Developing Micro-Insurance Ecosystem in Mozambique

April 2019

Authors: Amit Joshi, Manoj Pandey,
Puneet Chopra, Rajnish Kumar

With inputs from: Leticia Gontijo Furst
Gonçalves, Sophie Teyssier

MSC
MicroSave Consulting

www.microsave.net

Contents

List of figures

List of tables

Acronyms

AFE	Alternative Financial Education
AMOMIF	Mozambican Association of Microfinance Operators
AMS	Association of Insurers of Mozambique
ASCA	Accumulating Savings and Credit Associations
ASSA	Actuarial Society of South Africa
ASZ	Actuarial Society of Zimbabwe
ATL	Above the Line
ATM	Automated Teller Machine
BoM	Bank of Mozambique
BoP	Balance of Payments
BTL	Below the Line
BVM	Mozambique Stock exchange
CCOM	Microfinance Community Box
CENFRI	Centre for Financial Regulation and Inclusion
CGAP	Consultative Group to Assist the Poor
DFID	UK Department of International Development
DRM	Disaster Risk Management
DUAT	Right to Use and Use of the Land
EFISE	Financial Education Strategy in Insurance
EMOSE	Mozambican Insurance Company
ENIF	National Financial Inclusion Strategy
FSB	The Financial Services Board
FSP	Financial Service Provider
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
GIIF	Global Index Insurance Facility
GIS	Geographic Information Systems
GNI	Gross National Income
GRO	Grievance Resolution Officer
GRM	Grievance Resolution Mechanism
GWP	Gross Written Premium
HDI	Human Development Index
IAI	Institute of Actuaries of India
IAIS	International Association of Insurance Supervisors
IAM	Cotton Institute of Mozambique
ICE	International Commercial & Engineering
ICT	Information and Communication Technology
IDA	International Development Association
IFBM	Banking Training Institute of Mozambique
IFC	International Finance Corporation
IGMS	Integrated Grievance Management System
IGS	The General Insurance Inspection
III	Insurance Institute of India
IIRM	Insurance and Risk Management

IISA	Insurance Institute of South Africa
IIZ	Insurance Institute of Zimbabwe
ILO	The International Labour Organization
INCM	National Communication Institute of Mozambique
INE	National Institute of Statistics
INGC	National Disaster Management Institute
IRDAI	Insurance Regulatory and Development Authority of India
ISSM	Insurance Supervision Institute of Mozambique
IVRS	Integrated Voice Response System
KYC	Know Your Customer
MAP	Making Access Possible
MCS	Mozambique Insurance Company
MLT	Mozambique Leaf Tobacco
MNO	Mobile Network Operator
MPI	Multidimensional Poverty Index
MSME	Micro, Small and Medium Enterprises
NASASA	National Stokvel Association of South Africa
NBC	Negotiable Benefits Consultant
NCC	National Consumer Commission
NDVI	Normalized Difference Vegetation Index
NGO	Non-governmental Organization
OLTI	The Ombudsman for Long-Term Insurance
OSTI	The Ombudsman for Short-Term Insurance
PPP	Purchase Power Parity
RAI	Rural Access Index
ROSCA	Rotating Savings and Credit Association
SADC	South African Development Community
SAIA	South African Insurers Association
SDG	Sustainable Development Goals
SIM	International Insurer of Mozambique
SME	Small and Medium Enterprises
TCF	Treating Customers Fairly
UFA	Universal Financial Access
UNDP	United Nation Development Program
USAID	United States Agency for International Development
USSD	Unstructured Supplementary Service Data
WHO	World Health Organization

Executive Summary

*MicroSave (*MSC) undertook extensive and widespread stakeholder consultations and has developed this report for enabling a micro-insurance ecosystem in Mozambique. It provides a pathway for a stronger foundation of micro-insurance in Mozambique and to guide all stakeholders towards establishing a mature and sustainable micro-insurance sector. Development of an ecosystem in Mozambique for micro-insurance rests on the following four pillars:

Pillar 1: Develop customer-centric products

The insurance industry and the culture of insurance in Mozambique are in an evolving stage. Given the current state of micro-insurance in Mozambique, it is very essential to have a focused and concerted approach towards identifying and implementing quick wins that will help create a critical mass for the insurance industry to take off. These quick wins will facilitate consumer awareness and participation and gradually enable a culture of insurance to develop in the country through demonstration effects. We have identified micro-insurance products and potential alternative delivery channels that could be prioritized and have a sharper focus from stakeholders in the near term.

Micro-insurance products have been categorized on basis consumers' and insurers' priorities. We recommend the following segmentation or categorization of products in the descending order of priority. This is based on a range of considerations and analysis, provided later in this report.

Anchor products: These products have a stronger and compelling consumer value proposition and a better understanding and appreciation by the insurers. Overall, these products have a higher potential for adoption, viability, and sustainability. **Funeral** and **travel** micro-insurance are the Anchor products we recommend the insurers to focus on, to drive initial penetration and create a critical mass for the micro-insurance industry in Mozambique.

Pull products: These products have a high latent demand among consumers and significant market potential. Insurers, however, do not prefer to offer these products for varied reasons. **Crop** and **health** micro-insurance fall in this category of products.

Push products: These products are provider-driven and are pushed on to consumers. **Credit-life** insurance is a typical example of a push product, where life insurance cover is provided to customers availing formal credit.

Recommendations

Undertake concerted efforts to develop and enable *Anchor* products. We recommend that a Working Group on micro-insurance can take up all interventions to drive the Anchor products. The Working Group should also make concerted efforts to develop additional customer centric anchor products, and to drive information, education, and communication (IEC) efforts, leading to wider adoption.

Build consensus among insurers to pursue tangible targets from the micro-insurance portfolio. A consensus among insurers is desired to pursue tangible targets for their micro-insurance portfolio in terms of the number of policies underwritten, premiums collected, sum insured and so on. These targets could be arrived at after due consultations with insurers and monitored regularly to support insurers in achieving the same. This will enable a sharper focus by the insurers to offer and underwrite micro-insurance. Presently, the insurers are not focused on expanding their micro-insurance portfolio due to reasons such as perceived lack of a business case, high costs of distribution and servicing, lacking an active demand among others. Such targets will provide the required nudge to the insurers to explore and expand their micro-insurance business.

Broaden group based micro-insurance offerings. The insurers in Mozambique largely focus on group policies and take the support of corporate clients or employers to source and underwrite the group policies. This is a win-win approach as it provides outreach while allowing insurers to serve the market and to manage their operations with minimal human resources. We recommend that insurers continue to follow this strategy, as it has been effective. Insurers could extend this approach to micro-insurance products, by innovative design of group-based products and suitable additional partnerships with appropriate aggregators.

Develop more customer-centric and innovative products. Insurers could develop more customer-centric products aligned to the needs, behaviors, and expectations of various segments. Insurers could consider offering innovative products such as freemium offerings, insurance bundles with other products and services and so on. This will encourage and motivate consumers to experience micro-insurance. Suitable behavioral and human-centric-design studies and market research can be undertaken to inform consumer-centric product design.

Pillar 2 – Improve access to insurance

With a vast geographical expanse and dispersed population, providing access to financial services in Mozambique is a major challenge. Using alternative delivery channels to reach people can address the challenges of last mile access. Partnerships between insurers and high potential channel partners can be synergistic, thereby creating a win-win for all stakeholders, including consumers.

We have categorized and prioritized potential alternative delivery channels based on their outreach and capacity to service micro-insurance. These are explained below in descending order of preference or priority.

'Leverage' channels: These channels offer widespread outreach in terms of numbers of touch-points and geographical presence across the country, and thereby have the potential to reach a large number of people. They also have high internal capacities to serve micro-insurance consumers. Microfinance institutions, *GAPI*, farm produce aggregators and mobile agents (mobile network operators and mobile money) fall in this category and hence should be '*Leveraged'*.

'Develop' channels: They have good outreach, however, their capacities to service micro-insurance are limited. Hence, the capacities of these channels need to be '*Developed'*. Savings groups, agro-dealers and small retails stores fall in this category.

