



Technical Assistance Report

Project Number: 39572
January 2006

Technical Assistance
Democratic Socialist Republic of
Sri Lanka: Microinsurance Sector Development
(Financed by the Poverty Reduction Cooperation Fund)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 14 November 2004)

Currency Unit	–	Sri Lanka rupee/s (SLRe/SLRs)
SLRe1.00	=	\$0.01
\$1.00	=	SLRs101.83

ABBREVIATIONS

ADB	–	Asian Development Bank
IBSL	–	Insurance Board of Sri Lanka
MFI	–	microfinance institution
MF-NGO	–	microfinance nongovernment organization
MOFP	–	Ministry of Finance and Planning
NGO	–	nongovernment organization
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting	–	Targeted intervention
Classification		
Sector	–	Finance
Subsectors	–	Microfinance; pensions, insurance, social security, and contractual savings
Themes	–	Governance, capacity development
Subthemes	–	Financial and economic governance, institutional development

NOTE

In this report, "\$" refers to US dollars.

Vice President	L. Jin, Operations Group 1
Director General	K. Senga, South Asia Department (SARD)
Director	A. Sharma, Governance, Finance, and Trade Division, SARD
Team leader	M. Ozaki, Rural Finance/Microfinance Specialist, SARD

I. INTRODUCTION

1. The continued efforts of the Government of Sri Lanka to invigorate the economy and reduce poverty by reducing conflict-related poverty and creating opportunities for the poor to participate in economic activities¹ have resulted in strong growth over the last few years. In the wake of the tsunami of December 2004, the Government has also focused on continued investment to improve living conditions and economic opportunity in the tsunami-affected areas.² To support the Government in rehabilitating conflict- and tsunami-affected areas and to supplement the ongoing Asian Development Bank (ADB) assistance for the Rural Finance Sector Development Program,³ an advisory technical assistance (TA) grant⁴ was proposed to help mitigate risks for poor and low-income households⁵ and facilitate the economic recovery and rehabilitation of conflict- and tsunami-affected areas. An ADB fact-finding mission visited Sri Lanka in September 2005. This TA report reflects the understanding reached by the mission with the Government on the objectives, scope, cost, financing, implementation arrangements, and terms of reference of the TA. The TA framework is in Appendix 1.

II. ISSUES

2. For the poor, building productive assets and increasing income are a long and risky way out of poverty. Shocks like illness, fire, or theft can cause severe setbacks in the process of accumulating assets, and often force them deeper into poverty. Even shocks that would only mildly affect upper- and middle-income households can dramatically reduce the assets of poorer households, eliminate their income sources, reduce consumption, and thus adversely affect their ability to improve their social and economic welfare. To cushion the shocks, these households borrow from informal sources, withdraw their savings, or sell productive and nonproductive assets. But the coverage such mechanisms provide is insufficient and unreliable, and, for most poor and lower-income households, no alternative formal institutional mechanism of risk mitigation—insurance service⁶—is available.⁷

3. The insurance sector in Sri Lanka comprises two government insurance schemes, 13 private insurance companies, and a handful of microfinance nongovernment organizations (MF-NGOs) that organize member-based insurance schemes. The Government offers subsidized mandatory and voluntary life insurance for those whose incomes are below the poverty line, and death, disability, crop, and livestock insurance for low-income farmers.⁸ However, the government schemes are not based on actuarial principles and are deemed unsustainable

¹ ADB. 2003. *Sri Lanka: Country Strategy and Program (CSP 2004–2008)*; and ADB. 2005. *Country Strategy and Program Update (CSPU 2003–2005)*. Manila.

² ADB. 2005. *Country and Program Update (CSPU 2006–2008)*. Manila.

³ ADB. 2003. *Report and Recommendation of the President to the Board of Directors on Proposed Loans to the Democratic Socialist Republic of Sri Lanka for the Rural Finance Sector Development Program*. Manila.

⁴ The TA first appeared in *ADB Business Opportunities* (internet edition) on 28 October 2005.

⁵ About 40% of the population is below the poverty line (Government of Sri Lanka. 2002. *Framework for the Poverty Reduction*. Colombo). The poor and low-income households referred to in this paper are households with a monthly income of SLRs10,000 (about \$100) or less in urban areas and SLRs5,000 (about \$50) or less in rural areas. These households are considered an unviable market and are not served by most insurance companies.

