



MICROINSURANCE REGULATORY FRAMEWORK

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Definition of Terms

Insurer/Underwriter – means a registered entity in terms of the Insurance Act [Chapter 24:07] to offer either non-life insurance or life insurance.

Microinsurer – means an entity registered in terms of the Insurance Act to offer microinsurance business.

Microinsurance - For purposes of this framework, IPEC adopts the International Association of Insurance Supervisors (IAIS)'s definition of microinsurance, which is:

“Insurance that is accessed by low-income populations, provided by a variety of different entities, but run in accordance with generally accepted insurance practices.”

Put simply, microinsurance is insurance which is appropriate for the low-income market earning below the Poverty Datum Line as published by the Zimbabwe Statistics Agency (ZIMSTAT) from time-to-time and informal sector in respect to cost, terms and conditions, coverage, and delivery mechanisms (though anyone else including high net individuals can buy such products).

The risks insured under microinsurance should always be managed based on insurance principles and funded by premiums to enable the creation of an adequate insurance pool.

It is important to note that microinsurance is not necessarily the provision of insurance by “small” entities but is more to do with the product features, target market, and accessibility by low-income earners including the informal sector.

Microinsurance business means the provision of insurance products to low-income segments of the population in terms of cost, scope, coverage, and delivery mechanism. Motor insurance products are excluded from products that can be underwritten under the microinsurance licence.

Licence – means a registration certificate issued in terms of the Insurance Act [Chapter 24:07].

Commission – means the Insurance and Pensions Commission (IPEC)

established in terms of the Insurance and Pensions Commission Act [Chapter 24:21].

Aggregator/ Administrator– means an intermediary that already has its own channel of distribution (which may not necessarily be for insurance business) and is used by the microinsurer as a means of distribution of insurance. Usually, they are used for payment of premiums and/or claims settlement.

Conventional Insurance Products– in terms of this framework, means insurance products offered by conventional (traditional) insurers that are not solely registered for microinsurance.

Hospital Cash Plan – a type of insurance that pays a fixed monetary amount to the insured person for spending a specified number of night(s) as an in-patient in a hospital due to medical reasons. This insurance is meant to cover other related expenses, including loss of income during the hospitalisation period.

Policyholder - A person or entity who owns or controls an insurance policy and has the privilege to exercise the rights outlined in the contract. This party is often, but not always, the insured and may or may not be one of the policy's beneficiaries.

Abbreviations and Acronyms

IPEC – Insurance and Pension Commission

MNO – Mobile Network Operator

TCF – Treating Customers Fairly

IAIS – International Association of Insurance Supervisors

SACCOs – Savings and Credit Cooperative Organisations

ICT – Information Communication Technology

MSMEs – Micro, Small and Medium Enterprises

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1 Executive Summary

- 1.1** The Microinsurance Regulatory Framework maps out the path for regulation and supervision of Microinsurance in Zimbabwe. Microinsurance is insurance, which is appropriate for the low and irregular-income market in respect to cost, terms and conditions, coverage and delivery mechanisms. It is designed and delivered in accordance with insurance principles. It shall be IPEC's prerogative to classify existing or new products as microinsurance upon request.
- 1.2** Index Insurance products such as Area Yield Index Insurance and Weather Index Insurance will have separate guidelines and market conduct regulations.
- 1.3** All microinsurers are prohibited from writing motor insurance.
- 1.4** The primary objective of this framework is to promote the development of microinsurance in Zimbabwe by establishing a basis for the regulation and supervision of microinsurance activities and providers. The basic characteristics of microinsurance will be simplicity, affordability, accessibility, valuable, efficiency, flexibility, smaller coverage and proportionally smaller benefits.
- 1.5** The framework outlines the process to be followed in the licensing of players involved in microinsurance which include agents, aggregators, and microinsurers. Conventional insurers will be allowed to offer microinsurance products, which need to be approved by IPEC before they can be launched. Microinsurance products can be bundled with other insurance products, other financial products or non-financial products.
- 1.6** The framework also outlines basic thresholds for microinsurance products in terms of sums insured, premiums, waiting periods, exclusions, grace periods, disclosure requirements, claim settlement processes, use of ICT, market conduct, and prudential requirements to be followed in Zimbabwe.