'Collaborate' channels: They have higher capacities to offer micro-insurance due to the nature of their services. Hence, we recommend that insurers need to '*Collaborate'* with these channels as partners in offering micro-insurance. Banks branches and banking agents fall into this category.

Recommendations

Undertake concerted efforts to enable and strengthen *'Leverage'* channels. The Working Group on micro-insurance could also facilitate the development of alternate delivery channels to expand the outreach of micro-insurance. This Working Group can provide a platform for various service providers to discuss ideas, concepts, and partnerships.

Develop internal capacities to manage partnerships between insurers and channel partners. Internal capacities of insurers and channel partners to offer and manage micro-insurance delivery through partnerships should be enhanced. Bilateral and multilateral agencies in Mozambique, along with other stakeholders can play a catalytic role in developing internal capacities through training, development of suitable tools and methods, and by providing handholding support.

Mandate gradual expansion of insurance branches and agency network beyond the urban centers. The insurance market in Mozambique is driven by aggregating entities. Direct touch-points like branches or agents of the insurers are limited to Maputo and a few other urban centers. Growth in business through the Bancassurance channel is largely due to credit-life products. Lack of a physical distribution network and an absence of other channels like MNOs, InsurTechs, and physical kiosks severely limit marketing, distribution, and outreach by the insurers. It forces them to focus on low-volume, high-premium products and restricts them from making efforts towards building high-volume, low-premium mass-market products.

We recommend incentives to expand the touch points by the insurers. These can be in the form of incentives on the business sourced through new branches and on the micro-insurance portfolio. We also recommend the insurers and the intermediaries be mandated to gradually expand their branches and agency network beyond Maputo. Insurers should also explore additional channels for micro-insurance through partnerships with MNOs, aggregators such as savings and credits groups, funeral parlors among others.

Conduct pilots for delivery of micro-insurance through alternative delivery channels. More pilots should be conducted in offering micro-insurance through alternative delivery channels. Bilateral and multilateral agencies along with other stakeholders can play a catalytic role in facilitating design and in the execution of such pilots and to enable the insurance sector to learn from their results and outcomes. Findings from such pilots should be disseminated to a larger audience for cross-learning opportunities.

Conduct rapid institutional assessments for willing insurers and channel partners. Rapid institutional assessments of the willing insurers and channel partners will help identify synergies, potential business models and key areas to strengthen across the partnering institutions. This will better readiness to service micro-insurance more effectively through these partnerships. Standard operating procedures should be developed and the roles and responsibilities assigned.

Explore technical and financial assistance to nurture mutuals to expand micro-insurance. A significant portion of the population in Mozambique finds employment in the informal economy. Such informally employed individuals are actively involved in savings and credit groups. They are also associated with funeral societies promoted through organizations like churches and funeral parlors. A way forward to achieve the goal to expand micro-insurance would be to utilize these informal associations to provide insurance through mutual insurance companies. Technical and financial assistance from bilateral and multilateral agencies for hand-holding support will enable some of the mutual micro-insurance companies to take off the ground. Bilateral and multilateral agencies could support such initiatives by creating an innovation fund and by setting up a micro-insurance lab.

Promote the wider adoption of mobile money for premium and claims payment. There are approximately 13 million mobile connections in Mozambique. This widespread mobile penetration and reach provide an opportunity to support micro-insurance products. Mobile money has the potential to be used for premium collection and settlement of claims. The legal framework in Mozambique allows mobile money to buy product and services. We recommend Insurers (and MNOs) to encourage payment of premium and claims settlement through stable mobile money instruments. Micro-insurance working group could assess ways for wider adoption and use of mobile money for the micro-insurance sector.

Pillar 3 – Activate latent demand

The demand for insurance in Mozambique is latent due to a combination of factors. The majority of the population in the country is not aware of the concept of insurance or have an inadequate understanding. Due to the limited purchasing power of households, insurance does not figure among the top priorities for the majority of the households. Informal risk mitigation and coping mechanisms are also a barrier to demand for formal micro-insurance. There is hence a need for extensive consumer awareness and education efforts in order to activate the latent demand for micro-insurance and to address some of the aforesaid factors mentioned.

We envision a consumer education strategy in Mozambique to rest on three pillars of 1) A consumer education cell on Insurance 2) Brownfield initiatives to integrate insurance literacy into existing consumer education programmes, and 3) Greenfield initiatives to use more innovative means and methods to reach people.

Recommendations

Drive consumer education through multiple interventions and modes. We recommend to accelerate the existing consumer education campaign involving multiple media and channels for dissemination such as TV, radio and print media, SMS broadcasts, Interactive Voice Response System (automated call centers for consumers to dial in and listen to pre-recorded informative messages relating to various aspects of insurance), social media, awareness camps at public places to explain various aspects of insurance to consumers and so on. These media should use consumer-friendly methods and collaterals such as textual, pictorial and audio-visual. This is very vital to develop consumer awareness and to educate them on the basics of micro-insurance and for them to appreciate the utility and value proposition of micro-insurance.

Leverage existing training/education programs for savings groups, farmer groups, banks and microfinance institutions. Educational content for micro-insurance can be embedded in existing training and education programs for clients, agents and field staff of savings groups, farmers groups, commercial banks, and microfinance institutions. Basis the understanding of the specific target segment, customized content on insurance can be developed in partnership with the training service provider/s and incorporated as a part of the existing training programs for specific target groups. These entities provide an ideal platform for imparting insurance literacy due to the common goals, cohesiveness, and bonding among group members. It will thus significantly enhance the likelihood of retention of key messages and the desired impact from literacy programs.

Pillar 4 – Facilitative policies and regulations

The regulatory framework and policies should be conducive and facilitative to encourage and support micro-insurance business become sustainable and viable. We have the following recommendations for more facilitative and supportive regulations and policies.

Recommendations

Undertake concerted efforts for skill development and capacity building for micro-insurance. An absence of specialized institutions for training and capacity development for insurance weighs down on the growth of the insurance sector in the country. There is a dearth of skilled human resources in specialized areas, such as product development, underwriting, claims handling and actuarial skills among others. This creates a bottleneck that restricts insurers from expanding their operations to cater to the growing demand for insurance in Mozambique.

We recommend all stakeholders to explore partnerships or association with suitable institutions in South Africa, Zimbabwe, or India to source standard course content for micro-insurance. We recommend establishing standards for training curriculum and guidelines for certification requirements by a competent institution. AMS could approach different institutions after assessing their capacities and willingness to host these training courses for insurance professionals. In the short term, AMS and insurers can explore collaboration either with international entities like the Impact Insurance Facility from ILO, or other similar entities, that can provide design and execution support for training courses and workshops on micro-insurance with support from bilateral and multilateral agencies. In the long term, we recommend AMS to conceptualize and set up an independent and specialized entity for training and capacity-building within Mozambique.

Facilitate innovations through a 'sandbox' approach. Evolution and rapid innovation in technology have been changing the landscape of insurance in general and micro-insurance in particular. Insurance regulators require more time to deal with a rapid transformation of the business scenario and the advent of InsurTechs. A “regulatory sandbox” approach could be the way forward to test new innovations related to micro-insurance. Bilateral and multi-lateral agencies, Insurers, Channel partners along with the regulators could facilitate a ‘sandbox’ environment for testing innovations related to the product, process, and channels. We recommend setting up an independent sandbox for testing and scaling up of innovations related to micro-insurance.

This approach provides an opportunity to test forward-looking, evidence-based regulatory and supervisory amendments in a low-risk environment and thereby de-risk and accelerate acceptance and rollout. Insurers will be able to develop innovative products and delivery mechanisms in a controlled environment before the actual rollout at scale. This will assist in fine-tuning of products and delivery mechanisms thereby developing customer-centric and robust products and services.

Create a framework and a multi-tier structure for policyholder protection. At a broader level, a comprehensive regulation for consumer protection exists in the country but its implementation is far from adequate. We suggest the following structure to be set up for broader and effective grievance management and consumer protection.