⁶ There are various types of insurance, but this paper refers mainly to life (life, credit-life, life-savings, and disability) insurance and general (fire, marine, motor, and miscellaneous) insurance for individual households. Agricultural, crop, weather, or health insurance is beyond the scope of this technical assistance.

⁷ Insurance penetration in the country is low, at only 6% of the population for life insurance and 8% for general insurance.

⁸ The government scheme includes insurance programs by the Samurdhi Authority and the Agriculture and Agrarian Insurance Board.

without government refinancing. Private insurance companies offer a variety of insurance products, but they cater mainly to the corporate sector and their client base of individual insurance is highly skewed toward urban and middle- or upper-income households. A few MF-NGOs provide insurance services to their members,⁹ but these MF-NGOs are not licensed under the existing insurance act and their services are largely informal. The premiums of most MF-NGO insurance schemes are not actuarially calculated but are often subsidized with donor funding. As the current system has no means to regulate informal schemes, there is growing concern about the protection of insurance policyholders and the viability of the providers.

4. The insurance industry in Sri Lanka is regulated and supervised by the Insurance Board of Sri Lanka (IBSL) under the Insurance Act of 2000. The Insurance Act requires (i) capitalization of at least SLRs25 million for life insurance and at least SLRs50 million for general insurance businesses; (ii) conduct of insurance business only by limited-share companies; (iii) reinsurance of all insurers; (iv) registration of all insurance companies and brokers; and (v) investment of 30% of the long-term fund of life insurance companies, and 20% of the technical reserves of general insurance companies, in government securities.

5. The present concentration of the insurance market in the upper- and middle-income groups and the scarcity of services to the lower segments of the population are due to (i) insufficient information about the potential of the poor and lower-income markets and lack of a cost-efficient mechanism for service delivery by insurance companies or MFI-NGOs that are willing to enter those markets, (ii) limited understanding of the insurance system and benefits among poor and low-income households, and (iii) insufficient focus in current institutions and regulations on the promotion of microinsurance.

6. Compared with corporate insurance, individual insurance is considered expensive by the insurance companies because of the high cost of marketing, sales, commissions, underwriting, and individual administration. The perceived low capacity of poor households to pay premiums further deters insurance providers. A vicious cycle has been created: because of the limited interest of the insurance companies, the poor and low-income households know little about insurance services and thus have limited demand for those services, contributing to the lack of interest among insurance companies. Yet cost-effective means of delivering affordable insurance services can be developed by linking insurance services to microfinance operations.¹⁰ Systematic efforts to establish and disseminate cost-efficient delivery and product models will make insurance providers better able to serve the lower markets. Sri Lanka has no dedicated microinsurance policies and the requirements of the Insurance Act are considered prohibitive for insurance providers that intend to serve the poor and low-income groups. A policy review and amendment focusing on microinsurance promotion based on successful international experiences¹¹ would facilitate the participation of MF-NGOs¹² in life, life-savings, and other forms of insurance without compromising the stability of the sector.

⁹ MF-NGOs' member-based insurance schemes include credit-life insurance for borrowing members, and provident funds linked to microcredit.

¹⁰ SANASA ALMAO Insurance Company Co., which serves poor and low-income households, offers life insurance products to members of the SANASA credit cooperative. Most of its clients are low-income households with an average monthly income of up to SLRs7,000. Their insurance benefits depend on the premium that they are willing to pay.

¹¹ The Philippines, for example, has lowered the capital requirements for mutual aid schemes, while Jordan has relaxed the licensing conditions for insurance agents and nongovernment organizations.

¹² Including credit unions and credit cooperatives.

7. Without insurance, the poor may enter into activities and asset portfolios with low risk but also low returns, affecting their long-term income and their ability to move out of poverty. Furthermore, shocks may have long-lasting effects: productive assets may be destroyed or sold for survival, health may be undermined, or children may have to leave school. The result is higher poverty that may persist. Reduced risks through effective insurance services will not only induce investment in economic activities but also reduce the welfare costs of the society. Effective microinsurance services complemented with other financial services like credit or savings are considered more concrete protection than other social protection mechanisms like the Government's income supplementation scheme or community-based mutual associations. In conflict- and tsunami-affected areas, confidence and security with appropriate insurance will contribute to the speedy rehabilitation of the local economy.