2 Introduction and Background

- 2.1.1 Conventional insurers have traditionally focused on high income and corporate segments as their core market. Accordingly, their business models, including products, cost structures, geographical presence, distribution networks and servicing infrastructure, have been built with this focus. In this regard, low-income segments have traditionally been viewed as unattractive due to various reasons: too low individual premium sizes given per-policy fixed costs; premium calculation seen as more complicated due to limited data availability; and the nature of the demand and risks of this segment was unknown.
- 2.1.2 In the absence of risk management mechanisms for those with low- and irregular-income earners, many end up adopting undesirable coping mechanisms such as borrowing from family and friends, taking loans, selling their assets, or cutting on education and health expenditure. Various studies indicate that generally the underserved market considers insurance a 'sunk expense' and have a negative perception towards insurance. These factors have contributed to the low uptake of insurance among low-income populations. Resultantly, their lives and assets are exposed to multiple risks, thereby undermining their ability to generate income and accumulate wealth.
- 2.1.3 In line with the National Financial Inclusion Strategy, IPEC took a deliberate policy initiative to develop the microinsurance sector in Zimbabwe. This culminated in the launch of the first Microinsurance Regulatory Framework in Zimbabwe in 2017. The Microinsurance Regulatory framework coincided with the first National Financial Inclusion Strategy 1 (NFIS 1 2016-2020).
- 2.1.4 The NFIS 1 has since been succeeded by the National Financial Inclusion Strategy II (2022-2026), which was launched in 2022.
- 2.1.5 Financial Inclusion is one of the key objectives under the National Development Strategy 1 (NDS1) 2021-2025, whose thrust is wealth

creation, poverty eradication, and promoting sustainable livelihoods of all Zimbabweans in line with Vision 2030. In line with the NDS1 and NFIS II, as well as regional trends, the IPEC reviewed the 2017 Microinsurance Regulatory Framework to support the financial inclusion agenda in terms of poverty eradication, gender equality, and attainment of Vision 2030 and the 2030 United Nations Sustainable Development Goals (SDGs).

- 2.1.6 The results of the 2022 FinScope Consumer and SME Survey show that under NFIS I, Zimbabwe registered remarkable progress on the access dimension which continues to play a key role in the financial inclusion of vulnerable and underserved groups. The financial inclusion gap significantly declined with 83% of the adult population formally served in 2022, up from 69% in 2014, while financial exclusion reduced from 23% in 2014 to 12% in 2022.
- 2.1.7 While the country registered remarkable progress on the overall financial inclusion position, the uptake of individual insurance products among the adult population remained low at 22% in 2022 down from 26% in 2014. Uptake of insurance remain driven largely by mandatory motor insurance. About 72% of the population does not have any form of insurance. The statistics show that a huge market remains untapped.
- 2.1.8 The NFIS II (2022-2026) seeks to consolidate the gains made under the NFIS I (2016-2020) and ensure the existence of an inclusive financial sector that broadens access to and use of financial services by all with the view of enhancing social and economic development. The NFIS II identifies insurance as one of the critical sectors in the financial services sector.
- 2.1.9 One of IPEC's goals is to facilitate the growth, development, and access to insurance products and services across all segments. This will contribute to inclusive growth, economic development and drive insurance penetration. Informed by the NFIS II, IPEC came up with an inclusive insurance strategy targeting low-income persons such as micro,

small-to-medium enterprises, smallholder farmers, vendors, and other low-income earners.

2.1.10 This guideline is therefore meant to provide a structured and comprehensive framework for regulating microinsurance activities in Zimbabwe. The guideline is applicable to both microinsurance products and institutions that offer such products. The development of the framework has been motivated by the need to pay special attention to the microinsurance sector in support of the financial inclusion agenda and to address the inadequacies of the mainline regulatory framework, which provide partial guidelines for the licensing and regulation of microinsurance products and entities. The regulatory framework also seeks to close regulatory arbitrage presented by the opportunities in the microinsurance space.

2.1.11 The mainline regulatory framework is not designed with primary attention to the bottom of the pyramid consumers. Without dedicated risk management solutions for this market segment, the sector remains outside the formal financial system. Current microinsurance products being offered in Zimbabwe include funeral, legal aid, credit protection, agriculture index and hospital cash plan. Some entities offering these products are not registered with IPEC, contravening the Insurance Act. It is a requirement that all entities offering microinsurance products are formalised under this framework. The Commission has witnessed an interest in agriculture index insurance being developed in the market on a pilot basis. Regulation of agriculture index insurance will be provided for under the Agriculture Index Insurance Regulatory Framework.

2.2 Microinsurance Framework

2.2.1 The Microinsurance Framework is issued in terms of Section 6 of the Insurance Act [*Chapter 24:07*] and in line with Insurance Core Principles. Further, this microinsurance framework should be considered in the broader context of Zimbabwe's National Financial Inclusion Policy.

2.2.2 Low-income households are vulnerable to risks and economic shocks and one way they can protect themselves is through insurance. Microinsurance can be used as a poverty alleviation strategy that assists low-income households to manage risk by providing them with a sense of financial confidence in the face of significant vulnerabilities such as death, injury and illness, loss of property, effects of climate change and other contingent events. The growth of the informal sector, MSMEs and small-scale agricultural sector have also remained largely uninsured, thereby exposing these segments to risks, which can be managed by insurance.

2.2.3 It is against this above background that the microinsurance regulatory framework is being espoused to encourage the development of an insurance sector that promotes poverty alleviation, financial inclusion, and the broader economic initiatives under Vision 2030. In pursuit of this agenda, the framework is underpinned by the Commission's desire to reform the insurance market. Insurance providers should be appropriately licensed. Microinsurance regulations should be of universal applicability and be comprehensive in scope to reduce regulatory arbitrage. Market conduct must be sufficiently strong to complement prudential regulation.