- Internal grievance handling procedure
- Office of Ombudsman
- Consumer forums and court

Provide suitable incentives for micro-insurance products to stimulate growth. To stimulate the micro-insurance sector, there is a compelling case to provide incentives for micro-insurance products and business. Granular data for every micro-insurance product category and comparison to some of the general insurance product categories will strengthen the argument and the case for providing incentives to the micro-insurance sector.

Regularly publish key and vital statistics on micro-insurance to usher transparency. The insurance regulator in the country publishes two reports on its website on the indicators and status of the insurance sector in the country. There is little mention or analysis of micro-insurance related data or information in either report. We recommend the insurance regulator to identify key parameters and formats for regular publishing of information related to micro-insurance. We also recommend these statistics be published periodically. This will allow the availability of micro-insurance data and information in the public domain for the benefit of all stakeholders and will bring in greater transparency in the sector.

Promote Treating Customers Fairly (TCF) principles among insurers and intermediaries. Many insurance regulators are moving to a regulatory regime, where consumer protection is at the core of their decision-making. Treating Customers Fairly (TCF) is an outcome-based regulatory and supervisory approach that regulators have been prescribing. This requires insurers to embed the principles of TCF in the conduct of their businesses and operations. We recommend that all stakeholders jointly develop a TCF implementation roadmap after consultation among themselves.

a) Introduction

Geography and infrastructure

Mozambique is in southeast Africa and borders with the United Republic of Tanzania, Malawi, Zambia, Zimbabwe, South Africa, and Swaziland. It has a long coastline of 2,500 kilometers that faces east to Madagascar and borders the Indian Ocean.

The macroeconomic context of Mozambique is characterized by its strategic location and vast natural resources as enablers. However, in spite of these advantages, Mozambique has fallen short of achieving its true potential on account of a variety of factors. A long history of civil war, high dependence on agriculture, high exposure to natural hazards, and the existence of a large informal sector are some of the factors that have slowed down the growth of the country.

Figure 1: Administrative map of Mozambique

Physical infrastructure

There is a total of 31,083 kilometers of the road network in the country. This makes the road density of only 40 kilometers per 1,000 square kilometers of land area as against 130 and 610 kilometers of road per 1,000 square kilometers of land for Malawi and South Africa respectively.[1]

Only a quarter of rural Mozambicans live within two kilometers of any road within the classified road network.[2] Moreover, the road infrastructure in the country is concentrated around the urban clusters to a great extent.

The rail network in the country is even poorer. Only 4,787 kilometers of tracks are laid throughout the country. This translates to a rail density of 6 kilometers per 1,000 square kilometers of land as against 170 kilometers per 1,000 square kilometers of land in South Africa.[3] About 61% of Mozambicans lack access to electricity, which is even more accentuated in the rural areas. This is in stark contrast to neighboring South Africa where only 15% of the population does not have access to electricity.

This geographic isolation within the country, especially in the provinces, exacerbates poverty. It increases the costs of doing business and makes access to information, administration and primary government services, such as education, health, and even financial services challenging.

Mobile penetration

Mobile network connectivity has, however, improved significantly in Mozambique. The total number of subscribers for mobile services in the country is around 13 million as of December 2017. The three mobile network providers Vodacom, Mcel, and Movitel have a market share of 39%, 31%, and 30% respectively. Even considering individuals having more than one connection, this represents a substantial percentage of Mozambique's population. Also in terms of geographical coverage, basic mobile network extends to 92.7% of all districts. Mobile phones are thus heralding a new era of

---

1 CIA Handbook
2 MAP Diagnostic report
3 CIA Handbook

progress by attempting to bridge the rural-urban divide and overcoming challenges posed by the shortage of adequate infrastructure.

Macroeconomic context

Mozambique is increasingly a two-speed economy. Foreign investment-led large infrastructure projects, mineral and oil, and gas extractions predominantly drive the economy, leaving behind all the other sectors that still face difficult economic conditions. The economy continues to struggle with an inflation rate of 18% and average commercial lending rates of 30%, which makes it difficult for the local private industry to survive. This has slowed down the growth in gross domestic product from 7.4% in 2013 to 3.7% in 2017. However, after a difficult 2016, the economy has been showing signs of recovery with Mozambique's currency, the Metical, now more stable, inflation slowly beginning to ease, and international reserves showing signs of recovery.[4]

Common risks and mitigation mechanisms

The Global Facility for Disaster Reduction and Recovery (GFDRR)[5] ranks Mozambique third among those African countries that are most exposed to multiple weather-related hazards. Mozambique suffers from periodic cyclones, droughts, floods, and related epidemics. Drought occurs primarily in the southern region, with a frequency of seven droughts in every 10 years. Floods occur every two to three years, with higher levels of risk in the central and southern regions.

According to the latest INFORM Country Risk Profile, Mozambique has a level of risk classified as 6 and ranks 18th among the 191 reported countries. This means that Mozambique is at a high-risk zone against natural calamities. Climate change will aggravate the effects of these natural disasters, which increases their frequency and intensity.

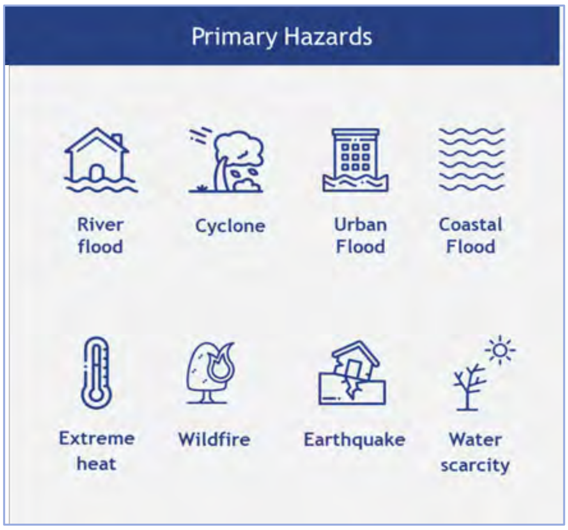


Figure 2: Primary hazards affecting Mozambique

To cope with the aftereffects of such natural hazards, Mozambicans follow various coping strategies to arrange for the money. A majority of the people use retroactive coping mechanism against such risks. They either sell something to raise funds, borrow, or ask contributions from friends and family, cut down on household expenses or draw out their savings. Only a few uses, insurance as a mechanism to cope with natural hazards.[6]

Financial inclusion landscape

Following liberalization and privatization of the economy of Mozambique, a variety of financial services providers have started operations in Mozambique.

4 World Bank country economic update
5 GFDDR
6 Finscope 2014

Sr. No.	Type of major financial services providers	Numbers[7]
1	Commercial banks	19
2	Micro-banks	9
3	Credit cooperatives	8
4	Savings and loan organizations	12
5	Micro-credit organizations	608
6	Mobile Money operators	3

Table 1: Type of major financial services provider in Mozambique

Though there are other types of financial services providers present, these categories of formal financial institutions serve the majority of the population.

Sr. No.	Touch-point	Numbers[8]
1	Bank branches	659
2	Banking agents	426[9]
3	ATMs	1744
4	POS machines	31169
5	Mobile money agents	29,062

Table 2: Number of financial touch points in Mozambique

Considering these numbers for access point infrastructure in terms of density per square kilometer geographical area or per 100,000 population, Mozambique fares low in regional comparison as well, ranking 9th out of 16 South African Development Community (SADC) countries. [10]

The financial services landscape in Mozambique draws heavily from the lack of adequate enabling infrastructure in the form of roads, electricity, and internet connectivity among others. Financial access points are hence concentrated in and around the southern region, which is predominantly urban in nature.