8. The TA will assist the Government in drawing up an integrated framework for the development of the microinsurance sector through favorable policies and sector-wide institutional capacity building. It will (i) support the establishment of policies and a legal framework conducive to the promotion of microinsurance, and (ii) make insurance services more affordable and accessible to poor and low-income households. A comprehensive sector review will enable policy makers, practitioners, and beneficiaries to understand better the sector development issues and constraints.

III. THE TECHNICAL ASSISTANCE

A Impact and Outcome

9. The TA is expected to improve risk mitigation and reduce the vulnerability of the poor and low-income households in Sri Lanka by facilitating them access to affordable life and general insurance products. To support the reconstruction and ease the sense of vulnerability of the affected people, the TA will give emphasis to conflict- and tsunami-affected areas.

10. As a result of the TA, the Government, the insurance industry, MFI-NGOs, and grassroots organizations are expected to gain a better understanding of microinsurance as an effective means of poverty reduction. Microinsurance service providers or potential service providers will improve their grasp of the needs and demand for risk mitigation of the poor and low-income people, and be able to develop or tailor their services to those needs. The awareness campaign, to be organized in pilot areas, will increase appreciation of insurance systems and benefits among poor and low-income households.

B. Methodology and Key Activities

11. The TA will be implemented in two phases. Phase 1 will comprise: (i) a policy and legal review, and (ii) a market assessment. Phase 2 will consist of: (i) an awareness campaign, and (ii) a pilot microinsurance scheme.

12. **Policy and Legal Review, and Market Assessment.** The Insurance Act of 2000 will be assessed, and policy and legal improvements based on successful microinsurance schemes in other countries will be recommended, with a view to promoting microinsurance services while maintaining the security of insurance policyholders, the financial viability of insurers, and the stability of the insurance sector. The capacity of IBSL to regulate and supervise microinsurance will also be reviewed, and, if necessary, IBSL could be provided with capacity-building support.

13. The comprehensive market assessment will involve a review of the profile of potential microinsurance clients—their knowledge and understanding of insurance services, risks, income and expenditure patterns (including seasonality of income and spending), ability to afford insurance premiums, and association with informal risk mitigation systems like community-based funeral funds. No comprehensive survey of the market for microinsurance in Sri Lanka has been made, and there is strong interest among insurance companies in a thorough inventory of existing and potential microinsurance clients.

14. The results of the policy review and market assessment will be widely shared through in-country workshops with government agencies, insurance companies and brokers, microfinance institutions, MF-NGOs, and donors, and publicized through print and online media.

15. **Pilot Microinsurance Scheme and Awareness Campaign.** Many rural communities in Sri Lanka have a very limited understanding of insurance systems and benefits. An insurance awareness campaign will therefore be conducted in four districts in conflict- and tsunami-affected areas to be selected in cooperation with MF-MGOs, community-based organizations, and cooperatives. The awareness campaign will be followed by the implementation of a pilot microinsurance scheme.

16. The pilot scheme will test microinsurance products and delivery modes, and identify cost-effective means of providing insurance services especially to households in remote rural areas. The microinsurance products to be developed for testing will be based on the market assessment and the risks, premium-paying capacity, and socioeconomic specifics of the target groups, as well as the distribution and administration capacity of existing and potential service providers. Delivery modes to be tested will include a partner-agent link between MF-NGOs and existing insurance companies to market microinsurance products in association with microcredit activities. Actuarial valuation for microinsurance will also be included. The selection of participating insurance companies and MF-NGOs will be based on their willingness to enter the microinsurance market, resources for insurance business, membership or client base, and understanding of the targeted poor and low-income groups. To make up for any skill deficiencies, capacity-building development training for MF-NGOs could be organized before the pilot scheme is implemented.¹³

17. The methods, outreach, and results of the awareness campaign and pilot testing will be widely disseminated in the same way as the outputs of the activities in phase 1 (para. 14).