2.3 Microinsurance Framework Objectives

2.3.1 The primary objective of this framework is to promote the development of microinsurance in Zimbabwe by establishing a basis for the regulation and supervision of microinsurance activities and providers. In doing so, the Commission intends to create an environment in which an optimum balance is created between minimizing regulatory barriers to financial inclusion on the one hand and putting in place effective measures to promote and protect the interests of policyholders and good market conduct on the other. To the extent that these objectives can be achieved, the Commission can contribute towards a stable financial sector for the benefit of all.

2.3.2 Given the foregoing macro-objectives, this regulatory framework is therefore designed and expected to achieve the following specific objectives:

- a) Define the scope of microinsurance activities.
- b) Ensure protection of the insuring public.
- c) Establish the licensing framework for microinsurers and products.
- d) Establish minimum prudential and market conduct standards for microinsurance business and
- e) Foster the development of microinsurance activities.

3 Microinsurance Regulatory Framework

3.1 Criteria for Microinsurance Product Design

3.1.1 In general, microinsurance products should have the following characteristics:

Simplicity - The policies, conditions, procedures, and distribution must be simple. Microinsurance should be simple in product design, underwriting conditions, premium collection, language (where possible vernacular language) and simple claims handling processes. The lack of actuarial data in many cases should be taken into consideration to make the product easy to understand. Microinsurance contract provisions must be stated in simple terms and if possible, written in simple English and /or appropriate local language with no fine print.

Flexibility – The low-income segment of the society is not homogeneous, hence the need for microinsurance products that are customised to meet the community's needs.

Affordability – Premiums and coverage should be kept low to make products affordable to the target market.

Understandability – The product must be easily understood by low-income people with low literacy levels.

Accessibility – Microinsurance products must be accessible to the target market in terms of purchase, premium payments, and claims. Microinsurance ensures insurance reaches the remote sections of the society, ensuring low- and unstable-income people get risk protection.

Valuable – Microinsurance products or services should be designed to meet the needs of clients, be beneficial, fair in price and coverage.

Efficiency - The delivery/distribution channels must be efficient to both the insurer and the policyholders.

Smaller Coverage with Proportionally Smaller Benefits – Microinsurance products will have sum insured/assured limited to US\$2,000.

- 3.1.2 IPEC will also ensure that during product approval process, the above basic principles are met, and that the product meets the Treating Customers Fairly (TCF) principles and consumer protection standards as shall be directed by IPEC from time-to-time.
- 3.1.3 The Commission shall have the sole prerogative of designating products as microinsurance, using its internal verification process. In doing so the Commission will at its discretion refuse to designate certain products as microinsurance and give reasons for such refusal. A product can only be launched as microinsurance after it has been designated as such by the Commission.
- 3.1.4 In this framework, the following products or risks shall not qualify under the definition of microinsurance:
- a) Special risks - unique risks which are not underwritten based on the principle of pooling of risk;
 - b) Motor insurance;
 - c) Professional indemnity;
 - d) All risks with a sum assured in excess of US\$2,000 or equivalent at the

interbank rate as published by the Reserve Bank of Zimbabwe; and Schemes such as social welfare and emergency assistance provided by Government and Non-Governmental organisations where no premiums are charged and there are no contractually guaranteed benefits.

3.2 Product Approval Requirements

3.2.1 Microinsurance products shall have the following minimum features and standards:

i. Risk Only and Savings Products

- a) Microinsurers may offer risk-only products and are not allowed to underwrite products with savings components and surrender values.
- b) A microinsurer can, however, as an incentive to clients to renew policies, offer a limited level of cash-back component on its product.

ii. Group Underwriting

- a) Insurers providing microinsurance products are also allowed to underwrite policies on a group basis.
- b) Where group underwriting is applied, no price discrimination will be allowed between individuals within the group.
- c) The master policyholders shall disclose all the premium payable by each member of the group and the benefits payable to the members at the inception of the contract.
- d) Waiting period is allowed for a member joining a group micro-insurance product.

Where policies are underwritten on a group basis, insurers shall not cancel (or refuse to renew) individual policies within the group, unless approved by the group representatives. Should the insurer no longer find the level of risk acceptable, it may increase the premiums for the whole group or decline to renew the policies for the whole group, with a minimum of one month's notice provided to the:

- a) policyholders in either case.
- b) Microinsurance asset, accident, and hospital cash plans must

disclose the number of claims (and the monetary limit thereof) per annum and per defined insurance period.