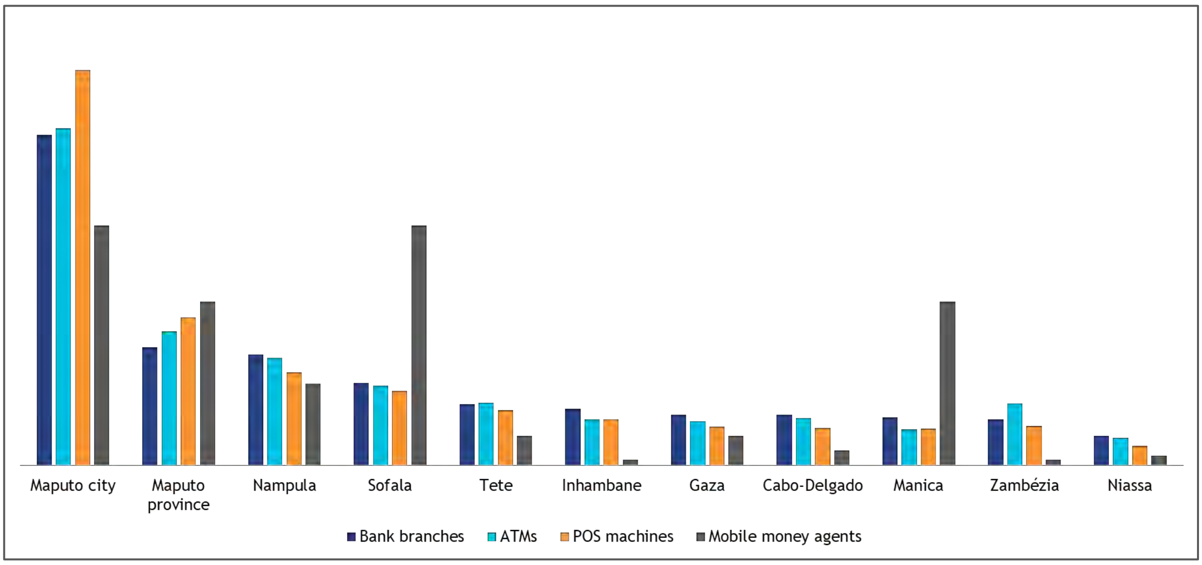


Figure 3: Distribution of financial access points, by geography (Source: Bank of Mozambique, 2017)

7 Bank of Mozambique Annual report 2017
8 Bank of Mozambique Annual report 2017
9 *MicroSave* consultations
10 MAP Diagnostic report

The penetration of financial services in the country is low, with only 32.5% of the adult population having a bank account.[11] This is a consequence of the limited number of financial services access points as well as supplementary factors, such as low income, informal sector payments, and lack of exposure to the formal financial system, and prohibitive time and costs to access financial touch-points.

Financial Inclusion remains a key focus area for the government and the Bank of Mozambique. The Bank of Mozambique has embarked on a goal towards greater financial inclusion and enacted the National Financial Inclusion Strategy 2016-2022. It rests on three basic pillars of access and use of financial services, strengthening of financial infrastructure and consumer protection, and financial education. The government has undertaken various initiatives under these three pillars to further financial inclusion. Some of these include forming working groups for specific objectives, encouraging commercial banks to expand beyond traditional urban centers, enabling agency banking through specific decree, setting up of a national committee on financial inclusion, among others.

Against the target in the National Financial Inclusion Strategy Plan, to date, only 87 of 154 districts have a bank branch, which is an improvement from the year 2015, where only 52 of 152 districts had a bank branch. Though the initiatives undertaken by various stakeholders are quite encouraging, more still remains to be done to deepen the retail financial services sector in the country.

In Mozambique, there are various stakeholders in the insurance sector. It includes insurers, reinsurers, intermediaries and pension fund managers. These stakeholders are authorized, inspected, supervised and regulated by the Institute of Insurance Supervision of Mozambique (ISSM) through the insurance law, decrees and avisos with the end goal of development of a sound, efficient and credible insurance market. On account of various initiatives undertaken by ISSM, insurance production in value terms has shown a growth averaging 20% per annum over a period of 2013 to 2017 and number of insurance intermediaries grown from 376 to 631 in the same time period.

It has enacted the Strategic plan 2014-18 wherein it has listed various key priority areas and actionable for itself. To further insurance literacy in the country, it has developed the Financial Education in Insurance strategy (EFISE) 2014-18 under which various initiatives such as developing of collaterals, conducting training for school children, students, journalists, etc. It has also built internal capacities by training its staff on various aspects pertaining to insurance. ISSM also collects and generates data on the state of the insurance industry in the country and publishes the same in the newsletter as well as the annual report.

b) Insurance Landscape

This chapter provides a comparative overview of the insurance landscape in Africa and Mozambique with a special focus on micro-insurance, existing market conditions, alternative distribution channels and emerging areas like mobile money and Insure-techs.

B.1) Overview of the insurance landscape of Africa

Life and non-life insurance

Africa contributed the smallest share (a meager 1.36% share) of gross written premium (GWP) to the world market in 2017. The total GWP from the Africa region was USD 66.7 billion in 2017.[11] Insurance penetration and density, the two key indicators for the maturity of insurance, were minimal for Africa. Insurance density was at USD 53.8 and insurance penetration was 2.96%, the lowest in comparison to the other regions of the world. Only the three countries South Africa, Namibia and Morocco from the African region score high on these parameters. Premium from the life segment in the Africa region did not exhibit any growth and in the non-life segment increased marginally by 1% in 2017. Mozambique exhibited a sharp decline of 39% in the life segment in 2017.[12]

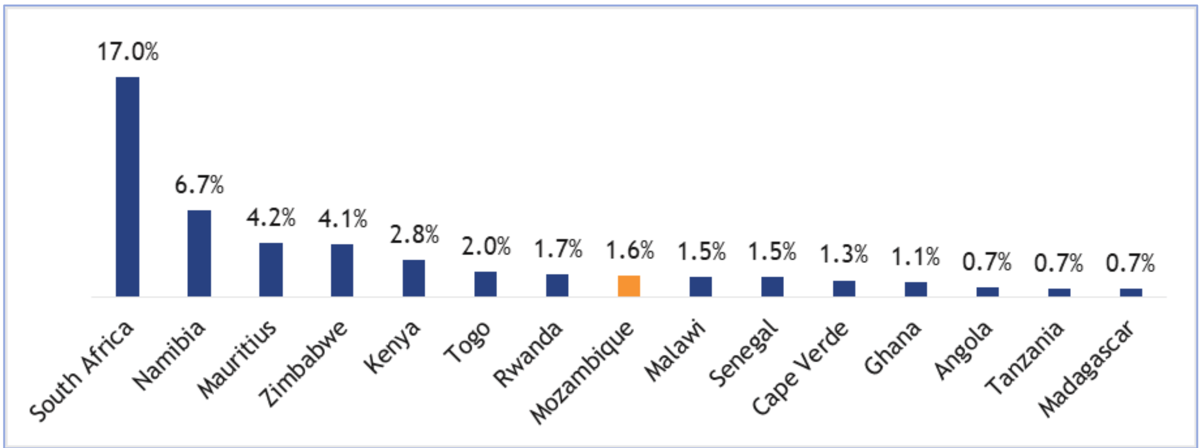


Figure 4: Insurance penetration in Sub-Saharan Africa, selected countries 2017(Source: Statista/SIGMA ISMM for Mozambique)

Definition of micro-insurance

IAIS and CGAP define micro-insurance as “insurance that the low-income population accesses from a variety of different entities, but run in accordance with generally accepted insurance practices, which follow the IAIS Insurance Core Principles, and are funded by premium”. It does not include government social welfare for the same reasons.

We can define micro-insurance in three ways:

- Consumer-based definition: The clients are “micro” in the sense that they have low income. Definitions specify the income levels of consumers. For example, in Brazil, this is for people whose monthly income per capita is up to three times minimum wage as per the national reference.
- Product-based definition: The products are “micro” in the sense that they have low benefits with smaller premiums and sum insured. Definitions include a cap on the premium and the sum insured. For example, in the Philippines, this would be a premium of up to 5% of minimum daily wages and benefits up to 500 times the daily minimum wage rate for non-agricultural laborers.

11 SWISS RE INSTITUTE, 2018) available online at http://media.swissre.com/documents/sigma3_2018_en.pdf
12 SWISS RE INSTITUTE, 2018) available online at http://media.swissre.com/documents/sigma3_2018_en.pdf

- Hybrid definition: The clients, as well as the products, are "micro" in nature. Definitions include income levels and a cap on either premium or the sum insured or both. For example, in the case of Argentina, this is "emerging consumer" segments (based on the C, D, and E segments from the ABCDE income classification) and a cap on the permissible premium.