C. Cost and Financing

18. The total cost of the TA is estimated at \$755,000, consisting of \$254,000 in foreign exchange costs and \$501,000 equivalent in local currency costs. The Poverty Reduction Cooperation Fund, which is funded by the Government of the United Kingdom and administered by ADB, will fund \$600,000, comprising the entire foreign exchange cost and \$346,000 equivalent of the local currency cost. The balance will be financed by the Government of Sri Lanka. The detailed cost estimates and financing plan are in Appendix 2.

¹³ The activities under the TA complement the ongoing Rural Finance Sector Development Program (RFSDP) (footnote 3). RFSDP supports the comprehensive capacity development of the microfinance sector including product development. The results of the TA will be fed back into the capacity-building activities under RFSDP for the dissemination and replication of microinsurance services.

D. Implementation Arrangements

19. The Ministry of Finance and Planning (MOFP) will be the Executing Agency. MOFP will form and chair a TA steering committee comprising representatives from MOFP, IBSL, the Insurance Association of Sri Lanka,¹⁴ and MF-NGOs.¹⁵ The TA steering committee, through its chairperson designate, will be responsible for overall implementation. IBSL will be the Implementing Agency and will implement and coordinate the TA activities on behalf of MOFP. IBSL, in cooperation with MOFP, will provide office space, one counterpart staff, and support services by its staff.

20. The TA will be implemented over 8 months from February 2006 to September 2006. Three tripartite review meetings involving the TA steering committee, the TA consultants, and ADB will be organized by IBSL during the TA in connection with ADB missions to review the TA implementation. The meetings will be chaired by MOFP. The TA will require 8 person-months of international and 38 person-months of domestic consulting services in microinsurance product development, actuarial valuation, microinsurance law and regulation, market survey and research, awareness creation, and knowledge dissemination. The terms of reference for the consulting services are in Appendix 3. The consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the selection and engagement of domestic consultants. The quality- and cost-based selection method, with simplified technical proposals, will be used in selecting the consulting firm. The procurement of goods will be subject to the provisions of ADB's *Guidelines for Procurement*. Goods and equipment procured under the TA will be handed over to the Government after the TA.

21. The TA consultants will prepare (i) an inception report including a detailed work program, to be submitted within the first 3 weeks and to be discussed at the initial tripartite review meeting; (ii) quarterly reports on the overall progress of work during the period under review, the work program for the next quarter, and any outstanding issues; (iii) an interim report with draft outputs, to be submitted within the first 3 months for phase 1, and within the first 6 months for phase 2, and to be discussed at the interim tripartite review meetings for phases 1 and 2; (iv) a draft final report compiling all the TA activities, to be submitted at least 1 month before the TA completion and to be discussed at the final tripartite review meeting; and (v) a final report at the completion of the TA. MOFP and IBSL will undertake a final evaluation of the TA together with ADB on the basis of the draft final report. The final version of this report, to be prepared by the consultants, will reflect the conclusions reached at the final tripartite review meeting.

IV. THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved ADB's administering technical assistance not exceeding the equivalent of \$600,000 to the Government of Sri Lanka to be financed on a grant basis by the Poverty Reduction Cooperation Fund for Microinsurance Sector Development, and hereby reports this action to the Board.

¹⁴ Thirteen private insurance companies are members of the insurance industry association in Sri Lanka.

¹⁵ The selection of MF-NGOs will be based on their involvement, or willingness to be involved, in the insurance market.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Improved access to affordable life and general insurance products and reduced vulnerability of the poor and low-income households in Sri Lanka, especially in conflict- and tsunami-affected areas	One year after the technical assistance (TA) completion: Government policies and legal framework more conducive to the promotion of microinsurance for poor and low-income households Increased availability of life and nonlife insurance products to poor and low-income households Livelihoods of conflict- and tsunami-affected households restored, with appropriate risk mitigation and insurance	Policy documents of the Government including the central bank TA completion report Impact assessment report	Risk <ul style="list-style-type: none"> Government's willingness to establish the appropriate policy environment Assumption <ul style="list-style-type: none"> Absence of conflict
Outcome Enabling policy environment for the promotion of microinsurance Increased awareness and availability of microinsurance	At the TA completion: Recommendations from the policy and legal review Increased knowledge and skills of insurance companies and microfinance institutions (MFIs) in microinsurance brokerage and distribution Successful marketing of pilot-tested microinsurance products, and methods of replication established	Recommended policy and legal amendments TA completion report TA review missions Consultants' reports Impact assessment study	Assumption <ul style="list-style-type: none"> Absence of conflict

