

ROUND 5
NOVEMBER 2010

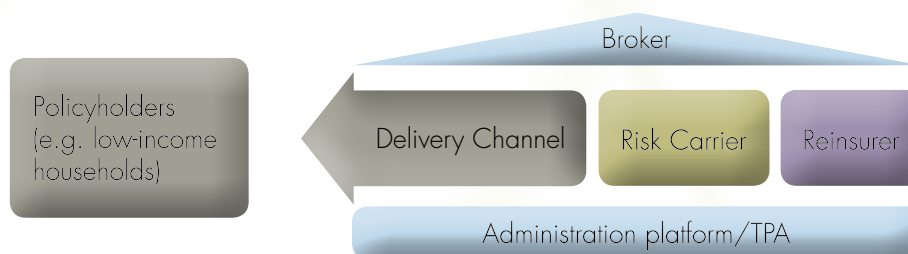
INTRODUCTION

APPLICATION GUIDELINES: SCALE AND EFFICIENCY

The ILO's Microinsurance Innovation Facility is currently collaborating with more than 40 organizations that are engaged in action research efforts to test ways of providing better insurance coverage to low-income households. Some are providing health insurance, others life insurance; some products cover agricultural risks, others protect houses; some composite products cover a range of risks.

We collaborate with different types of organizations operating throughout the microinsurance supply chain, including those involved in sales and service at the front end, organizations that administer the policies and claims at the back end, as well as the risk carriers. Sometimes one organization performs all of these functions. Other times, we work with brokers in bringing the pieces of the supply chain together (see Figure 1).

Figure 1 Microinsurance supply chain



The business model for providing insurance to the working poor certainly requires patience. But microinsurance can be viable, even profitable, under the right circumstances. Those circumstances generally require efficient administrative systems and large numbers of policyholders.

A successful microinsurance product must have cost-effective administrative systems. Because microinsurance products are simpler and offer fewer or lower benefits, one might assume that they are easier to administer. The reality, however, is the opposite. Due to the greater complexity of actors involved, and the often higher frequency of transactions, special efforts are required to streamline processes and control costs at each stage in the policy administration process (see Figure 2).

Figure 2 Policy administration process



WHAT IS THE
MICROINSURANCE
INNOVATION FACILITY?

Similarly, the viability of microinsurance can be enhanced if organizations serve large numbers of households, creating economies of scale which spread fixed costs and reduce per policy administrative cost. Large outreach also supports the development agenda of many microinsurance providers as it enables many more poor households to manage risks more cost effectively. To that end, the Facility is currently welcoming applications that address the twin issues of **scale and efficiency**, with a particular interest in the role of technology.

In 2008, the International Labour Organization (ILO) launched the Microinsurance Innovation Facility with funding from the Bill & Melinda Gates Foundation. By providing grants, supporting capacity building, conducting research, and disseminating good practices, this global Facility endeavours to promote the development of valuable insurance services for large numbers of low-income households and enterprises.

The ILO's interest in microinsurance comes from two perspectives. On the one hand, microinsurance is a means through which social protection can be extended to excluded populations, such as workers in the informal economy. On the other hand, the ILO is also concerned about the social effects of the financial market, which often excludes the working poor. Consequently, for the ILO, microinsurance enhances access to social protection and promotes inclusive insurance markets.

The Facility's primary objective is to learn: to learn how to provide better insurance coverage to more low-income people; to learn how to develop an insurance culture among the poor; and to understand the extent to which the working poor can benefit from insurance as a risk management tool while still ensuring the viability of the provider. To achieve this learning objective, the Facility supports activities that challenge the conventional wisdom. Our innovation grants are action research projects, dynamic initiatives designed on an experimental basis to assess their effectiveness or impact.

The Facility has a broad mandate. Geographically, we focus on developing countries in Africa, Asia and Latin America. We also support a variety of product types – including health, agriculture, life (but not credit life) and property insurance – with a focus on innovative products that provide value to large numbers of low-income people. Similarly, the Facility supports a diversity of institutional models, and encourages hybrid approaches to leverage the strengths of participating organizations. In sum, the products and models should be self-sustaining and scalable, and they should push the frontier of what is possible.

