

ZAMBIA

MICROINSURANCE ACCELERATION FACILITY

Application guidelines



MAF Application Guidelines

What is microinsurance?

Microinsurance is a mechanism to protect low income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved (International Labour Organization). This definition is essentially the same as one might use for regular insurance except for the clearly prescribed target market: low-income people. Microinsurance is therefore any form of insurance that is targeted at, accessible to and/or used by lower-income consumers. How poor do people have to be for their insurance protection to be considered “micro”? The answer varies by country, but the Microinsurance Acceleration Facility (MAF) is generally interested in coverage for persons who are not presently served or are underserved by mainstream commercial and social insurance schemes.

What is the MAF?

The MAF will provide small grants or technical assistance to insurance companies and other partners within the microinsurance value chain (e.g. microfinance institutions, payment service providers, brokers, cooperatives, affinity groups, industry associations, NGOs, and other providers or promoters).

The MAF represents a partnership between FinMark Trust, the Microinsurance Innovation Facility of the International Labour Organization and United Nations Capital Development Fund (UNCDF), and is a key component of the Microinsurance Strategy for Zambia. The MAF offers three support categories:

- ① **Grants to increase access, outreach and scale of existing microinsurance business**
- ② **Grants to stimulate new ideas and test new approaches (i.e. in product design, distribution channels and microinsurance operations) to providing appropriate insurance products to un- and under-served market segments**
- ③ **Grants for technical assistance to insurance providers aimed at building capacity in Microinsurance product design, development and delivery**

Through these support categories, the MAF will support ideas, approaches, institutional models or consumer education methods that aim to test or improve the design and delivery of microinsurance products in Zambia.

Knowledge management will be an important component of the MAF to document lessons learned and outcomes from the projects it supports, and to share these lessons with other local and international insurance stakeholders.

What is the MAF seeking to address?

The MAF primarily seeks to accelerate microinsurance provision in Zambia, by improving product design, scale and outreach. To achieve this, applications for funding or technical assistance will need to address one or more of the following issues:

① **Demand-driven products**

The development of products that meet the needs of the low-income market will be encouraged. Important factors to consider here include product affordability, as well as appropriate benefits and terms.

② **Greater market penetration**

Institutional partnerships or solutions that seek to achieve greater scale and outreach, and are effective in getting microinsurance products to low-income consumers, will be encouraged.

③ **Effective consumer education**

Levels of awareness and understanding of the benefits of insurance among low-income people in Zambia are very low. The MAF will support applications that aim to help these people understand how insurance works and under what circumstances it is an appropriate risk management tool and, by so doing, help them make informed choices about why, when and how to purchase it.

What are some examples of initiatives that could be funded?

Examples of projects that could be funded under the MAF include:

Products

- ① Pilot testing of new products or improving and scaling up of existing ones that respond to the risk-management needs of Zambia's low-income market.
- ② Creating new mechanisms for premium collection to enhance efficiency.
- ③ Testing new approaches to streamline claims verification.
- ④ Using technology (e.g. point of sale devices, mobile phones) to develop and/or scale up the delivery of products that meet market needs. (Note that the MAF will not fund the purchasing of software or ICT equipment for this purpose).
- ⑤ Introducing pricing techniques to make insurance more affordable for poorer individuals and households.

Distribution models

- ① Experimenting with new delivery channels and alliances between different actors (e.g. retail outlets, affinity groups, mobile phone companies, industry associations).
- ② Improving information systems to strengthen the relationship between the risk carrier and delivery channel.

Market education

- ① Developing, adapting and testing consumer education materials.
- ② Testing different methodologies for communicating key messages about risk management (not just about insurance).
- ③ Integrating consumer education into marketing materials and product delivery to enhance understanding of insurance among prospective low-income consumers, or training sales agents to enable them to effectively educate their low-income clients on insurance.

Technical assistance

- ① Developing a marketing strategy and tools for microinsurance business.
- ② Designing an effective customer care mechanism and education materials.
- ③ Designing a product development and roll-out strategy.
- ④ Developing appropriate operational and staff incentive structures to achieve outreach and scale.

What will not be funded?

Activities that will NOT be funded under the MAF include:

① Human resources

Applicants must meet the costs of existing or new human resources required to implement the proposed activity successfully.

