FINAL
REPORT

Microinsurance Client Satisfaction Study
Zambia

Lemmy Manje | November 2007

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Acknowledgements

The author is very grateful to Microfinance Opportunities for funding this study in Zambia, which has served as important contribution to the literature on microinsurance provision in Zambia.

Appreciation is extended to *Mrs. Irene Mutalima*, CEO of CETZAM and *Mrs. Mary Musonda* Acting CEO of PRIDE Zambia for allowing Microfinance Opportunities to conduct this research on their clients. The author wishes to also thank management and field staff at CETZAM and PRIDE Zambia for assistance provided in organizing their clients for this research.

The author acknowledges the valuable input by *David Musona*, Managing director of M & N Associates, assistant principal researcher to this study, *Florence Chibwesha, Michael Musona, Junza Lwiindi*, *Darlington Mulambo* and *Namoonga Lwiindi* who served as research assistants during the data collection and analysis phases of this case study.

Acronyms

CETZAM	Christian Enterprise Trust of Zambia
CEO	Chief Executive Officer
CLAS	Credit Life Assurance Scheme
DFID	Department for International Development (United Kingdom)
FGD	Focus Group Discussion
HIV	Human Immunodeficiency Virus
HRD	Human Resource Department
LSF	Loan Security Fund
MFI	Microfinance Institution
MIS	Management Information System
NRC	National Registration Card
NGO	Non-governmental Organization
NTULA	“Lift off my burden.” Name of CETZAM’s Insurance policy
NICO	Insurance company that insures NTULA Funeral Insurance
OI	Opportunity International
PRAs	Participatory Rapid Appraisal tools
PRIDE	Promotion of Rural Initiatives and Development Enterprises
ROSCA	Rotating Savings and Credit Association
Sida	Swedish International Development Cooperation Agency
US$	United States Dollar
ZMK	Zambian Kwacha
Chilimba	Merry-Go-Round Savings
Kaloba	informal borrowing ‘money lenders’

Exchange rate	US$ 1- ZMK 4,000

Executive Summary

There is wide and growing acceptance and recognition that microinsurance is not only an important risk management financial service that can be made relevant and accessible to the poor but also a viable social protection strategy for the poor. Microinsurance can assist the poor by reducing their vulnerability and avoiding their falling back into greater poverty after experiencing an economic shock. While scale and outreach have been critical indicators of microinsurance performance, there hasn't been much investment in measuring whether clients are satisfied with the microinsurance products and services they have been accessing.

This paper presents findings and recommendations of a study[1] commissioned by Microfinance Opportunities as part of a series of country case studies measuring client satisfaction with microinsurance products and services. While the overall aim is to access and understand clients' relative satisfaction when it comes to microinsurance products and services, the study also evaluates clients' understanding and perceptions of insurance. Is microinsurance widely accepted by the poor? Do microinsurance products provide good coverage at affordable rates? Do the delivery mechanisms effectively address the characteristics of this low–income market? Is there sufficient investment in facilitation of understanding and appreciation of insurance? These are among the key questions addressed in this study.

Research Framework

This particular study is a review of two funeral insurance schemes in Zambia offered by two microfinance institutions in Zambia, namely, Christian Enterprise Trust of Zambia (CETZAM) and Promotion of Rural Initiatives and Development Enterprises (Pride) Zambia. The products are offered through a partner-agent model with two local insurance companies: Madison and NICO. The research was conducted in two locations where both MFIs have a presence, Lusaka and Livingstone, both peri-urban settlements.

The study explores client satisfaction in relation to product coverage, accessibility, timeliness and product appropriateness. The following questions formed the basis of the research:

1. *How satisfied or dissatisfied are clients with product coverage, accessibility, timeliness and product appropriateness?*
2. *With which aspects of product coverage, accessibility, timeliness and product appropriateness are clients most satisfied?*
3. *With which aspects of product coverage, accessibility, timeliness and product appropriateness are clients most dissatisfied?*
4. *What specific recommendations do clients have for insurance providers in relation to product coverage, accessibility, timeliness and product appropriateness?*

[1] The study results were presented for the first time at the Microinsurance Conference, Mumbai, India, November 2007.

Research Methodology

The research was designed to be qualitative by nature with extensive use of Focus Group Discussions (FGDs), Participatory Rapid Appraisal (PRAs) tools and individual in-depth interviews to solicit and look closely at clients' perceptions, understanding and experiences with microinsurance products.

Four Focus Group Discussion tools were used in this study:

1. Inventory and exploration of risks and coping mechanisms
2. Exploration of relative importance of insurance products in one's life and clients' understanding or misunderstanding of insurance products and their affordability.
3. Exploration of clients' satisfaction with marketing of the product and information received before purchasing a product.
4. Exploration of clients' satisfaction with the claims processes.

Key Findings

The results provide riveting insights into clients' perception of insurance in general as well as the particular insurance products under review in this study. More importantly, the results send strong signals for improving product development and service delivery. The study also signaled demand for other risk managing financial services, such as other types of insurance products. One of main messages from this research is that client satisfaction measurement is a critical component of research and development for microinsurance products.

Risks

To better understand the relevance of insurance to the clients interviewed, this research used a FGD tool to explore the risks, economic shocks and resulting financial pressures faced by the clients. As found in previous studies in Zambia, respondents highlighted the major risks as death of a family member and illness. On death, the respondents argued that death of a family member was very common and exerts a very heavy financial pressure, forcing the affected family to borrow from expensive sources and at times divert business funds. On illness, the respondents asserted that like death, illness, especially long illness, exerts heavy financial pressure on the affected family. However, illness emerged as a greater concern due to poor medical facilities in government clinics and hospitals. Quality healthcare is provided by private clinics and is usually unaffordable to most low-income groups. This study revealed other risks or financial pressures such as fire, theft, accidents, school fees and business failure in general.

Risk Management Strategies

On risk management strategies, the study revealed that low-income households use both precautionary and responsive strategies. The strategies are both informal and formal risk managing financial services. Notably, respondents categorised as not poor used more formal financial services while respondents categorised as poor used more informal coping mechanisms. The common mechanisms included personal savings, sale of household assets, borrowing from money lenders and group savings.

Product Description and Delivery Mechanism

The study reviewed two funeral insurance products: NTULA funeral insurance policy by CETZAM and funeral expenses rider by PRIDE Zambia. Both products are mandatory for principal borrowers and voluntary for additional lives. The cost and benefit structure of the two insurance products is summarized below:

Table 1: Product Description of the Funeral Insurance products

Product	NTULA Funeral Insurance Policy	Funeral Expenses Rider
Costs / Premium	Regardless of length of loan repayment period · US $ 0.30 per week	For loan term below 6 months · Principal–Fixed amt-US$ 0.90 · Spouse –US$ 0.65 · Child/Dependant,11-25 years-US$ 0.45 · Child/Dependant, below 10 years-US$ 0.38 For loan term of 12 months · Principal – Fixed amt-US$ 1.80 · Spouse –US$ 1.30 · Child/Dependant,11-25 years-US$ 0.90 · Child/Dependant, below 10 years-US$ 0.76
Benefits/ Payout	Regardless of length of loan repayment period · US$ 125 for an Adult · US$ 62.5 for Child	For loan term below 6 months · Principal–US$ 125 · Spouse–US$ 100 · Child/Dependant–US$ 62.50 For loan term of 12 months · Principal–US$ 250 · Spouse–US$ 187.50 · Child/Dependant –US$ 125

Both products are delivered through a partner agent model in which the microfinance institutions perform front office responsibilities such as product marketing, sales and servicing.

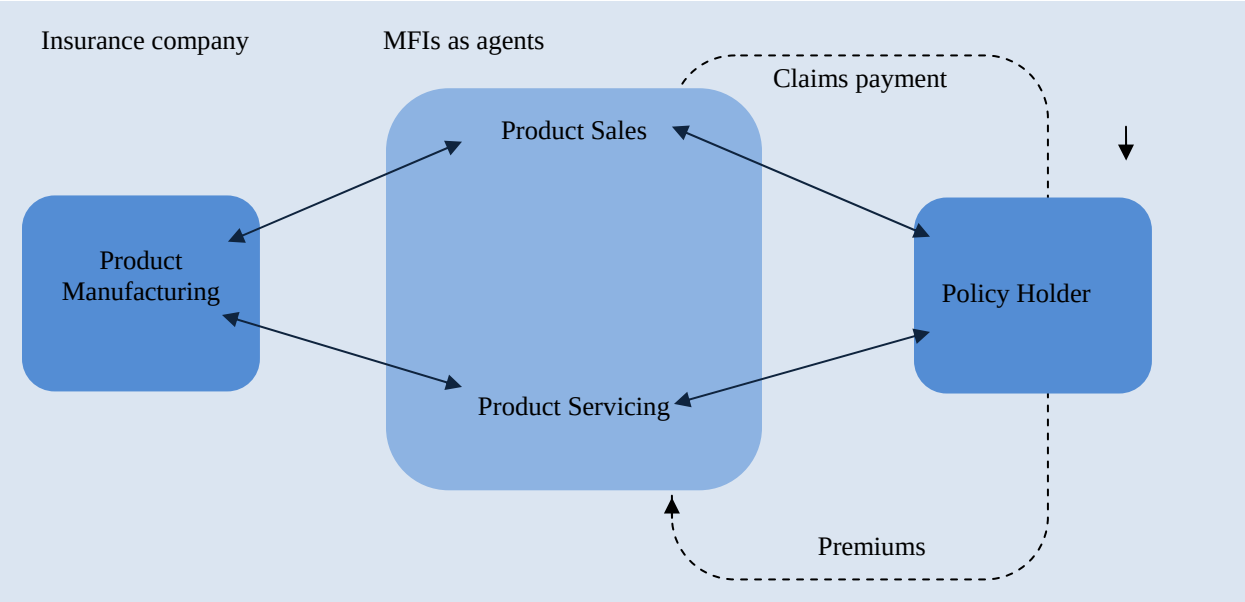


Figure 1: Partner–Agent Model

Adapted Manje 2005, Churchill et. al. 2003

Product Coverage

The study revealed two levels of client feedback of product coverage. On the first level, there was appreciation with reservations on type of insurance benefits; clients, particularly those in the higher income category, felt that the payout was insignificant compared to the real costs of a funeral. Funeral costs range between US$ 500 and US$ 1,250 while the payouts for both institutions range from US$ 62.5 and US$ 250. Some of the clients recommended product differentiation or market segmentation which could be reflected in the premium amounts. The second level of feedback looked beyond funeral insurance to new microinsurance products that better meet clients' needs. Most of the respondents wanted coverage for illness rather than death: "Preventing death is better rather just planning for death." This demand for health insurance was influenced by lack of quality healthcare in public health facilities.

Product Appropriateness

In measuring product appropriateness, the first step was to assess the relative importance of insurance products to the clients' lives. In both institutions, the appreciation of the importance of insurance seems to have been marred by insurance misconceptions and low understanding of the insurance products. This is partially the result of poor product orientation. Clients expressed serious concerns about paying for products they do not understand.

In analyzing the relative importance of insurance in one's life, this study explored the demand considerations for insurance. The study found three important demand considerations summarized in Figure 2.

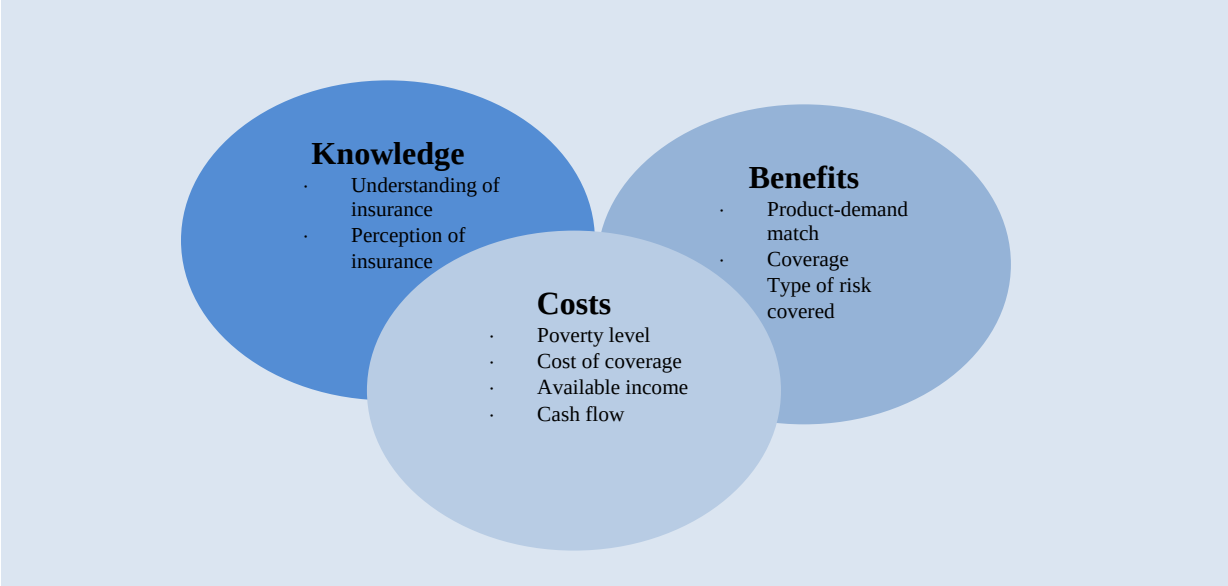


Figure 2: Microinsurance Demand Considerations

With funeral insurance, traditional, cultural and personal values seem to have influenced the appreciation of insurance. Due to the absence of a strong education program on insurance, most respondents accessed the products because they were mandatory. This was further evidenced by the fact that only 5-10% of clients voluntarily took the insurance for additional family members or dependants[2].