The Facility is currently not planning any additional rounds of innovation grant applications.

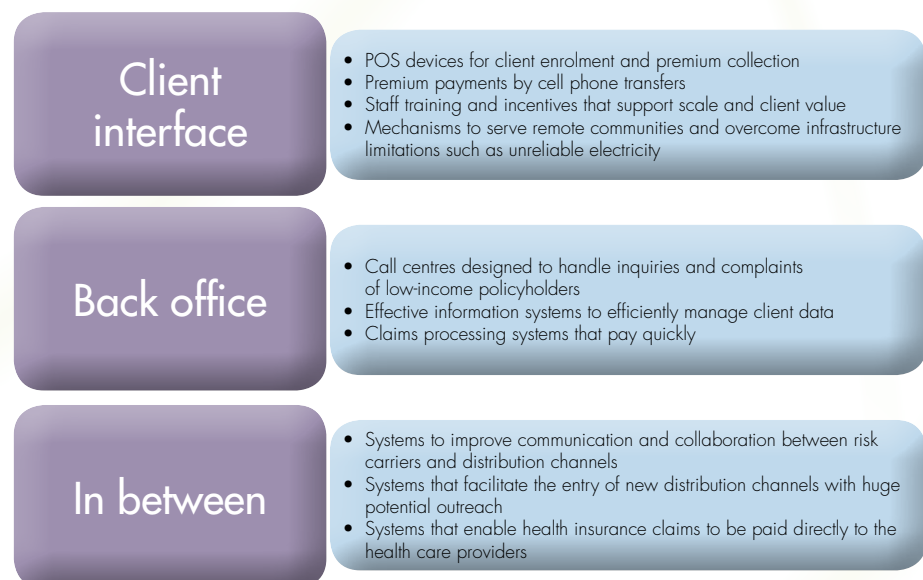
WHAT ARE THE
PRIORITIES FOR
ROUND 5?

Round 5 is funded by the **Z Zurich Foundation of Zurich Financial Services**, which shares with the ILO and the Bill & Melinda Gates Foundation an interest in finding innovative ways to provide more low-income households with better insurance products. Under this application window, the Facility expects to support three to five large grants, between US\$100,000 and US\$500,000, and four or five small grants (less than US\$100,000).

In Round 5, we will select applicants that propose to use technology and other innovations to create operational efficiencies and/or allow organizations to serve large numbers of poor households. The focus is not just on technology, but also on process changes that can help in the efficient scaling up of operations. We are interested in the entire gamut of operations ranging from the client interface at the front end, to the processing of applications, claims and renewals at the back end, and mechanisms that hold the supply chain together (See Figure 3).

- **Client interface:** The interface with microinsurance policyholders can be particularly time consuming and expensive relative to the premium amount. We are interested in supporting innovations, such as those that use mobile phones, point of sale devices and smart cards, and which could enhance efficiencies at different stages in policy administration process depicted above. The innovation should make it easier for low-income to use insurance, overcoming key constraints such as illiteracy or the remoteness of the target group. The key objective is to lower administrative costs while maintaining excellent customer service. Critical in this process is the training of front line staff, who are often unfamiliar with insurance themselves, to ensure that messages are consistently conveyed and processes properly followed.
- **Back office:** If the front end is the interface with the policyholders, the back office is the process that the clients do not see, such as the paper trail, data capturing and analysis. Innovation grants are intended to encourage experimentation with mechanisms, such as software to improve the efficiency of administration and claims processes, with links to accounting systems for effective audit trails, as well as mechanisms to effectively respond to queries and grievances from low-income policyholders.
- **In between:** Microinsurance often involves collaboration between multiple organizations. Innovations to facilitate improved linkages between organizations in the microinsurance supply chain can be a critical mechanism for improving both efficiency and scale. These innovations may also enable new players to become involved in microinsurance, such as cell phone companies or retailers that already engage in financial transactions with the low-income market, therefore expanding access to insurance.

