PENSIONS AND INSURANCE AUTHORITY
INSURANCE DEPARTMENT

CIRCULAR TO ALL INSURERS, BROKERS AND AGENTS

CIRCULAR NO. PIA/C12/2020
GUIDELINE ON MICRO INSURANCE PRINCIPLES
MICRO INSURANCE PRINCIPLES AND GUIDELINES

AUTHORITY
1. This guideline is issued pursuant to Section 5 (1)(g) of the Pensions Scheme Regulation Act (Act No. 28 of 1996 as amended by Act No.27 of 2005)

TITLE AND EFFECTIVE DATE
2. This guideline shall be cited as the Micro Insurance Guidelines and shall come into effect on the date it shall be signed by the Registrar, provided that insurers shall be expected to be fully complaint within 6 months from the effective date.

OBJECTIVE AND SCOPE
3. The aim of this guideline is to promote good and sound business practices in the microinsurance consumer insurance products.
4. The guideline shall apply to all insurance companies, brokers and other intermediaries licensed under the Insurance Act, 1997 as amended in 2005.

Christopher Mapani

REGISTRAR OF PENSIONS AND INSURANCE

DATE: THE 1ST DAY OF APRIL 2020
<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. OBJECTIVES</td>
<td>4</td>
</tr>
<tr>
<td>2. DEFINITIONS</td>
<td>4</td>
</tr>
<tr>
<td>3. PRINCIPLES FOR THE CONDUCT OF MICROINSURANCE BUSINESS</td>
<td>5</td>
</tr>
<tr>
<td>4. SUPERVISORY REQUIREMENTS</td>
<td>8</td>
</tr>
<tr>
<td>5. FINES AND PENALTIES</td>
<td>9</td>
</tr>
<tr>
<td>Appendix 1</td>
<td>10</td>
</tr>
</tbody>
</table>
1. OBJECTIVES

1.1 The Authority, in exercise of the powers conferred on it by Section 5 (1)(g) of the Pensions Scheme Regulation Act (Act No. 28 of 1996 as amended by Act No.27 of 2005, hereby sets out these Micro Insurance Guidelines. The main objectives of this Guideline is to;

a) Promote good and sound business practices in product design and distribution of micro insurance products;
b) Provide for minimum standards for the conduct of Microinsurance business in Zambia;
c) Establish the features of Microinsurance products; and
d) To provide for supervisory reporting requirements.

2. DEFINITIONS

2.1 In this guideline, references to the following terms shall have the meaning assigned below –

“advertisement” means any written, printed, electronic or oral communication to the general public, or any section thereof, by an insurer, intermediary or any other so authorised which shall contain information on or a notice of, or calling attention to, micro-insurance services being offered and includes any marketing or promotional material in whatever form directed to the general public or any section thereof, or to any client on request, relating to such services and the word “advertising” shall be accorded the same corresponding meaning;

“benefits” means principal benefits to be derived under an insurance policy;

“microinsurance product” means a product providing benefits in the categories of either long –term or general microinsurance as listed in Appendix 1;

“microinsurance intermediary” means an agent that provides specific intermediary services and earns commission. This includes calculations agents, claims management agents and other data processing agents. These do not underwrite any risks;

“Technical Advisory Group on Microinsurance” refers to a non-partisan, multi-stakeholder membership association with a mandate to increase access to inclusive insurance services in Zambia and is registered under the Societies Act, Cap. 119;

“seal” means a seal of excellence used to distinguish Microinsurance products that are in conformity with the principles outlined herein;
3. PRINCIPLES FOR THE CONDUCT OF MICROINSURANCE BUSINESS

The following are the principles governing the conduct of microinsurance business:

3.1 Inclusivity
- 3.1.1 Micro insurance policies are products specifically designed to reach the low-income market segments.
- 3.1.2 Micro insurance policies are products developed and serviced with specific intent not to exclude potential or existing clients based on income level.
- 3.1.3 A micro insurance product can therefore be sold or bought by people with different income levels including those in the low-income market segment.
- 3.1.4 The service processes and documentation must be simple and tailored to facilitate easy enrollment, uptake and servicing of policies for the targeted clients regardless of income level.

3.2 Simplicity
- 3.2.1 Micro insurance policies or products must be clearly defined and characterized with simple contracts with minimum restrictions or exclusions.
- 3.2.2 A micro insurance contract shall clearly state the sum assured, benefits and terms of insurance coverage.
- 3.2.3 Micro insurance contract provisions shall be stated in simple terms and if possible, written in simple English and/or appropriate local language with no fine print.
- 3.2.4 An insurer shall comply with the Key Facts Statement guidelines as required by the Authority.
- 3.2.5 To achieve simplicity, flexibility and innovation must be embraced in the product design and delivery mechanisms.

3.3 Customer Centricity
- 3.3.1 Micro insurance products must be developed through market research or consultations with the targeted clients and distribution channels.
- 3.3.2 Micro insurance products must be developed to address the real needs of the targeted clients.
- 3.3.3 Micro insurance products must be designed to demonstrate value for money for the targeted clients.
- 3.3.4 Clients must be at the centre of company’s business strategies and plans.
3.4 Appropriate Distribution

3.4.1 Microinsurance products must be distributed in a way that provides easy access or enrolment by the clients.

3.4.2 Where products are mandatory at the distributor level, consumer education investments must be done to ensure policyholders understand the product and servicing processes.

3.4.3 In seeking distribution channels, insurers must, at all costs, avoid a sales proposal but aim for a solutions proposal to the potential distribution channel and its clients or members.

3.4.4 Insurers must invest in understanding the needs of the distribution channel and its members or clients in order to generate win-win propositions for all actors involved and more importantly, the clients.