iii. Sum Insured/Assured

- a) The maximum sum insured under a micro insurance policy shall be limited to US\$2,000 or its equivalent in local currency. This limit may be reviewed by the Commission from time to time. Current contracts with sum insureds greater than US\$2,000 will run until the end of their contract terms after which renewals will be limited to US\$ 2,000 sum insured.
- b) For life and funeral microinsurance policies, benefits should be provided on a sum assured basis. All microinsurance policy benefits should be defined on a sum assured basis.
- c) Where more than one person is insured under a single policy (group cover), the cap (sum insured) will apply separately to each insured life and not collectively to the policy.
- d) In addition, where the master policyholder in a group cover has the right to determine the pay-out made to the individual policyholders, the method or formula used by the master policyholder to calculate the pay-outs must also be submitted to the Commission for approval.
- e) For bundled products, the sum insured cap will apply separately to each coverage of a bundled product and to each person insured under a coverage.
- f) However, notwithstanding the above, a microinsurance underwriter may be allowed to sell multiple policies to a single policyholder provided that the total sum insured per risk event category does not exceed the maximum limit of US\$2,000.
- g) Insurers will be permitted to structure policies to allow claims to be paid in instalments if this was provided for in the contract. For example, a micro-insurance policy may pay 50% as a lump sum to address the risk event with the remaining balance being paid monthly as a form of income replacement. This condition should be set in advance in the policy document as opposed to at the time of claim settlement.

iv. Premium

- a) Microinsurance underwriters should charge viable premiums affordable to the targeted low-income earners.
- b) The underwriter must secure sign-off by an actuary on the total premium including all its components for all new microinsurance products, as well as any changes in the pricing. The sign-off on the total premium should allow for scrutiny regarding the proper allocation of expenses, commissions, loss ratios as well as allow for profit and investment income.

v. Commission Regime

- a) A microinsurance underwriter will be required to apply for the approval of commissions as part of the product approval process. The commission levels will be approved on a case-by-case basis guided by the profitability of the product and ability to meet claims.
- b) Where group underwriting is applied, no price discrimination will be allowed between individuals within a group other than based on age at entry and level of cover.

vi. Microinsurance Contract Term

- a) Microinsurance policies, except for funeral policies, shall have a maximum contract term of 12 months unless explicitly written authority from the Commission has been obtained.
- b) All funeral products shall be guided by the Funeral Directive as may be issued from time-to-time.
- c) To avoid interruption of cover, microinsurance policies should be renewed at the end of each contract term without the need for a new policy document. This condition should be specified in terms and conditions of policy. The only provision for renewal is that the policyholder continues to pay the premium.

vii. Waiting period

As is the case with conventional insurance products, waiting periods are also applicable to microinsurance products. However, the following waiting periods should be observed:

- a) There should be no waiting period on non-life microinsurance products in the case of accidental deaths on life products.
- b) The waiting period in microinsurance policies should be restricted to a maximum of three months.
- c) Group appropriate waiting periods should be allowed for hospital cash plan products with an up to 9 months' period allowed for maternity health benefits.
- d) No waiting period shall apply on the renewal of an existing policy.
- e) Waiting period is allowed for a member joining a group microinsurance product.

viii. Exclusions

- a) Microinsurance policies should cover perils and have limited exclusions which are well justified.
- b) Having limited exclusions reduces repudiation of claims and at the same time makes the claim process easier and promotes consumer confidence.
- c) No exclusion on group policies for pre-existing conditions. For individual policies, pre-existing conditions can be excluded, and the policyholders should be made aware.
- d) A microinsurance underwriter must indicate any exclusions in the policy document.

ix. Grace period

- a) To ensure that the policyholder is not unduly disadvantaged by irregular cash flow, a grace period which takes into cognisance the irregular income shall apply.
- b) The grace period shall apply after each premium instalment due date. If a policyholder submits a claim within the grace period, the value of the claim may be reduced by the sum of the unpaid premium(s).

x. Product Bundling

- a) Microinsurance products can be bundled (bought together) with other insurance products which can be microinsurance, other financial products or non-financial products. For example, life and non-life microinsurance products; microinsurance products with microfinance products such as loans; and microinsurance products with non-financial products such as fertilizers and groceries.
- b) In the case of product bundling, a single microinsurance underwriter should underwrite the microinsurance bundled product. Bundling of life and non-life products of microinsurance business is permitted for micro-insurers. Conventional insurers are permitted to bundle products provided that separate accounts are maintained for the microinsurance products from the conventional business.
- c) Non-insurance companies, such as microfinance institutions, burial societies, banks (bancassurance) and mobile network operators are permitted to offer microinsurance products only as agents of registered insurance companies. Regulatory approval should be sought for the appointment of agents by the registered insurer. The premium associated with each risk cover bundled in a product should be individually identified and must be individually disclosed to the customer, who, where applicable, should also have the right choose the insurer to cover that risk except under a “freemium model”.

xi. Product and Premium Review Regulation

A microinsurance underwriter shall apply to the Commission for the approval of its microinsurance product(s) in line with the Product Approval and Premium Review Framework to be developed specifically for microinsurance and the Funeral Directive. A microinsurance underwriter will only proceed with the launch of a new product upon receiving written approval from the Commission.

xii. Information To Be Submitted

An application for a microinsurance product approval shall include the following at a minimum:

- a) Sample policy document;
- b) Summary of the policy features, which at a minimum, must include:
 - i. the risk events covered;
 - ii. sum insured (benefits level);
 - iii. premium;
 - iv. exclusions;
 - v. commission and fee structure;
 - vi. sales processes stating the key service providers; and
 - vii. claims procedure indicating what triggers a claim, the documents needed to submit a claim and the turnaround time;
- c) Service level agreements with key service providers, if any;
- d) Complaints handling procedures; and
- e) An actuarial report and certificate as proof of sign-off. The actuarial report should include the description of the product, breakdown of the total premium clearly showing the pure risk premium, commission, expenses, profit margin and any other loadings, assumptions used in determining the premium, the level of business that results in the viability of product (break-even point) and level of capital required to sustain the product, and stress testing results. If there is need for additional capital in the case of an existing microinsurance underwriter seeking approval for a new product, this must be clearly indicated.
- f) Any other information that may be requested by the Commission.