Figure 3 Sample innovations for Round 5



These examples are merely indicative; other innovations that address the key issues are certainly welcome. Perhaps one of the most important issues is that the proposed innovation improves customer value, for example by reducing costs, increasing benefits, expanding availability, speeding claims servicing and/or improving transparency.

While larger grants may be provided to applicants that are ready to scale up a successful pilot, we also provide smaller grants (less than \$100K) to support modular improvements to specific operational areas that will significantly enhance efficiencies. This modular approach can assist in bringing about process improvements in different aspects of microinsurance operations.

Through the grantees selected in Round 5, we hope to be able to answer the following key questions which will help deliver enhanced client value and improve business models:

- What costs in the supply and servicing of microinsurance can be significantly curtailed, and how?
- To what extent can technology and process improvements reduce administrative costs and improve risk management?
- What are the costs and benefits of utilizing various types of technology (e.g. cell phones, smartcards, database software) to improve efficiencies?
- Can technology increase the value proposition for the poor, as measured by lower transaction costs, fewer claims rejections and faster claims payments, resulting in higher renewal rates?
- Can technology improve the integration of multiple actors involved in the design and delivery of microinsurance? What are effective ways of synchronising systems of risk carriers and their distribution partners?
- How can microinsurance providers significantly scale up their operations? How can they manage scale?
- How can new entrants to microinsurance, such as retailers, utilities and telecommunication companies, enable insurers to reach new markets?
- What obstacles are involved in introducing technology solutions for microinsurance, and how can those obstacles be overcome?
- To what extent does technology enable access to relevant data, leading to better decisions and outcomes?

WHO IS ELIGIBLE FOR INNOVATION GRANTS?

The Facility is looking for a diverse portfolio of grants across the developing world, with a focus on Africa, Asia and Latin America. Organizations eligible for grants include:

- **Risk carriers** such as insurance companies, semi-formal microinsurers, or federations of microinsurance schemes
- **Delivery channels** that have financial transactions with large numbers of low-income households, and have their trust and intermediaries that can link risk carriers and delivery channels
- **Insurance industry** actors such as third-party administrators or claims processing centres, technology service companies such as providers of hardware, software and database management services (in consortium with microinsurance providers), training centres or industry associations.

WHAT KIND OF
PROJECTS WILL BE
SUPPORTED?

We want to work with mature organizations with a proven track record in their core business. They should have internal control systems, the capacity to produce financial statements and provide regular updates on defined key performance indicators. Start-up companies should not apply.

Where possible, we prefer applications in which a microinsurance provider (broadly defined) in a developing country is the lead applicant – we are less interested in receiving applications from support organizations in developed countries, although they certainly could be part of a consortium. Technology companies should not apply for a grant by themselves, but in collaboration with microinsurance providers in order to test the intervention on the ground. If the grant application is on behalf of a **consortium**, one organization should be the lead applicant and would serve as the Facility's primary contact.

The Facility prefers to support efforts to expand, improve or build on existing microinsurance programmes. We are **not** seeking proposals for feasibility studies or market research.

We will not support the development of software that would be sold, at least not during the project period; we are interested in innovative solutions that are implemented in live microinsurance environments that will enable us to answer the key questions identified above.

With the possible exception of some small grants, the proposed projects should be designed so that they will be viable at the end of the grant period, either because they are self-sustaining or because additional resources are identified to continue the operations. Most projects are for two to three year periods.

The Facility is particularly interested in projects that have experimental designs, to compare and contrast different approaches, which will enable us to answer one or more of the key questions described above.

For all initiatives, applicants are expected to **contribute at least 25 percent** of the total project budget. Fees generated by services offered through the project cannot serve as counterpart contributions. In-kind contributions can be considered from not-for-profit applicants.

WHAT DOES THE
FACILITY EXPECT
FROM GRANTEES?