In Mozambique, the current micro-insurance regulation defines micro-insurance as "risk-taking, primarily in small and medium-sized operations aimed at protecting the low-income population against specific risks, in exchange for regular premium payments commensurate with the probability and cost of the risk involved." It also defines the low-income population as "a group of people whose per capita income does not exceed the value of the national minimum wage and those who live in rural areas with a high poverty rate". The current definition of micro-insurance in Mozambique as per our analysis falls under the hybrid definition.

B.2) Overview of insurance and micro-insurance in Mozambique

Both insurance and micro-insurance are less visible and less advertised in Mozambique.[13] Both have received attention and support from the government as well as bilateral and multilateral institutions in the past decade, such as the World Bank Group, USAID, DFID, UKAID, among others. With technical and financial support from these institutions and the government, a number of studies on the potential market (demand-side) and promoting access to insurance and in Mozambique (regulation and supply-side) were conducted and made available to various stakeholders to act upon.

Insurance in Mozambique remains minimal. Most insurers focus on the corporate business – a tendency that developed in the past decade. This development has been a result of big investments in coal, oil, and gas exploration. The ease of sourcing business from such companies has weighed heavily against already low attractiveness of working with individuals. The "Rovuma Basin law" is one of the contentions of Mozambique-based insurers and the Association of Insurers of Mozambique (AMS) in the country. This is because the law allows foreign companies that explore gas and oil in the North of Mozambique to get insured from foreign-based insurers.

In most Sub-Saharan African countries, sectors such as construction, engineering, and mining drive commercial insurance. In contrast, in Mozambique, most of the written premium associated with these risks are placed internationally. However, third-party motor vehicles insurance and workmen's compensation constitute a major source of business for most insurers in the country.

The landscape on Micro-insurance in Africa 2015 suggests that 84,500 people in Mozambique had some type of micro-insurance coverage, which translates to a coverage ratio(Coverage ratio is defined as the ratio of the population having any kind of micro-insurance to the total population) of 0.32%, making it the last ranked in the Southern African region. The number of total lives covered did increase from 2011 to 2014, but the country experienced negative comparable growth of 37 %.[14]

Country	Micro-insurance coverage ratio
Mozambique	0.3%
Tanzania	3.9%
Zambia	22.2%
Morocco	1.3%
Kenya	6%
Burundi	1.2%
South Africa	64%

Table 3: Micro-insurance coverage ratio in selected African countries (Source: Landscape of Micro-insurance in Africa, 2015)

13 Insurance penetration rates in Mozambique are 1.62% (2017) according to ISMM August, 2018 report.
14 Micro-insurance Network, Country Profile

Supply-side landscape

The present insurance legislation allows different types of entities in the insurance space. These include insurers, reinsurers, micro-insurers, brokers, agents, and promoters. ISSM registers and authorizes all such entities, apart from promoters, to commence and operate the insurance business in Mozambique through different licenses.

There are four types of licenses for insurers to offer different branches of insurance business in Mozambique:

- Life
- Non-life
- Mixed – for the existing four insurers (EMOSE, SIM, MCS, and Global Alliance), who were present and serving the market in the life as well as non-life segment before 2003, when the new insurance legislation came into being directed to separate the life and non-life business
- Micro-insurance

	2013	2014	2015	2016	2017
Number of insurance companies	16	16	18	19	20
Non-life	9	9	10	11	12
Life	4	4	4	4	4
Mixed	3	3	4	4	4
Number of Micro-insurance companies	1	1	1	1	1

Table 4: Number of insurers in Mozambique (Source: ISSM Report, 2018)

There are 21 insurers at present, including one dedicated micro-insurer. The insurance market in Mozambique has grown substantially from 2004 to 2017. Gross premium has grown from MZN 1.1 billion in 2004 to MZN 11.7 billion in 2017, registering a nearly tenfold growth. It would be important to consider the trend in inflation and exchange rate for the period to justify this tenfold growth in premium. In 2017, the insurance market registered growth despite the decline of life insurance premium (-17.1%)[15], which signifies the importance of the non-life segment in the country.

The Insurance market in Mozambique is dominated by five insurers that control 74.8% of the market (all branches) as of year-end 2017.

Insurance company	Market share		
	2015	2016	2017
EMOSE	22.8%	23.2%	22.9%
Hollard Seguros (non-life)	12.5%	12.7%	16.0%
SIM	19.3%	18.5%	13.7%
Global Alliance	26.8%	23.2%	11.8%
ICE	NA	4.8%	10.3%
Total	**81.4%**	**82.4%**	**74.8%**

Table 5: Market share of the top five insurers in Mozambique (Source: ISSM)

Indicator	2013	2014	2015	2016	2017
Growth rate (GWP) (all lines)	31.4%	20.4%	10.1%	13.3%	22.7%
Non-Life	32.9%	18.8%	5.5%	14.3%	31%
Life	22.7%	30.9%	37.2%	8.3%	-17.1%
Insurance penetration	1.52%	1.55%	1.58%	1.54%	1.62%

Table 6: The segmented growth rate of insurers in Mozambique (Source: ISSM)

15 ISSM, August, 2018

The new legislation, Decree-Law 1/2010, introduced the micro-insurance category in Mozambique in the year 2010. Under the micro-insurer category, a dedicated micro-insurer can offer only micro-insurance products, both life, and non-life as defined in the insurance legislation. Other insurers can also offer micro-insurance products with prior approval from the insurance regulator. So far, six insurers have applied for the pre-approval and five of them have received the micro-insurance authorization.

NBC is the solely dedicated micro-insurer in Mozambique. NBC Africa is a South African company that specializes in providing actuarial, pension funds, and insurance services. It started the NBC micro-insurance company in 2015 in the country. NBC currently offers micro-insurance through group contracts only. They have covered a little over 10,000 people through funeral insurance.

Distribution channels

Over the years, the number of established intermediaries has increased in the country. This substantial growth in number has come from a growth in the number of promoters and individual agents. But this growth has not resulted in any substantial increase in the penetration of micro-insurance. The target population for micro-insurance often live geographically far away from where insurance and financial services are available. This often makes connecting sales and serving the existing demand challenging. To address this challenge, the regulatory framework of Mozambique

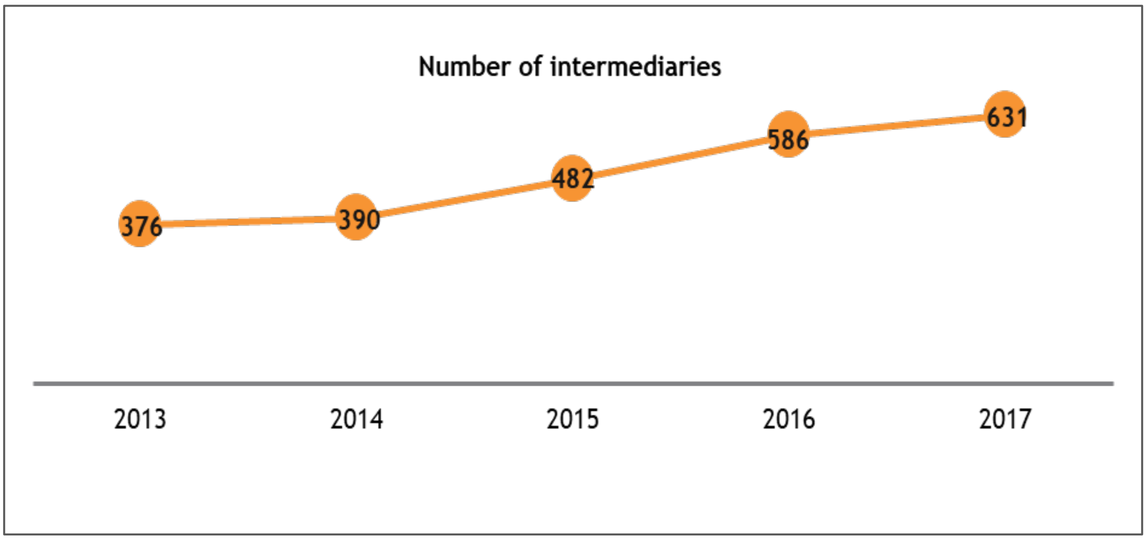


Figure 5: Growth in the number of intermediaries (Source: ISSM annual report, 2018)

allows for intermediation of micro-insurance by "persons and entities not subject to licensing as insurance intermediaries, legally exercising their activity in the country". This is beside the traditional distribution channel that comprises promoters, agents, and brokers. The intermediation allows more flexibility to offer micro-insurance in rural areas where a regular agent or broker may not find the insurance business to be sustainable. Yet providers have not yet explored these channels much in the country.

