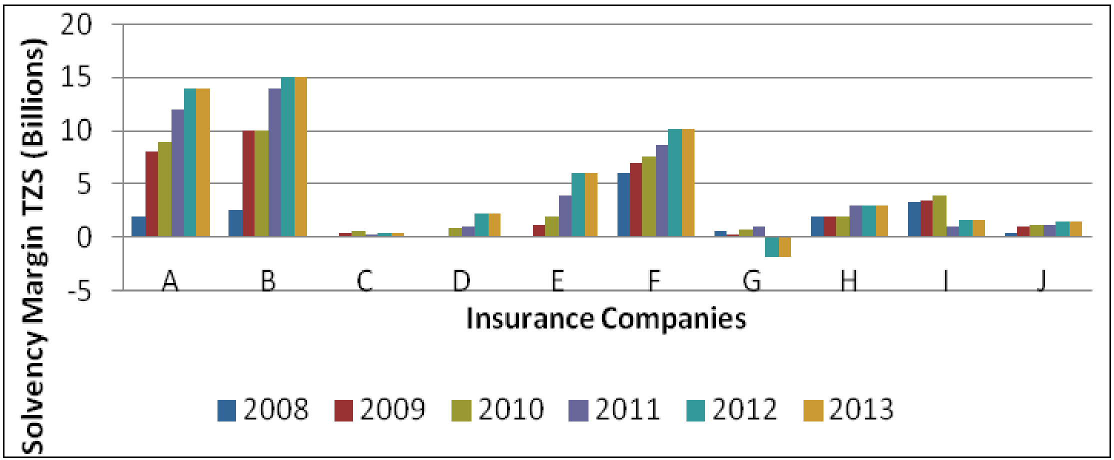

Figure 4.2: Graph Presentations on Trend of Solvency Margins among Insurers

Source: Field Data

Table 4.4: Responses on Current Solvency Margin whether it was Adequate to Settle Customer Claims Promptly

Companies	Yes -frequency	No -frequency	Total
A	7	0	7
B	6	0	6
C	7	0	7
D	6	0	6
E	7	0	7
F	6	0	6
G	0	7	7
H	5	0	5
I	6	0	6
J	7	0	7
Total	**57**	**7**	**64**
Percentage %	89.06	10.93	100

Source: Field data, (2013)

From the Table 4.4, respondents interviewed 89% indicated that the solvency margin was adequate to meet the customer claims, while 10.9% responded that the solvency margin was not adequate to settle customer claims promptly. This implies that companies with higher solvency margins did not have experience difficulties in settling customer claims while companies with lower margins had difficulties. Further high and adequate solvency margin was related to better claim settlement services while the opposite was true. Given that TIRA monitored the solvencies as requirement for renewal of licenses, it means TIRA is not following the law strictly and underperforming on their role.

Table 4.5: The Trend of Employees Working in the Insurance Companies

Companies	**Year**				
	2008	**2009**	**2010**	**2011**	**2012**
A	42	46	58	63	80
B	40	50	48	50	75
C	0	20	30	30	50
D	0	0	11	17	25
E	0	20	26	28	32
F	50	60	65	70	85
G	21	26	26	42	45
H	25	30	35	40	50
I	10	15	15	18	25
J	15	15	20	25	40
Total	203	282	334	383	507
Average	29	31.33	33.4	38.3	50.7
Increase in number annually	0	79	52	49	124
Increase percentage %	0	38.91	18.431	14.67	32.37

Source: Field Data, (2013)

Table 4.5 shows that the total employed staff by seven insurance companies who were in operation in 2008, were 203 and calculated average of 29 in each company. In 2009, the total was 282 employees indicating an increase of 79 additional employees indicating a percentage increase of 38.916 %. During year 2010, the total was 334 indicating an increase by 52 whose percentage was 18.44 % from the previous figure. In the year 2011, the total was 383 employees, indicating an increase of 49, whose percentage was 14.671 % from the previous period. During the year 2012, the total was 507, indicating an additional increase of 124 employees whose percentage was 32.376 %. The trend show there was incremental growth in the number of employees in the industry. This implies that the premium volume performance increased more staff were employed to cope with the work load including opening branches countrywide as a positive development and the relationship between the variables premium increases to staff increases.

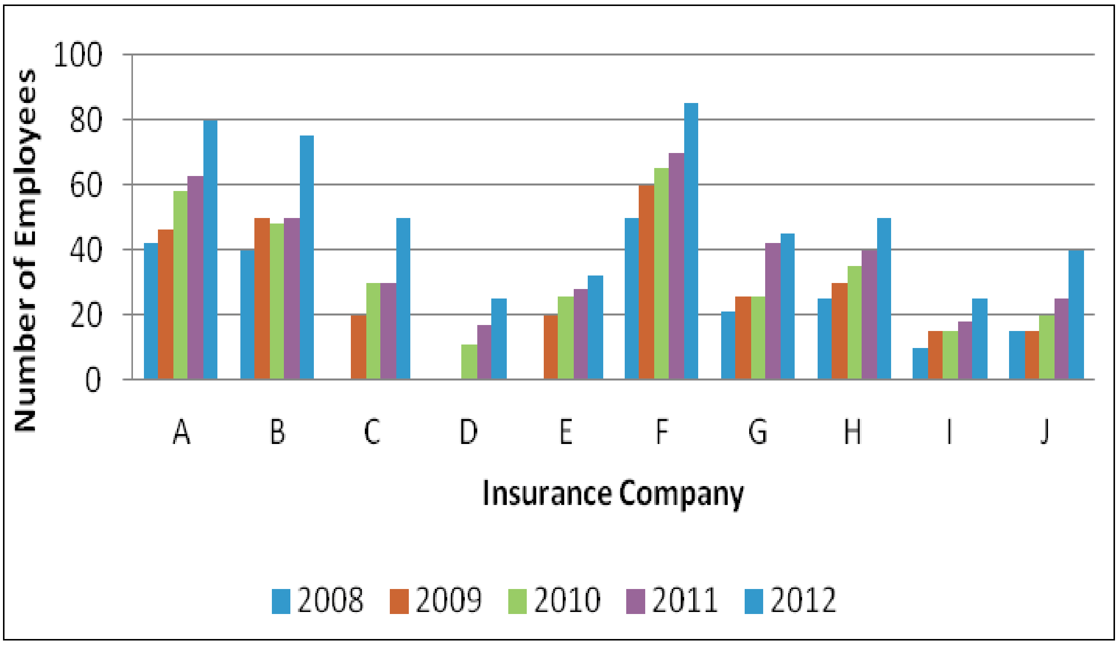

Figure 4.3: Presentation on Insurance Companies Employment Trend

Source: Field Data, (2013)

The trend implies that all the insurance companies surveyed had an incremental trend in the number of employees over the years, indicating growth of the insurance companies.

Table 4.6: Premium Production Volume among Insurance Companies in TZS, Billions in Relation to Meeting Objectives

Companies	YEAR				
	2008	**2009**	**2010**	**2011**	**2012**
A	20	23.5	26	29	32
B	28	32	36	32	39
C	0	2.4	8.8	13.3	14
D	0	0	1.2	3.7	7.4
E	0	8	14	16	18
F	16.5	19.5	26	39.5	42.6
G	8	10	10	10	9
H	9	9.3	9.5	11	16
I	1.9	3.4	3.9	3.5	5.9
J	7.1	7.2	7.3	9.2	14.7
TOTAL	90.5	115.3	142.7	167.2	198.6
Average	12.93	12.81	14.27	16.72	19.86
Growth/ Increase in Amount by TZS		24.8	27.4	24.5	31.4
% growth Increase to previous year		27.4	23.8	17.2	18.8

Source: Field data, (2013)

From the Table 4.6 the total production premium volume for the year 2008 was TZS 90.5 Billion. This gave an average premium of TZS 12.93 Billion. During the year 2009, the total premium volume was TZS 115 Billion. This was TZS 24.8 Billion increase from previous year and at the percentage of 27.4%. During year 2010, the premium volume was TZS 142.7 Billion indicating an increase of TZS 27.4 Billion from previous year and the percentage increase of 23.8%. The Table 4.6 indicate total premium for year 2011 as TZS 167.2 Billion. This shows an increase of TZS

24.5 Billion increase and this represented a percentage increase of 17.2% growth. Finally the total premium for the year 2012 was TZS 198.6 for the surveyed companies. This indicates an increase-growth of TZS 31.4 Billion from the previous year and the percentage increase was 18.8 %. This general increase implies that the companies were performing well doing well and can be attributed to effectively role of TIRA on price and product approvals, and increase in companies branch network.

