



Multi-sector stakeholder engagement and local ownership; Microinsurance development strategy and process in Zambia  
**Theme: Strategies to develop microinsurance**

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Quick Facts

Country Context

## Country Context

### Quick Facts



Zambia's adult population is around 6.4 million; 51% female and 49% male



The majority of the country is sparsely populated



63% of the adult population live in rural areas



70% of the adult population have access to a mobile phone. 53% own a mobile phone



Most households regard education, funeral and health as the most costly events



Of total expenditures on health, only 2% is through private insurance, 28% is out of pocket expenditure and 38% is private expenditures

## Country Context

### Quick Facts



63% of the adult population is financially excluded, not using any formal or informal financial service



Most insurers, both life and non-life insurers have board endorsement to engage in microinsurance as long as they demonstrate return on investment



Most low-income households are involved informal risk management mechanisms including informal risk pooling



Mobile and e-payment services is one of the fastest growing modes of cash and transfer payments

**The facts serve as business opportunities for Zambia's insurers to get engaged in microinsurance**

*Based on FinScope Zambia 2009, Econex Health Insurance Study 2010, Insurance Supplier Capacity Assessment Survey 2010*



# Background

Strategy development

Microinsurance demand and supply  
issues



## Background

### Strategy development

- In 2009, the Centre for Financial Regulation and Inclusion (Cenfri), conducted a review of the Zambian microinsurance market, funded by the ILO, the UNCDF and FinMark Trust
- The outcome was a report, “Towards a strategy for microinsurance development in Zambia: a market and regulatory analysis”
- Creation of a steering committee (SC) and technical advisory group (TAG) to oversee strategy development and implementation process
- Microinsurance development strategy finalised in January 2010



## Background

### Microinsurance demand issues

- Understanding of insurance among low-income groups
- High demand for risk management services for health and death
- Limited exposure to microinsurance ( compulsory credit life and funeral insurance policies)
- No incentives to test or access insurance products
- Perception of insurance (misconceptions, bad experience, limited access)
- Availability and cost of insurance
- Cultural or social considerations
- Informal risk pooling



## Background

### Microinsurance supply issues

- Low market knowledge and intelligence
- Product-demand mismatch (narrow focus of current product offering)
- Coverage of existing products
- Limited use of dynamic distribution channels
- Limitations of current marketing strategies for low-income market outreach
- Limited product innovations
- Low understanding of and exposure to microinsurance business among operational staff
- Low capacity and appropriate R&D for microinsurance design and delivery
- Inclination for microinsurance regulation
- Limited use of innovative payment mechanisms (e.g. mobile payments)