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

A central purpose of the Facility is to **document and disseminate lessons learned**. Grant recipients are expected to participate in an action research process that analyses and documents the lessons from their innovative efforts. This process includes providing financial reports and regular updates of the project, and reflecting why certain outcomes occurred (or did not). Grantees may be asked to

HOW WILL GRANTEES BE SELECTED?

allow the ILO's researchers on site to collect data and conduct studies. Grantees would also be expected to actively participate in practitioner forums, both virtual and in person, to share their experiences with other grant recipients as well as those interested in learning about microinsurance.

Grants will be issued in tranches; for grantees to be eligible for subsequent instalments, they must achieve the mutually agreed targets or milestones and be diligent about submitting timely reports.

The Facility's independent Steering Committee will select the applications that are most in line with our selection criteria described below. In this round, we have added a point system to illustrate that some criteria are more important than others.

Applicants should apply on-line on or before the 25 January 2011 deadline. The Facility may request additional information. All applicants will be notified by the end of June 2011.

For funding requests less than US\$100,000, the application process includes fewer questions, and does not require a financial model. For requests for more than US\$100,000, the application process involves two steps. First, interested organizations are requested to apply using the on-line application form on or before 25 January 2011. In April 2011, the Facility will short list approximately six to eight high-potential applicants for further proposal development. In the second step, we will work with short-listed organizations to develop their proposals to align the projects with the Facility's learning agenda. The Facility's independent Steering Committee will then select the project proposals that best fit the Facility's priorities.

TWO-STEP APPLICATION PROCESS FOR ROUND 5 GRANTS ABOVE \$100K



WHAT IS THE APPLICATION AND SELECTION PROCESS?

1. Applications: The ILO uses an on-line application process that can be accessed from the Facility's website (www.ilo.org/microinsurance). Please note that:

- The **deadline** for submission is 17:00 (Central European Time) 25 January, 2011. Applications received after the deadline will not be considered.
- Submission of on-line applications involves a secure, password protected process that begins with a user registration.
- Applications may be completed in one or more log-in sessions. An application in process will not be accessible by the Facility. We can only view the completed application after the applicant submits it.

WHAT ARE THE SELECTION CRITERIA?

- Applicants who experience difficulty with the on-line application or are unable to access the internet should contact microinsurance@ilo.org or telephone +41 22 799 67 86 well before the application deadline. To avoid last minute complications, applicants are encouraged to complete their submission as early as possible.

2. Evaluation and Selection Process

- The Facility may request additional information when reviewing applications.
- An independent committee will review the proposals and select those that best meet the selection criteria for each application window.
- Selected applicants will be notified by 30 June 2011.
- Before signing a contract with the ILO, prospective partners will prepare a detailed work plan and budget that form the basis for the milestones that need to be achieved during the project duration. Final approval of the project is subject to the satisfactory completion of these plans.

Applications will be evaluated based on the following criteria, where applicable. The Facility's independent steering committee, which selects the grantees, prioritizes applications that maximize benefits to clients.

1. Client and market assessment (15 points)

- 1.1 Will the proposed innovation reduce the vulnerability of low-income households?
- 1.2 Does the application consider the needs, preferences and characteristics of the target market, including both men and women?
- 1.3 Does the innovation have the potential to serve a large number of people?

2. Viable project idea (25 points)

- 2.1 Does the project aim at viability?
- 2.2 Does the concept seem achievable? Is it supported with credible evidence? Is the proposed scale attainable?
- 2.3 Has the applicant identified the risks associated with the project and proposed effective management strategies?
- 2.4 Does the regulatory environment allow for undertaking the project as proposed?
- 2.5 Is the budget appropriate for the proposed activities?

3. Applicant's capabilities (25 points)

- 3.1 Does the applicant have the capacity, technical expertise and commitment to handle this project?
- 3.2 Has the applicant shown an appropriate level of detail and clarity in completing the application?
- 3.3 Can the applicant generate adequate financial reports and are appropriate systems and controls in place? Is the applicant financially viable and stable?