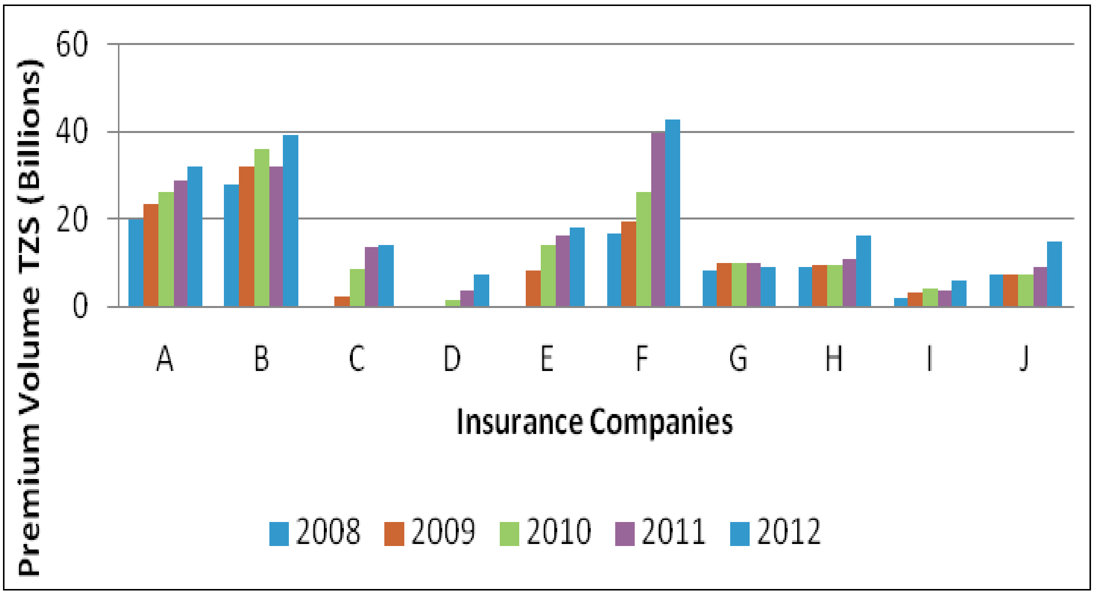

Figure 4.4: Trend of Insurance Companies Premium Production Volume

Source: Field Data, (2013)

The Figure 4.4 shows that there has been overall incremental increase in premium production Volumes over the years among the insurance companies except for Company G which experienced decrease in production volume in 2012.

From the Table 4.7 indicates that 84.375% of the premium production matches the company objectives, while 15.625 % indicated that it does not match the company objectives. This indicates that 15.6 companies may fail to achieve their objectives due to low production premium volumes. This implies that failures on some companies affects the industry which further indicates under performing role on TIRA.

Table 4.7: Reponses as to whether the Production Volume Matches the Company Objectives

Companies	Yes-Frequency	No-Frequency	Total
A	6	1	7
B	6	0	6
C	5	2	7
D	6	0	6
E	7	0	7
F	6	0	6
G	0	7	7
H	5	0	5
I	6	0	6
J	7	0	7
Total	**54**	**10**	**64**
Percentage %	84.375	15.625	100

Source: Field Data, (2013)

From the Table 4.8 showed year 2008 TZS 26.8 Billion worth of claims were paid. The average for all the companies in 2008 was TZS 3.82 billion. During year 2009, total claims amounting TZS 41.247 Billion were paid. This shows an upward claim increase by TZS 14.447 and percentagewise as 53.9 % c on increase on claim repayment. During year 2010, the total claims paid were TZS 46.987 Billion, compared to TZS 41.247 Billion on the previous year. This indicates an increase of TZS 5.74 Billion, whose percentage was 13.9 %. The Average for that year was TZS 4.6987 Billion. In the year 2011, the total claims paid were TZS 57.6 Billion compared to TZS 46.987 for the previous year. This shows an increase of TZS 10.613, whose percentage is 22.58 %. The Average for the year was TZS 5.76 Billion. During the year 2012, the total claims paid amounted to TZS 72.4 Billion compared to TZS 57.6 for the previous period. This indicates an increase of TZS 14.8 Billion representing percentage of 25.69 %. The Average for the year 2012 was TZS 7.24 Billion. This implies the increase in claim repayment is related to increase in premium volumes and the business performances. The more business is acquired, the more increase in claim volumes, and the staff employment to handle the increase in work load.

Table 4.8: Trend of Customers Claim Repayment by Insurance Companies TZS Billion

Companies	Year				
	2008	2009	2010	2011	2012
A	4.4	6.4	5.5	9	11
B	2.8	10	10	14	15
C	0	0.6	5	7.1	9
D	0	0	0.9	1.1	2.2
E	0	2	6.6	4.8	5.8
F	7.2	10.3	5.7	6.8	11.8
G	3.6	3.1	4.9	4.8	5.8
H	3.8	4.2	4.5	6.8	6.9
I	1.1	0.647	0.687	1.2	1.9
J	3.9	4	3.2	2	3
Total	26.8	41.247	46.987	57.6	72.4
Average	3.8285	4.583	4.6987	5.76	7.24
Increase in value terms	0	14.447	5.74	10.613	14.8

Increase %	0	53.9	13.9	22.58	25.69

Source: Field Data, (2013)

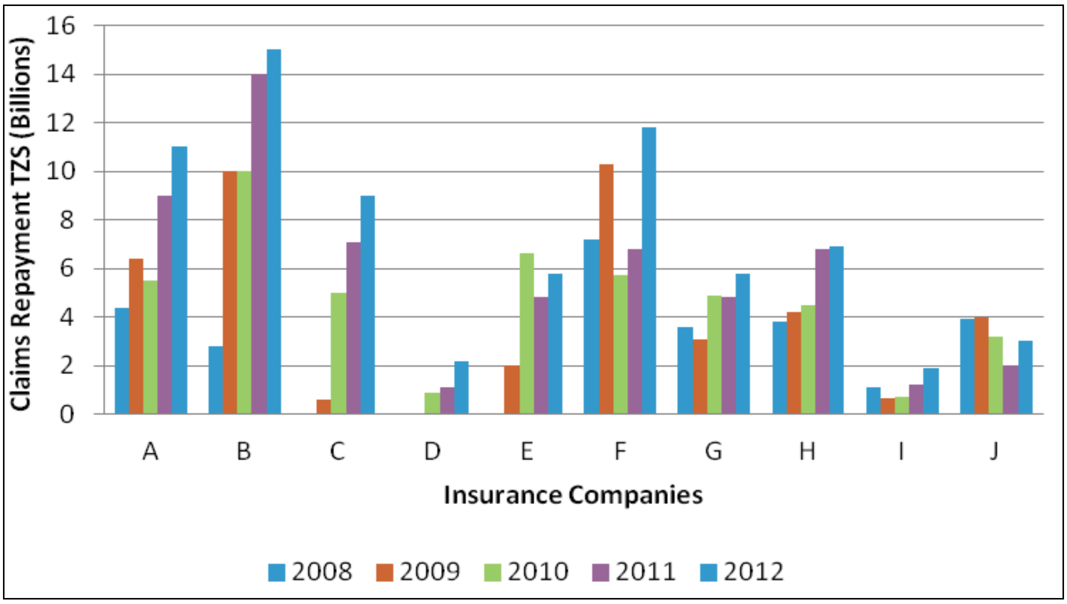

Figure 4.5: Trend of Customer Claims Repayment

Source: Field Data, (2013)