# Microinsurance Strategy

Intervention Logic

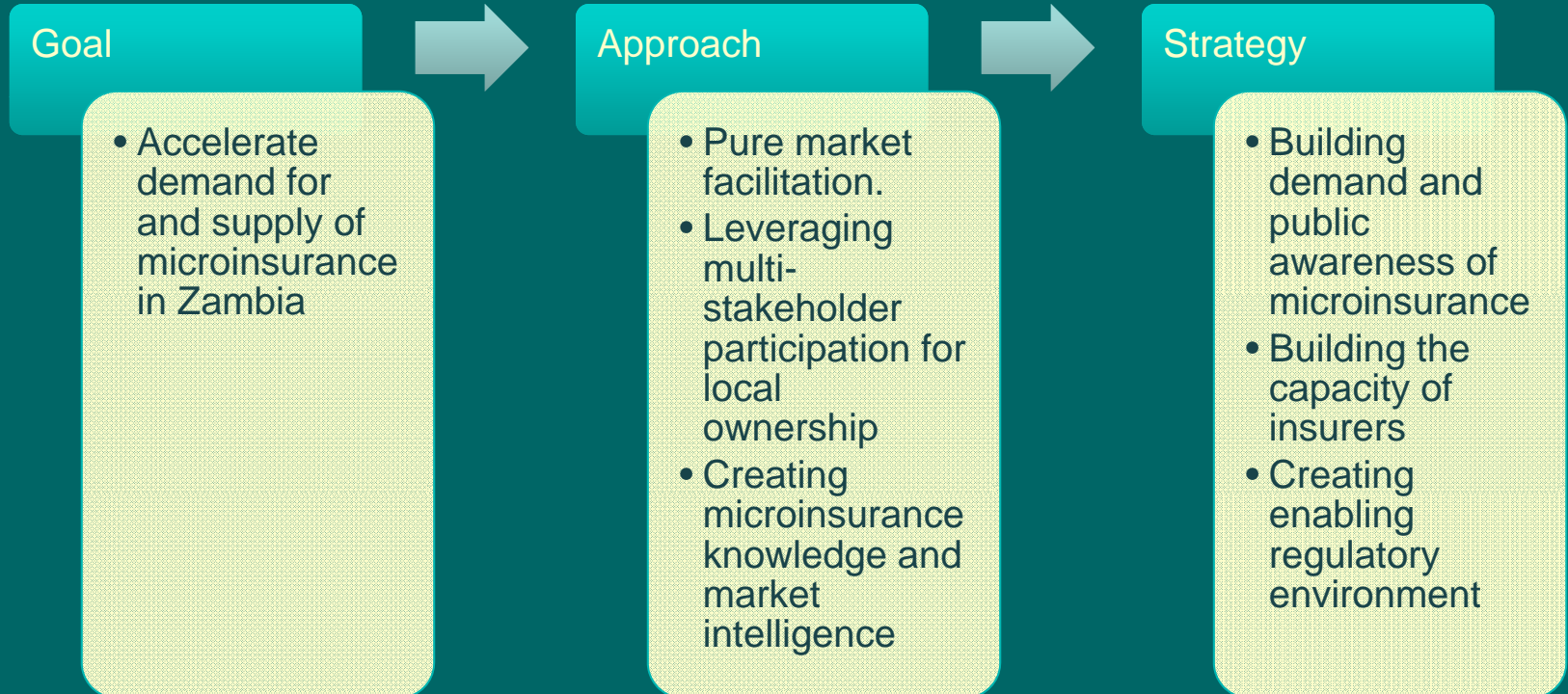
Strategic areas

Flow of interventions

Pillars

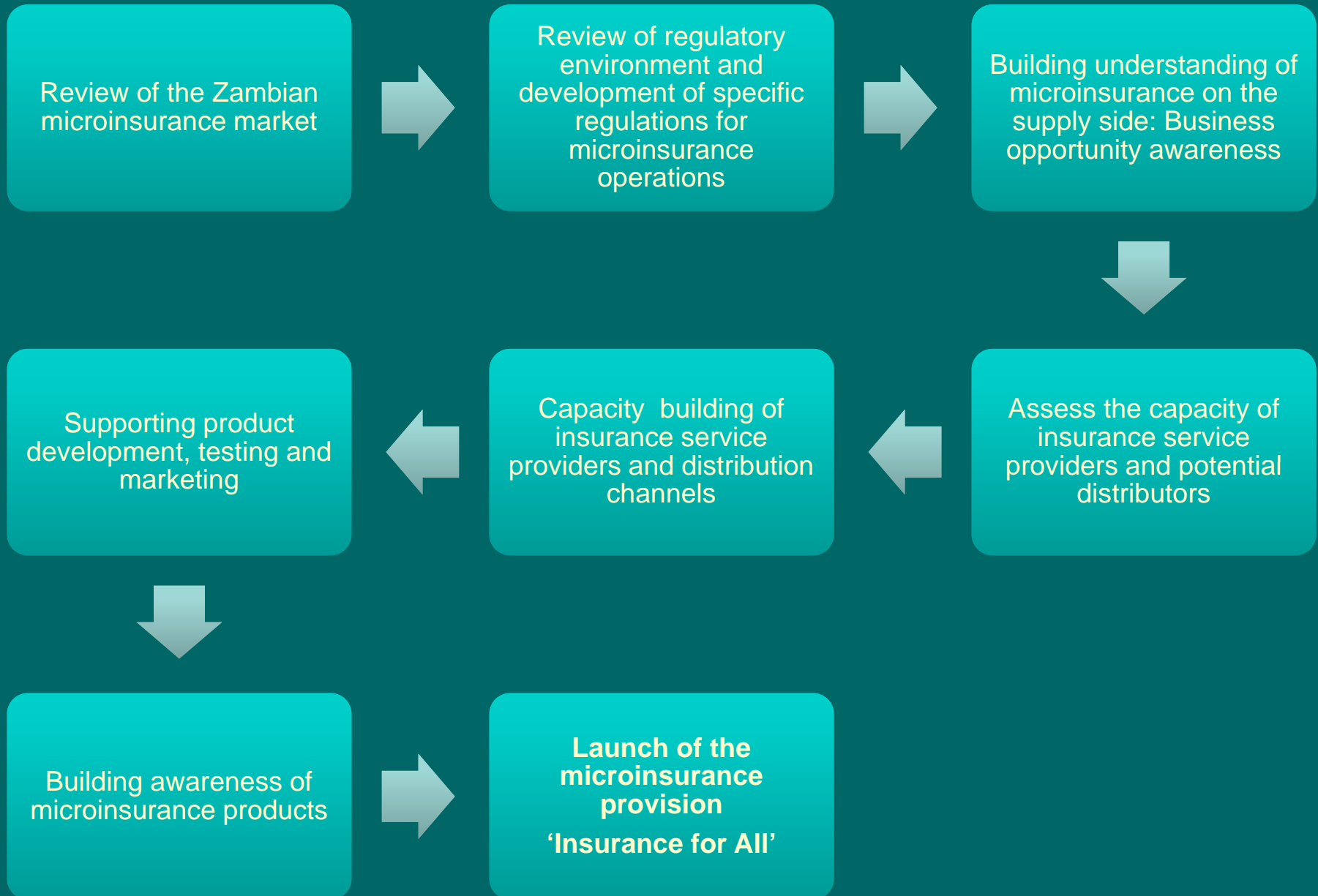


# Market Support and Facilitation Intervention Logic



# Microinsurance Development Strategy

Strategic areas and flow of interventions



# Microinsurance Development Strategy

## The Pillars





# Implementing Strategy

Key strategies

Key lessons

# Implementing Strategy

## Key strategies and lessons

- Multi-stakeholder representation in Technical Advisory Group (TAG) has been highly beneficial; the representation is as follows:
  - Associations: Insurers Association of Zambia, Association of Microfinance Institutions of Zambia, Insurance Brokers Association of Zambia
  - Regulators: Pensions and Insurance Authority and Bank of Zambia
  - Government Ministry of Labour and Social Security, Ministry of Finance and National Planning (Rural Finance Programme)
  - Private sectors: Insurance business (Life & Non-Life) and Microfinance business
- The coordinator role has been critical in making sure that everything that is agreed by the TAG is executed and monitored in accordance with agreed timelines.
- Multi-stakeholder involvement promotes:
  - Local ownership
  - Holistic approach
  - Corporate buy-in
- **A multi-stakeholder driving body is critical for a concerted microinsurance development process and strategy**

# Implementing Strategy

## Key strategies and lessons

- FinScope studies have provided information on the characteristics of the consumers
- Implementation of Microinsurance Innovations seminars aimed at providing information on market knowledge to insurers
- Implementation of a microinsurance pilot involving two insurance companies as part of the learning curve in understanding the low-income market and developing appropriate products and delivery mechanisms
- **In a very weak financial market, with very low consumption levels of formal financial services, financial education is critical to influence change in financial behaviour and consumption patterns of low-income groups**

# Implementing Strategy

## Key strategies and lessons

- Building the capacity of insurers in integrating client education into marketing and sales strategies (through technical diagnostic assessment and microinsurance pilot)
- Deferring the multi-stakeholder launch of microinsurance *“insurance for all campaign”* until there is substantial traction in the industry
- Involvement of the regulator and insurers association in microinsurance public awareness
- **The strategy for developing microinsurance requires both supply-side and demand-side interventions**