3.3 Product Approval Requirements

- a) The Commission shall approve a microinsurance product if it meets the criteria set out in Section 3.2.1 above.
- b) Any material changes to the product design should be approved by the Commission. The microinsurance underwriter must receive written approval of the changes before they are implemented in the market.

3.4 Disclosure Requirements

- 3.4.1 To enhance the policyholders' understanding of the product prior to entering an insurance contract, the policy document should be written in simple and clear language. The policy documentation including marketing material must be written in simple English or vernacular languages where English documentation has been appropriately and correctly interpreted.
- 3.4.2 In addition to the policy document, microinsurance underwriters should educate intermediaries (as outlined under 9.2.2) regarding the features of the microinsurance products they offer to enable informed choices and decisions regarding the purchase of microinsurance products. Microinsurance underwriters will also be required to disclose fully all the features of the policy.
- 3.4.3 A sample policy document should be made available to the customers before entering the insurance contract. The policy document can be electronic or otherwise. This document should contain a policy summary which should at a minimum contain the following information:
 - a) Name of the insurer or microinsurer and address of its principal office and customer care contact details,
 - b) Policy number and policyholder's details,
 - c) The sum insured or benefits,
 - d) A description of risks insured and any exclusions or limitations that apply,

- e) Premium amount (there should be separate premiums for bundled products),
- f) Cover period and the renewal process,
- g) Intermediary disclosure,
- h) Disclosure obligations on the part of the policyholder before entering the contract and the implication of the policyholder giving a self-declaration on the truthfulness of the information supplied including consequences of deliberate misinformation,
- i) How the policyholder should pay the premiums and the consequence of non-payment,
- j) When where and how the policyholder can claim, and the documents required to make a claim; and
- k) The correct procedure to submit a complaint.

3.4.4 The full terms and conditions should be available when the policy document is delivered. When alternative distribution approaches are used, the underwriter should satisfy the Commission that the full terms and conditions are easily available to the individual policyholder and/or the institution if the policy is taken by an institution.

3.4.5 The underwriter must make sure the prospective policyholder understands the contents, terms, and conditions of the policy. Acceptance of such terms shall be stored wholly in written form, electronic means or recorded verbal agreement.

3.5 Issuance of Policy Document

3.5.1 The microinsurance underwriter or intermediary must issue the policyholder with a receipt, be it in printed or electronic format, within 48 hours after premium payment has been made.

3.5.2 A new policyholder must receive confirmation through a policy number that he or she is a policyholder within five (5) working days of payment of the first premium.

3.6 Premium Reviews

- 3.6.1 Should the underwriter no longer find the level of risk acceptable, it may decline to renew the policies or increase the premiums, but should give at least one month's notice, to the policyholders in either case .
- 3.6.2 The underwriter should apply to the Commission for the approval of premium reviews, providing the rationale for the desired changes. The premium rates can be revised at any point during the year for new policies sold or existing policies.
- 3.6.3 Where the age profile of the group changes, the underwriter may reprice for the group, but not for individual members.

3.7 Policy Renewal

- 3.7.1 Renewable microinsurance policies shall be renewed at the end of the contract term without the need for a new policy document subject to payment of premium. The underwriter should notify the policyholder that the last premium of the current policy term has been paid and that the next contract term will automatically start with the next premium payment.
- 3.7.2 An underwriter must provide this notice one month in advance of the renewal date. Such notice shall clearly state the renewal premiums and benefits of the policy.

3.8 Claim Payments

- 3.8.1 From the date of receipt of all the required submissions, a decision shall be made and communicated to the policyholder within seven (7) working days on the outcome of the claims application. Further, once the claims authorisation process has been finalised, the claim shall be settled within three (3) working days. This is subject to guidelines as issued from time-to-time.

3.8.2 After the microinsurance underwriter has made the payment, the claim payments must be confirmed to the policyholder/beneficiary with some kind of receipt or communication, be it in printed or electronic format.

3.8.3 Where a claim notification is received by an agent, such notification shall be deemed to have been received by the microinsurance underwriter.

3.9 Claims Documentation

3.9.1 Microinsurance underwriters should appropriately balance the burden of making claims on consumers (e.g. by streamlining processes and requiring minimal documentation) with the need to effectively contain fraud and misuse. They are encouraged to regularly reassess this balance.