Table 4.9: Analysis of Factors Affecting Timely Settlement of Customer Claims

Companies	**Cash flow problem**	**Lack of Documentation by Clients**	**Brokers Non payment of Premium**	**Fraudulent claims**	**Total**
A	0	4	3	0	7
B	1	3	2	0	6
C	1	3	2	1	7
D	0	2	2	2	6
E	2	3	2	0	7
F	1	3	2	0	6
G	3	3	1	0	7
H	1	1	2	1	5
I	2	2	2	0	6
J	0	4	3	0	7
Total	**11**	**28**	**21**	**4**	**64**
Percentage %	17.19	43.75	32.81	6.25	100
Average	1.1	2.8	2.1	0.4	

Source: Field Data, (2013)

The Table 4.9 shows that 17.19 % of the respondents indicated that cash flow problem among the insurers was the main factor affecting timely claims settlement, the majority 43.75 % show that the main factor as lack of claim supporting documents by the customers. Further 32.8125 % indicated the main factor was late or non payment of the premiums by brokers to insurers which they pay or hold on behalf of customers. Finally 6.25% indicated that the factor is that claims are fraudulent. The same applies to the Average tabulation. Therefore according to the study the main factor for the delay of repayment of customer claims is due to incomplete documentation by clients. This implies that majority of the customers needs to be educated on claim procedures and supporting documents submissions by both insurers, brokers and TIRA so that claims can be paid promptly without delay. Further TIRA should address the elements of fraudulent claims to deter and prevent the practice and promote healthy and order and efficient insurance system. Also TIRA Monitor insurers with cash flow problems and the appropriate measures to protect worse situations.

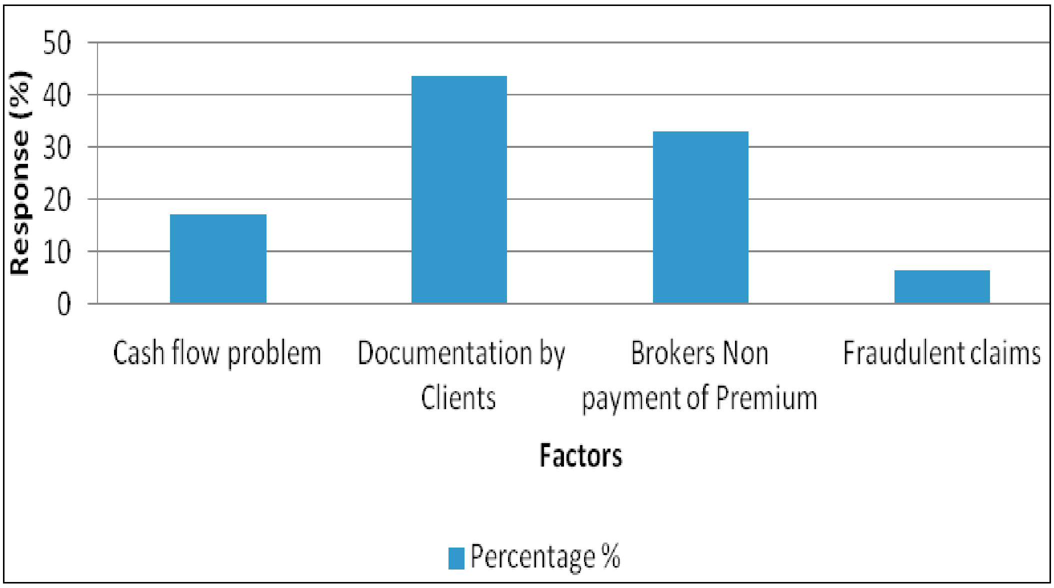

Figure 4.6: Factors Affecting Timely Settlement of Customer Claims

Source: Field Data, (2013)

Table 4.10: The Trend on Companies Branch Network Expansion Analysis

Companies	Dar	Arusha	Mwanza	Moshi	Mbeya,	Moro	Other	Total	Percentage 100%
A	1	1	1	1	0	0	1	5	15.625
B	1	1	0	0	0	0	0	2	6.25
C	1	1	0	0	0	0	1	3	9.375
D	1	0	0	0	0	0	0	1	3.125
E	1	1	0	0	0	0	0	2	6.25
F	1	1	1	0	1	1	1	6	18.75
G	1	0	1	0	1	0	0	3	9.375
H	1	1	1	0	1	0	0	4	12.5
I	1	0	1	0	0	0	0	2	6.25
J	1	1	1	0	1	0	0	4	12.5
Total	**10**	**7**	**6**	**1**	**4**	**1**	**3**	**32**	**100**
Percentage	31.25	21.875	18.75	3.125	12.5	3.125	9.375	100	

Source: Field Data, (2013)

Table 4.10 shows the number of braches by each company in different locations. As indicated in the table it shows that all companies had offices in Dares salaam- the headquarter indicating the highest percentage of 31.25 %. The table shows that 21.875 % of the companies had offices in Arusha., 18.75 % had offices in Mwanza, 3.125 had offices in Moshi and 12.5% had offices in Mbeya, 3.125 % had offices in Morogoro, and 9.375 % had offices in other towns. Implication, despite having branches in major Towns, other small towns and rural areas are not covered limiting the insurance penetration. Companies and TIRA should try to expand in all corners of the country to serve a larger population.

The Table 4.11 indicates the capital contingency reserves for insurance companies to meet their obligations. One company (F) had zero reserves and this has affected the Average of TZS 493.25 computed. The table further show the distribution of capital Reserves among insurance companies.

Table 4.11: Analysis of the Companies Current Contingency Capital Reserves in TZS, Million as at December 2012

	Contingency Reserve in TZS (Million)	**Percentage share %**
A	550	11.15
B	584	11.84
C	440	8.92
D	40.5	0.82
E	550	11.15
F	0	0
G	754	15.29
H	897	18.19
I	117	2.37
J	1,000	20.27
Total	**4932.5**	**100**

Average	493.25	

Source: Field Data, (2013)

The highest reserve was with Company J- 20.27 %, followed by Company H- 18.18 %, company G- 15.286 %., Company A -11.5 %, Company B - 11.83 %. Followed by C-8.92%, company I- 2.37%, Company D-0.82%, and finally company F with Zero reserves. Implication most of the companies had contingency reserves to meet their contingency obligations such as claims and experiences overrun. However, one company with zero indicates this company will face difficulties to meet such expenses and it will negatively affect the industry. TIRA should be firm on such management of the companies to ensure requirements are met otherwise it shows weakness on TIRA.

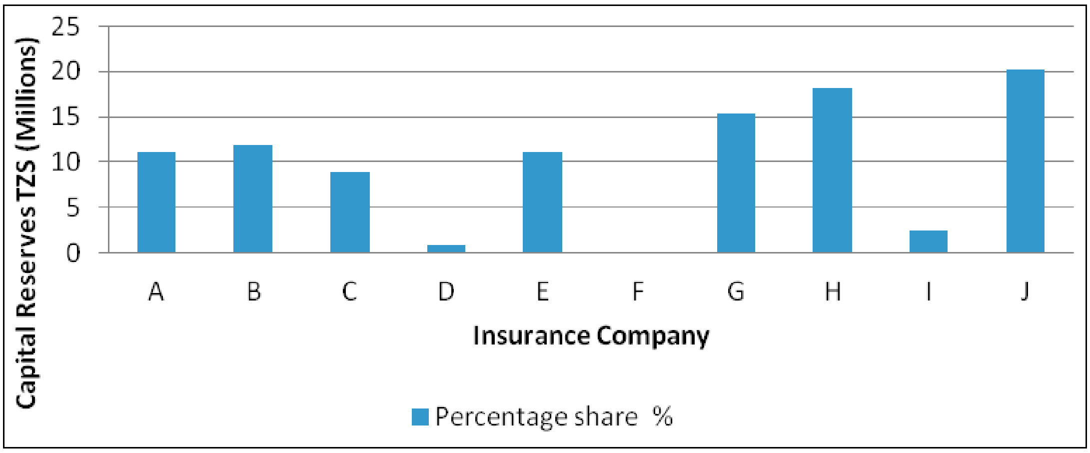

Figure 4.7: Insurance Companies Contingency Capital Reserves

Source: Field Data, (2013)