② Office equipment

The MAF will not purchase office equipment such as computers, printers and fixed assets such as vehicles.

③ Proposals to develop credit life policies

The Zambian microinsurance market is dominated by credit life policies offered mainly to microfinance clients. The MAF seeks to increase the range of microinsurance products available to low-income people in Zambia and will therefore not consider applications that focus solely on the development or roll-out of credit life policies.

④ Proposals from unlicensed operators

The MAF will only consider applications that meet all the registration, licensing, regulatory and/or other legal requirements with respect to the intervention being proposed.

Organisations that are eligible to apply for funding or technical assistance include:

- ① Insurance companies
- ② Microinsurance aggregators (e.g. microfinance institutions, payment service providers, brokers, cooperatives, affinity groups)
- ③ Other microinsurance providers or promoters (e.g. industry associations, non-governmental organisations)

Note: Any applications from non-insurers must be part of a consortium, within which an insurer is a member of the consortium. Only applications for industry interventions will be exempted from this requirement.

Who is eligible to apply?

How much can be applied for?

The MAF will award grants as follows:

- ① Grants: up to **US \$ 50,000** per grantee
- ② Technical assistance: up to **US \$ 30,000** per grantee

Applicants will be required to request a grant amount within this ceiling and provide information on how these funds will be spent, as well as provide details of matching contributions.

What is the required contribution from applicants?

Applications for grants are required to demonstrate matching contributions of at least 50% of the total project cost. Up to half of this matching contribution can include human resource costs and new capital expenditures.

Applications for technical assistance are required to demonstrate matching contributions of at least 25% of the total cost of the technical assistance requested. Contributions in the form of human resource costs, new capital expenditure and other costs at any level will be allowed.

Note:

Fees generated from the proposed project can not be considered as counterpart contributions.

What are the application requirements?

A call for proposals will be announced to all insurers and other relevant organisations in Zambia. Interested organisations will be invited to attend a session during which the application process will be discussed and an information pack provided. The information pack will include this brochure, an application form, and a sample of the standard grant agreement contract that will be signed between the MAF Manager and the successful grantees. Electronic copies of this documentation can also be obtained through an email request to the contacts provided on the back of this brochure.

All applicants **MUST** complete and submit a soft copy of the standard application form by the deadline advertised during the call for proposals, together with any supporting documents required. Incomplete or late applications will not be considered.

To receive a grant, applicants must sign and comply with the terms and conditions of the MAF's Standard Grant Agreement. The Standard Grant Agreement includes clauses on intellectual property, financial reporting, funds disbursement, and dispute resolution, as well as incorporates details of the proposed project implementation.

A central purpose of the MAF is to document and disseminate lessons learned for replication and scale up. Grant recipients are expected to participate in an analysis and documentation process to capture the lessons from their innovative efforts. This process includes providing financial reports and regular updates of the project, and allowing the MAF Manager or their partners on site to collect data and conduct studies. All applicants must complete and submit the baseline survey form provided in the information pack to the MAF Manager by January 11, 2012. Grantees may also be expected to participate in practitioner learning forums to share their experiences with other grant recipients as well as those interested in learning about microinsurance.

Grants will be disbursed in installments, based on the achievement of mutually agree milestones and the submission of timely reports.

What does the MAF expect from grantees?

What criteria will be used to evaluate the applications?

Applications will be evaluated based on the following criteria:

1. **Market orientation (Score weight = 30%)**
 - 1.1 Does the project aim to reduce the vulnerability of low- income households?
 - 1.2 Does the application consider the needs and characteristics of the target market?
 - 1.3 Does the project aim to ensure that clients understand what they are buying?
 - 1.4 Does the project have the potential to serve a large number of people?
2. **Viability and strategic relevance (Score weight = 40%)**
 - 2.1 Is the project financially viable?
 - 2.2 Does the concept seem achievable?
 - 2.3 Can the project be implemented within the governing regulatory environment? Applicants that do not meet the minimum regulatory requirements will not be considered.
 - 2.4 Are there strategies to reduce overhead costs, increase productivity and improve the long- term viability of the project?
 - 2.5 Is the budget appropriate for the proposed activities?
 - 2.6 Does the project have a realistic work plan and timeline, with clear deliverables?
 - 2.7 Does the concept incorporate innovation? (This is not essential, though is encouraged).
 - 2.8 If the project succeeds, can it be replicated?
 - 2.9 Does the project include a lesson learning aspect? Is the applicant open to sharing what it has learned?
 - 2.10 Is a grant really needed? Will it leverage additional investments beyond the MAF requirements?
3. **Capability of applicant (Score weight = 30%)**
 - 3.1 Is the applicant legally registered and licensed to implement the proposed project? Copies of certificates of incorporation and licenses that demonstrate this must be submitted. Applicants that are not legally registered and appropriately licensed will not be considered.
 - 3.2 Does the applicant have the capacity, technical expertise and commitment to handle this project?
 - 3.3 Does the applicant have appropriate accounting and internal control systems?
 - 3.4 Can the applicant generate appropriate financial reports?
 - 3.5 Will the applicant provide at least 50% (grants) or 25% (technical assistance grants) co-financing? Applications that do not meet this co-financing requirement will not be considered.
 - 3.6 In the case of a consortium, are the roles and responsibilities of each consortium member clear?

Overall, there must be a clear demonstration of customer value, cost effectiveness, transparency and sound business practice.

Applications will be evaluated based on the criteria outlined in this brochure. The evaluation process is expected to take approximately 6-7 weeks and will be undertaken by a panel appointed by the MAF Manager. Once selected, successful grantees will sign a contract with the MAF Manager. The process will involve:

- ① **Shortlisting of promising applications**
Selecting applications that meet the mandatory requirements and show greatest promise (1 week).
- ② **Selection of grantees**
Seeking additional information from the shortlisted applicants, if required, and selecting successful applications that best meet the evaluation criteria set (4 weeks).
- ③ **Contracting of grantees**
Negotiating and signing contracts between the successful applicants and the MAF Manager (2 weeks).

Note:

- ① The timeframe provided is an estimate and adherence largely depends of the quality of proposals. If additional information or meetings with shortlisted applicants are required, this may cause a delay in the contracting of grantees.
- ② The evaluation of proposals under the MAF is through a competitive bidding process and only promising proposals will be funded. The MAF is under no obligation to fund any proposal that does not pass the set criteria and bidding process.
- ③ The MAF may approve a grant subject to a more thorough analysis, including a site visit. In these cases, finalisation of the grant agreement could take longer than the stated evaluation period.

What is evaluation and selection process?

February 2012

Microinsurance Acceleration Facility Application Form - Grants

Applications for grants must be submitted by email to Juliet Munro, email: julietmunro@iconnect.zm and Andrea van der Westhuizen, email: andreaw@finmark.org.za by 17:00 hours on Monday, February, 6, 2012.

1. Applicant information

1.1 Consortium applicant? Please check one: ___Yes ___No

If yes, please list names of consortium members and identify the lead applicant.

Note:

① Applications from consortiums that do not include one or more insurance company as a member of the consortium will not be considered.

② Application information (Section 1) must be completed for the lead applicant and insurance company (if different)

1.2 Applicant name (e.g. name of organisation)

1.3 Name and title of contact person

1.4 E-mail address

1.5 Telephone number, including area code

1.6 Physical address

1.7 Postal address

1.8 Website

1.9 Type of organisation: Please tick the response which fits best:

- Insurance company
- Microfinance institution
- Payment service provider
- Insurance broker
- Cooperative
- Affinity group (e.g, church)
- Non-governmental organisation
- Industry association
- Other (Specify) _____

1.10 Purpose, mission and/or objectives of your organisation

1.11 Start date of organisation operations

2. Project overview

2.1 Project title
(Maximum 200 characters including spaces)

2.2 Brief description of the project
(Maximum 1000 characters including spaces)

2.3 Type(s) of microinsurance product
(Please select the response which fits the project best):

- Agriculture
- Health
- Life
- Disaster
- Property
- Multiple risks/composite product
- Other (Specify): _____

2.4 Estimated total project budget (in USD)

2.5 Proposed grant requested (in USD)
(Note: the value requested cannot exceed the grant ceiling of USD 50,000 nor be more than 50% of the total project budget)

2.6 Total duration of project
(Not to exceed 18 months)

2.7 Target market

2.7.1 How many policy-holders do you intend to reach? Over what period?

2.7.2 How do you intend to reach this targeted number?

Character limits: Please note that the maximum length permitted for each question includes both characters and spaces. Applications which exceed these limits will not be accepted.