To better understand the demand considerations, the findings in this study were further categorized into three demand consideration tiers to highlight the factors that may influence appreciation and the decision to purchase funeral insurance. Although the insurance products were mandatory, the research approach and techniques used in this study included exploration of factors that would influence real demand.

In the first tier (Knowledge), the study has revealed that perceptions of insurance and understanding of insurance concepts are two important factors in the appreciation of insurance by low-income households.

In the second tier (Benefits), product–demand match, cost of the risk event and frequency of occurrence are major demand considerations. The respondents in this study were of the view that given a choice between funeral and health insurance, they would be more inclined to take health insurance as the frequency of illness is certainly higher than death. This explained why many did not take up insurance for additional family members or dependants. It was common to hear the words "I have been with this institution for a long time and I haven't experienced death of any immediate family."

In the third and last tier (Costs), the available income and cost of insurance or coverage emerged as important factors. Death and illness were identified as major concerns for the low-income households. However, the study shows that taking funeral insurance is still weighed against other pressing financial needs including daily food consumption, medical bills and children's school fees. If the products were voluntary, the decisions would be between buying 'peace of mind' or bread and butter. The available income determines all the financial decisions that a low-income household makes. For instance, CETZAM's individual clients felt that the payout was very small and showed willingness to pay higher premiums warranting reasonable payouts. Group loan clients were satisfied with the cost as they could not afford higher premium amounts. Tied to this assessment of available income is the prioritization of risk events with high frequency of occurrence.

[2] Based on estimates provided by the branch managers

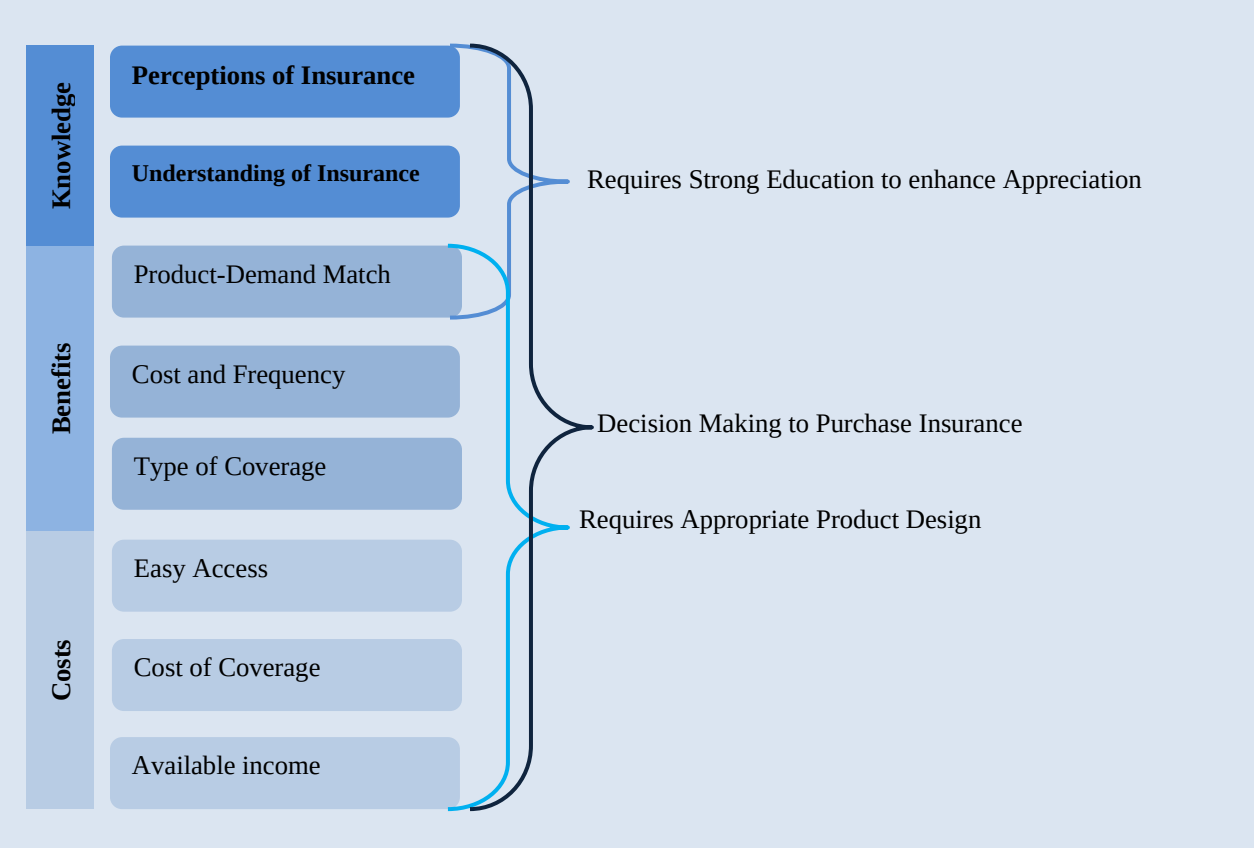


Figure 3 –Factors that influence appreciation and purchase of insurance
(Based on research findings; with adaption from McCord 2007)

Knowledge of Product & Understanding of Insurance

The study revealed that insurance product knowledge and understanding of the insurance concept are two separate issues. Insurance product knowledge looks at how well a policyholder understands the detailed product features such as the price, coverage, exclusions, benefits and processes. Understanding of insurance, however, considers whether a policyholder comprehends the concept of insurance as a risk management tool involving risk pooling. This study revealed that having a good understanding of the insurance concept does not automatically equate to a good understanding of insurance products. Product knowledge largely depends on sufficient product orientation while understanding of insurance is tied to factors such as policyholder's literacy level and exposure to more inclusive formal financial services, as well as informal risk pooling arrangements.

While there are a number of factors that accounted for poor product knowledge and understanding of insurance, the following stood out as the main issues:

- *Mandatory provision* – Owing to this requirement of service provision and delivery, credit officers often do not devote much attention to proper client orientation. However, credit officers at PRIDE

Zambia seem to spend a fair amount of time to client orientation, despite the products being mandatory.

- *Client literacy levels* – In both institutions, more educated clients had a clear understanding of insurance. However, this was not so much of a factor in knowing the product information; the study revealed that despite a good understanding of insurance, CETZAM clients with a high level of formal education still have a shallow understanding of the insurance products.

- *Upfront premium deduction* – CETZAM deducts premiums from the loan amounts along with loan processing fees. Given the weak product orientation, most of the clients treat insurance as a required cost of acquiring the loans. On the other hand, PRIDE Zambia demands a single upfront premium which seems to have a better effect on product understanding.

- *Focus on core service* – With microcredit as the core service, the performance of credit officers is measured in terms of quality and volume of loan portfolio. Some comments from the credit officers suggested that they look at insurance as a by-the-way product and not as a complementary service that requires client education.

- *Understanding of insurance among credit officers* – Some clients felt that credit officers were not well suited to educating clients on insurance concepts and products. They argued that before one is told the product features of an insurance product, they first need to be told what insurance is first.

- *Appreciation of insurance by Credit Officers* – Appreciation of insurance among credit officers determines their investment in educating clients on insurance.

- *Lack of product or marketing materials* – Both CETZAM and PRIDE Zambia are weak as far as marketing materials. Knowledge of the product was dependent on what a client can remember from the product orientation session. There were no reference documents or displayed product posters at CETZAM to remind clients of product features when they walk in the branches. There is scope to develop promotional and marketing materials in local languages. Implementing this would also require a systematic client satisfaction measurement to gauge the effectiveness of such marketing efforts.

- *Lack of testimonial marketing* – Both institutions have good case studies of clients who have benefited from the funeral insurance schemes. None of them have taken advantage of using these examples to reinforce product understanding and appreciation.

The key message from most of the clients was, “if their insurance products are good, they should invest in giving us detailed information about the products.” (CETZAM clients, FGD)

Product Accessibility

As noted earlier, both insurance products were mandatory for principal borrowers and voluntary for additional family members or dependants. The mode of premium payment is a major factor in determining the accessibility of the insurance for the target market. Both institutions confirmed that this was a major consideration at the product design stage. CETZAM uses a direct upfront deduction from the loan amount along with all the processing fees while PRIDE Zambia demands a separate upfront premium payment. While CETZAM’s mode of payment does facilitate easy access, it creates serious problems regarding understanding and appreciation of insurance if not coupled with a strong product orientation and financial education.

Timeliness

The assessment for timeliness focused on the claims process. While both institutions deliver microinsurance through a partner-agent model, they differed in the way they handle the claims. CETZAM pays out the claims deemed valid before authorisation from the insurance company and then receives reimbursement from the insurance company. PRIDE Zambia pays out claims only after receiving authorization from the insurance company. Delays seem to be significant at PRIDE Zambia. However, CETZAM clients also reported some delays caused by decision making at the head office since documents still have to pass through the office before payout. Clients were unhappy that it took so long to get the payout; they had to spend their money first.

Another finding related to timeliness was linkage of loan performance to claims validity. This was the case for CETZAM which has conditionality that claims are only valid if a client or group members are up-to-date with loan repayments. Clients expressed dissatisfaction, especially with the extension of the conditionality to other group members' loan repayment status. Similar findings and recommendations were made by Nzira 2006 and Manje 2005.

Conclusions and Recommendations

1. The poor are very much concerned with the manner in which services are sold or provided to be them. CETZAM individual clients complained that credit officers did not clearly explain the insurance products before they collected premiums.

2. The poor are desperate for more inclusive financial services that meet their needs. In this study, clients from both institutions expressed demand for health insurance. Some of PRIDE Zambia clients bluntly spelled out "we need insurance that pays medical bills." This finding is a result of the poor medical care and services provided by government clinics and hospitals. Health insurance is a much more complex product; given the current performance of MFIs in delivering insurance, this may require stronger partnerships and the involvement of insurance companies in the design and delivery. Robust market research is an inevitable starting point and a requirement for appropriate product design. Perhaps the case here is actually that of product-demand match for which there is currently no supplier.

3. Other financial services in demand included fixed savings products for school fees and rentals, as well as emergency loans as a substitute for funeral insurance.

4. In providing insurance against death one should not ignore potential product resistance based on individual's traditional values. For CETZAM and PRIDE Zambia clients, the study revealed that "it is taboo to buy insurance against death; (it is like) wishing someone death."

5. Compared to other financial services such as savings and credit products, insurance requires more investment in education. CETZAM clients felt that insurance companies should be involved in client education on insurance

6. Some respondents thought that insurance products should be voluntary, but microfinance institutions should invest in educating clients on the value of having insurance. Some clients felt that it is only the MFIs and insurance companies that benefit from the microinsurance products, as they both seem not to be very concerned with client education on the insurance products.

7. The key recommendations that emerged in the study regarding the product design, features and service delivery are as follows:

- *Improve product orientation* – This was particularly a strong recommendation for CETZAM more so than PRIDE Zambia. There were significant differences in understanding of the funeral insurance product between group loan clients and individual borrowers. Despite a relatively high understanding of insurance concepts, individual clients had very low understanding of the funeral insurance. Some were even unaware that they had paid for it. Some clients also confused the benefits of the funeral insurance policy with the credit life assurance scheme.

- *Product differentiation or market segmentation* **–** Clients from varying loan categories expressed different preferences, demonstrating the scope for product differentiation for insurance products. CETZAM's experience with geographical differences signals potential geographical market segmentation as well.