Table 4.12: Analysis on whether Capital Contingency Reserve was Sufficient to Meet Company Obligations

Companies	Yes -frequency	No-frequency	Total
A	7	0	7

B	6	0	6
C	6	1	7
D	6	0	6
E	7	0	7
F	0	6	6
G	0	7	7
H	5	0	5
I	6	0	6
J	7	0	7
Total	50	14	64
Average	5	1.4	
percentage %	78.125	21.875	100

Source: Field Data, (2013)

Table 4.12 shows that 78.125% of the respondents said that the capital reserves were adequate to meet the company obligation. While 21.875 % indicated that the capital reserves were not adequate. On the Average 5 respondents indicated that the capital reserves were adequate, and on average 1.4 indicated that it was not adequate. Implication majority of the companies in the industry would meet their obligation through the reserves, and 22 % will fail and that the adequate capital reserves were related to the success of the companies and performance and vice-versa. Further any success or failure on the industry would reflect on the failure of success of TIRA on their role.

Table 4.13: Analysis on whether TIRA had any Significant Role in Development of the Insurance Industry

Companies	Yes -frequency	No- frequency	Total
A	7	0	7
B	6	0	6
C	6	1	7
D	6	0	6
E	7	0	7

F	6	0	6
G	7	0	7
H	5	0	5
I	6	0	6
J	7	0	7
Total	**63**	**1**	**64**
Average	6.3	0.1	
Percentage %	98.43	1.56	100

Source: Field Data, (2013)

From the Table 4.13, 98.4% indicated that the TIRA had a significant role to play in development of the industry. While 1.6% indicated that TIRA had no significant role to play. On Average 6.3 indicated TIRA had a role to play and on Average 0.1 indicated that TIRA had no role to play in the insurance industry development.

Implication, majority felt that TIRA had great role despite the miss-giving of the few. The miss-giving's of the few can be supported the several cases where TIRA has not acted effectively to enforce the requirements of the law. The Majority are also correct because majority of the companies were performing well as due to TIRA carrying out its role. However, this implies that there is room for TIRA needs to improve and do better.

Table 4.14: Analysis on Roles Played by TIRA in the Development of the Insurance Industry

	Regulatory Role	**Supervisory Role**	**Monitoring role**	**Other role**	**Total**
A	4	2	1	0	7
B	3	1	2	0	6
C	2	2	2	1	7
D	2	2	2	0	6

E	3	2	2	0	7
F	2	2	2	0	6
G	3	3	1	0	7
H	2	1	2	0	5
I	3	1	2	0	6
J	3	2	2	0	7
Total	**27**	**18**	**18**	**1**	**64**
Average	2.7	1.8	1.8	0.1	
Percentage %	42.18	28.12	28.12	1.562	100

Source: Field Data, (2013)

Table the 4.14 shows that 42.18 % of the respondents indicated the role of regulatory 28.12 % indicated supervisory role and monitoring role each played by TIRA. Finally 1.5625% indicated that TIRA played other roles in the development of the insurance industry. As described in the chart below

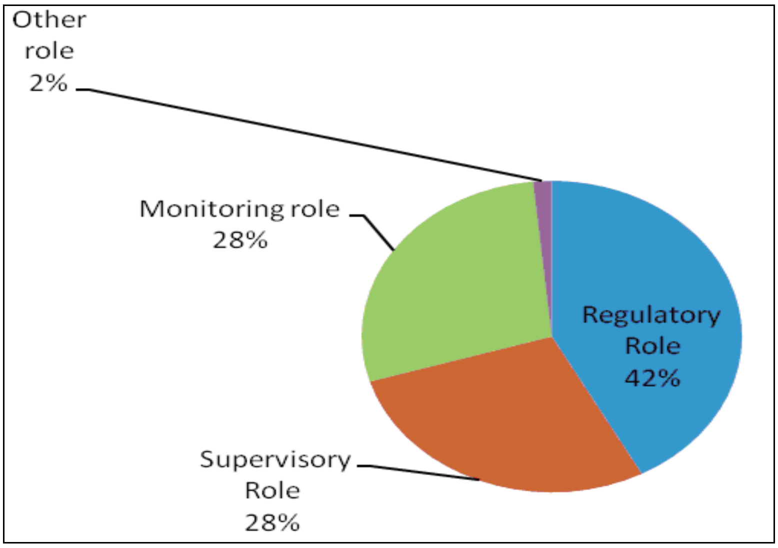

Figure 4.8: Role of TIRA in Development of Insurance Companies

Source: Field Data, (2013)

Table 4.15: Responses Ranking s on the Effectiveness of TIRA in Performing Functions

Companies	**0 ----20%**	**21----40%**	**41---60%**	**61---80%**	**Total**
A	0	2	4	1	7
B	0	1	5	0	6
C	1	2	1	3	7
D	0	0	0	6	6
E	0	5	2	0	7
F	3	2	1	0	6
G	0	4	3	0	7
H	0	0	5	0	5
I	0	2	3	1	6
J	0	2	4	1	7
TOTAL	**4**	**20**	**28**	**12**	**64**
Percentage %	6.25	31.25	43.75	18.75	100

Source: Field Data, (2013)

The analysis Table 4.15 shows that 6.25 % ranked effectives of TIRA between zero and 20%. The study also shows 31.15 % of the respondents ranked TIRA effectiveness between 21 and 40%. The analysis indicated that 43.75 % of the respondents ranked TIRA between 41 to 60 % , The study also indicated 18.75 % of the respondents ranked TIRA between 61 to 80 % . Following this the majority ranked TIRA effectiveness in performing it function between 41 and 60 %. The Chart No. 15 describes the distributions of response in regard to the effectiveness of TIRA in performing its functions. Implications show that majority ranked TIRA role between 40- to 60 % (31+44=75 %) which was average but implies that TIRA has still room for more improvements and better their role. It also means that the success of the industry and companies is related to the effective role of TIRA and vice-versa.

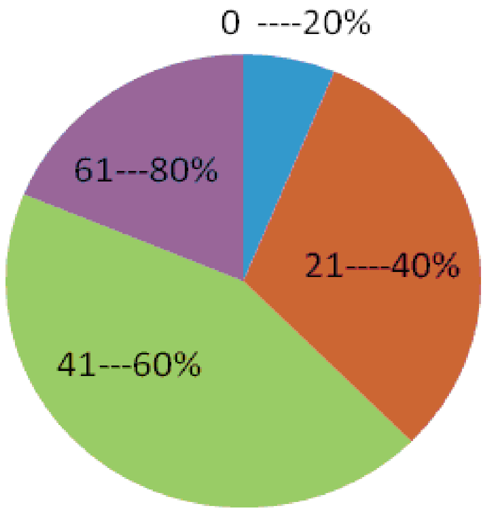

Figure 4.9: TIRA Effectiveness in Performing its Functions

Source: Field Data, (2013)

The Table 4.16 analysis show 23.43% of those interviewed suggest that TIRA should employ more employees. 7.8125% recommended that TIRA should invest in modern technology. 35.9375 % who are majority indicate that TIRA should enforce the law more strictly. While 32.8125% suggested that TIRA should make frequent inspection visit to insurance companies. The results on the recommendations of respondents on the TIRA functional improvements are as described in the chart below. It shows that most of the respondents (36%) are recommending increased enforcement of the law. Implication, it means the weakness that is being seen in TIRA may be is due to inadequate, and financial capacity to carry out it duties as required effectively and that TIRA actually needs to improvement and avoid under performance.