Tables and graphs: If the application is to include any supporting tables or graphs, these should be assembled in a separate file and attached as Annex 5. References to the relevant tables or graphs should be included in the main text.

3.1 Why is this project being proposed? Include a problem statement and justify why a grant is needed. (2000 characters)

3.2 Describe the scope and approach to be undertaken. How will the activity address the problem(s) identified above for low-income individuals and households? (3000 characters)

3.3 Describe the scope and approach to be undertaken. How will the activity address the problem(s) identified above for low-income individuals and households? (3000 characters)

3.4 What features in the project will enhance outreach and scale? (3000 characters)

3.5 If successful, to what extent could results from this project be replicated? Where and how? (2000 characters)

3.6 What do you expect to learn by undertaking the project? State the key questions (maximum 5) the project is designed to answer (2000 characters)

3.7 How will you assess the results of the project and answer the questions stated in 3.6 above? (2000 characters)

3.8 What are the main risks associated with the project and how will they be mitigated or addressed? (3000 characters). Include information on the sources and type of additional support that will be required to address the identified risks/challenges. (2000 characters)

3.9 Explain the capabilities of the applicant (and other consortium members, if applicable) to make this project a success. (3000 characters)

3. Detailed project description

4. Annexes

3.10 Applicable to consortia only: Please describe the roles and responsibilities of each consortium member in implementing the project and indicate any previous experiences you have in working together. (3000 characters)

Templates for the Workplan (Annex 1) and Budget (Annex 2) have been provided as separate excel templates to assist applicants in providing the required information. If more appropriate, applicants are welcome to use their own formats. Excel documents should be in a print-friendly format (e.g. formatted to print 1 page wide on A4 paper, font size 10 or larger, if multiple pages use repeating column and/or row headers).

Annex 1. Workplan

Provide a workplan that summarises the project milestones (in phases if appropriate), provides a breakdown of the activities required to achieve each milestone and specifies the expected timeframe for completion of each activity and milestone.

Annex 2. Budget

Provide a budget (in USD) of expenditures and funding over the duration of the proposed project which:

- ① Illustrates a proposed budget with a breakdown for 1) grant funds, 2) funds from the applicant and/or any other source, and 3) total funds from all sources (the sum of grant funds plus applicant and other source funds).
- ② Provides the breakdowns listed above for each relevant activity period (e.g. per month or quarter), as well as cumulative amounts for the full project period.
- ③ Includes key assumptions (e.g. number of units, cost per unit)

Note: the value requested cannot exceed the grant ceiling of USD 50,000 nor be more than 50% of the total project budget.

Annex 3. Resumes

Provide resumes of key personnel within your organisation/s that will be responsible for overseeing the project. These should not exceed two pages per person.

Annex 4. Organisation documentation

Provide copies of the following documents (in the case of consortia, this information should be provided for the lead applicant and insurance company (if they are different)):

- ① Certificate of Incorporation or Registration
- ② Licenses and/or other regulatory documentation that is relevant to the project

Annex 5. Tables and graphs (optional)

If any tables and/or graphs are required to illustrate points made in responding to questions in Section 3, they should be attached as Annex 5 in a Word, Excel or PDF file.

February 2012

Microinsurance Acceleration Facility Application Form - Technical Assistance

Applications for grants must be submitted by email to Juliet Munro, email: julietmunro@iconnect.zm and Andrea van der Westhuizen, email: andrea@finmark.org.za by 17:00 hours on Monday, February, 6, 2012.

1. Applicant information

1.1 Consortium applicant? Please check one: ___Yes ___No

If yes, please list names of consortium members and identify the lead applicant.

Note:

① Applications from consortiums that do not include one or more insurance company as a member of the consortium will not be considered.