- *Revisit premium collection method* **–** The method of premium collection has an impact on client perception and acceptance of an insurance product (Manje 2005). The study has also found that when premiums are collected through a deduction from the loan amount along with other fees, clients are more likely to see insurance as a cost for acquiring a loan rather than a risk management product intended to benefit them. Furthermore, clients are less likely to know how much they paid for insurance in that instance. The rationale for upfront premium deduction from the loan amount is to facilitate easy access to insurance, but it can backfire, especially when it is not complemented by a strong product orientation and financial education, as is the case with CETZAM.

- *Incentives facilitating appreciation of insurance* – Both CETZAM and PRIDE Zambia have not successfully instilled an appreciation of insurance among their clients. This is affirmed by the low uptake of the voluntary additional policies for the two funeral insurance products. Besides, implementing a strong financial education program, there is scope for both institutions to enhance appreciation of insurance through product promotions, such as offering occasional access to insurance without premium payments to clients with a good credit record with the institution. Of course such a promotion should be based on careful analysis of the performance of the insurance product first.

- *Invest in financial education* **–** Financial education is critical for both institutions. Involvement of the insurance companies should be a consideration here. At the moment, clients may be justified in alleging that the MFIs and insurance companies are benefiting more. This assertion stems from lack of education and appreciation of the products. As a result of low investment in product orientation, CETZAM clients believe that the credit officers knowingly conceal information so that they do not benefit from services that they have already paid for. Financial education for low-income households should ideally cover the three optional risk managing financial services—savings, credit and insurance. In search of effective risk managing mechanisms, the poor do access all the financial services, though in an informal way. Building on this experience would facilitate an appreciation of formal insurance

1.0 Introduction

1.1 Research Objectives

This study explored client satisfaction in relation to product coverage, accessibility, timeliness and product appropriateness for two funeral insurance schemes under review.

The research agenda covered four key research questions in relation to product coverage, accessibility, timeliness and product appropriateness:

1. *How satisfied or dissatisfied are clients with product coverage, accessibility, timeliness and product appropriateness?*
2. *Which aspects of product coverage, accessibility, timeliness and product appropriateness are clients most satisfied with?*
3. *Which aspects of product coverage, accessibility, timeliness and product appropriateness are clients most dissatisfied with?*
4. *What specific recommendations do clients have for insurance providers in relation to product coverage, accessibility, timeliness and product appropriateness?*

The study was conducted with clients of two large microfinance institutions in Zambia: Christian Enterprise Trust of Zambia (CETZAM) and Promotion of Rural Initiatives and Development Enterprises (PRIDE) Zambia. The research was conducted in Lusaka and Livingstone, two peri-urban settlements where both MFIs have a presence.

1.2 Research Methods

The information gathered in the study is intended to provide insights into client satisfaction in relation to product coverage, accessibility, timeliness and product appropriateness. The research was designed to be qualitative by nature with extensive use of Focus Group Discussions (FGDs), Participatory Rapid Appraisal (PRAs) tools and individual in-depth interviews to investigate clients' perceptions, understanding and experiences with microinsurance products. The study used four FGD tools:

1. *Inventory and exploration of risks and coping mechanism*
2. *Exploration of relative importance of insurance products in one's life and clients' understanding or misunderstanding of insurance products and its affordability.*
3. *Exploration of clients' satisfaction with marketing of the product and information received before purchasing a product.*
4. *Exploration of clients' satisfaction with claims processes*

The specific details of the the research methodology and data collection techniques used in this study are as follows:

Sample Selection

A sample of two MFIs was chosen for the study on the basis of provision of microinsurance products for a period long enough for a real monitoring exercise or client satisfaction study. The MFIs also showed willingness to participate in an independent assessment soliciting product feedback from their clients with a view to determine ways in which they can improve product and service delivery.

Data Collection Techniques

This study used qualitative research methods, in particular FGDs and PRAs. In addition, in-depth interviews were conducted with selected respondents. Interviews were also conducted with branch

managers and credit officers as a way of affirming institutions' product development process, service delivery systems and processes, as well as evaluating staff's understanding of insurance.

A total of 19 FGD sessions were held involving a total of 132 respondents, 94 of them women. Although institutions were asked to provide groups of 8-10, the average group size was 7. An additional 30 respondents participated in the in-depth interviews, bringing the total number of respondents interviewed to 160. Specific composition of the respondents was as follows:

Table 2: Distribution of Sample Size

Institution	Respondents		
	Female	Male	Total
Focus Group Discussions			
CETZAM	41	17	58
PRIDE Zambia	53	21	74
Sub Total	94	38	132
In-depth Interviews			
CETZAM	12	8	20
PRIDE Zambia	6	4	12
Sub Total	18	12	30
Grand Total	112	50	162

The distribution of the Focus Group Discussions was shown in Table 3

Table 3: Distribution of the Focus Group Discussions

Tool	Location	CETZAM Groups	Pride Zambia	Total
Tool 1: Focus Group Discussion on Risk and Coping Strategies	Lusaka, Lusaka Province Livingstone, Southern Province	1 1	1 1	2 2
Tool 2: Focus Group Discussion Guide for exploring relative importance of insurance products in one's life and clients' understanding or misunderstanding of insurance products and their affordability.	Lusaka, Lusaka Province Livingstone, Southern Province	2 1	2 1	4 2
Tool 3: Focus Group Discussion Guide for exploring clients' satisfaction with marketing of the product and information received before purchasing a product	Lusaka, Lusaka Province Livingstone, Southern Province	1 1	2 1	3 2
Tool 4: Focus Group Discussion Guide for exploring clients' satisfaction with claims processes	Lusaka, Lusaka Province Livingstone, Southern Province	1 1	1 1	2 2
TOTAL	Lusaka and Livingstone	9	10	19

Research Location

Zambia is a landlocked, sub-Saharan country sharing borders with Malawi, Mozambique, Zimbabwe, Botswana, Namibia, Angola, Democratic Republic of the Congo and Tanzania. It has a total surface area of about 752,614 square km, ranking among the smaller countries in South Central Africa. The population of Zambia at the end of 2003 was estimated at 10.4 million. The 1980, 1990 and 2000 censuses estimated the population of Zambia to be at 5.7, 7.8 and 9.9 million respectively. Although the population is growing, the annual population growth rate has declined from 3.1 for the period 1969-80, to 2.7 percent from 1980-90, and most recently 2.4 percent from 1990-2000.

Zambia's poor socio-economic indicators are telling. The 2000 census showed that overall poverty is at 73% while extreme poverty is at 58%. Formal employment is hovering at only 18.3%. The quality of healthcare in public hospitals is generally poor. In 1991, the government recommitted itself to improving healthcare. Following the implementation of health reforms, Zambia has experienced improvements in general health indicators. For example, infant mortality dropped from 123 per 1,000 live births in 1990 to 95 in 2002. However, maternal mortality has worsened from 649 deaths per 100,000 women in 1996 to 729 per 100,000 women in 2002 (CSO 2002). Life expectancy at birth has continued to deteriorate. According to UNDP human development reports, in 1998 life expectancy was 40 years; in 2002 it fell to 32.7 years (UNDP 2000, 2004). Most studies suggest that falling life expectancy in Zambia is largely attributable to the increasing poverty levels and prevalence of HIV/AIDS.

The study was conducted in Lusaka and Livingstone, two locations where both institutions have branches. Lusaka is the capital city of Zambia with various business opportunities for micro and small businesses. However, most low-income households are engaged in trade. The majorities of low-income households live in peri-urban areas and, in general, have limited access to quality healthcare. Livingstone is not significantly different from Lusaka. Livingstone is the tourist capital of Zambia and as a result, small to medium sized businesses are engaged in the hospitality industry. Like Lusaka, micro businesses are generally engaged in trading and live in peri-urban areas. The peri-urban settings are not so different from Lusaka; here as well the health facilities accessible to low-income groups are inadequate.

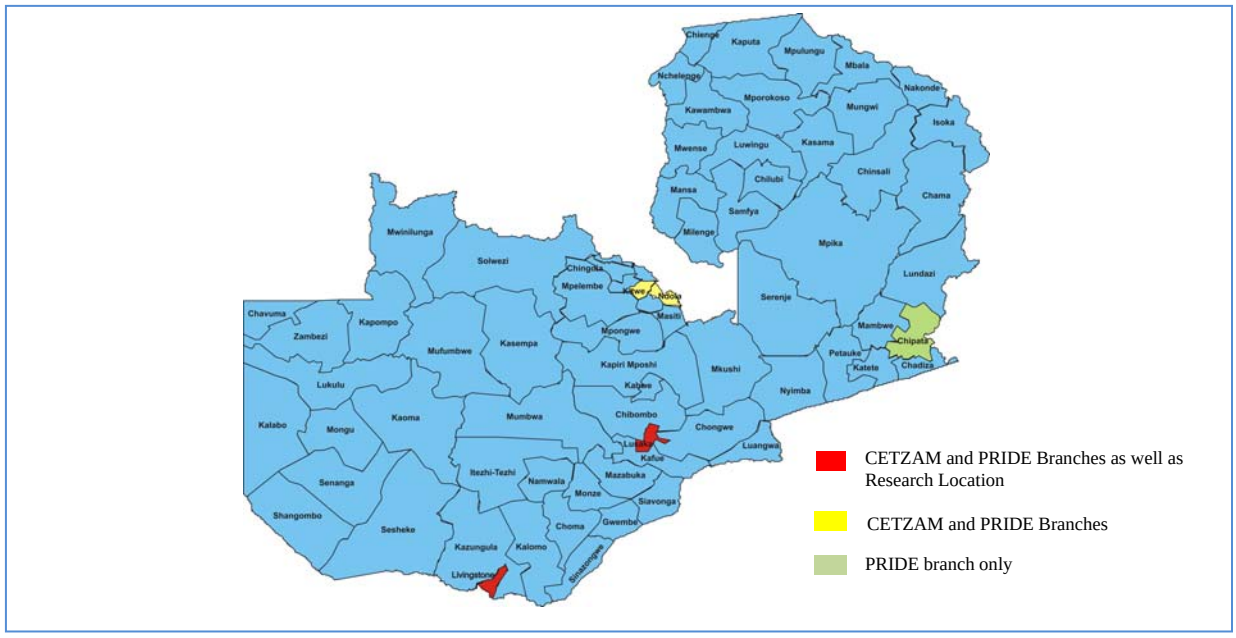


Figure 4: Map of Zambia- Research Locations

1.3 Structure of the Report

This report is broadly organised in two parts. Part I of the report presents the findings on CETZAM's NTULA funeral insurance policy and part II presents the findings on PRIDE Zambia's funeral expenses rider. The presentation of research findings for each part are structured to cover the following key research aspects: (1) Risks and risk management strategies, (2) Relevancy of insurance to policyholder's life, (3) Knowledge and understanding of the insurance product, (4) Client satisfaction with the product and (5) Client satisfaction with product delivery processes including marketing of product, application process, payment of premiums, submission of claims, payout of claims and renewal process.

2.0 Background on CETZAM

The Christian Enterprise Trust of Zambia (CETZAM) was founded in 1995 by a group of Zambian business leaders in the Copperbelt province. Their aim was to fight poverty through microenterprise development. In 1996, CETZAM initiated a partnership with Opportunity International (OI), a global NGO, to provide technical assistance to develop CETZAM as an independent partner organisation. In 1997, CETZAM and OI entered into an agreement with DFID to implement the Northern Zambia Development Project. The primary aim of this project was to address the lack of access to credit faced by the economically active poor in the Copperbelt.

DFID provided funding over seven years (total grant of £7.2 million, or almost $12 million). CETZAM expanded very quickly under pressure from donors, to a total of 12 branches and around 18,000 clients in 2002. Then in February 2003, serious problems became apparent: a high portfolio-at-risk, as well as internal fraud. According to the management, three main factors explain this downfall:

- expansion without clear procedures and internal control systems being in place
- an MIS system that was producing unreliable figures
- a very high cost structure

The organization was totally restructured in 2003/2004. New senior management was taken in and the 12 branches were reduced to seven. Presently, there are five branches, which are treated as profit-centres, all operations are standardized and described in manuals (including Human Resource Development and internal audit) and MIS is now adequately functioning. As of August 31, 2007, portfolio outstanding was ZMK 7,226 million (US$ 1.8 million) and portfolio-at-risk was estimated at 10%. Of the 2,766 active clients, 72% are women. CETZAM operates in two provinces, Copperbelt province in Ndola and Kitwe and Southern province in Livingstone.

Loan Products

There are three main types of loan products. Trust Bank Loans and Solidarity Group Loans are delivered using the group lending methodology. The third type is the Individual Lending Loan. Apart from these, CETZAM also offers two other loan products, Supplier Finance and Salary-backed Loans. Supplier finance is similar to an Individual Lending Loan product except that it provides financing to suppliers to enable them to meet production costs for a secured order. And Salary-backed Loans are targeted at full-time salaried workers.