Table 4.16: Analysis on how to Improve TIRA in Performing it's Regulatory and Supervisory Roles

Companies	Employ	Invest in	Apply	Frequent	Any	Total

	more Staff	Technology	law strictly	inspection of insurer	other	
A	3	0	2	2	0	7
B	2	0	3	1	0	6
C	1	0	3	3	0	7
D	1	0	3	2	0	6
E	2	1	2	2	0	7
F	1	1	2	2	0	6
G	2	1	2	2	0	7
H	2	0	2	1	0	5
I	0	0	2	4	0	6
J	1	2	2	2	0	7
Total	**15**	**5**	**23**	**21**	**0**	**64**
Average	1.5	0.5	2.3	2.1	0	
Percentage (%)	23.43	7.81	35.93	32.81		100

Source: Field Data, (2013)

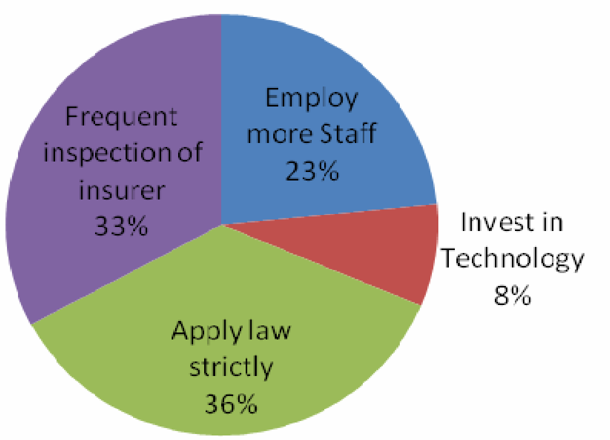

Figure 4. 10: TIRA Functional Improvement (%)

Source: Field Data, (2013)

Table 4.17: Analysis on General Comments on the Insurance Industry Development in Tanzania

Companies	Positive growth	Negative growth due to losses	Competition High	Future growth is expected	No future growth	Total
A	2	1	2	2	0	7
B	2	1	2	1	0	6
C	2	2	2	1	0	7
D	2	1	2	1	0	6
E	2	2	1	2	0	7

F	3	1	1	1	0	6
G	2	1	2	2	0	7
H	2	1	1	1	0	5
I	2	1	2	1	0	6
J	2	1	2	2	0	7
Total	21	12	17	14	0	64
Average	2.1	1.2	1.6	1.4	0	
Percentage %	32.8125	18.75	26.562	21.875		100

Source: Field Data, (2013)

Table No. 4.17, it shows that, 32.8125 % the majority of the respondents indicate that the industry had achieved positive growth. 18.75 % show that there was negative growth due to claim losses. 26.5662 % showed that the market faced high competition. 21.875 % showed that future growth is expected and promising. And None for no future growth . Implication, it is true the industry has been growing, and there is future potential and the claim losses are also expected to increase has the business volume increases including competition.

Table 2.18 shows that 33.3 % of the respondent said the total number of employees at TIRA Suffices to enable TIRA carry it role, While 66.67 % majority said that the number of employees does not suffice to enable TIRA carry out its role. This implies that some of the weakness or underperformance of TIRA is due to inadequate staff. TIRA is recommended to employ more and qualified staff to enhance it role.

Table 4.18: Response as to whether the Number of Employees Suffice to Carry out Supervisory and Regulatory Role of TIRA

	Yes -Frequency	No-Frequency	Total	Percentage%

Supervisory	2	0	2	33.3
Accounting	0	1	1	16.6
Marketing	0	1	1	16.6
Actuarial	0	1	1	16.6
Human Resource	0	1	1	16.6
Total	2	4	6	100
Percentage %	33.33	66.67		

Source: Field Data, (2013)

Table 4.19: Analysis on the Responses on TIRA's Source of Finance

	Reg.fees, levies, penalties, sale of stickers & act copies	**Government**	**Other Sources**	**Total**	**Percentage %**
	Reg.Fees, levies, penalties, sale of stickers & act copies	**Government**	**Other Sources**	**Total**	**Percentage %**
Supervisory	2	0	0	2	33.33
Accounting	1	0	0	1	16.67
Marketing	1	0	0	1	16.67
Actuarial	1	0	0	1	16.67
Human Resource	1	0	0	1	16.67
Total	6	0	0	6	100
Average	1.2				
Percentage %	100				

Source: Field Data, (2013)

The table No 4.19, indicates that all the respondents said that the source of finance came from registration fees of insurance companies, penalties, sale of certificate-motor, and copies of the insurance ACT. The respondent percentage was 100%. While there were no sources of fund from the government neither other sources. TIRA is an independent Authority which sustains itself.

Table 4.20: Analysis on what should be done to Increase TIRA Financial Capacity to Perform its Functions Effectively

	Increase cost of Reg fee, levies, penalties & sale of sticker & act copies (Freq)	Govt. Support-Govt help (freq)	Minimise cost-(frequ)	Total	Percentage %
Supervisory	1	0	1	2	33.33
Accounting	0	1	0	1	16.67
Marketing	0	1	0	1	16.67
Actuarial	0	1	0	1	16.67
Human Resource	1		0	1	16.67
Total	2	3	1	6	100
Average each Dept	0.4	0.6	0.2		
percentage %	33.33	50	16.67	100	

Source: Field Data, (2013)

From the Table 4.20 indicates that 33.33% respondent said that TIRA should increase cost of registration fees, certificates, penalties & levies to insurance companies while 50% of the respondents said that TIRA should seek other source of funds from the Government. 16.666% of the respondents said that TIRA should try to minimize their cost in order to be able to perform it functions more effectively.

The implication shows that TIRA is not having enough finances to carry it role and need support from Government and other sources to enable it carry it role effectively such as opening zonal branch offices and employing qualified personnel.

Table 4.21: Analysis on how TIRA Employees Ranked the Performance of TIRA in Fulfilling its Role

	Respondents frequency					
	0--20%	**21- 40 %**	**41-60%**	**61-80%**	**81-100%**	**Total**
Supervisory	0	0	0	2	0	2
Accounting	0	0	1	0	0	1
Marketing	0	0	1	0	0	1
Actuarial	0	0	0	1	0	1
Human Resource	0	0	1	0	0	1
Total	**0**	**0**	**3**	**3**	**0**	**6**
Average each Dept	0	0	0.6	0.6	0	
Percentage %	0	0	50	50		100%

Source: Field Data, (2013)

The analysis from Table 4.21 indicated that 50% of the respondents ranked TIRA performance in fulfilling its role between 41-60 %. Further 50 % of the respondents ranked TIRA performance in fulfilling its role between 61-80 %. This implies there is feeling TIRA still needs some improvements and there is room for it.

The analysis Table 4.22 shows 33.33% of the respondents advised that TIRA should increase more of the trained personnel to improve it performance. 16 .667 % said that TIRA should make use of modern technology improve it performance. 33.333% indicated that TIRA should establish the office of Ombudsman, and group of 16.667% said that TIRA should open up zonal –regional offices to oversee insurers in the regions. This implies that the current weakness or under performance of TIRA can be attributed to lack of enough and qualified personnel and Finances to oversee companies in the regions they are operating. It is recommended that TIRA should seek more finances and open branches over the country to service the industry and settle disputes urgently when they arise between insurers and customers.

Table 4.22: Opinion Analysis on what should be done to Improve Performance of TIRA

	More trained personnel required	Use of modern technology	Establishment of ombudsman office	Open zonal Offices	Total
Supervisory	1	0	1	0	2
Accounting	0	1	0	0	1
Marketing	0	0	1	0	1
Actuarial	0	0	0	1	1
Human Resource	1	0	0	0	1
Total	2	1	2	1	6
Average each Dept	0.4	0.2	0.4	0.2	
percentage %	33.33	16.67	33.33	16.67	100

Source: Field Data, (2013)

From Table 4.23 shows that 83.33% of the respondent indicated that the claim reserves, capital adequacy and solvency margin requirement measure was very effective in mitigating the risk of insolvency among insurance companies. While 16.67% said that the measures were not very effective in mitigating the risk of insolvency. Implication it means the effective use of these tools to monitor the insurance companies will yield positive results and good performance of the insurance industry and would mitigates risks of insolvency among insurances and the industry will perform better and develop while meeting customer claims and obligations efficiently.