Some insurance companies that belong to the same parent financial groups with ownership in banks have been utilizing the bank's infrastructure to offer insurance to both bank clients and non-bank clients. However, an agent duly registered with the insurance regulator must represent the insurer in this case. The uptake of credit-life is fuelled through this channel.

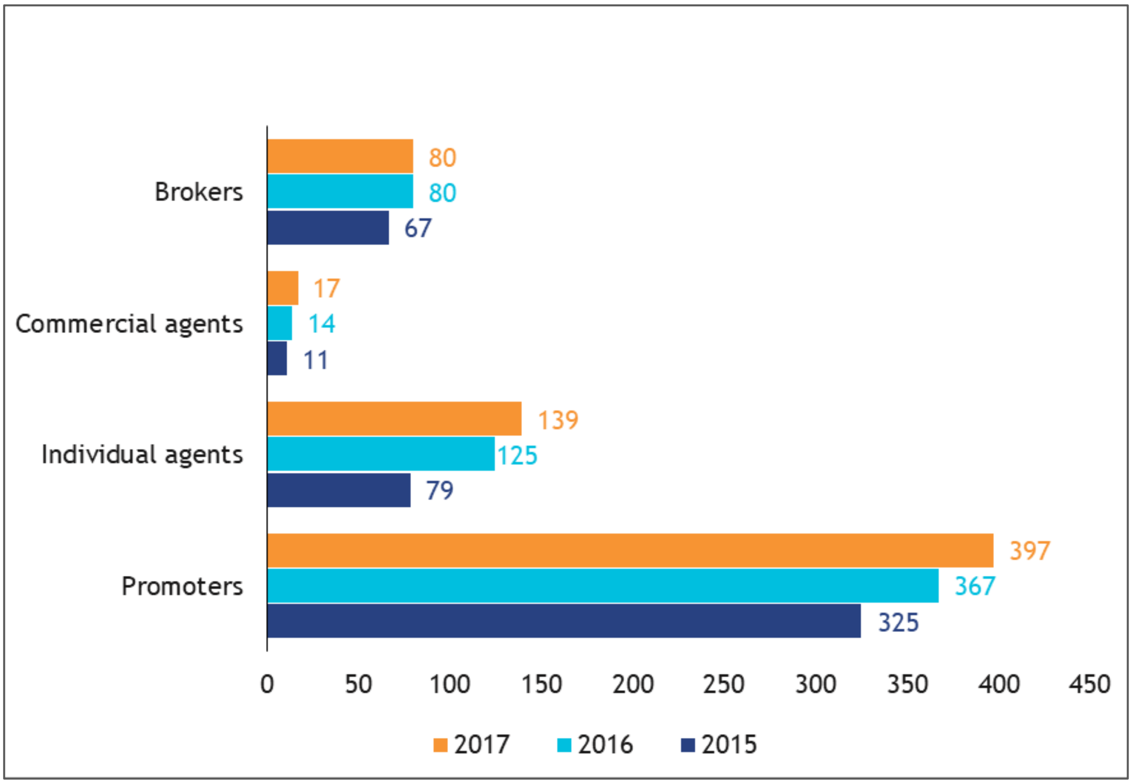


Figure 6: Growth in different categories of intermediaries (Source: ISSM annual report, 2018)

Demand-side

Individual demand for insurance is still minimal in Mozambique, with only 7.7% of the adult population having some form of insurance through formal and informal means like savings groups. In the case of unanticipated hardship, less than 0.5% of the adult population claims from insurance.[16] The main reasons for such low claim ratios are:

- Lack of awareness about insurance;
- Lack of understanding of the functioning of insurance;
- General belief the 'insurance gets your money for events that do not happen, or pays you little for them;
- Cultural beliefs: people still believe strongly that bad events are the results of curses; they think that taking insurance will provoke the insured event.

As a result of these factors, there is not much active demand for insurance. Employers provide insurance, such as social security, personal and travel accident insurance, medical aid, and funeral expenses, as a part of the compensation package. The remaining part of the insurance share is from mandatory cover in the form of workmen's compensation and motor third-party insurance.

ISSM and its role

ISSM came into existence in 2010 by Decree-Law no. 1/2010 of 31 December succeeding the previous insurance supervisor and regulator, the General Insurance Inspection (IGS) in Mozambique. ISSM is supervised by the minister of economy and finance. ISSM regulates the insurance sector in the country and oversees the different activities related to insurance. At present, ISSM works from a rented premise and has more than 50 employees. ISSM is headed by president and chairman of the board of directors and supported by administrative council, consulting and supervisory board.

16 Finscope Survey 2014

c) Recommendations for Development of a Micro-Insurance Ecosystem

C.1) Develop a cross-cutting and internal organizational structure

To implement various steps mentioned in this report and work on probable action items for creating an ecosystem for micro-insurance, we recommend the creation of following dedicated organizational structure to enable sharper focus on micro-insurance:

i. Working group on micro-insurance:

To enable better consultations and a more focused approach on the promotion of micro-insurance, there is a need for a Working group on micro-insurance. The working group should have a wider representation from all the stakeholders in the insurance ecosystem including the insurance regulator, insurers, Association of Insurers of Mozambique (AMS), potential channel partners among others. The objective of this working group would be to discuss, deliberate and facilitate implementation of various initiatives that can be undertaken to develop a micro-insurance ecosystem in the country. The various recommendations under the four pillars in the roadmap could be put into action through this working group. The mandate of the working group can be expanded as things start moving forward in the micro-insurance ecosystem in Mozambique.

ii. Micro-insurance cell:

To coordinate various activities among all stakeholders, a dedicated micro-insurance cell needs to be developed or leveraged if already existing within the ambit of the insurance regulator. This cell would focus on internal coordination required to effect various initiatives for the development of micro-insurance. The cell should also have representation in the Working group mentioned above so as to have coherent and synergistic actions by various stakeholders and thereby potentially higher impact.

C.2) Develop customer-centric products

We have consulted both supply and demand side to have a holistic understanding of the products that are more likely to find acceptability among the people. This approach of triangulation by considering the priority of consumers as well as insurers to suggest products enhances the probability that the suggested products demonstrate better adoption.

Figure 7: Triangulation approach for ascertaining product segments

i. Supply-side (Insurers’) perspective –

We held in-depth discussions and consultations with a majority of the licensed insurance providers and with the insurance association in Mozambique. The underlying objectives of the supply-side assessment were as follows:

- Assess their understanding of consumer potential demand for micro-insurance or mass market products;
- Assess their willingness and capacity to meet this demand;
- Understand the challenges and barriers that insurers face in rolling out demand-driven products;
- Deliberate on the potential solutions to overcome the barriers;
- Develop potential roadmap.

Insurers engage with consumers on a regular basis directly or indirectly. Hence they are expected to have a good understanding of their existing and potential consumers and market segments. Understanding the supply-side perspective is critical to firstly assess insurers’ perspectives and understanding of the needs and gaps in consumer demand, and secondly, to triangulate with an independent assessment from a demand-side perspective. The third dimension is the insurers’ own preferences in terms of what kind of products to offer, which is guided largely by the business case they see in making such offerings.

Based on these detailed interactions and deliberations with a majority of insurers (including the only micro-insurer) in the country, insurance players in Mozambique believe that the low-income market segments either needed or demand the following products. These are in descending order of priority:

a) Credit-life insurance
b) Funeral insurance
c) Travel insurance
d) Mobile phone insurance
e) Health insurance
f) Crop insurance

ii. Demand-side (Consumers’) perspective –

We conducted qualitative research to understand and analyze consumer needs, aspirations, and gaps. We used *MicroSave’s* propriety [Market Insights for Innovation and Design (MI4ID) framework] to conduct the primary research.