1. Trust Bank Loans

Trust Banks operate primarily in semi-urban, marginalized communities, often with dirt roads, open sewers and one-room homes. The product is a development-intensive group lending methodology designed to cater to the poorest microentrepreneurs. Growth in loan size occurs with each successful loan completion, with average terms set at four months. Clients are organized into groups of 15 minimum and 40 maximum. Members serve as an informal bank and cross-guarantee each other's loans. Weekly meetings after formation include training in leadership development, financial management, community development, group solidarity and effective use of credit. In the beginning of the loan cycle, the potential applicant is assessed by her peers on the strength of her character. Because she lacks traditional collateral, the Trust Bank must decide if her loan will be mutually guaranteed based on her personal integrity and business experience. The interest rate is 5% - flat rate per month and payments are made weekly. This is the product with which CETZAM reaches the economically active poor. The loan size ranges from ZMK 50,000 to ZMK 1,500,000 (US$ 12.50 to US$ 375) per client.

2. Solidarity Group Loans

Clients who have outgrown the Trust Bank Loans may graduate to Solidarity Group Loans. Solidarity Groups are composed of five to seven clients who typically operate businesses that are somewhat more stable than those in Trust Banks. The loan amounts are larger than in Trust Banks and have some added flexibility. Loan sizes for this product range from ZMK 1,000,000 to ZMK 5,000,000 (US$ 250 to US$ 1,250). This product provides access to clients whose businesses require a higher injection of capital. Often these clients employ one or two people to help them run their businesses. The interest rate for this product is at 4.5% per month – flat rate. The loan term ranges from 4 to 16 months and payments are biweekly in the first loan cycle and monthly thereafter.

Direct Entry Solidarity Group Loans

CETZAM also offers the Direct Entry Solidarity Group Loan where qualified clients do not need to first graduate from a Trust Bank. The same terms and conditions apply except that the interest rate is at 5% per month – flat rate.

3. Individual Loans

Individual Loans are designed for larger microenterprises with greater need for capital and also for clients graduating from group products whose businesses have grown. These clients are unable to access credit through the formal banking sector because of real guarantee requirements. In some cases this loan may be secured with some form of collateral, while in other cases co-guarantors are used. For larger loans, although the client may be at or slightly above the poverty line, his/her business normally has between two to six full-time employees (in addition to the immediate family of the owner) who rely on the business for their daily subsistence.

Loan sizes range from ZMK 2,000,000 to ZMK 50, 000,000 (US$ 500 to US$ 12,500). The loan term ranges from 4 months to 36 months. Currently the average loan term is 12 months. Repayments are done on a monthly basis with a flat monthly interest rate of 5%.

For all loan products, CETZAM demands a Loan Security Fund (LSF) of 20%. All respondents were very much aware that the LSF acted as cover for the loan arrears and in the event that the client defaults, it would pay for the default amount or part of it. There was strong and clear understanding of this since the premium was paid separately upfront before one gets a loan.

Insurance Products

CETZAM currently offers two types of insurance products which are compulsory to all clients.

1. NTULA Funeral Insurance Policy

CETZAM has a compulsory funeral insurance that covers five direct family members of the borrower. This product is called NTULA, a local Zambian term used when one needs to assistance in offloading a heavy load. When CETZAM started its operations, one of the biggest challenges faced was the high death rates of client's dependants/relatives which ultimately affected their ability to repay loans on time. NTULA funeral insurance was a result of internal market research. The purpose of NTULA is to mitigate the burden suffered by a client who has lost a relative and the client's relatives when a client dies. The local term, *Ntula,* was strategically chosen to enhance clients' understanding of the product.[3] Currently about 2,700 clients are covered under the scheme.

This product offers assistance to a client who has lost a dependant or relative covered by the policy. The client pays ZMK 1,125 (US$ 0.28) per week which is deducted upfront. The whole idea of the NTULA scheme is to prevent a client from using all his capital when faced with a funeral. Upon the death of the registered person and submission and approval of all necessary documentation, the client is able to access the funds within 48 hours of lodging the claim.

If the insured person is below the age of 14 the payout is ZMK 250,000 (US$62.50) while the payout for any person above 14 is ZMK 500,000 (US$ 125).

In the event of the death of a borrower belonging to a group, the leaders of the group will help complete all claims documentation and submit these materials to the branch. The manager notifies the group members of the status of the claim as soon as it is lodged. The clients are informed of this scheme during the orientation period.

2. Credit Life Assurance Scheme

The Credit Life Assurance Scheme (CLAS) covers the outstanding loan balance in case of the death of the principal borrower. CLAS also covers loan repayment installments in case of a medically certified prolonged illness. The insurance company, Madison pays to CETZAM the loan principal amount disbursed to the client once all necessary documents are lodged by the CETZAM Head Office, except for Lusaka branch which deals directly with Madison. This product is introduced to the clients during the orientation period.

The client pays 0.5% of the loan amount per month towards this scheme which is deducted upfront from the total loan amount. The 0.5% charge is part of the total interest of 5% charged by CETZAM, meaning that the actual interest is 4.5% for all products, except the Solidarity Group product which comes to 4%.

[3] The word "Ntula" means "Lift off my burden."

Table 4: Detailed Product Description of NTULA Funeral Insurance Policy

Product Feature	**Current Terms**
Insurer	NICO Insurance Company
Type of insurance	NTULA Funeral Insurance Policy
Number of insured persons/Eligibility	Client plus up to 5 listed family dependents who reside with client
Benefit (Payout)	• Over 14 years - ZMK 500,000 (US$ 125) • Up to 14 years – ZMK 250,000 (US$ 62.50)
Insurance cost i.e. Premium charged by NICO	• ZMK 1,125 per week (US$ 0.28) i.e. ZMK 18,000 for 16 weeks (US$ 4.50) i.e. ZMK 58,500 per year (US$ 14.63)
Commission payable to CETZAM	10%
Premium refunds for early loan repayments.	No premium refund due
Free cover after maturity of loan	2 weeks
Participation mode	• Compulsory for all other clients • Voluntary for additional lives NB: Product initially voluntary in the Livingstone branch
Change of dependant beneficiaries	After every 12 months as part of a new loan application
Premium payment mode	Deducted from loan value upfront
Claim reporting period	7 days
Claim payment period	10 working days
Claim requirements/documentation	• Death certificate • Completed Claim form • Funeral confirmation letter
General policy exclusions	• Death caused by war, whether declared or not, civil war, rebellion, insurrection, military or usurped power or any act thereof • Death caused by nuclear weapons material or radioactive contamination
Specific policy exclusions	• Death occurring later than two weeks after the original maturity date. • Death when client is loan resting or in between loans. • Death occurring before the loan is disbursed. • If completed documents are submitted longer than 14 days after death. • If the name on the death certificate does not match insurer's records. • If the documents have been falsified. • No claim is paid if individual or group is two weeks or more in arrears

Important Notes

Product Features

1. The total premium due from each client is calculated and deducted from the loan.
2. The policy is in effect from the date that the loan is disbursed until the original loan maturity date.
3. NTULA allows a "grace period" of two weeks for each loan cycle to cater for situations in the processing period between each loan cycle to ensure that a client is covered at all times. Therefore, the maximum period that cover exists under NTULA is the original loan term plus two weeks.

4. NTULA provides cover for the client plus up to five listed family members or dependants. The family dependants are listed by the client at the start of the first loan and the list of dependants can only be updated once a year. The family members and dependants must be living with the principal borrower.

5. Claims are payable to the client in the event of the death of a listed dependant and to the client's next of kin in the event of the death of the client. CETZAM operates as a registered insurance agent on behalf of NICO Insurance Company Limited of Lusaka. CETZAM is paid a commission in return for the collection of premiums from the clients and the administration of claims.

Claims processing Procedure

1. The prospective clients are informed about the claims processing procedure during the orientation process.
2. According to CETZAM's policy, claims should be paid as quickly as possible. CETZAM aims to pay claims within 48 hours from the time the completed documentation is submitted to the branch.
3. Claims are only paid once CETZAM has verified that the claim is valid. Once the branch manager is satisfied that the documentation submitted complies with the set policies, a payment is immediately made by CETZAM, who in turn gets a refund from NICO Insurance. This is done to ensure that claims are processed more quickly.
4. There are no restrictions placed on the use of these funds but the intention is that the funds are used to assist with funeral expenses and to replace the income stream of the deceased individual.

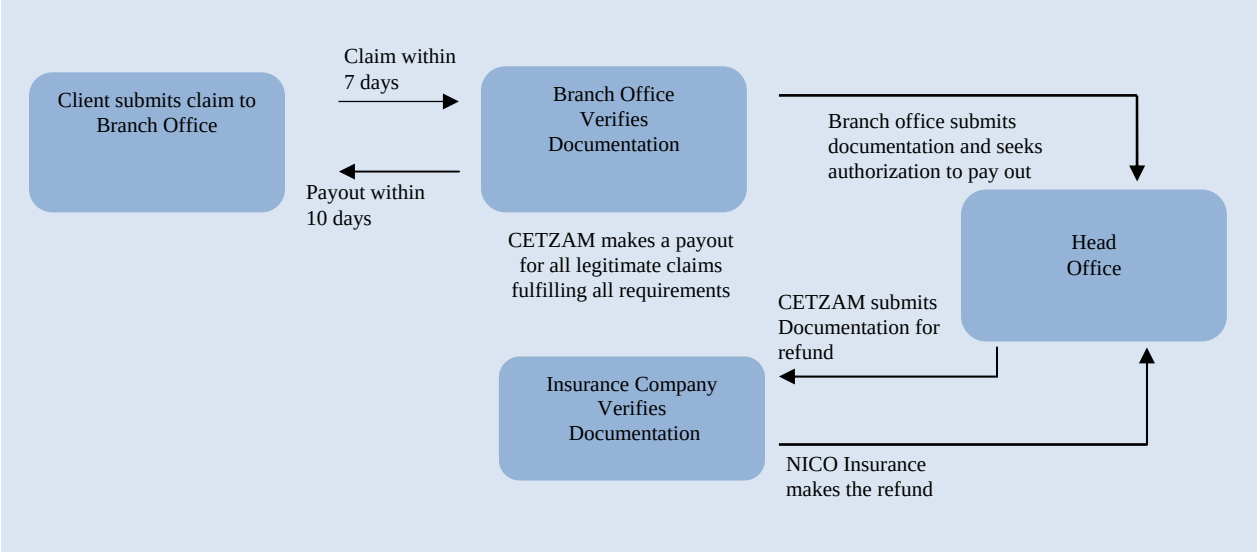


Figure 5: CETZAM Claim Settlement Process

2.1 Research Findings

To better understand the context of the findings on CETZAM, it is helpful to begin with a description of the CETZAM clients. The majority of CETZAM clients live in peri-urban areas. Musona et al. (2002) used the wealth ranking tool to describe CETZAM clients' socio-economic status. The results are indicated below:

Table 5: Categorization of Respondents

Relatively better off	Neither better or worse off	Relatively worse off
· Have good and very stable business · Have good management skills · Very hard working · Disciplined	· Have relatively stable businesses · Lack business management skills	· Have micro businesses which are not so stable · Have poor business management skills

Source: Musona et al 2002

Musona et al.'s (2002)'s categorization was inadequate for purposes of this research, as it was intended to link clients' performance and socio-economic status. In this study, the individual in-depth interviews and FGDs and were used to develop this categorization further. During the FGDs and in-depth interviews, the respondents, according to each loan category, were asked to describe their own social and economic status which was affirmed by interviews with the branch managers and credit officers. The categorization is linked to the types of loan products. It must be mentioned here that the demographic for each loan is largely based on majority presence rather than a clear cut borrowing requirement.[4]

Very Poor (Relatively worse off)	· Micro entrepreneurs, running family owned businesses, very informal business, unregistered, high incidences of illness and death, living in highly densely populated peri-urban settlements.	Loan Category · **Trust Bank** · (Average loan US$ 12.5- 375)
Not so Poor (Neither better nor worse off)	· Micro entrepreneurs, running family owned businesses, informal but slightly larger than those run by the very poor, also live in highly densely populated peri-urban settlements.	· **Solidarity Group** · (Average loan US$ 250- 1,250)
Not Poor (Relatively better off)	· Small scale entrepreneurs, running registered businesses, living in medium to low densely populated settlements.	· **Individual Lending** · (Average loan US$ 500- 12,500)

[4] This implies, it is possible to have a client who is 'not so poor' in the Trust Banks or Individual Loan category simply because that was their entry loan in the MFI. However, it is plausible to conclude that the majority of the clients in the 'not so poor' category would be in the solidarity groups; hence the categorization here is based on where a majority of the classified clients belong.