Table 4.23: Effectiveness of Regulatory Tools such as Claim Reserves, Capital and Solvency Requirement in Mitigating the Risk of Insolvency among Companies

	Very effective	Not effective	None	Total	Percentage %
Supervisory	2	0	0	2	33.33
Accounting	1	0	0	1	16.66
Marketing	0	1	0	1	16.66
Actuarial	1	0	0	1	16.66
Human Resource	1	0	0	1	16.66
Total	5	1	0	6	100
Average each Dept	1	0.2	0	1.2	
percentage %	83.33	16.67	0	100	

Source: Field Data, (2013)

4.3 Discussion of the Findings

The study was carried out in Dares salaam at the office of TIRA and among the selected insurance companies. The study aimed at finding the role of TIRA on the insurance development in Tanzania. Emphasis was placed on whether TIRA had the financial and human resources to execute it mandate sufficiently. Also the emphasis was on assessing the trend of capital operating, and the solvency margins to establish whether companies were operating within the law requirements, to establish the trend of premium volumes performance and whether were adequate to meet the company objectives, and to find out the trend of claim repayment and the factors causing delay.

4.3.1 TIRA Financial and Human Capital Findings

The first specific question was to find out if TIRA financial and human capacity to carry out role effectively. Study revealed that TIRA did not have enough Financial and human capacity to carry out its role. Table No. 2.2.18 Respondent from TIRA showed that 66.67 % majority said that the number of employees does not suffice to enable TIRA carry out its role while only 33.3 % said the total number was sufficient. Again asked what should be done to improve TIRA in delivering it services TIRA employees had the following to say, Table 4.2.22 shows 33.33% of the respondents advised that TIRA should increase more of the trained personnel to improve it performance. 16.667 % said that TIRA should make use of modern technology improve it performance.

The Insurers response was in agreement with that of TIRA employees had the following to say, The Table 4.17 analysis show that 23.43% of those interviewed suggest that TIRA should employ more employees. 7.8125% recommended that TIRA should invest in modern technology. 35.9375% who are majority indicate that TIRA should enforce the law more strictly. While 32.8125% suggested that TIRA should make frequent inspection visit to insurance companies. From this analysis it is clear that TIRA needs more staff to effectively do it role.

On Financial capacity, TIRA did not have any other source of Finance apart from its on sources. This mean the Finances were not enough to employ more staff and also invest in technology and open up zonal offices. Respondents from TIRA indicated that From the Table 4.22 indicates that 33.33% respondent said that TIRA should increase cost of registration fees, certificates, penalties & levies to insurance companies while 50% of the respondents said that TIRA should seek other source of funds from the Government. 16.666% of the respondents said that TIRA should try to minimize their cost in order to be able to perform it functions more effectively.

The implication shows that TIRA is not having enough finances to carry it role and need support from Government and other sources to enable it carry it role effectively such as opening zonal branch offices and employing qualified personnel. Further this implies that some of the weakness or underperformance of TIRA is due to inadequate staff and Finances. TIRA is recommended to employ more and qualified staff to enhance it role and seek other sources of fund from Government. Finding are in consistence and in agreement with literature reviewed recommendations made by UNCTAD (2007) where the Governments plays an important role in establishing effective and efficient regulatory authorities to monitor insurance operations and ensure security and stability in the sector.

4.3.2 Trend of Operating Capital and Solvency Margin Findings

The second specific question sought to assess the trend of operating capital and solvency margin among the insurers and whether they operated within the law requirements. From the analysis Table 4.1 it can be noted that out of 10 companies surveyed for two companies (C) and (G) had operating capital below the statutory minimum requirement. This represent 20% of under performing companies while the 80 % were performing well on their operating capital. On solvency margin Table No.4.2 and 4.3. Above indicate 10% of the companies surveyed which did not meet the minimum requirement. However, 90 % had met the required minimum criteria set by TIRA. This further reflects some weakness on TIRA to ensure companies abide by the rules and the law.

From Table 4.2, 96.875 % of the respondents indicated that the level of operating capital maintained affected the company performance and only 3.125 % stated that the level of capital Maintained did not affect the performance of their companies. The implication here means that operating capital was very crucial and necessary for the good performance of the companies and meet their obligations promptly. Further it implies that those with low capital were not able to meet their obligations promptly and indicates negative impact on the industry. This affected customer claims settlements and caused delays and dissatisfaction indicating under performance of TIRA on their role. Responses from the study show the level of capital maintained was related to company performance and their ability to meet obligations. This implies that TIRA was not keen in strictly enforcing the law and reflects a dangerous trend for the industry. Further this lower margin of capital affected the companies performance negatively and their abilities to meet customer claims and their other obligations. This is in agreement and consistent with the studies by (mayerson, 1969) who says that solvency monitoring should be employed by Authorities supervisory as this decreases the likelihood of company insolvencies. It further in agreement with protection theory where the regulator comes in to protect the industry from the weaknesses of the companies who may fail or not performing well. However there is general trend in the growth operating capital for the rest of the companies from year to year, and this indicate and implies a positive in the development of the sector and the abilities to perform well.

4.3.3 The Trend on Premium Production Volume Performance Findings

Specific question number three intended to find out the premium volume performance in relation to meeting the company objectives. The finding indicated From the Table 4.6 and chart The chart No.4.4A shows that there has been overall incremental increase in premium production Volumes over the years among the insurance companies except for Company G which experienced decrease in production volume in 2012. This general increase implies that the companies were performing well doing well and can be attributed to effectively role of TIRA on price and product approvals, and increase in companies branch network.

When asked whether the premium production met company objectives, the responses were as follows From the Table 4.7 indicates that 84.375% of the premium production matches the company objectives, while 15.625 % indicated that it does not match the company objectives. This indicates that 15.6 companies may fail to achieve their objectives due to low production premium volumes. Implication failures on some companies affects the industry which further indicates under performance of the industry and TIRA as well.

The premium production performance enabled companies to accumulate contingency reserves for contingency obligations. This also reflects the market efficiency theory where, the regulator comes in to promote the industry efficiency by approving fair prices and products in the market. The following is the position of company reserves The Table 4.11 indicates the capital contingency reserves for insurance companies to meet their obligations. The table further show the distribution of capital Reserves among insurance companies. The highest reserve was with Company J- 20.27 %, followed by Company H- 18.18 %, company G- 15.286%. Company A -11.5 %, Company B - 11.83 %. Followed by C-8.92%, company I- 2.37%, Company D- 0.82%, and finally company F with Zero reserves. Implication most of the companies had contingency reserves to meet their contingency obligations such as claims and experiences overrun. However, one company with zero indicates this company will face difficulties to meet such expenses and it will negatively affect the industry. TIRA should be firm on such management of the companies to ensure requirements are met otherwise it shows.

Premium production is also related to employment level of the number of employees and the opening of the branch network in the country as an indicator of industry development. Table 4.5 shows that the total employed staff by seven insurance companies who were in operation in 2008, were 203 and calculated average of 29 in each company. In 2009, the total was 282 employees indicating an increase of 79 additional employees indicating a percentage increase of 38.916 %. During year 2010, the total was 334 indicating an increase by 52 whose percentage was 18.44 % from the previous figure. In the year 2011, the total was 383 employees, indicating an increase of 49, whose percentage was 14.671% from the previous period. During the year 2012, the total was 507 , indicating an additional increase of 124 employees whose percentage was 32.376 %. The trend show there was incremental growth in the number of employees in the industry. Implication was as the premium volume performance increased more staff were employed to cope with the work load including opening branches countrywide as a positive development and the relationship between the variables premium production increase to staff employment increase levels. This supports the literature reviewed on the role of Regulator to regulate and approve products and affordable prices for the industry growth and performance.