② Application information (Section 1) must be completed for the lead applicant and insurance company (if different)

1.2 Applicant name (e.g. name of organisation)

1.3 Name and title of contact person

1.4 E-mail address

1.5 Telephone number, including area code

1.6 Physical address

1.7 Postal address

1.8 Website

1.9 Type of organisation: Please tick the response which fits best:

- Insurance company
- Microfinance institution
- Payment service provider
- Insurance broker
- Cooperative
- Affinity group (e.g, church)
- Non-governmental organisation
- Industry association
- Other (Specify) _____

1.10 Purpose, mission and/or objectives of your organisation

1.11 Start date of organisation operations

2. Project overview

2.1 Type of technical assistance being requested (See examples in the MAF brochure)

2.2 Brief description of what the proposed technical assistance will aim to achieve

2.3 Area/s of product focus for the technical assistance (please select the response which fits best):

- Agriculture
- Health
- Life
- Disaster
- Property
- Multiple risks/composite product
- Other (Specify): _____

2.4 Estimated total project budget (in USD)

2.5 Proposed technical assistance grant requested (in USD)

Note: the value requested cannot exceed the grant ceiling of USD 30,000 nor be more than 50% of the total project budget. If you do not know the exact cost of the proposed technical assistance, please provide an estimate and a note that this figure may change, subject to quotations from technical assistance providers.

2.6 Total duration of technical assistance requirement (Not to exceed 18 months)

2.7 Target market

2.7.1 How many policy-holders do you intend to reach? Over what period?

2.7.2 How do you intend to reach this targeted number?

Character limits: Please note that the maximum length permitted for each question includes both characters and spaces. Applications which exceed these limits will not be accepted.

3.1 Describe the problem or capacity gaps of the applicant that needs to be addressed in order to improve your microinsurance operations (3000 characters)

3.2 Describe the technical assistance required to address this problem or capacity gap? (500 characters)

3.3 How will this technical assistance contribute to increasing the outreach and scale of the applicants's microinsurance business? (3000 characters)

3.4 How will the impact of this technical assistance be assessed by the applicant? (2000 characters)

3.5 Has the expert(s) for the requested technical assistance already been identified? If yes, please attach their profile and contact details (At least two options are encouraged). If not, please provide a description of the expertise required. (4000 characters)

3. Detailed description of technical assistance requirements

4. Annexes

Annex 1. Budget

Provide an budget (in USD) of expenditures and funding over the duration of the proposed technical assistance period which illustrates a breakdown for 1) grant funds, 2) funds from the applicant plus any other source, and 3) total funds from all sources (the sum of grant funds plus applicant & other source funds).

Note: the value requested cannot exceed the grant ceiling of USD 30,000 nor be more than 50% of the total budget. If you do not know the exact cost of the proposed technical assistance, please provide an estimate and a note that this figure may change, subject to quotations from technical assistance providers.

Annex 2. Resumes

Provide resumes of key personnel within your organisation that will be oversee and/or benefit from the technical assistance. These should not exceed two pages per person.

Annex 3. Supporting company documentation

Provide copies of the following documents (in the case of consortia, this information should be provided for the lead applicant and insurance company (if they are different)):

- ① Certificate of Incorporation or Registration
- ② Licenses and/or other regulatory documentation that is relevant to the project

About FinMark Trust (The MAF Manager)

FinMark Trust, a non-profit independent trust, was established in 2002 and is funded primarily by UKaid from the Department for International Development (DFID) through its Southern Africa Office. FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration.' It does this by commissioning research to identify systemic constraints that prevent financial markets from reaching out to low income consumers, and by advocating for change on the bases of these research findings. Thus, FinMark Trust plays a catalytic role, driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems.

FinMark Trust has been active in Zambia since 2004. In 2009, following the completion of a microinsurance market and regulatory study, FinMark Trust helped to catalyse the formation of a multi-stakeholder process and strategy to promote microinsurance in Zambia, and is currently supporting the implementation of the strategy. The MAF is an important component of this initiative.

About the ILO's Microinsurance Innovation Facility

Housed at the International Labour Organization's Social Finance Programme, the Microinsurance Innovation Facility seeks to increase the availability of quality insurance for the developing world's low income families to help them guard against risk and overcome poverty. The Facility was launched in 2008 with the support of a grant from the Bill & Melinda Gates Foundation.

The ILO's interest in microinsurance comes from two perspectives. On the one hand, microinsurance is a means through which social protection can be extended to excluded populations, such as workers in the informal economy. On the other hand, the ILO is concerned about the social effects of the financial market, which often excludes the working poor who only have their labour as capital. Consequently, for the ILO, microinsurance enhances access to social protection and promotes inclusive and equitable insurance markets. For more information: www.ilo.org/microinsurance.

About United Nations Capital Development

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals.

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