Source: FGDs, MFI Branch Manager and Credit officers and in-depth interviews

2.1.1 Risks and Risk Management Strategies

Risks

The respondents were asked to state their understanding of risk. The respondents demonstrated some knowledge of the concept, defining risk in terms of its impact on the performance and stability of the business. For instance, death and illness were mentioned as examples of unforeseen or unplanned circumstances that can affect the performance of the business.

The most often cited definitions (mentioned by at least two FGDs) are shown in *Table 6* below.

Table 6: Respondents' Definition of Risk

Definition of Risk	Number of citations
Unforeseen circumstances that are negative and are likely to sabotage your business	2
Are things that will make you fail in business when they are not put into consideration	2
When putting capital in a business you don't really know whether you make a profit or loss. The uncertainty that comes along a business venture is what I know to be a risk	2

The FGDs held in Lusaka and Livingstone identified six and seven risks respectively. Of these six were similar. This is not surprising because the environment in which the groups operate is similar and most of the respondents at the Lusaka and Livingstone branches were engaged in similar business activities.

Table 7: Major Risks Confronting Respondents

Lusaka		Livingstone	
Risk	Financial Pressure Ranking	Risk	Financial Pressure Ranking
Fire	5	Death	5
Death	5	Illness	5
Business Failure	4	Fire	5
Illness	3	Accidents	4
Accidents	3	Theft	3
Theft	2	Flood	3
		Business failure	3

Respondents rated financial pressure exerted by the identified risks on a scale of 1 to 5, with five denoting highest financial pressure and one denoting lowest financial pressure. Risks that scored the highest are discussed below.

Death: This risk scored 5 in both Lusaka and Livingstone. The respondents asserted that death was very common and exerts a very heavy financial pressure, forcing the affected family to borrow from expensive sources and at times divert business funds.

Illness: This risk scored a 5 in Livingstone. The respondents maintained that like death, illness, especially long illness, imposes a large financial burden on the affected family.

Fire: This risk scored a 5 in both Lusaka and Livingstone. The respondents stated that fires have been common in recent years and have destroyed many businesses.

Risk Management Strategies

Below is a discussion of risk management strategies for the top ranked risks. As can be seen from Table 8 below, respondents reported a variety of risk management strategies.

Table 8: Risk Management Strategies

RISK	Precautionary measures	Managing loss after it occurs
Death	· Personal Savings · NTULA Insurance scheme	· Chilimba – (ROSCA) · Loan/working capital · Claim Insurance · Kaloba (informal money lenders)
Illness	· Take insurance · Train someone else to take over	· Assistance from family members · Use cheaper medical services (Government clinics) · Delegate work to staff/subordinates · Assistance from friends · Sale of household assets
Fire	· Take fire insurance · Open a savings account	· Go to financial institution for a loan · Seek formal employment to raise money · Ask friends in business to help

A few clients classified as 'not poor' seemed to be very knowledgeable about the need for reliable risk managing formal financial services. It is interesting to note that some of them actually use formal financial services very strategically in addressing financial needs including emergencies.

Box 1: A Case for Strategic Formal Savings

Mrs. Silvia Sikazindo is an individual client of CETZAM. In response to unexpected financial pressures, Silvia and her husband decided to open three bank accounts:

· A Joint Savings Account for household consumption with provision for unexpected financial pressures
· A Joint Business Account strictly for business transactions and investment savings
· Personal Account (Silvia's account) for a small business with provision for unexpected financial pressures

Although this strategic split of resources does present a perfect risk financial management strategy, Silvia confirmed that it has helped her family in dealing with risks. As for CETZAM's insurance policies, she was very ignorant and unaware that part of the amount deducted from her loans was for insurance.

Source: In-depth Interviews

2.1.2 Relevancy of Insurance to Policyholder's Life

The respondents in general acknowledged the importance of insurance stating that there are events and expenses that are unforeseen and insurance ensures that the 'family is protected'. However, Individual Loan clients alleged that they did not really understand who or what was covered; in fact, some had only become aware of the insurance concept during this study.

2.1.3 Knowledge and Understanding of the Insurance Product

Generally there was some degree of product misunderstanding regarding who and what is covered. For example, some stated that the amount paid out was dependent on the contributions made. Others were unclear about the insurance as they had not participated in any discussion forum and were only hearing about it for the first time. Some correctly stated that CLAS provides illness and death coverage for the principle borrower while NTULA cover can be extended to spouses, children and dependents. A few clients mixed up the coverage and benefits for the two policies. CETZAM clients understanding of insurance and product dissatisfaction can be summarized as follows:

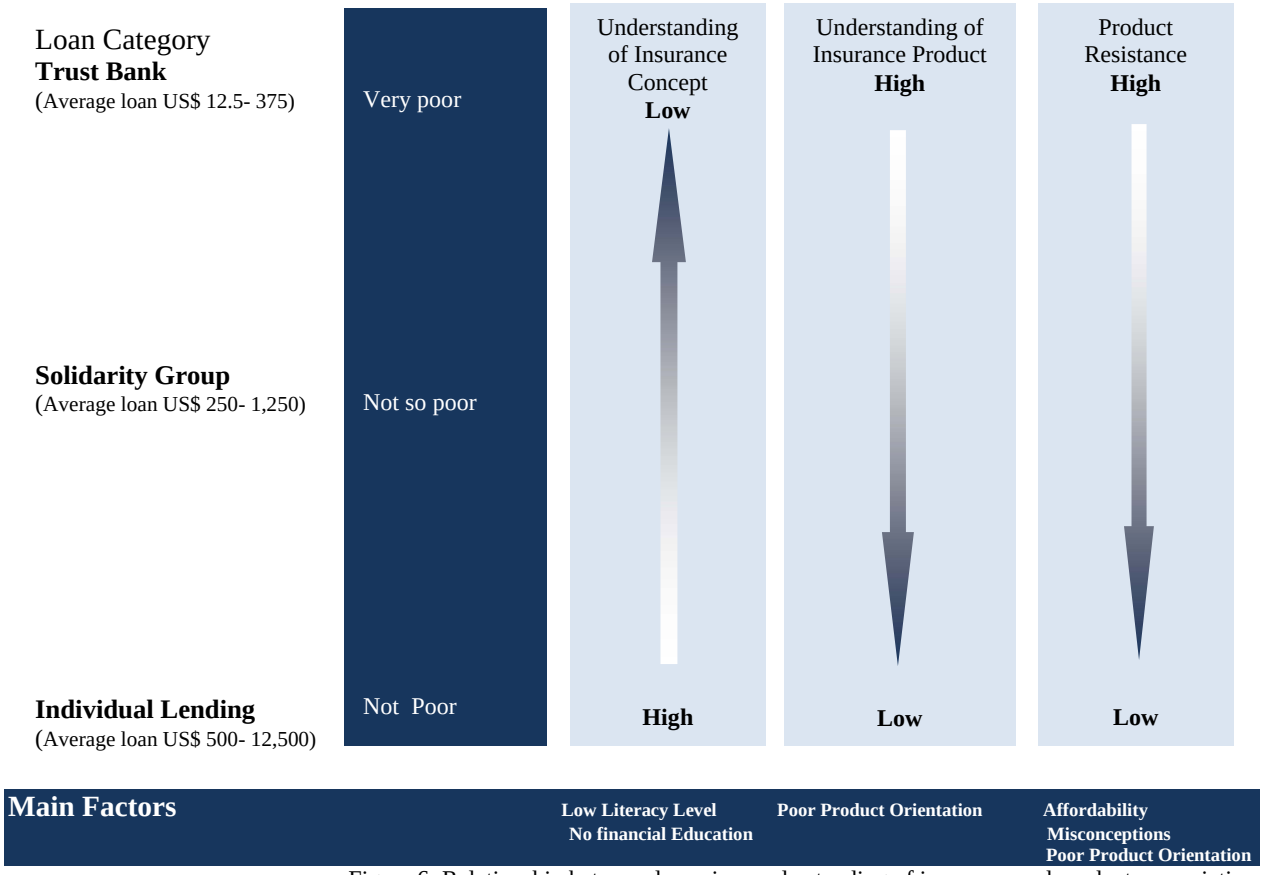


Figure 6: Relationship between loan size, understanding of insurance and product appreciation

CETZAM credit officers alleged that during product orientation, most individual clients paid less attention to the insurance information as they are mostly interested in the loan; they treated the deductions as administrative costs to the loan. In-depth interviews with individuals affirmed this lack of understanding of the insurance product but the clients claimed that no clear explanations were provided. In fact, most of them indicated that they were just learning they had insurance from the research team but even then they still did not know the type of insurance they had or the accompanying benefits.

Interestingly, the situation was worse in the Livingstone branch where CETZAM initially had this funeral insurance policy as a voluntary product. Other respondents, particularly those in the individual loan category, felt that the loan officers were not able to adequately explain insurance. They argued that, owing to the different levels of education and literacy, it is not enough to simply talk about the insurance

product. The orientation must include explanations on the insurance concept as well. Further, many indicated that, traditionally, funeral insurance would receive much resistance as clients would feel they are wishing death to all the people they register on the policy. Interviews with the branch manager for CETZAM's Livingstone office affirmed this, mentioning that during branch inception there was so much resistance that people associated CETZAM with Satanism; for this reason, the branch had to make the funeral insurance a voluntary product at first. With voluntary provision, only two trust banks willingly took up insurance.

The findings from group clients (trust banks) were different. The clients were knowledgeable about both insurance products. However in some FGDs the respondents seemed to be confused as to the benefits. After a lot of probing they were able to identify the benefits. In terms of coverage for CLAS, they indicated that the insurance covers the clients in the event of illness (it pays arrears incurred) and death (it pays for the outstanding loan). As for the NTULA Funeral Insurance Policy, they indicated that there is a payout for funeral expenses which differs between an adult and child. Fewer respondents knew the actual amount i.e. ZMK 500,000 (US$ 125) for an adult and ZMK 250,000 (US$ 62.50) for a child. Overall, the clients expressed dissatisfaction with pre-access product orientation.

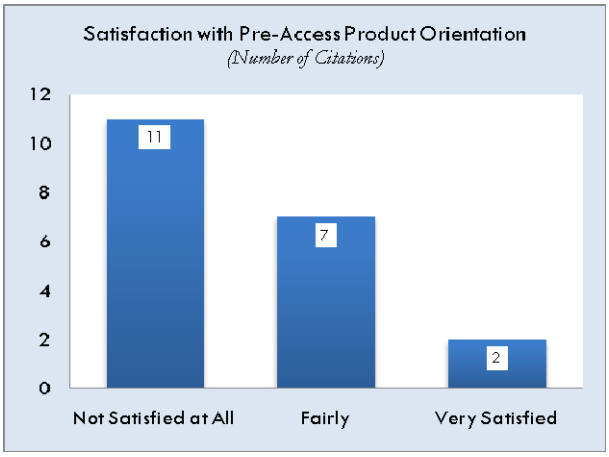


Figure 7: Satisfaction level with pre-access product orientation –In-depth interviews

2.1.4 Client Satisfaction with Product

Eligibility

In general the clients were not satisfied with the eligibility criteria on two counts. Firstly, they did not like the compulsory nature of the insurance product. Secondly, they felt that the eligibility criteria excluded some members of their households. Uptake of insurance for additional family members or dependants was very low. CETZAM's last product review revealed that clients wanted the number of dependents to increase from 6 to 10 (CETZAM 2006). This study also revealed that some credit officers did not communicate the eligibility criteria.

Box 2: A Case for Adverse Selection

Mrs. CP is an individual client with the CETZAM Livingstone branch. Contrary to the eligibility criteria, she was told during product orientation that she could register any family or dependents even if they were not living with her. This seemed like good news to her, as she found family members not living with her who had prolonged illnesses and registered them. Within the first loan repayment period, one of the registered members died and she successfully had her claims processed. She was very positive about the NTULA Funeral Insurance Policy and had no idea that she had done anything wrong. It was clear that the claims processing and verification system had flaws, particularly in detecting and dealing with adverse selection.

Source: In-depth Interviews

Costs/Affordability

The clients indicated that from a loan request of say ZMK 6,000,000 (US$ 1,500) a total of ZMK 300,000 (US$ 75) was deducted. The deduction therefore amounts to 5% of the loan amount. Clients were unaware as to what exactly the deduction pays for, assuming that a certain percentage is used for processing the loan. The respondents felt that for smaller loans, the amount deducted was affordable, but that for larger loans it was not. The fact that most of the respondents had not suffered illness or death and as such had not made any claims, led many to think that perhaps the benefits accrued more to CETZAM than to them.