We designed the questionnaires and interview guides using human-centric design (HCD) principles. Our research methodologies also employed HCD techniques.

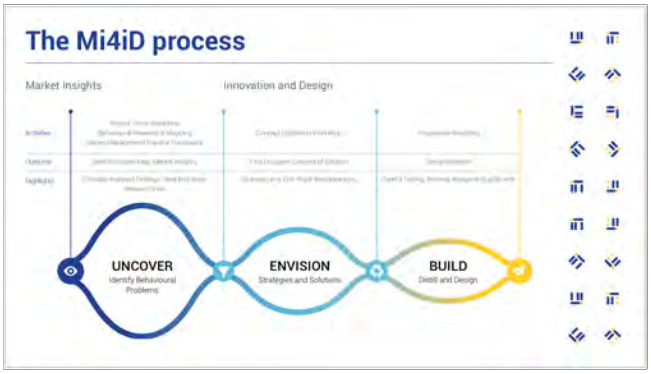


Figure 8: MI4ID framework

Figure 9: Primary research being conducted

We conducted a mix of focus group discussions and personal interviews to understand the needs of potential consumers. The sample consisted of savings groups involving around 32 respondents, including both male and female participants. One of the groups had a majority from the farming community. The other group consisted of self-employed women occupied in rural trade.

The objective of consumer research was to assess the participants' awareness and knowledge of insurance, as well as their preferences for it. As part of the research, we also enquired the type of risks that these respondents experienced. The research also tried to access the informal means of saving and financing that consumers preferred, and various modalities related to them. We also tried to gain an understanding regarding the use of basic formal financial services, such as bank accounts, debit cards, mobile money, among others, and also assessed aspects related to financial literacy.

Figure 10: Primary research being conducted

To compare and contrast the rural and urban perspectives, we further conducted primary research in the rural areas of Maputo province.

We used the relative preference ranking (RPR) tool with respondents to ascertain the relative importance of various types of micro-insurance products in their lives. The primary research resulted in some typical personas and their issues, which is covered later in this section.

Our team conducted the primary research in the following areas of Maputo province:

Marracuene district – Bobole and Pessane
Matutuine district – Bela Vista and Salamanca

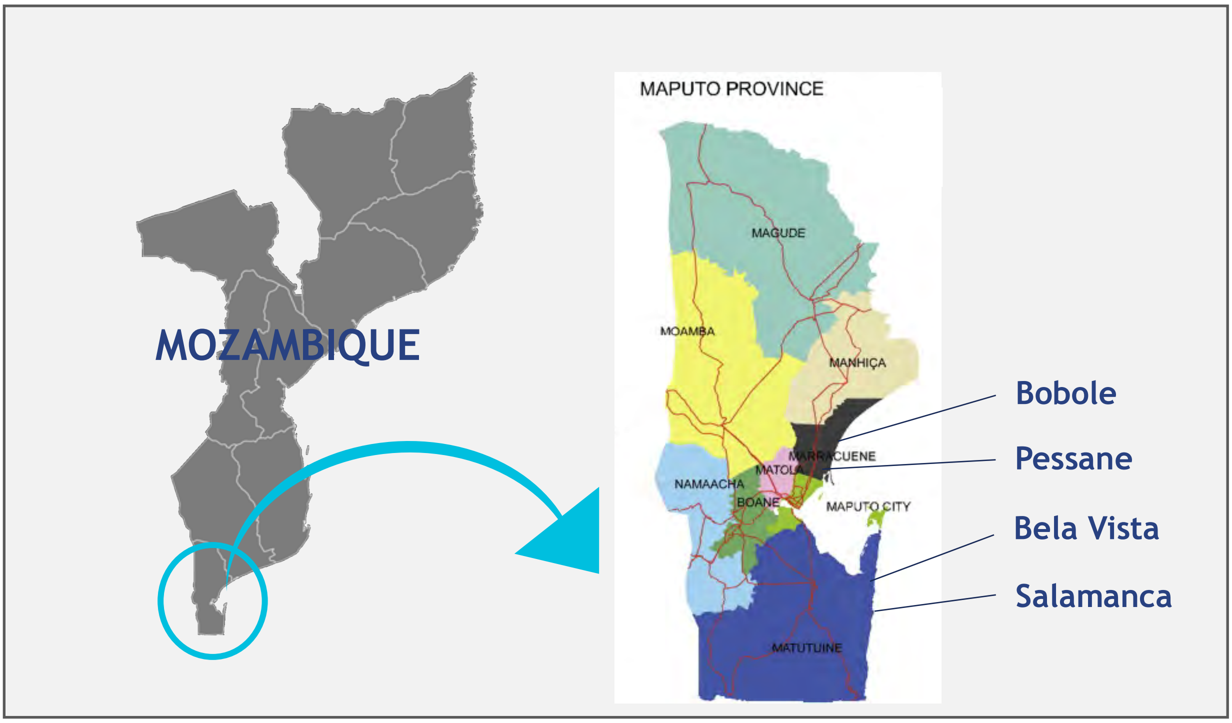


Figure 11: Geographies for primary research

Based on the consumer research and relative preference ranking that we conducted, the following is a descending order of priority of the needs or wants of the low-income segments:

a) Funeral insurance
b) Travel insurance
c) Health insurance
d) Mobile phone insurance

e) Crop insurance
f) Credit-Life insurance

iii. Segmentation of potential micro-insurance products

We have developed a framework for segmenting micro-insurance products using a combination of two parameters. These are (a) consumer priorities and (b) insurers' perspectives of consumer demand, as well as their willingness and ability to offer these products.

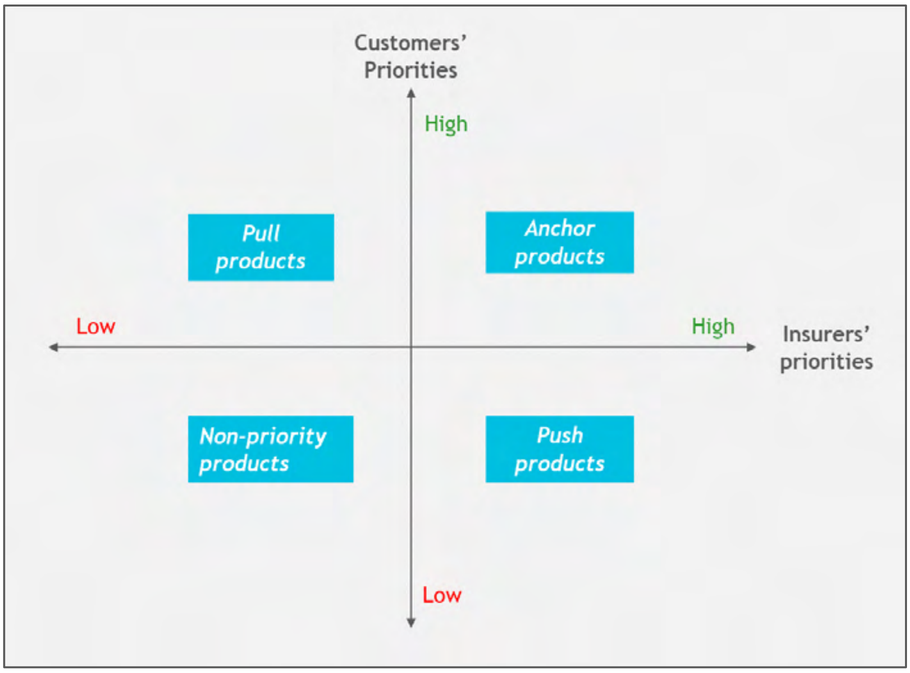


Figure 12: Framework for segmentation of micro-insurance products

Consumer priorities - These are based on consumers' assessment of the key risks they face, and products that they believe will be most suitable to mitigate these risks, and to effectively meet their needs.