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Outputs</p> <ol style="list-style-type: none"> 1. Policy review, including analysis and documentation of successful microinsurance schemes in other countries 2. Legal review of acts and regulations related to the insurance business in Sri Lanka including the Insurance Act of 2000 3. Institution and market assessment of the microinsurance market 4. Participatory assessment of the risk mitigation needs of poor and low-income households 5. Awareness campaign for potential microinsurance beneficiaries 6. Microinsurance pilot scheme including products, actuarial valuation, delivery modes, administration methods, and capacity-building needs 7. Pilot testing 	<p>During TA implementation:</p> <p>A report on the policy review with recommended actions</p> <p>A report on the legal review, and draft amendments to the Insurance Act of 2000, if necessary</p> <p>A market assessment report on existing microinsurance providers, products, and services, and dissemination workshops</p> <p>A participatory needs assessment report on risk mitigation products and services identified by potential microinsurance clients and dissemination workshops</p> <p>Awareness campaign and monitoring report</p> <p>A report on product development, and implementation methods for pilot testing</p> <p>Implementation, monitoring, and evaluation of pilot-testing results</p>	<p>TA review missions</p> <p>Consultants' reports</p> <p>Assessment reports</p> <p>Report on workshops</p> <p>List of workshop participants</p> <p>Impact assessment report</p>	<p>Risk</p> <ul style="list-style-type: none"> • Government's willingness to adopt the legal amendments <p>Assumption</p> <ul style="list-style-type: none"> • No politicization of insurance providers <p>Risks</p> <ul style="list-style-type: none"> • Willingness of the existing microinsurance providers to disclose information • Identification of financially viable products • Willingness of key MFIs to participate in the microinsurance market

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Poverty Reduction Cooperation Fund^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	200.0	0.0	200.0
ii. Domestic Consultants	0.0	216.0	216.0
b. International and Local Travel	30.0	10.0	40.0
c. Reports and Communications	0.0	5.0	5.0
2. Equipment	0.0	10.0	10.0
3. Pilot Testing	0.0	20.0	20.0
4. Training, Seminars, and Conferences			
a. Facilitators	0.0	10.0	10.0
b. Training Program	0.0	20.0	20.0
5. Surveys	0.0	30.0	30.0
6. Miscellaneous Administration and Support Costs	0.0	5.0	5.0
7. Representative for Contract Negotiations	0.0	0.0	0.0
8. Contingencies	24.0	20.0	44.0
Subtotal (A)	254.0	346.0	600.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	60.0	60.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	70.0	70.0
3. Others ^b	0.0	25.0	25.0
Subtotal (B)	0.0	155.0	155.0
Total	254.0	501.0	755.0

^a Administered by the Asian Development Bank (ADB).

^b Training, seminars, and conference support, and miscellaneous administration and support cost.

Source: ADB estimates.

TERMS OF REFERENCE FOR CONSULTING SERVICES

A. Microinsurance Product Development Specialists (international, 5 person-months; domestic and team leader, 8 person-months)

1. The international microinsurance product development specialist shall have at least 5 years of demonstrated experience in insurance businesses in developing and developed countries. With the assistance of the domestic specialist and team leader, the international specialist will

- (i) Develop a pilot microinsurance scheme on the basis of the market assessment conducted under the technical assistance (TA) and in consultation with stakeholders in light of international best practices. The pilot scheme shall be tested in four selected districts in conflict- and tsunami-affected areas.
- (ii) Critically review and analyze the legal, regulatory, and institutional arrangements and successful microinsurance models in other countries and derive lessons to be applied in Sri Lanka.
- (iii) In consultation with stakeholders and considering successful microinsurance delivery modes in other countries, develop an effective partner-agent model for the cost-effective delivery of the pilot microinsurance scheme.
- (iv) Considering the results of the market assessment, successful microinsurance products in other countries, and the specific conditions, risks, and affordable premiums of the target clients, develop life and general insurance products, as well as distribution, networking, and administration methods and training for existing and potential service providers participating in the scheme.
- (v) On the basis of the products and delivery mode for the pilot scheme, and the institutional analysis and general policy review done by the domestic microinsurance product development specialist, formulate criteria and terms of reference for selecting participants in the scheme from among the various insurance companies, microfinance institutions (MFIs), nongovernment organizations (NGOs), cooperatives, and associations.
- (vi) Conduct stakeholder workshops to develop an implementation plan for the pilot scheme, identify any skills deficiencies of partner organizations (MFIs, NGOs), and prepare an appropriate training program.
- (vii) Implement the pilot scheme, monitor its progress, and provide technical advice to the participating institutions as necessary.