Coverage – What, Who, When

In case of death, NTULA covers the client, registered spouse, children and dependants who live with the client. The payout is usually used for purchasing a coffin for the deceased plus other funeral expenses.

The respondents expressed serious concerns on not being provided with clear product information. They felt that the indiscriminate manner in which information is passed on to them did not warrant the amounts deducted from their loans. Those who knew the amount of the payout indicated that the amount was very small compared to the average cost of a funeral which ranges from ZMK 1.5 million – ZMK 5 Million (US$ 375 to US$ 1,250). When asked whether they would be willing to pay higher premiums for a higher payout, some individual clients in the high loan bracket indicated that they would be willing to do so if the benefits were clearly explained to them.

CETZAM's individual clients also felt that in the future they should be informed (pre-access) about the need to pay insurance. This would enable them to make adequate provision in business cash flow projections, rather than simply having money deducted from the loan amount without any clear explanation. Individual clients commonly remarked that "if their insurance products are good, they should invest in telling us detailed information about the products."

Benefits

As stated above, the major benefit identified by the respondents was that the product offered some relief in the event of death of the borrower or a registered dependant. Most respondents, however, did not think they were benefiting as they had not made any claims. This was largely a result of lack of understanding and appreciation of insurance. Some clients, particularly those with a very limited understanding of insurance, indicated the amount paid in premiums should be refunded, especially for those who have had a long standing relationship with the institution that includes a good credit record.

The respondents also felt that insurance should cover their children and spouses in the event that they are ill or die; of course this implied that some of clients were unaware that there is a provision for additional

lives under the NTULA Funeral Insurance Policy. Other sentiments expressed seemed to have signaled a high demand for health insurance: "it should cover the medical bills and the cost of the funeral expenses."

2.1.5 Client Satisfaction with Processes

Below is a discussion on client satisfaction with the process of obtaining the insurance product.

Marketing of Product

With exception of some individual clients, most respondents confirmed that they were told about the product by one of the officers during orientation sessions. It was also observed that the Trust Bank loan groups seemed to have received more product information. Although this study did not fully investigate these details, it seems the advantages of adult group learning, such as internal consultations, may have made it easier for the group lending clients to understand the product information. The individual clients knew very little to nothing about the insurance product, procedures or benefits. This may be due to the fact that the credit officers seem to have considered product orientation to a group of people more cost effective and as such spent relatively more time with the groups.

Responses from individual clients suggest that credit officers pass on information in a very haphazard manner and concentrate mostly on the loan products. Since the individual clients were generally more literate than group loan clients, the presence of marketing brochures or product flyers for insurance would have been helpful. However, there were no marketing materials such as posters, product info flip charts, brochures and flyers in all CETZAM branches. With the products being mandatory, it was expected that CETZAM would have brochures on its loan products reflecting insurance as an add-on service, but this not the case.

Application Process

The respondents were satisfied with the application process because it is combined with the loan application process.

Payment of Premiums

There were mixed sentiments about the mode of premium payment. Respondents belonging to Trust Banks, those in the low-income brackets, were satisfied with the mode of premium payment; the upfront deduction of the premium from the loan facilitated easy access as they would not normally have money to pay the premium upfront. The individual clients, however, expressed different views. To them, deductions from the loans distorted their business plans. It was common for many of them to say, "I actually received less than I applied for and had to look for money to implement by business plan."

Some clients recommended that that premium should be paid annually and not tied to the loan repayment period; this way, clients would be covered even when they are not servicing a loan. Some clients also felt the products should be differentiated according to income levels. CETZAM group clients were generally in the low-income bracket and therefore felt their insurance products should have lower premium amounts. This was perhaps a suggestion in line with product differentiation according to clients' income level.

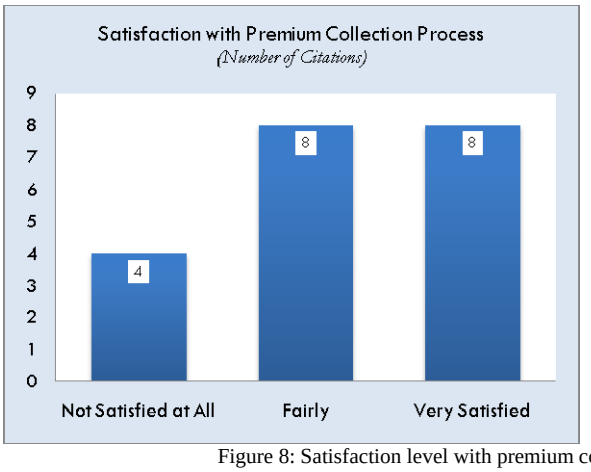


Figure 8: Satisfaction level with premium collection process –In-depth interviews

The study revealed that CETZAM's upfront premium collection process had a negative impact on understanding the insurance product. The majority of the respondents, especially the individual clients, did not even realize that they paid for insurance since it was deducted with the loan processing fees. The sentiments were, "they deducted so much from my loan and the amount must be used for processing the loans…things like stationary." Since the loan processing fee is a percentage of the loan amount, they expressed dissatisfaction with the huge deductions, particularly for higher loans. They argued that if it is a processing fee, the amount should be static as opposed to varying with the loan amount. Most of the respondents were unaware of the actual amount of the premium and could not confirm whether the deduction was the premium, the loan processing fee or both.

Claims process

The understanding of the claims process was generally poor and was linked to poor product orientation. No brochure or information pack is given to the clients for reference. Product reference materials would be very useful in informing family members of their policy entitlements. During in-depth interviews, some of the female clients who had accessed CETZAM's individual loans were unaware that if they died, CETZAM would not pass on the liability to their spouse or families and their families would receive a payout for funeral insurance. Their spouses were equally unaware of the whole claims process. As for the funeral insurance, some were unaware of the optional provision of additional family members or dependants.

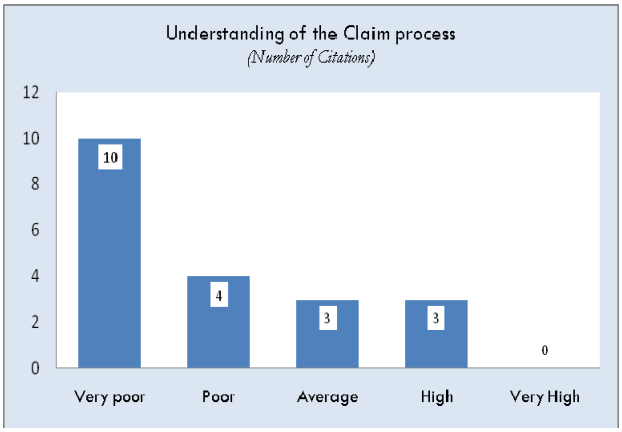


Figure 9: Understanding of the claims process –In-depth interviews

To better understand the level of understanding of the claims process, FGDs and in-depth interviews were conducted with those clients that had made a claim before or at least knew of a friend who had made a

claim. The FGDs also included those who had not made a claim to gauge whether they knew the steps involved in the claims process. The understanding was stronger for respondents in CETZAM's Trust Banks and Solidarity Groups. The respondents stated that, in order to make a claim, it is necessary to obtain a death certificate that is authenticated by the Commissioner of Oaths within seven days of the death.

Generally the respondents were dissatisfied with the claims process, alleging that the process was cumbersome, especially the need to have the Commissioner of Oaths authenticate the death certificate. The respondents felt that this was not always timely and there were extra costs incurred on their part. The study did not, however, investigate in detail the costs incurred in processing the claim. The respondents felt that credit officers can just as well verify death with a visit to the bereaved family. A death certificate or burial permit should also suffice. According to the respondents, the whole process is very time consuming, requiring clients to travel from one office to another and finally to CETZAM. When a death occurs in a distant place, the seven-day window to submit the documentation is not always feasible. During bereavement, the family is usually committed to making the travel arrangements and burial logistics. Some respondents mentioned that they were aware of fellow clients who simply gave up on filing a claim.

For the funeral insurance policy, clients were dissatisfied that the money which is supposed to be used for funeral expenses is paid after the burial has taken place. They argued that there must be a faster way of confirming that a death has occurred and paying out even before the papers are submitted to the insurance company. The suggestions were along the lines of a system that warrants CETZAM to make a payout once they ascertain the validity of the claim.

The respondents, particularly those in Trust Banks, were not keen to have the insurance company pay for the additional costs, as this implied that they would have to pay higher premiums.

The specific suggestions on the claims process were as follows:

- A waiver on the seven-day timeframe in which to present a death certificate for processing the claim. It was felt that the timing should be more reasonable, based on circumstances.
- Claims processing and payout should not be linked to loan repayment status. This was a major concern especially for clients in the groups because if one member of the group is in arrears, claims from all the members are invalid.

Renewal Process

Given that the product is mandatory, renewal is automatic. The respondents felt that there was need for the insurance company to take it upon itself to explain the product and alleged that CETZAM was more interested in the loan than in disseminating information on the insurance product. Further, the respondents were unhappy because the duration of the coverage is based on the loan term which is shorter than the calendar year.

2.1.6 Conclusions and Recommendations

- CETZAM's poor product orientation and marketing of microinsurance products are a result of a number of factors. Using triangulation and cross interviews with branch managers, credit officers and clients, the following factors emerged:

  - *Mandatory provision* – Owing to this type of service provision and delivery, credit officers do not give much attention to proper orientation.

  - *Client literacy levels* – Clients with higher levels of education had a clearer understanding of insurance. However, this was not so much of a factor in knowing the product information. The study revealed that despite a good understanding of insurance, clients still had a shallow understanding of the insurance products since this depends on good product orientation.

  - *Upfront premium deduction* – CETZAM deducts premiums from the loan amounts along with the loan processing fees. Without strong product orientation, most of the clients treat insurance as a cost of acquiring the loans.

  - *Focus on core service* – With microcredit as the core service, the performance of credit officers is measured in terms of quality and volume of the loan portfolio. Some comments from the credit officers suggested that they look at insurance as a by-the-way product and really not as a complementary service that they need to educate clients on.

  - *Understanding of insurance among credit officers* – Some clients felt that credit officers were not well suited to educating clients about insurance companies. They argued that before one is told the product features of an insurance product, owing to varying literacy levels, they need to be told what insurance is first. The clients felt that such information could perhaps be ably provided by staff from the insurance companies.

  - *Lack of product or marketing materials* – CETZAM clients' knowledge of the product seems to be limited to what one can remember from an orientation session. There were no reference documents or displayed product posters at CETZAM to remind clients of product features when they walk in the branches. There is need for product and marketing materials in local languages which should be coupled with a client satisfaction measurement system to gauge the effectiveness of such marketing efforts.

  These conclusions suggest the following recommendations:

- *Simplify the claims process* – *Product* attributes can be much improved, particularly for the NTULA funeral insurance policy. Without discounting the value of strong fraud detection systems, there is room for simplification of the claims processes.

- *Prevent adverse selection* – As evident, owing to poor orientation and lack of a strong fraud detection system, CETZAM's NTULA Funeral Insurance Policy is prone to adverse selection particularly once the clients understand the product and processes.

- *Revisit premium collection method* – The method of premium collection has an impact on client perception and acceptance of an insurance product (Manje 2005). The study has also found that when premiums are collected through a deduction from the loan amount along with other fees, clients are more likely to see insurance as a cost for acquiring a loan rather than a risk

management product. Furthermore, clients are less likely to know how much they paid for insurance. The rationale is to facilitate easy access to insurance, but it backfires when it is not complemented by strong product orientation and client education.

- *Improve product orientation* – It is important that CETZAM revisits its product orientation process, especially for individual clients whose product understanding is very low. There seemed to be no logical flow of information passed on to prospective clients during the orientation process, although the credit officers interviewed maintained that they strictly follow a credit operational manual that includes all the product information on insurance.

- *Product differentiation or market segmentation* – Given the differences in sentiment from clients according to loan category, there is scope for product differentiation for insurance products. CETZAM's experience with geographical differences signals potential geographical market segmentation as well.

- The findings signal *demand for health insurance* – Should CETZAM think of offering this product, a robust market research would be required before product design.

- *Incentives facilitating appreciation of insurance* – There is scope for CETZAM to consider extending access to insurance without premium payments to clients with a good credit record with the institution. This would be done periodically as a promotion aimed at facilitating understanding and appreciation of insurance. Of course such a promotion should be based on a careful analysis of the performance of the insurance product first.

- *Investment in financial education* – This is critical for both the MFI and the insurance company. At the moment, clients may be justified in alleging that only the MFI and the insurance company are benefiting. This assertion stems from lack of education and appreciation of the products. For CETZAM, low investment in product orientation gives clients ammunition to think that the MFI conceals information so that they do not benefit from services that they actually pay for.