# Implementing Strategy

## Key strategies and lessons

- The strategy was first to gain insights in the capacity levels and needs of insurers and potential distributors. Important studies were undertaken include:
  - Supplier assessment survey (including technical diagnostic studies for each participating insurers)
  - Aggregator survey (aimed at profiling and revealing opportunities in non-conventional distribution channels)
  - Health insurance survey (revealing challenges and opportunities for micro health insurance)
  - FinScope study (instilling market understanding)
- All the results and findings from these studies have been used to design a capacity building program for insurers and distributors
- Private sector responsiveness can be very challenging where insurers are not willing to embrace innovative strategies to address market challenges. This reluctance sometimes result from low capacity, poor exposure to microinsurance and shallow market understanding

# Implementing Strategy

## Key strategies and lessons

- Zambia's strategy promotes systematic product development to help avoid bad practices that may negatively impact on penetration and scale
- Insurers , through the technical diagnostic assessments, have been encouraged to follow the microinsurance product development cycle – from market research to product evaluation
- **Private sector responsiveness can be very challenging and can result from asymmetric information; insurers contemplating microinsurance business require exposure and orientation to good practices in microinsurance. Periodical microinsurance innovations seminars have been implemented and been very useful as supply-side awakening opportunities**

# Implementing Strategy

## Key strategies and lessons

- In an infant market with no specific microinsurance regulations, Zambia's insurers need reassurance that their investments will be secure within the prevailing legal framework
- In developing a regulatory framework for microinsurance, the strategy adopted in Zambia is providing official guidance and rules of engagement to the insurance industry while working on the regulatory review process; this way, the microinsurance regulatory framework is not rushed and is based on initial microinsurance experiences
- The TAG constituted a sub-committee that has commenced work on microinsurance regulation; process leading to insurance industry consultations and proposals to Pensions and Insurance Authority
- Even with a supportive regulator, the lack of a regulatory framework for microinsurance or official rules of engagement can be a potential barrier to private sector responsiveness



Progress so far...

Emerging Results

Outcomes

# Implementing Strategy

## Results and Progress



*Multi-stakeholder group discussing issues around health insurance in Zambia at the Health Insurance workshop in Lusaka Zambia, May 5, 2010*

- The process has led to the buy-in of the microinsurance strategy at a national level
- The process has led to the creation of a holistic approach that incorporates inputs from all relevant stakeholders
- The regulatory review process has commenced with greater support and involvement of all the relevant industry stakeholders and regulators

▶ Multi-stakeholder Involvement ▶▶ Local ownership

# Implementing Strategy

## Results and Progress



*Madison Life conducting a market research and sales presentation for funeral insurance with micro and small entrepreneurs in Lusaka, as part of the microinsurance pilot, November 2010*

- Two insurers participating in a microinsurance pilot to test design and delivery of microinsurance products through non-traditional distribution channels
  - Pilot follows a systematic product development cycle and involves product design and delivery
  - Insurers already interacting directly with low-income groups, that is, micro and small entrepreneurs
- 14 insurers participated in the supplier assessment survey and technical diagnostic surveys. Key findings include:
  - Top management staff have knowledge about microinsurance while most operational staff have limited knowledge about microinsurance
  - Products still very narrow; microinsurance innovation still limited
  - Most claims processes used require simplicity and refinement
  - Suitable customer care and systematic client feedback mechanisms are almost non-existent
  - An appreciable level of corporate buy-in for microinsurance in most insurance companies



Conclusion...

## Summary

### Strategies and lessons

- The approach taken in microinsurance development strategy is market development, that is, making microinsurance work for low-income groups
- Using a market development approach entails interventions that are designed to facilitate or accelerate the demand and supply of insurance to low-income populations
- Private sector responsiveness is a critical element in the strategy and current pointers and outcomes are favourable for the achievement of success; interventions will not be designed to reinforce entrepreneurial spirit and innovation among insurers and potential distributors
- The development strategy includes promotion of good and sound business practices among insurers and protection of consumers

# Summary: Microinsurance Strategy Gears and Driving forces

Overall Strategy



## The Key Message



Multi-sector stakeholder involvement,  
local ownership **with** Private Sector  
Engagement; **a working strategy**



# Thank You

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