3.9.2 For example, to claim a death benefit, the required documentation should be limited to a death certificate (proof of death) and some form of identification of the deceased and beneficiary. In addition, burial order advice from chiefs, church leaders, or the leadership of a group in the case of group schemes as agreed at inception can serve as a death notice.

3.9.3 Claims documentation for any product should be indicated in the respective policy document.

3.10 Revocation of Products in the Market

3.10.1 The Commission may revoke its approval of a microinsurance product if at any time, it considers that the product no longer satisfies the criteria for microinsurance.

3.10.2 The product ceases to be regarded as microinsurance from the date of the revocation or such later date as may be specified in the revocation notice.

3.10.3 A revocation notice shall not affect the status of any subsisting microinsurance contracts. The revocation does not nullify any existing

policies; and in respect of these the underwriter will still be expected to honour its contractual obligations as if no revocation had taken place.

3.11 Use of Information Communication Technology (ICT)

3.11.1 The Commission encourages the use of technological innovations and ICT applications in microinsurance throughout the value chain, ranging from client registration, underwriting, premium collection, risk management and administration as well as claims management to client servicing and payment among other issues to reduce costs and increase customer satisfaction.

3.11.2 It is permissible for the submission of the required documentation when applying for microinsurance and making claims, to be done through electronic means.

3.11.3 The collection of electronic signatures on mobile phones (or similar ICT methods) may serve as client confirmations, to satisfy the Know Your Customer (KYC) / Customer Due Diligence (CDD) measures to conclude a valid insurance contract.

3.11.4 The Commission accepts replacement of policy summary with Short Message Service (SMS) or similar ICT methods that contain the same information as required above. The master policy should be lodged with IPEC and the administrator in case of group microinsurance schemes.

3.11.5 Notice of premium changes, policy cancellations and renewals can also be communicated through the SMS platforms (or similar ICT method).

3.11.6 The use of mobile systems for premium and claim payments, receipting, information dissemination or any policy related transactions to the extent made possible by the National Payment Systems Act [*Chapter 24:23*] and the Cyber and Data Protection Act [*Chapter 12:07*] regarding the use of mobile payment systems, cyber and data protection is also permitted.

3.11.7 The use of mobile systems in the microinsurance space should be made clear to policyholders and relevant controls should be put in place to ensure client confidentiality and information security and storage.

3.11.8 If a microinsurance underwriter enlist the services of a service provider with regards to policyholder information processing and/or storage, there should be a Service Level Agreement ensuring client confidentiality and information security.

3.11.9 Microinsurance providers are encouraged to adopt appropriate delivery channels that promote outreach to the targeted market while observing sound risk management practices.

4 Registration Requirements

4.1 All entities that want to operate as microinsurers shall be subject to licensing.

4.2 Microinsurance licences will be subject to renewal after every five years.

4.3 Entities doing business outside the insurance space should not carry insurance risk on their balance sheets. If entities intend to carry insurance risk on their balance sheets, they should be appropriately registered as microinsurers or insurers.

4.4 In licensing microinsurers, the principle of proportionality, in terms of the nature, scale, and complexity of the entity and risk profile will be taken into consideration.

4.5 Requirements for registration as a microinsurer can be accessed on the IPEC website via this link: <https://ipec.co.zw/licensing-requirements/>.

5 Transitional Arrangements

5.1 All licences for already registered microinsurers to be withdrawn upon the effective date of this framework and issued with new licences with an expiry date after five years.

5.2 The Commission may review the five-year term upon the expiry of the first five years of implementation of the framework in view of the performance of the microinsurer.

6 Conventional Insurance Companies

6.1 All conventional insurance companies underwriting life and/or non-life are permitted to develop and market microinsurance products, without having to apply for a separate microinsurance licence, provided they:

- a) Seek and obtain prior IPEC approval of their products in line with this framework,
- b) Continue to meet and maintain their licensing requirements,
- c) Report separately their microinsurance business as may be required by the Commission, and
- d) The insurer must have a working unit or an employee who is assigned to the task of micro-insurance development exclusively or along with other tasks.

6.2 However, life insurers shall not issue a purely non-life microinsurance policy unless bundled with life microinsurance product(s). Conversely, a non-life insurer shall not issue a purely life microinsurance policy unless bundled with a non-life microinsurance product.

6.3 Existing licensed insurers are allowed to use the same management and company structures for both the conventional and microinsurance business but should file separate returns for their microinsurance business. This, however, does not bar these insurers from applying for separate microinsurance licences (downscaling) should they desire to do so. Microinsurers may also apply to upgrade to conventional insurance, provided they meet the registration requirements.

6.4 The conventional insurers will not require additional capital to conduct microinsurance business provided their existing capital is adequate for both conventional and microinsurance business.

conventional and microinsurance business.

7 Entities that can be licensed as Microinsurers.

7.1 Entities intending to be registered as microinsurers should first apply to the Commission for approval of their company name to be used. This is meant to avoid the use of misleading names and names already being used by registered insurance entities.

7.2 Once the name is approved, such entities can proceed to register with the Registrar of Companies in terms of the Companies Act.