- 3.4 Will the applicant provide at least 25% co-financing?
- 3.5 Does the applicant demonstrate capability to appropriately evaluate the impact of any new technology, in case being proposed in the application?
- 3.6 In the case of a consortium, are the organizations likely to collaborate effectively?

4. Strategic relevance (35 points)

- 4.1 Does the application fit into the Facility's priorities and research agenda?
- 4.2 Does it propose something innovative?
- 4.3 Will the initiative create value added for the poor, both women and men, for example by reducing costs, increasing benefits, expanding access or improving service?
- 4.4 If it succeeds, will it be replicable?
- 4.5 Will this project help answer some of the key questions regarding scale and efficiency listed on page 4?
- 4.6 Does this proposal contribute to Facility's diverse pool of grantees?

About the ILO

The **International Labour Organization** is the United Nations agency devoted to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Its main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues. The ILO is the only 'tripartite' United Nations agency in that it brings together representatives of governments, employers and workers to jointly shape policies and programmes.

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

Bill & Melinda Gates Foundation

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people-especially those with the fewest resources-have access to the opportunities they need to succeed in school and life. Based in Seattle, Washington, the foundation is led by CEO Jeff Raikes and Co-chair William H. Gates Sr., under the direction of Bill and Melinda Gates and Warren Buffett. Learn more at www.gatesfoundation.org or join the conversation on [Facebook](#) and [Twitter](#).

This grant is part of the foundation's Financial Services for the Poor initiative, which is working with a wide range of public and private partners to harness technology and innovation to bring quality, affordable savings accounts and other financial services to the doorsteps of the poor in the developing world. The foundation believes that setting aside small sums in a safe place allows people to guard against risks, build assets, and provide opportunities for the next generation.

The **Z Zurich Foundation** of Zurich Financial Services is funding Round 5. The Foundation's mission is to equip people with the knowledge and resources to better manage change and risk in their lives and the world around them. Microinsurance is a valuable mechanism in helping marginalised and vulnerable segments of the population to better manage risks.



ROUND 5
NOVEMBER 2010

MICROINSURANCE INNOVATION FACILITY: APPLICATION FORM

Deadline to apply:

To be considered in Round 5, grant applications must be submitted on-line to the Microinsurance Innovation Facility at www.ilo.org/microinsurance, by 17:00 Central European Time, 25 January 2011.

1. APPLICANT INFORMATION

1.1 Consortium applicant? Please check one: Yes No
If yes, please submit a completed Section 1 for each major consortium member, and identify which member is the lead applicant.

.....

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

.....

1.3 Name and title of contact person

.....

1.4 E-mail address

.....

1.5 Website

.....

1.6 Telephone number, including country code

.....

1.7 Fax number, including country code

.....

1.8 Mailing address, including country and postal code

.....



MICROINSURANCE INNOVATION FACILITY: APPLICATION FORM

1.9 Type of Organization: Please check the response which fits best

NON PROFIT	FOR PROFIT
<input type="checkbox"/> Academic/research institution	<input type="checkbox"/> Bank or non-bank financial institution
<input type="checkbox"/> Cooperative	<input type="checkbox"/> Insurance brokerage or agency
<input type="checkbox"/> Employer association	<input type="checkbox"/> Insurance company
<input type="checkbox"/> International NGO	<input type="checkbox"/> Technology company
<input type="checkbox"/> Labour union	<input type="checkbox"/> Third party administrator
<input type="checkbox"/> Local NGO	<input type="checkbox"/> Other for profit (specify)
<input type="checkbox"/> Mutual or cooperative insurance company
<input type="checkbox"/> Other non profit (specify)	
.....	

1.10 Purpose, mission or objectives of your organization

.....

1.11 Start date of operations

.....

1.12 Start date of microinsurance activity, if any

.....

2. PROJECT OVERVIEW

2.1 Project title (maximum 200 characters including spaces)

.....

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

.....