2. The domestic microinsurance product development specialist and team leader shall have postgraduate qualifications in economics or finance and 10 years of in-depth exposure in the insurance or actuarial profession in Sri Lanka. In cooperation with the international microinsurance product development specialist, the domestic specialist and team leader will

- (i) Provide inputs for tasks (i)–(iv) above.

- (ii) Using available literature, interviews, and focus group discussions, conduct a broad-based review of the microinsurance sector including institutions, markets, general policies, and insurance industry perceptions of microinsurance.
- (iii) Introduce the pilot scheme to insurance companies, MFIs, and NGOs, and develop a premium and benefit structure for the pilot product on the basis of actuarial valuation.
- (iv) Identify capacity-building needs among the participating insurance companies, MFIs, and NGOs, and conduct training workshops, in consultation with the international microinsurance development specialist.
- (v) Assess the capacity of the Insurance Board of Sri Lanka (IBSL) to regulate and supervise microinsurance, and identify any capacity-building needs.
- (vi) Guide the participating institutions in the implementation of the pilot scheme, monitor the progress of the implementation, and provide the necessary technical inputs to the participating institutions.
- (vii) At the end of the third month of the pilot scheme implementation, prepare a monitoring report stating the number of policyholders, number of claims received, client profiles, and service delivery issues and constraints, and submit the report to the steering committee for review and finalization. The outputs for the monitoring report shall be specified in the interim report, to be submitted within the first 6 months of the TA,
- (viii) Organize a stakeholder workshop to disseminate the pilot test results more widely within the Government, insurance industry, MF-NGOs, and donors.

3. Responsible for the delivery of the TA outputs,¹ the domestic microinsurance product development specialist and team leader will schedule the work, coordinate the efforts of all other experts recruited under the TA, take charge of all workshops, and submit the required reports and documents on time to the Ministry of Finance and Planning (MOFP), IBSL, and the Asian Development Bank (ADB) (para. 21 of the main text). Further, to assist the facilitators of the microinsurance awareness campaign (para. 9), the domestic specialist and team leader shall develop the overall design and framework for the campaign among poor and low-income groups in four selected districts in conflict-, and tsunami-affected areas, and give the facilitators the necessary guidance and technical inputs to implement the campaign.

B. Actuary (domestic, 2 person-months)

4. The actuary shall be a licensed actuary, have at least 10 years of work experience and extensive knowledge of the insurance sector in Sri Lanka and abroad, and be familiar with the microfinance sector in Sri Lanka. In support of the microinsurance product development specialists, the actuary will

- (i) Assess the life and general microinsurance products proposed for pilot testing, for applicability to Sri Lanka.

¹ Inception report (including a detailed work plan), two quarterly progress reports, interim final report, draft final report, and final report.

- (ii) Collect and analyze the data on risks to be covered by the proposed life and general microinsurance products and target groups, estimate the administration costs of the products, and calculate the premiums.
- (iii) Elaborate the financial scenarios for the proposed insurance scheme, indicating the breakeven point at which the microinsurance products can function without external support.
- (iv) Provide feedback to the microinsurance product development specialists to enable them to finalize the design and implementation plan for the pilot scheme.
- (v) Contribute to the monitoring and implementation of the pilot scheme and provide inputs to the reports to be prepared by team leader.

C. Microinsurance Legal Specialists (international, 1 person-month; domestic, 2 person-months)

5. The international legal specialist shall have demonstrated experience in the legal and institutional aspects of insurance in both developed and developing countries. In collaboration with the domestic legal specialist, the international specialist will

- (i) Review and analyze the current insurance laws and regulations in Sri Lanka with a view to formulating a policy and legal framework that is conducive to the development of microinsurance.
- (ii) In consultation with stakeholders, assess the adequacy of the current legal and regulatory arrangement in promoting microinsurance services.
- (iii) Based on discussions with stakeholders, a review of relevant documents, and consultations with other consultant experts (especially the microinsurance product development specialists), recommend policy and legal amendments.