4.3.4 The Trend of Customer Claim Repayment and the Causes of Delay

From the Table 4.8 shows that year 2008 TZS 26.8 Billion worth of claims were paid. The average for all the companies in 2008 was TZS 3.82 billion. During year 2009, total claims amounting TZS 41.247 Billion were paid. This shows an upward claim increase by TZS 14.447 and percentagewise as 53.9 % c on increase on claim repayment. During year 2010, the total claims paid were TZS 46.987 Billion, compared to TZS 41.247 Billion on the previous year. This indicates an increase of TZS 5.74 Billion, whose percentage was 13.9 %. The Average for that year was TZS 4.6987 Billion. In the year 2011, the total claims paid were TZS 57.6 Billion compared to TZS 46.987 for the previous year. This shows an increase of TZS 10.613, whose percentage is 22.58 %. The Average for the year was TZS 5.76 Billion. During the year 2012, the total claims paid amounted to TZS 72.4 Billion compared to TZS 57.6 for the previous period. This indicates an increase of TZS 14.8 Billion representing percentage of 25.69 %. The Average for the year 2012 was TZS 7.24 Billion.

Implication the increase in claim repayment is related to increase in premium volumes and the business performances. The more business is acquired, the more increase in claim volumes, and the staff employment to handle the increase in work load. This is also in support of works and studies by (Bench 1993) who supports effective regulation as it leads to an healthy and perfuming industry.

When respondents asked the causes of claim repayment delay, the following were the findings The Table 4.9 shows that 17.19 % of the respondents indicated that cash flow problem among the insurers was the main factor affecting timely claims settlement, the majority 43.75% show that the main factor as lack of claim supporting documents by the customers. Further 32.8125% indicated the main factor was late or non payment of the premiums by brokers to insurers which they pay or hold on behalf of customers. Finally 6.25% indicated that the factor is that claims are fraudulent. The same applies to the Average tabulation. Therefore according to the study the main factor for the delay of repayment of customer claims is due to incomplete documentation by clients. This implies that majority of the customers needs to be educated on claim procedures and supporting documents submissions by both insurers, brokers and TIRA so that claims can be paid promptly without delay.

Further TIRA should address the elements of fraudulent claims to deter and prevent the practice and promote healthy and order and efficient insurance system. Also TIRA monitor insurers with cash flow problems and the appropriate measures to protect policy holders. This is in line with Protection theory discussed in theoretical review.

4.3.5 The Role of TIRA on Insurance Development in Tanzania

To answer our general question what was role of TIRA on insurance development, the following answers were obtained from the study. Insurers responded as follows

Table the 4.15 shows that 42.18 % of the respondents indicated that TIRA played the role of regulatory 28.12 % indicated supervisory role and monitoring role each played by TIRA. Finally 1.5625% indicated that TIRA played other roles in the development of the insurance industry. They also ranked TIRA effectiveness in carrying their role and duties as follows the analysis Table 4.2.15 shows. Majority ranked TIRA role between 40- to 60 % (31+44=75 %) which was above average but implies that TIRA has still room for more improvements. It also means that the success of the industry and companies is related to the effective role of TIRA and vice-versa as confirmed by (Bench, 1993) during our literature review.

Asked what suggestions to give TIRA in carrying out their functions more effectively respondent were Table 4.17 analysis show that 23.43% of those interviewed suggest that TIRA should employ more employees. 7.8125% recommended that TIRA should invest in modern technology. 35.9375% who are majority indicate that TIRA should enforce the law more strictly. While 32.8125% suggested that TIRA should make frequent inspection visit to insurance companies.

The results on the recommendations of respondents on the TIRA functional improvements are as described in the chart shows that most of the respondents (36%) are recommending increased enforcement of the law. Implication, it means the weakness that is being seen in TIRA may be is due to inadequate, and financial capacity to carry out it duties as required effectively and that TIRA actually needs to improvement and avoid under performance.

When TIRA employees asked how they ranked the role of TIRA on carrying out its actives the following were 50% of the respondents ranked TIRA performance in fulfilling its role between 41-60 %. Further 50% of the respondents ranked TIRA performance in fulfilling its role between 61-80 %. This implies that there is a feeling that TIRA needs some improvements on its role. When TIRA employees asked how effective were the monitoring tools in enhancing the efficiency and performance of the industry From Table 4.25 shows that 83.33% of the respondent indicated that the claim reserves, capital adequacy and solvency margin requirement measure was very effective in mitigating the risk of insolvency among insurance companies. While 16.67% said that the measures were not very effective in mitigating the risk of insolvency. Implication it means the effective use of these tools to monitor the insurance companies will yield positive results and good performance of the insurance industry and would mitigates risks of insolvency among insurances and the industry will perform better and develop while meeting customer claims and obligations efficiently. This is in line with the literature reviewed where internationally all regulatory authorities use these tools and others to safeguard the industry.

The finding of this study was in agreement with the findings of the study carried by Roger (2011) investigated the impact of supervisory functions of Insurance and Social Service Board of Argentina on the Insurance companies in Argentina. The author used time series data covering the period extending from 2000 to 2010. The data was drawn from 324 insurance firms across the country. Granger causality tests were used to test the causal effect of the selected supervisory proxies on performance variables. Findings from the study suggest that supervisory functions of the board exerted a significant impact on the performance of the insurance industry in Argentina.

The finding are also in agreement with the market structure theory considered and developed by O.E. Starke (1998). It states that the supervisory organ is responsible chiefly for ensuring that the insurance industry works as well as possible. The aim is therefore that the supervisory body should play a significant role in guiding the market- industry, through supervision of law.

The study is also in agreement with theory the protection theory which attempts to deal with Supervisory law as a part of industrial and industrial policing law that is meant to protect the companies from assuming risks that can destroy them leading to their collapse and at the same time protecting the interest of customers and the public at large as a function of supervision and directing the industry.

The study is also in agreement with theory Market correction and distortion where there is existence of some inequalities in the market which the regulator tries to correct. The regulatory authority uses tools such barriers to entry, restricts insurers' risk and investment portfolios, and limits the products and terms they can offer. Legal restrictions on investments and other transactions, and price controls. Barrier to entry through regulation ensures the correct number to support the market development is ensured and there is no overcrowding which could result to unhealthy competition in the sector.

The study is also in agreement with theory market efficiency theory where there are weak companies the Regulator may force increase in capitalization, and mergers to promote efficiency in the market. Where the are few companies in the market operating as cartels or monopolists, consumers don’t enjoy the benefits of fair price brought in by competition. The Regulator may relax new entry, licensing & registration rules to allow more companies to enter the market thus promoting efficiency**.** Regulation has the potential to both increase and decrease consumer and producer surplus. When regulation corrects significant market failures, it potentially increases social welfare.

This is again in agreement with Principal and Agent conflict theory. Principal-agent conflicts arise from their differing incentives and the principal's problem in monitoring and controlling the behavior of his agent. Customer-Policy holder is the principal and insurer viewed as the Agent). In an attempt to protect the policy holders Sinkey J. R. (1989) states the goals of regulation as the protection of customers interests and protection of the insurance industry from the failures of the insurance system and from the monopolistic power of companies. TIRA therefore played the role of protecting customers from the insurers who could misuse or misallocate the customers funds.

The study is also in agreement with Insolvency danger theory which is aimed at aimed on supervision on insurance companies in order to avoiding specific insolvency dangers which threaten the public and the individual as a result of insurance company collapsing and destabilizing the industry. The solvency monitoring decreases the likelihood of insolvency and preserves the ability of monitoring agencies to provide early warning of problems (Mayerson, 1969). TIRA come into supervision to avoid such dangers in the market.

From the study 83.33 % of the respondent indicated that the claim reserves, capital adequacy and solvency margin requirement measure was very effective in mitigating the risk of insolvency among insurance companies. 16.67% said that the measures were not very effective in mitigating the risk of insolvency. The study further showed the companies contingency reserves were maintained in order to enable them meet their obligations. The study showed that 78.125% of the respondents said that the capital reserves were adequate to meet the company obligation. While 21.875% indicated the capital reserves were not adequate. This was a requirement by TIRA to ensure companies have enough reserves to meet their obligations when due and TIRA did this as monitoring role.