8 Corporate Governance Requirements

8.1 The corporate governance requirements for microinsurance are outlined in the Directive on System of Governance and Risk Management for Insurance Companies.

8.2 All microinsurers will be required to adhere to current good corporate governance requirements, including the need for transparency, integrity, and the need for skills diversification both at management and board level.

8.3 If the microinsurer is part of a group that includes licenced general or life insurance companies, the microinsurer will be allowed to use the same management and company structures as the non-life or life insurance company. However, the entity should have a separate balance sheet, bank accounts and investments for microinsurance business.

9 Prudential Regulation

9.1 Separation of Business

9.1.1 Registered microinsurers must only provide insurance risk transfer products and are not permitted to offer non-core insurance business such as the provision of financing or burial services.

9.1.2 Every registered microinsurer is also required to maintain separately the Policyholder Funds and the Shareholder Funds.

Policyholder Funds and the Shareholder Funds.

9.2 Minimum Capital Requirements

9.2.1 The minimum capital requirements for microinsurance companies will be contained in the relevant statutory provisions and may be reviewed from time to time.

9.3 Implications of Zimbabwe Integrating Capital and Risk Programme (ZICARP)

9.3.1 To enhance financial stability and protecting policyholders, capital will be calculated based on the characteristics of risks associated with the insurer or microinsurer (risk based).

9.3.2 Consequently, there will be solvency and minimum capital requirements for each microinsurer.

9.3.3 The capital composition for microinsurers shall be subject to the following limits:

	Type of Investment	Upper Limit	Lower Limit
a)	Prescribed Assets	20%	N/A
b)	Properties	20%	N/A
c)	Quoted Shares	40%	N/A
d)	Unquoted Shares	10%	N/A
e)	Money Market	50%	N/A
f)	Cash	60%	50%
g)	Other	5%	N/A

9.3.4 Explanatory notes on types of investments:

- i) Properties include buildings and land (developed or not developed). There must be title deeds to these properties. For the purposes of calculating solvency margin any properties without title deeds should not be included as assets. Micro insurers shall only buy properties for the purpose of occupation or providing office accommodation to its staff and management (not for commercial purposes)' However this will not deny the company the opportunity to let out excess space.

- ii) Quoted shares are shares that are tradable on the Zimbabwe Stock Exchange (ZSE) or Victoria Falls Stock Exchange (VFX) and Zimbabwe Mercantile Exchange (ZMX) or any other registered securities exchange in Zimbabwe.
- iii) Prescribed Assets are bonds/securities, issued by central government, local government, quasi-government organisations or any other bonds/securities and private projects that may be accorded prescribed asset status by the Minister from time to time. (See definitions given in the Insurance Act [*Chapter 24:07*] and the Pension and Provident Funds Act [*Chapter 24:09*])
- iv) Unquoted shares are shares in private companies including REITS (*Real Estate Investments Trusts*) but excludes offshore investments.
- v) The cash in any one bank should not exceed 40% of total.
- vi) (c)+(e) should not exceed 60%.
- vii) An insurer should not put more than 10% of its investments in an associate company.
- viii) Other investments include loans to staff, management, shareholders, and directors. It also includes investment in a property rented by the company or any other investment dependant on the property of the company.

9.4 Reserving Requirements

- 9.4.1 In general, reserving requirements for microinsurance products sold under a microinsurance licence will be the same as for products sold under a non-life insurance licence, given that most of the policies will have one year tenure.

9.5 Role of Actuarial Assessment

- 9.5.1 A full-time actuary or statutory actuary will not be a requirement for microinsurers, and there will be no need for an annual statutory actuarial valuation.

9.5.2 The Commission may, however, request for an actuarial valuation to be done if need be.

9.6 Reinsurance

9.6.1 A microinsurance underwriter shall maintain adequate and valid reinsurance arrangements. A copy of the reinsurance treaty arrangement should be submitted to the Commission on or before 31 December of the preceding year.

9.6.2 The Commission may require microinsurers to justify their choice of reinsurance to determine its adequacy.

9.6.3 Conventional insurers writing microinsurance business or other microinsurers may underwrite part of the risks from other microinsurers.

10 Market Conduct Regulation

10.1 Requirements for Microinsurance Intermediaries

10.1.1 To better reach underserved customers, various distribution channels or aggregators that include agents, brokers, banks, supermarkets, retailers, microfinance institutions, post office branches, funeral homes, NGOs, cooperatives, trade associations, mobile network operators and Saving and Credit Cooperative Organisations (SACCOs), social and religious associations, media organisations and utility service providers (electricity, gas, fuel stations, local authorities and telephone) among others are authorised to distribute microinsurance products provided they are duly registered as intermediaries for the relevant microinsurance underwriter.

10.2 Microinsurance Agents

10.2.1 To facilitate the distribution of microinsurance products and ensure the protection of policyholders, all microinsurance underwriters should keep a register of all their microinsurance agents.