6. The domestic legal specialist shall have at least 10 years of experience in the legal and institutional aspects of insurance. Working closely with the international legal specialist, the domestic specialist will

- (i) Provide inputs and guidance to the international legal specialist in tasks (i)–(iii) above.
- (ii) With the guidance of the steering committee, organize a consultation workshop for key stakeholders—insurance companies, MF-NGOs, and the Government—to identify any legal and regulatory deficiencies inhibiting the development of microinsurance.
- (iii) Recommend policy and legal improvements to facilitate microinsurance development and incorporate these recommendations in the interim and draft final reports.
- (iv) In consultation with the steering committee, conduct a workshop to disseminate the outcome of the policy and legal review more widely within the Government, the insurance industry, MF-NGOs, and donors.

D. Market Research Specialists (international, 2 person-months; domestic, 12 person-months)

7. The international market research specialist shall have demonstrated experience in market survey and research in the areas of financial and insurance services, and in-depth knowledge of community mobilization and participatory needs assessment in the rural sector. With the assistance of the domestic market research specialist, the international specialist will

- (i) In consultation with stakeholders and other consultant team members, design a survey including sample areas, sample size, and survey format to identify the potential microinsurance clients' socioeconomic status, income and expenditure patterns, perception and understanding of insurance, risks, affordability of insurance premiums, and risk mitigation measures, as well as other issues and constraints on access to microinsurance services.
- (ii) Keeping in mind the TA impact assessment to be conducted 1 to 2 years after the TA, design the preliminary framework for the impact assessment of the pilot scheme, including the methodology, sample design, questionnaire, and time plan, and incorporate baseline questionnaires in the market assessment survey.
- (iii) Develop a structured questionnaire, organize and train the survey team to conduct the survey, and monitor the progress of the survey.
- (iv) With the data from the survey as well as any other available data, compile a report on the assessment of the microinsurance market including recommendations for promoting and marketing microinsurance products.

8. The domestic market research specialist shall have substantial experience in market survey and research, in-depth understanding of rural communities in Sri Lanka, and experience in participatory needs assessment. Working with the international market research specialist, the domestic specialist will

- (i) Provide inputs to the international market research specialist for tasks (i)–(ii) above, including language translation support.
- (ii) Guide the survey team and monitor the implementation of the survey to ensure that the information collected is in accordance with the design and intent of the questionnaires.
- (iii) Process the data collected, analyze the data, and develop recommendations on product development, service delivery, and institutional development to promote microinsurance.
- (iv) Conduct a stakeholder workshop for wider dissemination of the survey results.

E. Awareness Campaign Facilitators (domestic, 12 person-months)

9. The awareness campaign facilitators shall have experience in organizing, conducting, and documenting awareness campaigns involving microfinance and microinsurance. The campaign facilitators will

- (i) With the guidance of the team leader, organize a microinsurance awareness campaign in four selected districts in conflict- and tsunami-affected areas.
- (ii) In coordination with other consultant specialists in the TA, prepare presentation materials for microinsurance promotion.
- (iii) Conduct participatory sessions in rural communities to disseminate and discuss information and raise awareness of microinsurance.
- (iv) Document the progress of the awareness campaign and compile an impact assessment report on the awareness campaign giving details to show the level of understanding of insurance among the rural communities before and after the campaign.
- (v) Conduct a stakeholder workshop to disseminate the results of the awareness campaign, and present the campaign materials and methodologies for replication by other organizations.

F. Knowledge Dissemination Facilitator (domestic, 2 person-months)

10. The knowledge dissemination facilitator shall have strong experience in the design and production of knowledge management products, especially Internet home-page development. Knowledge of microfinance and microinsurance is desirable.

11. The knowledge dissemination facilitator will

- (i) In coordination with other consultant specialists in the TA, design and develop an Internet home page covering the activities of the TA, and periodically maintain it.
- (ii) In support of other consultant specialists, design and produce print materials for the knowledge management and dissemination of the TA outputs.
- (iii) Assist and advise the Government and ADB in any other media and knowledge management activities as appropriate.