3.5 Effectual Customer Recourse

3.5.1 Micro insurance policyholders must be made aware of the processes available to handle any complaints or issues they might have with the products or providers.

3.5.2 Dedicated customer care windows, at the insurance companies or aggregators, must be known by policyholders.

3.5.3 Customer and provider rights shall be known to all parties involved in a micro insurance transaction.

3.6 Efficient Claims Processes

3.6.1 Micro insurance products must have simple, fast and efficient claims processes.

3.6.2 The claims process and required documentation must be simple.

3.6.3 Controls for risks such as fraud, moral hazard or adverse selection must take into consideration the sums assumed.

3.6.4 Claims for microinsurance products should be processed and paid timely to service the financial demands from the insured events; within a maximum of 3 days or 7 days depending on the nature and complexity of the products (e.g. agriculture insurance products).

3.7 Positive Consumer Experience

3.7.1 Insurers must invest in creating good customer experience including consideration for value addition services which would make insurance
services tangible to the policyholders as they would experience additional benefits beyond the insured event.

3.7.2 In case of mandatory provision, insurers must invest in demonstrating client value to potentially influence voluntary uptake and client retention.

3.7.3 Insurers must invest in client satisfaction measurement and integrating findings to improve client value and experience.

3.7.4 Microinsurance products will be sold in a way that provides a positive customer experience before and after the sale of the product.

3.8 Responsive Marketing
3.8.1 Insurers must invest in developing appropriate marketing strategies and tools.
3.8.2 Marketing strategies must integrate consumer education elements.
3.8.3 Marketing brochures, fliers and policy documents must have user friendly content that should be presented in simple English or local language.
3.8.4 Marketing and consumer education strategies and tools must be designed and tailored for different market segments.
3.8.5 The Technical Advisory Group on Microinsurance will be responsible for issuing the seal to insurers that are compliant with these principles for use in their branding material.

3.9 Long-Term Investment Perspective
3.9.1 Insurers must avoid investing in products and business models with an objective for quick return on investment.
3.9.2 While quick return on investment is feasible, investments in microinsurance demand that insurers have a long-term investment perspective to product maturity and business viability.
3.9.3 Insurers must recognise that inclusive insurance require different investment approaches from conventional insurance.
3.9.4 To succeed, microinsurance must be provided for in an organisation that warrants appropriate and adequate financial and human resources.

3.10 Risk Management
3.10.1 Insurers must identify and invest in managing all the risks associated with providing inclusive insurance products.
3.10.2 Any business plan or strategy developed by an insurance company to reach the low-income market segment must clearly state identified risks and mitigation strategies.
3.10.3 Potential risks include:
a) Strategic risk: actual losses that result from the pursuit of an unsuccessful business plan or the potential losses resulting from missed opportunities
b) Market risk: actual losses that result from not accurately getting the market needs.
c) Partnership risk: the prospect of not achieving the goals of all the partners involved in a business model for a particular product.
d) Reputational risk: potential losses from damage to the image of a provider, partner, or stakeholder, leading to a reduction of trust from clients.
e) Fraud risk: potential losses from inadequate coverage or consideration for potential sources of fraud in a business or product (e.g. adverse selection or moral hazard)
f) Technology risk: actual losses resulting from wrongly applying technology to a particular business model or product.
g) Operational risk: actual business losses that may result from inefficiencies in the operations in a company.
h) Regulatory risk: risks associated with compliance or non-compliance to a regulatory regime or absence of supporting regulatory environment.
i) Economic risk: actual loss of business or demand for products associated to major changes in an economy that reduce the level of livelihood and welfare of households and individuals.
j) Political risk: possibility that political decisions, events, or conditions, will significantly affect the profitability of a business or the expected value of a given economic action.

4. SUPERVISORY REQUIREMENTS
4.1 An insurer shall implement information systems aimed at capturing, storing and retrieving data on financial and non-financial information on microinsurance products.
4.2 The data should at a minimum for each product line or portfolio of products contain:
   a) Number of policies underwritten;
   b) Name of policyholders;
   c) Number of lives covered (if applicable);
   d) Gross Written Premiums;
   e) Total Premiums received;
   f) Commission due, paid and outstanding;
   g) Reinsurance ceded;
   h) Claims incurred, gross & net;
   i) Acquisition (channel) costs;
j) Claims ratio & Expense ratio;
k) Intermediaries & aggregators; and
l) Any other relevant information.

4.3 An Insurer shall report to the Authority the performance of Microinsurance business within 30 days after the end of each quarter. The Authority will provide a prescribed return to be used.

4.4 Any Insurer with Microinsurance products shall register such a product with the Registrar in a prescribed format that is compliant with these principles. The Authority shall maintain a register of approved micro insurance products.

5. FINES AND PENALTIES

5.1 Any Contravention of this Guideline shall attract appropriate sanctions in accordance with the Insurance Act.
## Appendix 1

**Benefit Limits for Micro Insurance Products**

### Long Term Insurance Business

<table>
<thead>
<tr>
<th>Category of Business</th>
<th>Maximum cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life, Disability And Funeral</td>
<td>50% of Annual National Average Earnings (double for accidental death/disability)</td>
</tr>
<tr>
<td></td>
<td>Maximum per life or maximum total payment under annuity</td>
</tr>
<tr>
<td>Health</td>
<td>50% of Annual National Average Earnings</td>
</tr>
<tr>
<td></td>
<td>Maximum per life or annual limit for highest benefit level</td>
</tr>
</tbody>
</table>

### General Insurance Business

| Accident, guarantee, motor,     | 50% of Annual National Average Earnings                                      |
| property, index, miscellaneous  |                                                                                |
| Homeowners                      | 100% of annual National Average Earnings                                      |