- 10.2.2 However, microinsurance underwriters must ensure that all the agents undergo training to ensure that they understand microinsurance products to adequately advise policyholders.
- 10.2.3 All microinsurance agents are required to be registered by the Commission.
- 10.2.4 In the case of individual agents, the policyholder must pay premiums directly to the microinsurance company and not the individual microinsurance agent's bank account.
- 10.2.5 Microinsurance underwriters should be accountable in cases of misappropriation of policyholder premiums. All such cases must be reported to the Commission.
- 10.2.6 Conventional agents and brokers shall be allowed to sell microinsurance products and services under their existing licences. However, they will be required to undergo training to ensure that they understand microinsurance products and can adequately advise policyholders.

10.3 Aggregators

- 10.3.1 Each microinsurer is required to maintain a register of all its aggregators. A licenced underwriter must always inform the Commission before commencing the sale of microinsurance products through the aggregator.
- 10.3.2 A service level agreement between the underwriter and the aggregator must be submitted to the Commission for approval. The agreement must include, among other things: details of the branding arrangements; the product to be sold; the obligations of each part under the proposed arrangement; and a contingent plan in the event of a dispute between the underwriter and the aggregator or if the arrangement with the aggregator is discontinued.
- 10.3.3 Where an aggregator is engaged, the following provisions apply:

- a) Only a legally registered entity will be allowed to act as an aggregator.
- b) The underwriter must provide the necessary training on the microinsurance products to the staff of the aggregator to enable them to act as microinsurance agents.
- c) Only the staff trained in a specific microinsurance product will be allowed to market the specific microinsurance product. The staff should receive minimum training, which include:
 - i. product features, including additional features i.e. rider or endorsement, value-added service, and combined product, if any,
 - ii. Standard operating procedure for product distribution, servicing, and claims,
 - iii. Code of ethics and conduct,
 - iv. Rules on data privacy and secrecy, and the protection of confidentiality of customer information and information belonging to the licensed person, and
 - v. Identification of fraud (e.g. fake/counterfeit identification documents) and the relevant mitigating and responding procedures.
- d) The aggregator must provide the same information to the customer as is required from the underwriter.

10.3.4 The responsibility to ensure no mis-selling takes place rest with the insurance company.

10.3.5 The payment of the premiums and claims can be done via the aggregator's bank account within the timelines set by the underwriter. All premiums collected from policyholders must be separated from the aggregator's funds for audit transparency and audit purposes.

10.3.6 The aggregator must inform the policyholder of the name of the underwriter backing the policy. The policyholder must always be made aware that they are buying a microinsurance policy and be given the

approved policy summary and documentation. The policy documentation must provide information as detailed in the Disclosure Requirements. The policyholder must also be informed of how they can contact the underwriter where they can lodge complaints.

10.3.7 An aggregator can be allowed to collaborate with multiple underwriters if the aggregator merely provides a platform through which underwriters market their products.

10.4 Treating Customers Fairly

All microinsurance underwriters are required to comply with the Treating Customers Fairly Framework.

10.5 Complaints

10.5.1 Each microinsurance underwriter shall maintain complaints register indicating date of receipt of the complaint, nature of the complaint, how it was resolved and date of resolution.

10.5.2 All received complaints should be resolved in line with the provisions of the Treating Customers Fairly framework.

10.5.3 The procedure for complaints handling as outlined in Section 3.4.3(k) above should include the provision to escalate complaints to IPEC and/or the Consumer Protection Commission if policyholders are dissatisfied with insurer's decision/service.

10.6 Self-Regulation

10.6.1 Microinsurers shall set up their own association for collaboration and communication on matters of mutual interest and for self-regulation.

10.6.2 It is mandatory for every microinsurer to be a member of an association.

10.7 Reporting Requirements - Returns

10.7.1 Microinsurers will be required to, on a quarterly basis, submit returns using the templates as may be prescribed by the Commission from time

to time. Every microinsurance underwriter shall be required to submit annual returns and audited financial statements every two (2) years.

- 10.7.2 Where products are bundled, the insurer may be required to unbundle the results and report them separately under the appropriate product categories.
- 10.7.3 Conventional insurers are required to report microinsurance business separately.

11 Implementation Strategy

11.1 Supervision

The Commission will enforce compliance with this regulatory framework through proactive supervision by way of onsite and offsite inspections. Reactive approaches will also be implemented in responding to whistleblowers or complaints.

11.2 Unregistered Entities

- 11.2.1 All entities providing microinsurance business without a license must register as microinsurers or transfer their business to registered entities.
- 11.2.2 Underwriting and distribution of microinsurance products shall **only** be for the preserve of registered players. Policyholders are encouraged to only deal with registered insurance and microinsurance entities for the protection of their interests.
- 11.2.3 The underwriting and distribution of microinsurance products by unregistered players is illegal.
- 11.2.4 Prospective policyholders and other stakeholders can check for the registered players on www.ipec.co.zw.

12 Levies and Fees

12.1 All microinsurance underwriters shall pay quarterly levies and annual fees as prescribed by the Commission from time to time.

12.2 To promote financial inclusion, newly registered microinsurers will be exempt from the requirement for a period of twelve (12) months from the date of commencement of operations.