3.0 Background on PRIDE Zambia

Promotion of Rural Initiatives and Development Enterprises (PRIDE) Zambia was established in February 2000 and is funded by the Swedish International Development Agency (SIDA). The initial project agreement covered a one-year pilot period with options to extend the initiative depending on the outcome of the pilot phase. PRIDE Zambia's main goal is to provide financial services to micro and small entrepreneurs to enable them to generate income, create employment and stimulate business growth in Zambia. After successful completion of the one-year pilot phase, PRIDE Zambia was incorporated as a company limited by guarantee[5].

PRIDE Zambia has its Head Office in Lusaka and has a network of eight branches in four provinces: Lusaka (four branches), Copperbelt (two branches), Eastern (one branch) and Southern (one branch).

Loan Products

There are three loan products namely: Group Loan, Individual Loan and Salary-Guaranteed Loans. The Group Loan product is targeted at low-income entrepreneurs who are willing to work in groups and the Individual Loan product is targeted at clients who have successfully completed the six stages of the Group scheme. Over fifty percent of the clients are women.

1. *Group Loan*

The Group Loan is the product that justifies PRIDE Zambia's existence as it reaches out to the main target group, microentrepreneurs who are usually unregistered and operating informally. Under this product, clients are given loans in self selected groups of five members. At inception, the 10 cells of five-member groups are required to form a bigger group called a Market Enterprise Committee. The registration (entry fee) is ZMK 15,000 (US$ 3.20) and all members must be within a radius of five kilometres from PRIDE Zambia's branch office. Only entrepreneurs aged between 18-70 years are eligible for loans.

2. *Individual Loan*

This product is for registered medium size businesses. The requirements includes a certificate of registration and business plan or cash flow projections. The loan amount largely depends on business performance but does not exceed ZMK 5,000,000 (US$ 1,250) and is payable within 6 months.

3. *Salary Guaranteed Loans*

This product is only for those who are formally employed and it requires repayments made from direct payroll deductions from the employers.

Insurance Products

Like CETZAM, PRIDE Zambia currently offers two types of compulsory insurance products to all clients.

1. *Funeral Expenses Rider*

PRIDE Zambia has a compulsory funeral insurance product called Funeral Expenses Rider. This product was introduced in response to the demands of clients concerning the financial hardships that they incur when a family member dies. Such financial hardships sometimes lead to business closure.

[5] There are plans to transform PRIDE Zambia from a company limited by guarantee to a company limited by shares.

The purpose of the Funeral Expenses Rider is to mitigate the burden suffered by a client who has lost a dependant or the client's relatives in the case when a client dies. Additional policies for family members or dependants are not compulsory.

2. Credit Life Assurance Policy

Apart from the Funeral Expenses Rider, PRIDE Zambia also offers a compulsory Credit Life Assurance policy, which is intended to covers the outstanding loan balance in case of death and loan repayment installments in case of prolonged illness.

Table 9 Detailed Product Description of the Funeral Expenses Rider

Product Feature	**Current Terms**
Insurer	Madison Insurance Company Limited
Type of insurance	Funeral Expenses Rider
Number of insured persons	6: the principal borrower plus up to five registered dependants · The dependants are listed by the client at the start of the first loan. The client chooses who to include under the policy
Eligibility	All PRIDE Zambia clients and their spouses aged 18 to 75 years, parents of a client 55 years and above, and dependants up to 25 years of age. All the beneficiaries must be living with the client.
Cost /Premiums	For loan term below 6 months · Principal – Fixed amt -US$ 0.90 · Spouse –US$ 0.65 · Child/Dependant, 11-25 years - US$ 0.45 · Child/Dependant, below 10 years - US$ 0.38 For loan term of 12 months · Principal – Fixed amt - US$ 1.80 · Spouse –US$ 1.30 · Child/Dependant , 11-25 years - US$ 0.90 · Child/Dependant, below 10 years- US$ 0.76
Death Benefit payable	For loan term below 6 months · Principal –US$ 125 · Spouse –US$ 100 · Child/Dependant – US$ 62.50 For loan term of 12 months · Principal –US$ 250 · Spouse –US$ 187.50 Child/Dependant – US$ 125
Premium refunds for early loan repayments	No premium refund due
Participation mode	· Compulsory for all other clients · Voluntary for additional family members or dependants
Change of dependant beneficiaries	Before each new loan
Premium payment mode	Single premium payable in advance
Claim reporting period	7 days
Claim payment period	Within 21 working days (based on practice)
Claim requirements/documentation	· Medical Certificate of cause of death · Certified photocopy of National Registration Card (NRC) · Death Certificate plus certified photocopy of NRC

	· Police report plus certified photocopy of NRC and Burial permit (for police cases) · Three written confirmations of the death by (i) District Secretary or Local Police Station (ii) Chief or village Headman and (iii) Group Leader of the deceased plus a certified photocopy of NRC for deaths which occur in remote villages where (1 to 3) are not easily obtainable
General policy exclusions	· Death caused by war, whether declared or not, civil war, rebellion, insurrection, military or usurped power or any act thereof · Death caused by nuclear weapons material or radioactive contamination
Specific policy exclusions	A claim is not paid if any of the following are found to apply: · A loan is still outstanding beyond the expiry date · An individual is not registered with PRIDE Zambia · Documents are falsified or fraud attempted · The conditions of proof of death are not met · Documents are not lodged with PRIDE Zambia within 90 days of death
Advantages of Funeral Expenses Rider	· No medical exams are required in order to qualify for the benefits · Protects a member from diverting money from the business for funeral expenses · Protects a member's savings from being used up for funeral expenses · Provides coverage for a member, spouse and up to 5 dependants · Protects a member from borrowing long-term to meet funeral expenses

Important Notes

Product Features

1. The premium charged is dependent on the composition and size of the family and the loan repayment period.
2. PRIDE operates as a registered insurance agent on behalf of Madison Insurance Company Limited of Lusaka. PRIDE is paid a commission in return for the collection of premiums from the clients and the administration of claims.

Claims processing Procedure

Following the death of a client, and/or a registered parent, spouse, or dependant, the following procedure is followed:

1. Claims are payable to the client in the event of the death of a listed dependant and to the clients next of kin in the event of the death of the client.
2. The client or the next of kin of the deceased (if it is a client who dies) or group members provide the proof of death.
3. The client or the next of kin of the deceased (if it is a client who dies) completes a claim form that is signed by a group leader and a PRIDE Zambia authorized official.
4. PRIDE Zambia prepares the funeral benefits and pays the client or the next of kin.
5. PRIDE Zambia submits the signed Funeral Expenses Rider claim form to the insurance company for reimbursement of the funeral benefits.

3.1 Research Findings

3.1.1 Risks and Risk Management Strategies

The respondents were asked to explain their understanding of the term 'risk'. The responses indicated some degree of understanding. The commonly cited definitions are shown in Table 10 below.

Table 10: Respondents' Definition of Risk – PRIDE Zambia

Definition of Risk	**Number of citations**
Things that scare you	2
Something that is not safe	2
Something that stops you from being free to do what you want	2
Situations that pose various difficulties in business	2
Things that may not make you progress in whatever you are doing and when they occur, there is usually loss or damage.	1

The FGDs in Lusaka and Livingstone identified eight risks each. Of these five were similar. This is not surprising because the environment in which the groups operate is similar and also most of the respondents in both Lusaka and Livingstone are engaged in similar business activities.

Table 11: Major Risks Confronting the Respondents – PRIDE Zambia

Lusaka		Livingstone	
Risk	Financial Pressure Ranking	Risk	Financial Pressure Ranking
Death	5	Death	5
Illness	5	Illness	5
Business Failure	3	Business Failure	5
Theft	3	Accidents	4
Fire	2	Fire	4
Riot	1	Theft	3
Seizure of goods by Tax and Revenue Authority	1	Floods	2

As in other studies, death and illness emerged as major risks; scoring highest in both towns. Respondents rated the risks according to degree of financial pressure they create.

Death: This risk scored a 5 in both Lusaka and Livingstone. The respondents explained that the very fact that death comes unannounced means that one is usually unprepared for it. Funerals usually require a large lump sum of money to cover costs such as feeding the mourners, the coffin, transport and firewood.

Illness: This risk scored a 5 in both Lusaka and Livingstone. The respondents commented that like death, illness is unplanned. However, the financial burden depends on whether it is a long period of illness or a short period. The financial pressure created by illness is immense. Again like death, one does not think about the consequences of using one's business capital, including the loan, thus increasing the pressure.

Business Failure: This risk of business failure is obvious for entrepreneurs and was identified in both Lusaka and Livingstone. The respondents pointed out that this risk arises from a number of situations including loss of market to competition, incompetent staff and lack of liquidity.

Risk Management Strategies

Below is a discussion of risk management strategies for the top ranked risks. As can be seen from Table 12 below, respondents reported a wide range of risk management strategies.

Table 12: Risk Management Strategies – PRIDE Zambia Respondents

RISK	Precautionary measures	Managing loss after it occurs
Death	· Personal Savings and belonging to a Group Savings Scheme (Chilimba) · PRIDE Insurance insures against death while the loan is still active.	· Chilimba – group savings associations · Personal savings · Loan/working capital · Claim Insurance from PRIDE
Illness	· Personal and Group savings · Self insurance to cover loan installments when ill	· Chilimba · Personal savings · Loan/working capital · Sale of household assets
Delays in accessing a loan	· There is no precautionary measure as such, as one assumes that they will get the loan, and receive assurance from the institution	· Members will normally borrow from other sources. Sometimes these sources are expensive – like Kaloba (money lenders).
Business failure	· Diversifying into different business ventures	· Loan either from an institution such as PRIDE Zambia or from a money lender (Kaloba) · Sale at the cost price

3.1.2 Relevancy of Insurance to Policyholders' life

The respondents in all the FGDs that discussed this subject stated that although they are aware of the importance of insurance, especially when there is an outstanding loan and given the frequency of illness and death, they took out the insurance coverage because it was a requirement for accessing a loan from PRIDE Zambia.

Even though it was mandatory to take out the insurance, the respondents did acknowledge that this product was relevant. The respondents felt that insurance was relevant because they had limited capacity to offset the loan in the unfortunate event of falling ill or indeed dying. However, even when the focus was on the insurance product offered by PRIDE Zambia, they insisted that insurance would be more useful if it covered additional risks, not just death. The branch manager for the Livingstone office indicated that potential clients have been inquiring about health insurance and are willing to join the institution simply to access health insurance.

All the clients generally felt funeral insurance is a good product. What was disliked was the time it took for one to receive the compensation. They alleged that compensation was not paid at the time the incident occurs. Interviews with the branch managers and credit officers indicated that, with the current claims process, when all documentation is in place and the claim is legitimate, it takes two to three weeks from the time the client submits a claim.

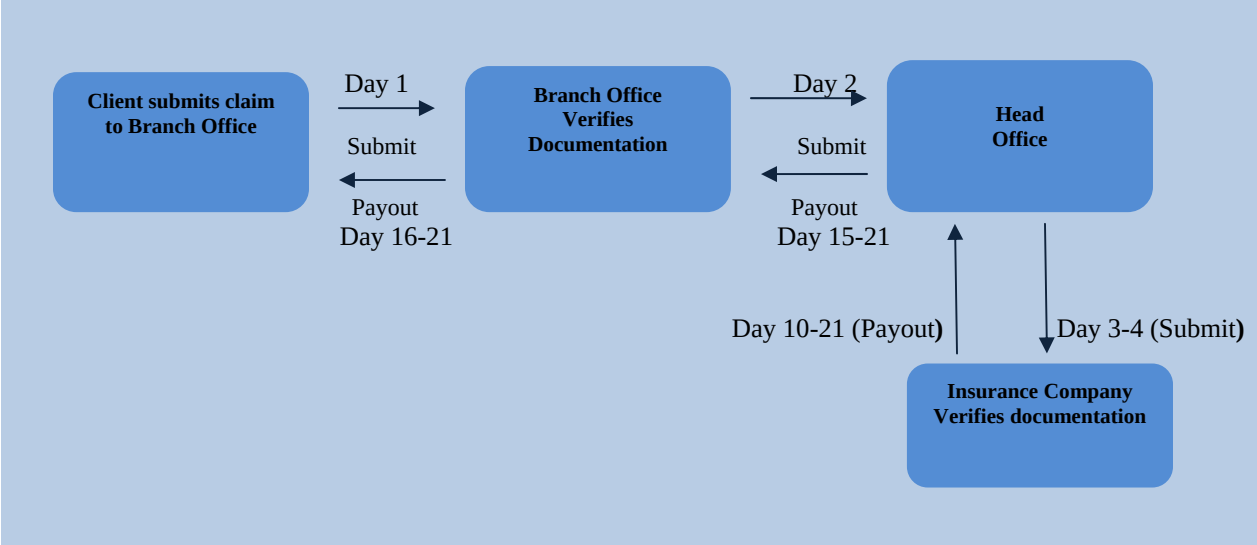


Figure 10: Pride Zambia Claim Settlement Process

In addition, respondents were not happy with the strictness with names. Respondents alleged that PRIDE Zambia compels the female clients to register under their maiden name and not their marital name. They argued that in the event that at the hospital one registered under their marital name and if that person then died, the death certificate would show the marital name and that would invalidate the insurance claim on account of the wrong name. Respondents cited one recent example at PRIDE Zambia, Chainama Branch.