4.3.6 General Comment on the Insurance industry Development in Tanzania

The study wanted to know whether the industry has been growing positively or negatively and what is anticipated in the future. The answers were as follows from the respondents Table 4.18; it shows that, 32.8125 % the majority of the respondents indicate that the industry had achieved positive growth, 18.75% show that there was negative growth due to claim losses. 26.5662 % showed that the market faced high competition. 21.875% showed that future growth is expected and promising. Implication, it is true the industry has been growing, and there is future potential and the claim losses are also expected to increase has the business volume increases including competition.

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of the study was to find out the role played by TIRA on insurance industry development in Tanzania.

5.2 Conclusion, and Recommendations

It was found out that TIRA played a significant role in development of Insurance such as regulatory role, supervisory, monitoring roles to ensure the industry worked well. The study found out that TIRA needed some improvement in order to able to carry out its role more effectively. The improvements required at TIRA should involve employing more trained personnel to improve it performance, should invest in modern technology to by linking themselves with insurance companies for communication and reporting, establish the office of Ombudsman to assist in arbitration on disputes between insurers and customers, and open up regional offices to oversee insurers in the regions on frequent inspection to insurance, improve or find alternative source of Finance from the Government to enable their improve its performance

Further it is recommended that TIRA should enforce the law strictly and reprimand companies that do not meet the standards prescribed by the law such as minimum capital, solvency and contingency reserves requirements. Management of such companies needs to ensure proper management and sound business practices in order to comply with the law and avoid distresses in their operations and be able to meet their obligations sufficiently. Further companies are expanding and growing through branch networks, premium volumes have been increasing as well as claims and employment level of employees. This a good indicator of a growing industry and if all players are cooperative the benefits of good business and profits can be achieved. The positive growth are good indicators attributed to TIRA playing a significant role in the development of the industry.To the insurance companies they need to expand to the rural areas and other towns to increase insurance penetration to the public. Insurers should train more of their staff to meet the needs of the growing market. Insurers should abide by the market agreements and avoid undercutting completion which could ruin the industry and compete on quality services and products instead of price and jeopardize positive development of the industry.

The industry is also facing challenges such as stiff competition, under-cuttings which TIRA should address with stake holders so that an health competition is maintained without unnecessary undercutting and spoiling the market and avoid huge looses due to poor underwriting as those witnessed in year 2010. Remarkable growth in the sector has been recorded for the past 5 years and regulatory, Supervisory and monitoring tools are very necessary to foster this growth. Future growth is promising and expected.

5.3 Limitations of the Study

Questionnaires were distributed to 100 sample of employees in the insurance companies, and only 64 were received representing 64%, Seven (7) were dispatched to TIRA, and 6 were received representing 85.5 %. However these samples were believed to be representative enough. Also due to time and financial constraints the Researcher managed to work with 10 insurance companies out of 27 registered companies.

5.4 Area Recommended for Further Study

The study recommended further studies to be done to assess the contribution of insurance to the economic development of the of Tanzania given the pivotal role the sector plays in promoting industrial development.

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APPENDICES

Appendix I: TIRA Staff Interview Guide

My Name is FRANCIS KAMWAMBIA, MBA student at the Open University of Tanzania (OUT) I am conducting a study on the role of Tanzania Insurance Regulatory Authority (TIRA) on the development of insurance companies. Would you please take few minutes to answer the questions below? All the information that you provide will be kept confidential and is for research purposes only.

1. What is your position with TIRA?

   …………………………………………………………..………………………

2. What is your role within TIRA

   ………………………………………………………………………………..………

3. For how long have you been working with TIRA?`……………

   ………………………………………………………………………………..………

4. Does the number of employees suffice regulatory and supervisory role of TIRA? YES/NO………….

   Please explain……………………..……………………………..……………………

   ……………………………………..…………………………………………………

5. What is the Source of Financing for TIRA …………………………………

………………………………………………………………………………….………

6. Does TIRA have enough financial capacity to perform its function effectively?

   YES/NO………

   If the answer is NO, what should be done to increase TIRA financial capacity to perform its function effectively?
   ………………………………………………………………………………….………

7. How could you rank the performance of TIRA in fulfilling its roles
   (a) 0 – 20%
   (b) 21- 40%
   (c) 41– 60%
   (d) 61 – 80%
   (e) 81 -100%

8. In your opinion, do you think TIRA needs to improve its performance? YES/NO …..
   If the answer is YES please explain
   ………………………………………………………………………………….………
   …………………………………………………………………………………………..

9. What is your suggestion to improve TIRA in performing its regulatory and supervisory role
   ………………………………………………………………………………….………

10. How effective do you think the regulatory function on monitoring insurance companies claim reserves, capital adequacy and solvency margins requirements has mitigated the risk of insolvency among insurance companies?
    (a) Very effective
    (b) Not effective.
    (c) None.

Thank You for Your Time and Cooperation!

Appendix II: Insurance Companies Interview Guide

My Name is FRANCIS KAMWAMBIA, MBA student at the Open University of Tanzania (OUT) I am conducting a study on the role of Tanzania Insurance Regulatory Authority (TIRA) on the development of insurance companies. Would you please take few minutes to answer the questions below? All the information that you provide will be kept confidential and is for research purposes only.

1. What is your position in the Insurance Company

   ………………………………………………………………………………………

2. What is your major role in the Insurance Company?

   ………………………………………………………………………………………

3. For how long have you been working with the current insurance company you are working with

   ………………………………………………………………………………………

4. What is the paid up capital of your insurance Company for the previous Five (5) years-

Year	2008	2009	2010	2011	2012
Capital TZS					

5. What is the current operating capital?

   ………………………………………………………………………………………

6. Does the level of capital maintained affect your company performance? Yes/No

   If the answer is YES, please explain how

   …………………………………………………………….……………………….

7. What is the Company Solvency Margin for the previous five (5) years

Year	2008	2009	2010	2011	2012
Solvency Margin TZS					

8. Does the current solvency margin enable the company to settle customer claims promptly? YES/ NO ……………..

   If the answer is NO please explain

   ………………………………………………………………………………..…

   What is the number of employees in your company for the previous Five (5) years?

Year	2008	2009	2010	2011	2012
Employees					

9. Do the number of employees and their qualification suffice the company need to achieve its mission YES/NO……

   If the answer is NO.

   Please Explain …………………………………………………..

   ……………………………………………………………………………………

10. What is the company premium production volume for the past five (5) years

Year	2008	2009	2010	2011	2012
Volume In TZ					

11. Does the current production volume, matches with the company objectives? YES/NO ………..

    If the answer is NO please explain

    …………………...……………………………………………………………

12. What is the trend of claims settled timely for the previous five (5) years

Year	2008	2009	2010	2011	2012
Settled claims in TZS values					

13. In your opinion what is the main factor affecting timely settlement of customer claims? …………………………….……………………………..…

    …………………………………...…………………………………………

14. What is the company expansion trend for the previous five (5) years? Please Explain

    ……………………………………...……………………………………

15. What is your company contingency capital reserve

    ………………………………………………………………………………

16. Does your company capital contingency reserve capital sufficient to meet your obligation? YES/NO ……………..

    If the answer is NO please explain

    ………………………………………………………………………………………

17. TIRA is a regulatory body established by law. Does TIRA have any significant role in the development of insurance industry? YES/NO………

    Please explain

    ………………………………………………………………………………………

    How can you rank the effectiveness of TIRA as a regulatory body in performing its functions?

    (a) 0 – 20%

    (b) 21 – 40%

    (c) 41 – 60%

    (d) 61 – 80%

18. What is your suggestion to improve TIRA in performing its regulatory and supervisory role

    ………………………………………………………………………………………

19. What is your general comment on the Insurance Industry development in Tanzania

    ………………………………………………………………………………………

Thank You for Your Time and Cooperation!