



Evaluation Summary



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Promoting Access to Micro-insurance for Financial Inclusion and Decent Work Country Evaluation Report: Zambia – Joint Final External Evaluation

Quick Facts

Countries: Zambia

Final Evaluation: June 5th, 2014

Mode of Evaluation: Independent

Administrative Office: SPF

Technical Office: SPF

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\$650,000

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Evaluation Summary (excerpt from the executive summary)

This report is based on the external evaluation of the ILO & UNCFD Joint Program on Micro-insurance (JP), conducted by Denis Garand & Associates. It contains the country-level findings and provides specific recommendations for the next phase of the JP in Zambia. The results of our evaluation are targeted at the Micro-insurance Innovation Facility team, donors as well as country-level stakeholders. General best practices and lessons learned from the country

pilots that have a broader relevance are included in the report "Recommendations for Micro-insurance Innovation Facility II Market Development Strategy" and will thus not be part of this document.

The findings presented in this document are based on an extensive review of available documents and data, as well as a one-week country visit (March 2014) during which the main project stakeholders were interviewed.

The ILO/UNCDF Joint project on "Promoting Access to Micro-insurance for Financial Inclusion and Decent Work" was established in 2007 to develop and test a process of national strategy development in the area of micro-insurance using a sector based approach.

In the pilot countries, the JP is supposed to act as a 'market catalyst' that provides capacity development at early stages of micro-insurance market development. At some point in time, the industry should reach a stage where it can offer a range of valuable, demand-oriented micro-insurance products on a commercially sustainable basis. Zambia was selected as a pilot country in 2009. Market development activities started with the completion of a Micro-insurance Country Diagnostic and the hiring of a country coordinator.

Most activities of the JP in Zambia were financed by and implemented in cooperation with FinMark Trust. For the purpose of this evaluation, we will therefore consider FinMark

Trust part of the JP (even though this is technically not the case).

A high-level review of the products that are currently available indicates that the micro-insurance market in Zambia is still at an early stage of development, and is dominated by life insurance. Micro-insurance providers face a number of challenges typical for underdeveloped insurance markets, including limited technical capacity. At the moment, 7 out of the 24 insurance companies have micro-insurance products on the market. Together they cover 920,704 lives / risks. Credit life and funeral products together account for 99% of all risks covered. Total premium generated by micro-insurance is around 36 million ZMW (~USD 5.75 million). A total of 1,049 claims were paid, with a combined value of 4.5 million ZMW (~EUR 0.72 million) 1. This results in an estimated combined claims ratio of 12.3%, which indicates that clients of micro-insurance products generally receive poor value for money.

One company (African Life) is the clear market leader in terms of outreach and premium volume. The other providers have either started micro-insurance operations recently and/or are still trying to find a workable distribution model.

Micro-insurance providers in Zambia use agents, MNOs, unions, MFIs, commercial banks, NGOs, agricultural input providers and community leaders as distribution channels.

Through the Steering Committee and the TAG, the JP has achieved a high degree of industry ownership of the market development process. Particularly the TAG, as a more 'hands-on' committee, provides a forum for the main stakeholder to discuss and agree on the market development activities to be implemented.

The JP in Zambia faced the challenge of developing a micro-insurance market from scratch, in an insurance environment very much focused on the corporate sector. In the first two years of operations, various activities were rolled out (annual training workshops, conference visits, supplier and aggregator assessment etc.) that did not lead to immediate activity from the providers. In the last two years however there appears to be a surge of market

activity, even though non-life insurers are still lagging.

The overall project management by the micro-insurance coordinator and the FinMark Trust representative is considered excellent, particularly in the field of knowledge management (publication of various Focus Notes and Annual Reports) as well as planning & monitoring of JP activities. The working relationship between ILO/UNCDF and FinMark Trust has been exemplary.

Recommendations

We believe that the next phase of the JP should focus on improving client value and product diversity, as well as gradually transferring the tasks currently carried out by the JP to existing institutions. We provide the following concrete recommendations:

- 1) Seek a closer partnership with the insurance regulator
- 2) Increase focus on client value
- 3) Support the development of distribution partnerships
- 4) Provide an adequate regulatory environment for mobile insurance
- 5) Integrate insurance education into financial education initiatives
- 6) Work with local training institutions
- 7) Embed micro-insurance in national financial inclusion programmes