The Landscape of Microinsurance in Sri Lanka and the Mobile Network Operators Providers of Microinsurance

Terms of Reference

1. Background and objectives

Access to data on microinsurance generates (1) market knowledge and development; (2) supports best practices and (3) leads to better products and services. The landscape of microinsurance studies, led the ILO, the MicroInsurance Centre, the Munich Re Foundation and other organisations, addressed this need by supporting studies and an online database managed by the Microinsurance Network.

To ensure a long-term follow up and access to data, the Microinsurance Network has taken up landscape studies and the Network uses data collection of the previously published landscape reports in Latin America, Africa and Asia to update the World Map of Microinsurance (WMM).

Within this framework of updating regional landscape studies, the Network seeks the services of a consultancy firm to carry out a study on the Landscape of Microinsurance in Sri Lanka and to map the Mobile Network Operators (MNOs) market as providers of microinsurance in Asia.

The objective of this study is to describe the general state of microinsurance in Sri Lanka, identify future trends and provide recommendations for a variety of stakeholders (e.g. commercial, (non)-governmental, donor and academic sectors).

The results of the study will be presented and discussed at the 2016 International Microinsurance Conference in Colombo, Sri Lanka and will be published by the Network in December 2016.

2. Defining microinsurance

The consultancy firm is expected to evaluate datasets and other existing research to describe the current landscape for microinsurance products based on a broad yet practical definition from the previous landscape studies.[1] A product is generally defined as microinsurance if it meets the following conditions:

- **Modest premium levels**: Microinsurance has modest premium levels based on the risks insured;

---

[1] The Landscape of Microinsurance in Latin America and the Caribbean (2012 data) and the Landscape of Microinsurance in Asia and Oceania 2013 (2010-2012 data). The Landscape of Microinsurance in Africa 2015 (2016, in print, 2014 data).

- **Developed for low-income people**: The product is developed intentionally to serve the low-income population. Mass-market products may be included if they meet this and the following criteria.
- **Insurer covers main risk**: The focus should be on the insurer being the risk carrier. However, government programmes can be included (e.g. as part of social protection schemes).
- **Goal of sustainability**: The product must be working towards profitability or at least sustainability, and managed on the basis of insurance principles.

The definition used for this study does not consider legal or regulatory definitions in Sri Lanka. Products do not have to be registered as microinsurance with the local supervisory authority, but only to conform to the general criteria as above. Therefore, the data in this study will not always coincide with official country statistics on microinsurance.

3. Scope of work

Based on the methodology and tools used for the Landscape of Microinsurance in Latin America and the Caribbean 2014 (published in 2015, based on 2013 data) and the Landscape of Microinsurance in Africa 2015 (to be published 2016, based on 2014 data), the consultant will research relevant published and unpublished data for the sector in Sri Lanka and provide an overview and assessment of the Mobile Network Operator providers in Asia.

In addition to collecting new data, the mapping should also include an in-depth comparison with previously collected data sets and highlight trends through dynamic analysis. The analysis will pay particular attention to discerning trends in insurance provision to the poor in Sri Lanka.

The consultant will provide information and analysis on:

3.1 The microinsurance landscape in Sri Lanka
a. Macro-level national information: In order to effectively understand the microinsurance situation and potential in Sri Lanka, the consultant will review key macroeconomic and other national data to assess the microinsurance activity in light of these key indicators. Indicators may include:
- GDP growth
- PPP GDP per capita
- Literacy rate
- Insurance density
- Insurance penetration
- Percentage of private spending on health care
- Government social security spending per capita

b. Regulation: The study will identify specific separate regulatory framework for microinsurance in Sri Lanka and whether microinsurance is included in legislation for traditional insurance. If not, it will note if special legislation is being developed. This part of the study will provide basic information on the following:

- The regulatory environment in which the financial sector and insurance market operates, e.g. the regulatory framework for mutuals and cooperatives, institutional requirements of

2

companies, corporate governance regulation, etc. If possible the study should differentiate the regulatory framework for mutuals and cooperatives; insurance companies, details of corporate governance regulations, and the like.

- Policy in support of market development and/or financial inclusion. Consideration will be given to the policy priority given to financial sector development and, more specifically, to insurance, as this will be an important driver for development.

c. <u>Products</u>: Collect and update data on the insurance products in Sri Lanka, both rural and urban, by product. The consultant will research the following products, and highlight levels of subsidies that apply for:
- Life insurance;
- Accident;
- Health;
- Agriculture;
- Property.

d. <u>Providers and delivery channels</u>: Collect and update data on the microinsurance market in Sri Lanka, both rural and urban, by provider. The research will include the identification of different provider types and the delivery channels they use to sell and service microinsurance. This will include formal and informal, public and private providers, for-profit and not-for-profit insurers. Examples of providers may include:

- Commercial insurers;
- NGOs;
- Government agencies;
- Para-statal insurers;
- Community-based organisations;
- Cooperatives and mutual;
- Informal societies or businesses;
- Funeral parlours;
- Reinsurers.