2.3 Product type (please select the response which fits best):

- a. Agriculture**
- b. Health**
- c. Life**
- d. Disaster**
- e. Property**
- f. Multiple risks/composite product**
- g. Other (please specify):**

MICROINSURANCE INNOVATION FACILITY: APPLICATION FORM

2.4 Country or countries where the project will take place

.....

2.5 Proposed total budget (in US\$)

.....

2.6 Proposed grant requested (in US\$) (Note: this cannot exceed 75% of the total budget)

.....

If the amount requested is less than US\$100,000, applicants only need to answer six of the nine questions (those marked with * in Section 3 of the grant application form), and they do not need to include a financial model (Annex 4).

2.7 Total duration of project (not to exceed 36 months)

.....

2.8 By the end of the project, how many low-income persons (not families) will benefit (e.g., n° of lives covered, n° of persons educated).

.....

3. PROJECT DESCRIPTION

Character limits: Please note the maximum length permitted for each question includes both characters and spaces. The on-line application form will not accept answers longer than these limits.

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

For small grants (< US\$ 100,000): Applicants only need to answer those questions (6 total) marked with an *.

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

***3.2** Describe the scope and approach to be undertaken. How will the activity address the problem(s) identified above for low income households? (4000 characters)

3.3 Describe the target market for this project. How large is it? What are the characteristics, including the risk management needs, of this group? Please indicate sources for these statements where relevant. (3000 characters)

- 3.4** If successful, to what extent could results from this project be replicated – where and how? (2000 characters)
- *3.5** What are this project's innovative or experimental features? (4000 characters)
- *3.6** State the 3-5 key questions the project is designed to answer, and what you expect to learn by undertaking it. (2000 characters)
- *3.7** How will you assess the results of the project and answer the questions stated in 3.6 above? (2000 characters)
- 3.8** What are the main risks associated with the project and how will they be mitigated or addressed? (3000 characters) What (and from where will) additional support be required (and obtained) to address the identified risks / challenges?
- *3.9** Explain the capabilities of the applicant(s) to make this project a success. (3000 characters)

For consortia, please indicate any previous experiences you have in working together. (2000 characters)

Annexes 1, 2 and 3 are required for all applications. Projects that are designed to generate revenue must also submit Annex 4. Applicants for small grants (< US\$100,000) do not need to submit Annex 4.

Templates for the budget (Annex 1) and the financial model (Annex 4) are provided on the Facility's website (www.ilo.org/microinsurance). If more appropriate, organizations are welcome to use their own formats. Excel documents should be in a printer-friendly format (e.g., formatted to print 1 page wide on A4 paper, font size 10 or larger, if multiple pages use repeating column and/or row headers).

Annex 1. Budget

Provide a budget (**in US\$**) of expenditures and funding over the duration of the proposed project which:

- Illustrates a proposed budget with a breakout for 1) grant funds, 2) funds from the applicant plus any other source, and 3) total funds from all sources (the sum of grant funds plus applicant & other source funds).
- Provides the breakouts listed above for each relevant activity period (e.g., a disbursement period or one year), as well as total, cumulative amounts for the full project period.
- Includes key assumptions (e.g., n° units, unit costs).

4. ANNEXES
(can be submitted as
Word, Excel or PDF files)

Annex 2. Resumes

Provide resumes or brief biographies of key personnel, not to exceed 2 pages per person.

Annex 3. Financial statements

Attach financial statements for the past 2 years (if available).

Annex 4. Financial model

Required for projects designed to generate revenue and for which the funding request exceeds US\$ 100,000.

Provide an illustrative cash flow model for the project showing the financial costs and benefits for the applicant and its clients. The model should:

- Project each relevant activity period (e.g., quarter or year), as well as a total, cumulative amount for the full project period.
- List key assumptions pertaining to items such as premium rate, number of policies, renewal rates, commission costs, claims and administrative ratios, IT and consulting fees, inflation, etc.
- Illustrate how the project will be sustained once the grant funds are spent.

Annex 5. Tables and graphs (optional)

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