In all the focus group discussions participants expressed dissatisfaction with the limitation on the number of dependants that are allowed to be included under the insurance cover. Considering that most respondents have large families they wondered how one is expected to decided which dependants to include or exclude. This finding was questionable however given that uptake of additional policies is very low.

3.1.3 Knowledge and Understanding of the Insurance Product

Officers at PRIDE Zambia seem to provide adequate product orientation; PRIDE clients expressed a better understanding of the insurance product as compared to CETZAM clients. However, PRIDE Zambia did not escape product misunderstanding. In all the FGDs there was some degree of misunderstanding. There was confusion as to who and what is covered.

The respondents did not distinguish between the two insurance policies. Some indicated that there is coverage for sickness under the Funeral Expenses Rider, and some believed that children's' illnesses are covered, yet coverage for sickness is only for principal borrowers under the Credit Life Assurance Policy. There were product misconceptions in all the FGDs. Respondents felt that the information provided during pre-access training meetings ought to be clear in spelling out who was covered and why the premium was not claimable.

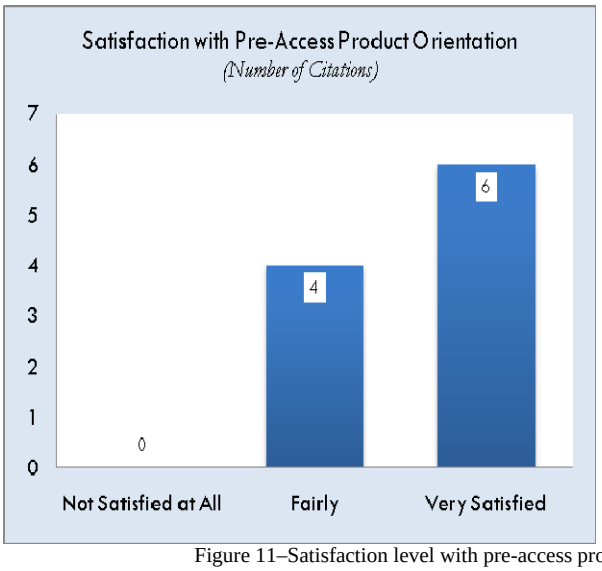


Figure 11–Satisfaction level with pre-access product orientation –In-depth interviews

3.1.4 Client Satisfaction with Product

Eligibility

In general the clients were not satisfied with the eligibility criteria on two counts. Firstly, they did not like the compulsory nature of the insurance product. Secondly, they felt that the eligibility criteria excluded some members of their households.

Costs/Affordability

There was consensus among the respondents that the Funeral Expenses Rider was affordable. The respondents stated that the premium was calculated as a percentage of the loan amount requested and is reasonable. The respondents felt that the premium and mode of payment is affordable.

Coverage – Who, What, When

Respondents were dissatisfied with the fact that the Funeral Expenses Rider did not cover the cost of medicines and transportation to hospital. They were also dissatisfied that the insurance pay out does not cover all the costs associated with death. They also felt that more family members should be covered.

Benefits

The major benefit that respondents identified was the relief afforded in the event of the death of the principal borrower or registered dependant. However, they felt the payout certainly does not meet all the funeral costs although it does provide some assistance.

3.1.5 Client Satisfaction with Processes

Below is a discussion on client satisfaction with the process of obtaining the product:

Marketing of Product

Marketing of insurance products is restricted to pre-access training orientation meetings only. There are no product brochures or marketing efforts to potential clients. Most respondents confirmed that they were only told about the product during the orientation training sessions.

Application Process

The respondents were satisfied with the application process because it is combined with the loan application.

Payment of Premiums

The respondents at PRIDE Zambia seemed to be happy with the upfront premium payment.

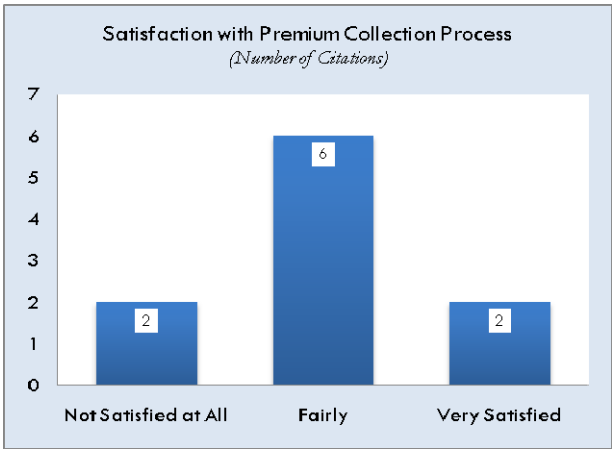


Figure 12: Satisfaction level with premium collection process –In-depth interviews

Claims process

Some respondents alleged that it took too long to process claims. To the contrary, some respondents felt that the process was satisfactory and argued that those who experienced problems did so as a result of incomplete documentation. Overall, the satisfaction with the premium claims process was average.

The results here may have been affected by the fact that PRIDE Zambia had just changed from a system whereby the insurance company had PRIDE Zambia make the payout as long they were certain that claims were legitimate and all the documentation was filed. During this arrangement claims were processed and paid out faster. Since the change there have been delays in claims processing and dissatisfaction was expressed, particularly by those clients who have made claims under the new system. Interestingly, it was clear that some clients were unaware of this change. Most of the clients, however, did understand the claims process, though they were concerned with the speed of processing the claims.

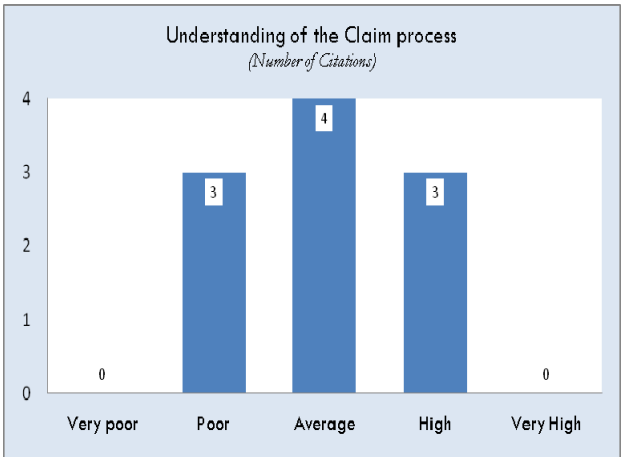


Figure 13: Understanding of the claims process –In-depth interviews

Renewal Process
The respondents felt that the renewal process was unfair because the duration of the coverage is based on the loan term which is shorter than the calendar year.

3.1.6. Conclusions and Recommendations

Conclusions

- *Marketing of product improvements* – While PRIDE Zambia may score slightly better in terms of product orientation, it is still weak on marketing both loan products and insurance products. In one of the branches, the branch manager indicated having used some simple brochures in English and local languages. The branch no longer uses these as they have run out and no efforts have been made to assess the effectiveness of the brochure as a marketing tool. Marketing is restricted to the product orientation meeting.

- *Demand for health insurance* – As was the case with CETZAM, both current and prospective clients expressed interest in health insurance.

- *Poor understanding of insurance* – Despite a reasonably good product understanding among PRIDE Zambia clients, the understanding of insurance concepts was still poor among clients with low literacy and education levels. Like CETZAM clients, PRIDE Zambia clients require financial education.

- *Mismatch between payouts and funeral costs* – Like CETZAM clients, it was clear that the payout for the Funeral Expenses rider is not large enough to cover all the funeral costs. However, increasing the premiums to facilitate higher payouts would certainly not be well received by all clients due to varying poverty or income levels.

- *Lengthy claims process* – The change in the authorization power from PRIDE Zambia to Madison has caused serious delays in the claims process which may soon be a source of dissatisfaction for a growing number of clients.

These factors suggest the following recommendations:

- *Address product misconceptions* – Although PRIDE Zambia's product orientation has some positive outcomes in terms of understanding of the product, the misunderstanding among the clients with regard to product coverage and benefits cannot be ignored as it shows possible negligence among credit officers. The marketing of the Funeral Expenses Rider has been weak and has generally failed to create value for the product.

- *Addressing the mismatch between payout amounts and actual funeral costs* – PRIDE Zambia should equally consider product differentiation or market segmentation which would allow some policyholders to access higher payout amounts.

- *Increase product offering* – Interestingly one of the recommendations given was the need for a financial service specifically tailored to assist clients in paying for children's school fees. This requires a fixed savings product that microfinance institutions with a legal structure, such as that of PRIDE Zambia, are not allowed to offer.

- *Revisit Claims process* **–** Although this study did not investigate in detail why PRIDE Zambia and Madison Insurance Company changed the claims process, the previous system did permit quick processing of claims favorable to clients. It is recommended that PRIDE Zambia re-visit this to avoid future dissatisfaction with the claims process.

- *Improve marketing and product awareness* **–** Like CETZAM, PRIDE Zambia should seriously consider investing more in marketing of insurance products as complementary financial services to their products. The recommendation also holds for its loan products.

Study Synthesis

This section synthesizes the findings from the review of the two insurance products studied and provides key implications for product development and financial education.

1. The search for effective risk management tools is very much a part of the poor's financial management strategies. This is evident in the various informal coping mechanisms they use in addressing shocks and financial pressures. From this study, it is plausible to conclude that insurance is increasingly appealing to low-income groups as a risk mitigation strategy. However, the study also shows that the poor are concerned about the way financial products are sold to them. The way insurance is sold is a demand consideration in instilling appreciation of insurance.

2. Many studies show that death and illness are among major risks that pose financial challenges for the poor; indeed MFI clients occasionally use business loans to pay for medical and funeral expenses or to smooth household cash flow. There is greater scope for addressing the two risks through health and funeral insurance. Regarding the funeral insurance products studied, the issues that have emerged around product and service delivery should be of great concern to MFIs and their partner insurance companies. It is plausible to conclude that most of the clients are accessing the microinsurance products mainly because they are mandatory. The low uptake of additional lives should also be of concern to the providers.

3. Through microinsurance provision schemes, the poor have accessed insurance as an optional risk managing financial service. Unlike microcredit and savings, it is evident that insurance requires extra investment in financial education. The first level of financial education should ideally focus on basic insurance concepts such as risk pooling. Use of informal risk pooling schemes would aid understanding here. It would be useful to also distinguish the functionalities of savings, insurance and emergency loans as risk management services. The second level of financial education should focus on the insurance products. If the education is being provided by a microinsurance provider offering a specific product, detailed information on the product should be provided during product orientation meeting. This study shows the information is delivered to clients in a haphazard fashion. Low literacy levels should not be used as an excuse for not educating low-income clients on insurance. This study shows that literacy level is not a strong factor in consumer-product education. A good financial education program can help illiterate, low-income clients to understand insurance products.

4. Caution should always be taken by microinsurance providers offering mandatory microinsurance products, especially when insurance is not the core service. In this study, the loan was the primary financial service for both MFIs and it was expected that this would continue to be the primary focus of demand. However the study showed that low-income groups would appreciate a broader range of financial products to meet their various needs.

5. Microinsurance providers need to increase their responsiveness to the needs of low-income people. Access which is limited to insurance products that are deemed less valuable (less relevant) to low income clients, negatively influences their appreciation of insurance in general. Commenting on funeral insurance, the policyholders in this study were in unison on the need for insurance products beyond funeral insurance. Expressing their demand for health insurance, clients indicated, "we would rather prevent death than prepare for it or do both."

6. Despite the growth and development of the microinsurance provision, policyholders in some schemes are still caught in a quagmire of product and insurance ignorance owing to deficiencies in product orientation. Respondents asserted that “if their insurance products are good, they should invest in giving us detailed information about the product.” Some respondents felt that there is greater scope for the active involvement of insurance companies in financial education. There is also scope for joint investments in market research and systematic client satisfaction measurement. Insurance companies are critical for microinsurance product manufacturing and therefore need to understand the demand for insurance among the low-income market. At the same time, microfinance institutions, which usually serve as ‘front offices’, need increased knowledge on insurance concepts to communicate effectively to clients.

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