



BIMA CHALLENGE FUND

Microinsurance refers to insurance products designed and tailored to meet the needs of low-income people. Evidence shows that microinsurance presents a business opportunity for insurers to expand their product portfolio and extend their market penetration by serving a wider low-income customer base. Some strategies employed by insurers and other market players to make insurance accessible to the low-income market include:

- simple coverage of essential risks faced by low-income people to make insurance more appropriate
- use of diverse distribution channels to make insurance more accessible,
- bundling benefits or embedding insurance in other financial services to make insurance more affordable and accessible,
- simplifying product access and claims processes to make insurance more responsive to the risk management needs of low-income people.

ABOUT THE BIMA CHALLENGE FUND

The **Bima Challenge Fund (BCF)** is a co-financing facility that aims to contribute to the acceleration of the development of an inclusive insurance market in Tanzania. Through the provision of financial assistance, BCF supports product design, experimentation and roll-out of innovative and customer centric insurance products that are affordable, accessible and responsive to the risk management risks for Tanzania's low-income market. The BCF is one of the market facilitation tools aimed at strengthening the supply of inclusive insurance in Tanzania. It is also part of prioritized interventions in the microinsurance development process for Tanzania, currently spearheaded by the Microinsurance Technical Working Group (TWG).

The BCF co-invests with insurers and other microinsurance actors in the microinsurance supply chain to make access to insurance work for Tanzanians especially those in the low-income market segments. The support under the MIAF BIMA Challenge aims to:

- help insurance companies develop products that offer better risk management solutions for the low-income market
- help insurance companies improve offerings of existing insurance products through improvements in scale, efficiency and client value,
- help market players strengthen viable models through greater investment in research and development,
- support investments from market players venturing into unfamiliar areas and hence requiring cost-sharing in their research and development phase or pilot testing of products and business models.
- build the capacity of insurers and distribution channels in product design and delivery.

Insurance can be an important risk management financial service that can help people mitigate and manage risks and protect their assets. Unfortunately in many countries, it is one of the least consumed financial services. In Tanzania, Finscope 2013 revealed that only 13% of adults have insurance. Innovations in product and delivery methods, particularly aimed at making insurance, appropriate, accessible and responsive to the risk management needs of the low-income people, have led to millions of low-income people being covered for various risks around the world. Tanzania's microinsurance market is small but growing, with a steady increase in the number of insurers contemplating to invest in products specifically designed for low-income consumers. Though currently dominated by simple life, funeral, hospitalisation and credit life, the sector is slowly changing as more insurers and other market players are contemplating engaging in this sector. A few active insurance companies are also contemplating providing better insurance product offerings. These are encouraging signals that the market is now starting to diversify and also offer appropriate and better insurance products to the underserved market segments. However, several interactions with the market players resonate the need for financial and technical support especially as the market players invest in testing products and distribution models in the pursuit of viability and delivery of superior consumer value.

Promoting the development of an inclusive insurance market is part of the broader goal of achieving financial inclusion targets within the Tanzanian National Financial Inclusion Framework.

FOCUS SUPPORT AREAS

The BCF is intended to contribute to scale, client value and sustainability of microinsurance products

SCALE

The BCF seeks to support projects that will increase penetration of insurance to the low-income market segment.

The BCF will support business models that provide access to insurance services for large numbers of low-income people into both urban and rural areas.

VALUE

The BCF seeks to support innovations that provide good value for money to low-income consumers.

The BCF will support consumer centric insurance products, that is, designed and tailed to the characteristics of the low-income consumers and addressing the real needs of this target market.

SUSTAINABILITY

The BCF supports the development of viable and sustainable business models.

The BCF seeks to support business models with realistic financial projections, feasibility assumptions and concrete expansion strategies or long-term plans to ensure insurance services are available to low-income consumers on-going basis.

ELIGIBILITY

The following local and international organisations are eligible to submit proposals to MIAF BIMA Challenge:

- Insurance companies
- Insurance brokers
- Insurance agents
- Reinsurers
- Mobile Network Operators (MNOs)
- Microfinance institutions, banks and other financial service providers
- SACCOs and other community based organisations
- Aggregators
- Affinity groups (such as churches)
- Payment service providers/ platform developers
- Non-government organisations

- Industry associations

Applicants that are not legally registered and appropriately licensed will not be considered. Copies of certificates of incorporation and all relevant licenses must be submitted. In case of distribution partnerships that do not fall under conventional insurance, permission or no objection must be obtained from the Tanzania Insurance Regulatory Authority or other relevant regulatory authorities and must be included in the application.

PROPOSAL SUBMISSION

Any proposal submitted for BCF from a non-insurance company wishing to roll-out an insurance product must have an insurance company as a partner. A signed letter of intent or partnership agreement **MUST** be included in the application pack. An insurance company or broker submitting a proposal to use a specific distribution channel(s) will also be required to submit a letter of intent or partnership agreement with the full proposal. The complete proposal submission pack comprises the following:

- Proposal - template provided by BCF
- Work plan – template provided by BCF
- Project budget – template provided by BCF
- Copies of licenses
- Capability statement or company profile
- Financial statements at least for 2 years
- Other supporting documents including product brochures, market research studies, business plans, product feasibility plans or reports etc.

