TAG
Microinsurance
Technical
Advisory Group

Annual Report
2014

5 years of promoting microinsurance in Zambia
Titus Kalenga
Managing Director of NICO Insurance
Zambia Limited has been the Chairperson of the TAG since its inception in 2009.

Thomas Lendzian
Chief Executive Officer of FINCA Zambia joined the TAG in 2013 and is currently the Vice Chairperson.

Juliet Munro
FSD Zambia Senior Technical Advisor has been a member of the TAG since inception in 2009 and provides secretarial and project management support.

Shipango Muteto
Current President of the Insurers Association of Zambia (IAZ) and Chief Executive Officer of ZEP-RE PTA Reinsurance Company joined the TAG in 2012.

Gary Corbit
Chief Executive Officer of African Life Assurance Zambia Limited has been a member of the TAG since 2010.

Annie K. Chalah
Administrative Officer of the Bankers Association of Zambia has been a member of the TAG since inception in 2009.

Titus Nkwale
Deputy Registrar-Insurance at the Pensions and Insurance Authority has been a member of the TAG since inception in 2009.

Chabala Lumbwe
Immediate past President of IAZ and Managing Director of Madison General Zambia Limited has been a member of the TAG since inception in 2009.

George Silutongwe
Group Chief Executive Officer of ZSIC Group has been a member of the TAG since inception in 2009.

Annie K. Chalah
Administrative Officer of the Bankers Association of Zambia has been a member of the TAG since inception in 2009.

Belanger Ghisian
Chief Executive Officer of Enterprise Financial Centre, Pulse Holdings has been a member of the TAG since 2013.

Christabel M. Banda
Executive Director of the Insurers Association of Zambia joined the TAG in 2013.

Musapenda Phiri
Program Coordinator of the Financial Sector Development Plan (FSDP) has been a member of the TAG since inception in 2009.

Rajagopal Krishnaswamy
Managing Director of Professional Life Assurance Limited has been a member of the TAG since 2010.

This report was published by FSDZ. For more information about Zambia’s microinsurance market development process, contact the Zambia Microinsurance Coordinator, Lemmy Manje at lemmy_manje@msn.com or FSDZ Senior Technical Advisor, Juliet Munro at juliet@fsdafica.org.
Accelerating the provision of insurance to low-income Zambians through supply strengthening, demand stimulation and enabling environment creation interventions has been the main focus of the microinsurance development process since its inception in 2009. The emerging lessons from the microinsurance market development process in Zambia show that moving a market requires a well-structured market facilitation approach that aims to overcome wide-ranging market constraints. The process adopted in Zambia was to focus on addressing supply side issues before investing in demand stimulation activities and developing guidelines to regulate the microinsurance sector.

Over the last five years, the process has yielded some positive results as more insurers invest in developing insurance products specifically for the low-income market segment. The key highlights for 2014 were as follows:

Number of active microinsurance providers: from 8 in 2013 to 9 in 2014, distributed as follows:
- Life: 4
- Non-life: 5

Lives covered by microinsurance products
- 3 million + lives (an increase of nearly 200% from 1 million in 2013)

**Highlights**

**MICROINSURANCE DEVELOPMENTS -2014**

Funeral + life 79%

Credit life 21%

Agriculture insurance 0%

**Distribution of Coverage (Lives covered) - 2014**

**Lemmy Manje**
Microinsurance Coordinator for Zambia provides secretarial support to the TAG as well as overall coordination of the microinsurance development process since 2009
Established in August 2009 following the completion of a comprehensive microinsurance market and regulatory study, the Technical Advisory Group has been spearheading the development of microinsurance in Zambia. The over-arching goal of the TAG is to develop a vibrant microinsurance sector serving millions of low-income households and individuals in Zambia. To achieve, various interventions have been implemented to build the capacity of insurers and distribution channels in microinsurance product design and delivery, stimulate demand as well as create an enabling environment.

Zambia’s microinsurance market development process is testament to the progress that can be gained from the effective engagement and participation of different stakeholders within a given sector. At the time the process was initiated in 2009, little was known in Zambia about microinsurance and supply was primarily limited to credit life. Five years on, as a result of a targeted coordination drive and combined with the unwavering commitment of the multi-stakeholder Technical Advisory Group (TAG), significant progress has been achieved. This includes the near-finalisation of microinsurance-specific regulations, the increased supply and diversity of microinsurance products, and the ownership and co-funding, by industry, of national insurance education campaigns. Though there is much still to be done, the process is a good example of how consensus can be built and what can be achieved when stakeholders define and share a common vision.

From less than 100 lives covered through credit life policies in 2009, over 3 million Zambians have received cover through various microinsurance products ranging from simple funeral insurance policies to weather index insurance. Zambia’s microinsurance sector is however still in the growing phase with most of the insurers and distributors searching for viable business models.