Examples of delivery channels may include:

- Conventional insurance agents;
- General insurance brokers;
- Microfinance institutions as agents;
- Government departments;
- Mobile Network Operators;
- Religious institutions (e.g. temples; churches; mosques);
- Community-based groups;
- Others.

e. <u>Market growth and evolution</u>: Collect and update data of new products in the market, the growth of ongoing products and the type of discontinued products including constraints for scaling up. It will assess growth of premiums, evolution of product type, and growth of coverage while identifying leaders of microinsurance development. A comparison with data from previous

years (2010-2012 data from the [Landscape of Microinsurance in Asia and Oceania 2013](#) (2014) would be indicative.

f. <u>Business case:</u> Collect and update data on premiums, claims, administrative expenses and commissions. A comparison with data from previous years (2010-2012 data from the [Landscape of Microinsurance in Asia and Oceania 2013](#) (2014) will be made and conclusions will be drawn on trends in the profitability of the business.

g. <u>Reinsurers:</u> The study will include information as to whether the available products are reinsured and, if so, by which company (where possible).

3. 2. Mobile Network Operators (MNOs) in Asia
The consultant will also collect and analyse data on MNOs as channels of microinsurance products/services in Asia. He/she will identify the major MNOs in all Asia and assess the importance of this sector in terms of masses reached and types of microinsurance products distributed. The data collected and analysed will include, among others:

- Number of clients reached through MNOs per country;
- Type of microinsurance products (e.g. Life; accident; health; agriculture; property) channelled through MNOs per country;
- Full financial data of MNOs pertaining to their role as channels for microinsurance products per country, including commissions, commission rates in relation to premiums collected, costs of offering this service as intermediaries, other financial data.

4. Methodology
The methodology to be used will be based primarily on the data collection and survey instruments used during the previous landscape studies (Asia 2013; LAC, 2014; Africa, 2015 (in print). The successful tender consultancy firm will receive the collection formats (methodology and questionnaires) of microinsurance in Latin America, Africa and Asia to finalize the survey in Sri Lanka (additional questions are found in the Latin America and Africa surveys to gauge the microinsurance business case of the Latin America (2014) and Africa (2015)). The consultant will look at these questionnaires and the 2012 data set that exists for Sri Lanka. During the revision the consultant will take into consideration the type of comparisons that are desired – e.g. just Sri Lanka over time, versus across regions, etcetera, and the level of depth expected. The consultant will then decide on the best revision / combination of the questionnaire to be used in Sri Lanka. The methodology and final revised questionnaire instrument will be discussed and agreed upon with the Secretariat of the Network.

MNO survey approach and methodology is different from that of the microinsurance landscape for Sri Lanka. No prior data collections and survey instruments have been developed that the consultant can rely on and adapt. The consultant is therefore expected to draft a new methodology and data collection tools. For the MNO survey, the consultant does not need to approach MNOs directly operating in the Asian region, but can contact MicroEnsure, BIMA and other technological players active in the Asian region that promote and use mobile phone technology as channels for microinsurance products. The consultant is expected to draft a checklist with topics, prior to contacting these technological players. This checklist will cover all

topics on information needed to understand the depth and width of MNOs as channels for microinsurance services and needs to be approved by the Secretariat of the Network prior to interviewing technological players.

The consultant will perform the following tasks in this order:

Phase 1: Preparation for data gathering for Sri Lanka and MNOs in Asia

- Review data from previous studies (not applicable for the MNO part)
- Identify sources for data collection
- Desk research and update of contact lists
- Update and adapt previous survey questionnaires (prepare a checklist in case of the MNO survey)
- Update and adapt the methodology (if needed).

Phase 2: Data gathering

- Send out updated questionnaires and gather data (use the checklist during the interviews with technological players)
- Identify gaps in collected data and follow up on missing information
- Desk research
- Collect data on regulations
- Cleaning of data: check for reasonableness, accuracy, consistency and comparability.

Phase 3: Analysis of the data and drafting the study

- Analyse data and include comparability analysis with previous years in a format prescribed by the Secretariat of the Network (comparability analysis does not apply for the MNO survey)
- Draft country profile for Sri Lanka and other Asian countries as far as MNO distribution channels are concerned
- Draft Final reports (one for Sir Lanka and one for Asia pertaining to the role of MNOs)
- Prepare slide presentation on the findings for the 12th International Microinsurance Conference.

5. Deliverables
The consultant will deliver the following outputs:
- An updated version of the methodology of data collection with limitations by mid-June 2016;
- A final report with data tables, graphs and references for Sri Lanka by 31 August 2016 (maximum 10 to 15 pages, excluding appendixes);
- A final report with data tables, graphs and references for Asia pertaining to MNOs as distribution channels by 31 August 2016 (maximum 7 pages excluding appendixes);
- A country profile for Sri Lanka by 31 August, 2016 (format will be provided by the Secretariat of the Network);
- Country profiles of Microinsurance products through MNOs by 31 August, 2016 (format will be provided by the Secretariat of the Network);
- Data of the Asian region for MNOs as distribution channels of microinsurance products by 31 August 2016 (format/excel sheet will be provided by the Secretariat of the Network);

- A PowerPoint presentation ready for presentation of the findings at the 12th International Microinsurance Conference (IMC) in Sri Lanka by not later than 1 October, 2016.