All applicants to the BCF must use the application templates provided but free to include any additional supporting documents.

PROPOSAL EVALUATION

All proposals to the BCF will be assessed using the following evaluation categories:

1. Innovation (desirability aspect)	Score weight
What innovative features are being proposed in the project to ensure alignment to the characteristics, needs and preferences of the low-income market segment?	30%
2. Market orientation	
Does the project consider the needs, preferences and characteristics of the target market?	20%
3. Feasibility	
Is the proposed project feasible?	15%
4. Viability and sustainability	
What are the prospects for potential scale up and replication of the business model?	15%
5. Applicant's capabilities	
Core: Is the organization capable of implementing the proposed project?	10%
6. Applicant's commitment	
How is the applicant's demonstrated commitment to ensuring ownership and success of the proposed project?	10%

The evaluation process is expected to take no more than 10 weeks.

However, this timeline is dependent on the quality and completeness of the concept note and full proposal, as well as the timely submission of these documents. Significant delays in supply of information by applicant may cause cancellation of proposal consideration

The key ingredients of good proposals are indicated below:

- Applications must follow all guidelines
- Application forms and templates must be completed in full
- Strong demonstration of the business case; client and business perspective
- Strong demonstration of applicant ownership, investment and commitment
- Strong demonstration of capacity or organisational structure to effectively manage the project

The evaluation process is summarized below:

Initial assessment

Applicant will be notified on the outcome of the submission



Presentation

Applicant will be invited to make a presentation of their proposal to the MIAF evaluation panel.



Finalisation of the proposal

Applicant address any gaps and issues raised by the evaluation panel



Partnership agreement

- Negotiations, drawing up and signing agreements
- Depends on complexity

FINANCING MODALITIES

The BCF will provide financial support up to US\$100,000 per selected project. Funding requests can be for specified technical assistance, activity implementation or a combination of both.

Funding will be on a cost-sharing and/or reimbursement basis based on the agreed terms. The cost sharing proportions will be mutually agreed between FSDT and the applicant. The financing arrangements agreed will signed agreement between FSDT and the organisation.

The BCF will fund:

- Pilot-related activity costs in a product development cycle including but not limited to piloting new products, sales, marketing and customer care strategies and tools
- Technical assistance support (short-term or long-term specific to the initiative)
- Capacity building activities (e.g. training of staff of the insurance company or distribution partner).
- Research and development aimed at consolidating the business case, business model or assessing client value.
- Market research and feasibility studies at aimed at improving understanding of client needs or enhancing client value and product offerings.

The BCF will not fund:

- General operating costs of the organisation or its partner(s)
- Salaries for existing or new staff required to implement the project
- Purchase of fixed assets such as computers, furniture, printers, vehicles
- Premiums or transaction fees or license fees

1) Can one organisation submit proposals for more than one initiative?

Yes, there is no limit to the number of proposals that can be submitted by an organisation. However the proposed concepts must be completely different in each proposal.

2) Can an organisation seek clarifications as they write the concept note or full proposal?

Yes, BCF Managers will be available to address clarifications.

3) What currency should be used for the project budget?

United States Dollars

4) How much can we apply for?

Up to US\$ 100,000

5) Will applications seeking BCF funding beyond the ceiling be considered?

Yes, however, such proposal will have present a strong and compelling case.

6) What can be considered as co-financing by the applicant?

Financial & in-kind contributions based on the agreed terms

7) Is there funding for premium subsidies?

No, all core transaction aspects of the services are covered to ensure sustainability. Processes to ensure cost efficiency or strategies to make services affordable and accessible can be funded.

8) What currency should be used for financial projections?

Tanzania shillings

9) What level of confidentiality will be provided in information supplied?

All information remains confidential between applicant and BCF. Signed financing agreements will include non-disclosure clauses.

10) How long is the evaluation process?

Ideally within 8- 10 weeks if it is good and clear proposal. However, the process could be longer, if the selected applicants are not responsive to the queries of additional information requested on their proposals.

The BCF is one of the supply-strengthening tools in the Microinsurance Development Process for Tanzania spearheaded by the Microinsurance Technical Advisory Group and supported by the Tanzania Insurance Regulatory Authority and Deepening Trust (FSDT)

BCF is a:

Catalyst for private sector investment in inclusive insurance for Tanzanians

Stimulant for innovations required to develop and deliver appropriate risk management solutions

Support for investments by market player in unfamiliar territories

Promoter of profitable business models that extend insurance services to under-served or un-served population segments

Contributor to knowledge of viable models for inclusive insurance services for Tanzania

Complement to FSDT's FinDrupt initiative

Interested organisations can obtain information on BCF from:

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Bima Challenge Fund

Financial Sector Deepening Tanzania (FSDT) is a donor-funded organisation with a mandate to increase financial inclusion in Tanzania. FSDT was incorporated in Tanzania on 1st July 2004 with an overall aim to develop a deeper financial system that can provide greater access to finance to more Tanzanians. The mission is to generate sustainable improvements in the livelihoods of poor households through reduced vulnerability to shocks, increased incomes and employment achieved through providing greater access to financial services for more men, women and enterprises. FSDT's vision is to achieve improved capacity and sustainability of the financial sector to meet the needs of MSMEs and poor men and women and to contribute to economic growth.