In 2014 there were some major developments in Zambia’s microinsurance landscape which have contributed to microinsurance penetration, these include:

- Launch of the first biggest loyalty life product, Airtel life, providing cover to more than 3 million Zambians;
- First biggest payout to small scale cotton farmers through the NWK, FOCUS and MicroEnsure partnership;
- Presentation of draft microinsurance regulations by the Pensions and Insurance Authority (PIA) to stakeholders;
- More pilots in weather index insurance; second pilot to small scale farmers through the weather index product to ZNFU farmers

The main activities implemented during 2014 are summarised in the figure below.
<table>
<thead>
<tr>
<th>Supply strengthening</th>
<th>Insurance Week, September 2014</th>
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<td></td>
<td>Insurance Week 2014 attracted the participation of many stakeholders both for implementation and funding. IAZ was the lead organisation guided by a small working group involving key industry stakeholders and development partners. The activities included insurance education sessions with school children, exhibitions, TV and radio educational adverts, a newspaper supplement and a special edition of the Insurance Journal covering the Insurance Week under the theme 'My life, My well-being, My insurance'.</td>
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<th>Microinsurance marketplace, September 2014</th>
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<td>A microinsurance exhibition was held during Insurance Week 2014.</td>
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<th>Microinsurance Acceleration Facility (MAF), May 2014</th>
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<td>The third round of MAF was launched in May 2014. This round is funded by Financial Sector Deepening Zambia (FSDZ) which focuses on four support categories, namely: (1) enhancing client value (2) innovative delivery (3) extending geographical spread and (4) broadening risk coverage. The main objective was to stimulate product design and delivery beyond credit life and funeral policies. Eight (8) applications were received, three (3) where shortlisted and two finally selected. The selected projects from African Life Assurance Zambia (ALAZ) and Professional Insurance Corporation Zambia (PICZ) will be implemented in 2015.</td>
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<th>Practitioner seminar, August 2014</th>
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<tr>
<td>In partnership with the ILO’s Impact Insurance Facility and FinMark Trust, FSDZ designed and co-funded a Microinsurance Practitioner Seminar which took place in Lusaka from 19-20 August, 2014. The seminar, which was attended by over 30 Zambia-based insurance practitioners, shared experiences and discussed issues, challenges and business strategies relating to product benefit design, client value, claims processes and distribution partnerships. Speakers included representatives from the ILO’s MIF, Old Mutual South Africa, Zinnat Lion Zimbabwe, Cenfri, the Agriculture and Climate Risk Enterprise (ACRE) from Kenya, as well as African Life Assurance and Professional Life Assurance from Zambia.</td>
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<th>Market Research for Microinsurance e-course, December 2014</th>
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<td>The microinsurance four-day course on market research for microinsurance, conducted in 2013 has now been converted into an e-course that was piloted among microinsurance practitioners in Zambia, Tanzania, and Kenya. The closing face-to-face session which includes focus group discussions was concluded in Lusaka in December 2014.</td>
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<th>Health Microinsurance Training, December 2014</th>
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<td>In partnership with the ILO’s Impact Insurance Facility and FSDZ, the new course on health microinsurance was offered for the first time to Zambian insurers. The course was attended by fifteen (15) participants from seven (7) insurance companies and health service providers. The training covered health microinsurance product conceptualisation, design and delivery</td>
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<tr>
<th>Enabling environment creation</th>
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<th>Stakeholder workshop on microinsurance regulations, July 2014</th>
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<td>Building on the technical assistance provided to PIA on microinsurance regulations, PIA hosted a stakeholder workshop to discuss the draft microinsurance regulations. The stakeholder workshop was held after a presentation to the TAG. Feedback from TAG and industry stakeholders will be incorporated in the final microinsurance regulations now scheduled for finalisation in 2015.</td>
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<th>IAZ Strategy formulation, December 2014</th>
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<td>FSDZ will be supporting IAZ to develop its five-year strategic plan which includes microinsurance as one of the key strategic areas.</td>
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<th>Learning and dissemination</th>
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<th>10th Microinsurance International Conference, Mexico City, 12-14 November</th>
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<td>The Microinsurance Coordinator attended and made a presentation on microinsurance challenges and experiences in Zambia ‘Microinsurance peaks and troughs: Lessons from insurers in Zambia’. at the 10th Microinsurance International Munich-Re Conference held in Mexico City, Mexico.</td>
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Summary of key activities for 2014
FSDZ remained the key funding organisation of the microinsurance development process, with some supplementary funding provided by the ILO and FinMark Trust. Some interventions such as the Insurance Week attracted other funders such as PIA, FSDP, IAZ and insurance companies. The expenditure in 2014 is summarized in the table below:

<table>
<thead>
<tr>
<th>Component</th>
<th>Activity</th>
<th>Sub-totals (US$)</th>
<th>Funders</th>
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<tr>
<td>1. Demand Stimulation</td>
<td>Insurance Week</td>
<td>100,000</td>
<td>IAZ, FSDZ, PIA, FSDP, PRIVATE SECTOR</td>
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<tr>
<td></td>
<td>Sub-total: Demand stimulation</td>
<td></td>
<td></td>
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<td>2. Supply Strengthening</td>
<td>MAF &amp; other innovation grants</td>
<td>14,700</td>
<td>FSDZ</td>
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<td></td>
<td>Practitioner seminar</td>
<td>15,000</td>
<td>FSDZ, ILO</td>
</tr>
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<td></td>
<td>Health Microinsurance Training</td>
<td>10,000</td>
<td>FSDZ, ILO, PRIVATE SECTOR</td>
</tr>
<tr>
<td></td>
<td>Sub-total: Supply strengthening</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Enabling Environment</td>
<td>Stakeholder workshop draft regulations</td>
<td>5000</td>
<td>PIA</td>
</tr>
<tr>
<td>4. Learning and Dissemination</td>
<td>Sub-total: Learning and dissemination</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Coordination, technical</td>
<td>Sub-total: Coordination, technical advisory</td>
<td>64,000</td>
<td>FSDZ</td>
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<tr>
<td>advisory support</td>
<td>support</td>
<td>208,700</td>
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<tr>
<td>TOTAL</td>
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**Looking Ahead**

**Industry performance**

If insurers continue to invest in microinsurance, scale should increase rapidly over the next couple of years, most likely through greater usage of mobile platforms now available. However, there is need to stimulate voluntary uptake of insurance products. Investments in consumer education beyond the Insurance Week are therefore critical.

“To us, offering credit life through microfinance institutions has been a good business model and certainly a good entry in the microinsurance space…they attract low administration costs and good scale. For other microinsurance products, finding an appropriate channel that offers the same advantages is critical...otherwise the business would not be viable. We are keen to try out other product lines”

Gary Corbit, CEO, African Life Assurance Limited
**Distribution**

The willingness of insurers to pursue alternative distribution channels is a good sign for the Zambian market. Where conventional strategies have been applied, the results have tended to be poor. Building on the Aggregator study conducted in 2010, a distribution assessment tool was developed in 2014 and will be implemented in 2015 with a view to getting more insights on the barriers and opportunities for product distribution.

**Client value**

Client value is essential for sustaining a microinsurance market. Low-income consumers need to access and experience insurance. A products’ claims ratio is an indicator of client value with a low claims ratio likely to, in turn, lead to low retention rates. Going forward, more attention is needed in designing products that offer greater client value. With support from ILO’s Impact Insurance Facility, a client value assessment study on two life microinsurance products commenced in December 2014 and will be completed in the first quarter.

**Role of stakeholders**

**Role of IAZ in microinsurance market development:**

- The involvement of IAZ in the administration of the health insurance course has been encouraging and has helped start to build their capacity to market and manage such events.
- In collaboration with ILO’s Impact Insurance Facility, IAZ also managed the administration of the face-to-face session of the e-course on Market research for Microinsurance.
- It is hoped that on-going involvement of IAZ in such microinsurance activities will eventually lead to handing over of the coordination of capacity building and other events.
- IAZ also continues to lead in the organisation of the Insurance Week; going forward, it is hoped that IAZ will also actively lead the implementation of other consumer education activities.
- IAZ’s increasing role in promoting microinsurance is underlined in it’s emerging 5-year strategy.

**Role of the TAG**

- The involvement of TAG in spearheading microinsurance development in Zambia has certainly yielded some good results, particularly in ensuring that there is a consistent flow of market facilitation interventions to move the microinsurance market.
- In 2015, the TAG will be developing a 5-year strategy, which will include key milestones on industry performance as well as exit strategy.

**Role of Development agencies**

- The financial and technical support from FinMark Trust, ILO’s Impact Insurance Facility, United Nations Capital Development Fund and now FSDZ have contributed to the achievement of various milestones in the microinsurance development process.
- The Microinsurance Acceleration Facility (MAF) now fully financed by FSDZ with technical support from ILO’s Impact Insurance Facility and the Center for Financial Regulation and Inclusion (Cenfri) remains an effective supply-side development tool.
- Industry feedback through the Microinsurance Landscape survey 2014, show immense appreciation of the microinsurance training programmes developed by ILO’s Impact Insurance Facility and will remain valuable capacity building activities.
For More Information

Lemmy Manje
Microinsurance Coordinator, FSDZ
Email: lemmy_manje@msn.com
Phone: +260 97 787 1427

Juliet Munro
Technical Advisor, FSDZ
Email: juliet@fsdafrica.org
Phone: +260 97 784 8311

Titus Kalenga
Chairperson – Technical Advisory Group
Email: titus@nicoinsurance.com
Phone: +260 97 777 2238

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