Insurers' priorities – A combination of three factors determine the priorities:

- Their perspectives and understanding of consumer demand in terms of the risk mitigation needs or wants of their target segment. In other words, what according to them are the micro or mass-insurance products that may have a demand among the low-income market segments;
- Their willingness to offer suitable micro-insurance products;
- Their ability to do so, linked to a sound business case, and viability according to their strategic vision and time horizon.

In developing this framework, we have used an approach to triangulate the following:

- The articulated perspectives and priorities of the insurers;
- The findings from our rapid market research in terms of the expressed needs of low-income clients in Mozambique;
- Our own assessment and analysis of all of these.

Using the above framework and our findings from interactions with various stakeholders, the potential micro-insurance products have been placed in an assessment framework as below:

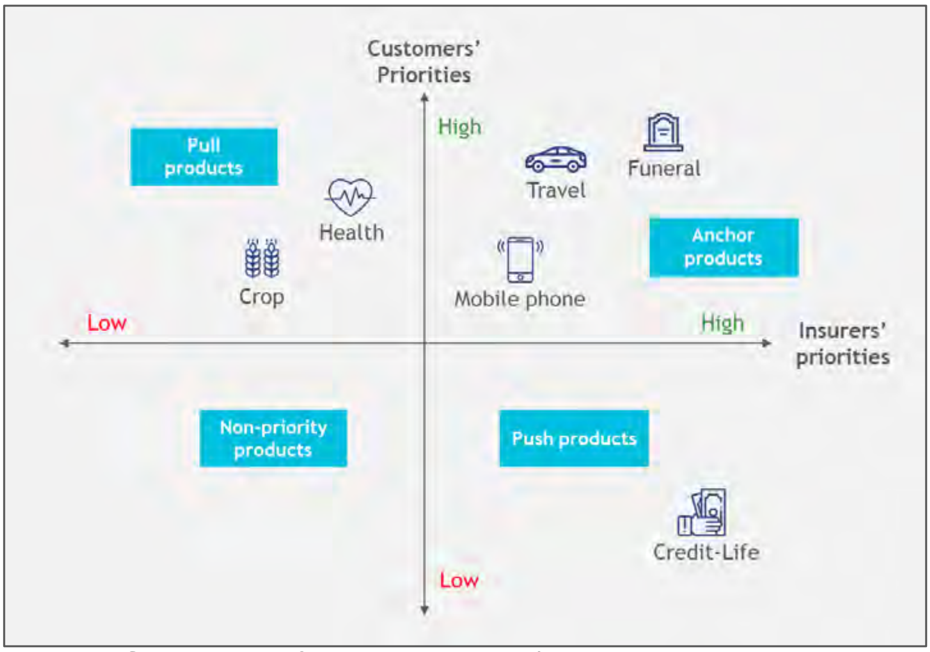


Figure 13: Segmentation of micro-insurance products

1. Anchor products –

These are the products that have a high latent demand among the target segment and are also high in terms of the insurers' understanding of consumer demand, and their willingness and capacity to offer these products. These can be quick-win products in the short-term, as insurers can potentially roll them out and focus on them, while consumer demand is also evident.

These anchor products, if offered appropriately, are likely to elicit a good response from consumers. As a result, they can be anchor products to enable create scale and a critical mass for insurers, with a sound business case. Good response for these products can assist in driving a culture of insurance in Mozambique, and lay a strong foundation for additional products, which currently have lower latent demand. All of these will help improve the penetration of micro-insurance in Mozambique.

However, more needs to done to achieve these outcomes. We observe that some of the insurers already offer these products, yet the uptake is limited. From our assessment, we find that some of these products are in direct competition to informal mechanisms that cater to these needs. Informal mechanisms are in greater demand than the formal micro-insurance products on offer, as they have the advantages of vintage, a sense of solidarity, ease of access, and also likely to have lower costs. The additional disadvantage for the formal micro-insurance products is an acute limitation of access due to highly inadequate distribution channels and means for marketing, communication, and outreach.

As highlighted earlier, these anchor products offer the highest potential. Therefore, to establish a strong foundation for micro-insurance in Mozambique, we recommend that the insurers and other stakeholders focus on overcoming the barriers for these products with concerted efforts and support. We recommend that the insurance regulator enables and provides support to build an enabling environment for both the supply- and demand-side actors, specifically for these products. The insurance regulator can encourage insurers to make sure that these products are developed with customer-centricity and delivered to a majority of the population. The stakeholders should engage and collaborate to remove any roadblocks that insurers face in developing and offering these products.

The following are some key action items that can help in deepening penetration of these products:

a) Leverage the working group on micro-insurance: The working group on micro-insurance should focus on facilitating the development of consumer-centric anchor products. It can meet each month to review progress, discuss outstanding challenges, and deliberate on potential solutions, focusing on Anchor products to start with.
In the future, this working group can expand its ambit to additional micro-insurance products beyond the initial anchor products. Hence, in a phased manner, micro-insurance products will receive the attention and support required to achieve scale and sustainability.
b) Build a consensus to have tangible targets for anchor products: We recommend that all stakeholders build a consensus on achieving targets from the anchor products, for the short and medium term. It is necessary persuading insurers to achieve the agreed targets in terms of sum insured, premiums collected, or policies underwritten, or all three factors for these micro-insurance products as a percentage of the total business of each insurer. This will ensure that these anchor products generate a certain percentage of the business of each insurer.
c) Granular and periodic reporting: All insurers should be encouraged to provide reports on these products in the form of 3Ps (progress, problems, and plans) on a periodic basis – preferably once a month. The working group on micro-insurance should meet regularly to explore cross-learning opportunities and discuss these reports for course corrections required as needed.
d) Incentives: It will be important to provide suitable incentives to insurers that would encourage them to focus on the anchor products and have a business proposition without making losses. These can be in the form of tax breaks or solvency relaxations. The regulatory reforms portion of this report explains this in more detail.
e) Identify high-potential target segments: Customer segmentation exercise must be undertaken to determine the higher potential target segment for these products. Target segments that provide the advantage of aggregation in the form of savings groups, *xitiques*[17], farmer and employee associations, microfinance institutions, fishermen' association, etc. should be identified and targeted, which will assist in achieving a critical mass and associated advantages quickly.
f) IEC and Marketing: Insurers can play a vital role in building awareness about micro-insurance in Mozambique. This will be critical to generate demand. Moreover, it will be a form of indirect support and incentive to insurers. The insurance regulator and insurers along with channel partners can develop an Information, Communication, and Education (IEC) strategy for these products in consultation with insurers and assign suitable budgets.
g) Innovations in product design: Innovative product design, such as freemium products (a combination of a free basic insurance cover and premium payable paid advanced insurance cover) can be offered to build the initial critical mass.
h) Technical assistance: Technical assistance can be provided to insurers who face challenges in expanding the portfolio of these products.

In the following section, we present a more detailed analysis and additional recommendations to support each of these potential anchor products.

a. Funeral insurance

Funerals are a major life-cycle event and are culturally significant in Mozambique. At funerals, people pay their respects to the dead and hence are essential to honor the deceased. It is also a place to maintain social ties and support each other in times of need. During the funeral week, people observe intense mourning and abstain from their day-to-day activities. Funerals are an expensive affair, with heavy spends on the coffin, food, and expenses for family gatherings, other related expenses, and loss of wages and opportunity. Since the majority of the population earns low incomes, they have to resort to informal lending from various sources on such occasions.

Some informal, but well-established, mechanisms exist to support people who have to incur large expenses during funerals. These include funeral associations, funeral benefits under church groups, *xitiques* and *contas de familia* (shared family accounts).

17 *Xitique* is a Mozambican version of Rotating Savings and Credit Association (ROSCA), where all members meet periodically to save and lend in a collective manner.

The existence of such widespread and ‘organized’ yet informal means for provisioning of funeral expenses indicates the high importance of funerals and associated expenses in the lives of people. This is further corroborated by the fact that the most common type of proactively procured insurance in Mozambique is funeral insurance. Funeral insurance is understood as funeral assistance and not as insurance by the target segment. It is the most popular form of insurance bought by the adult population, through a mix of formal and informal means[18].

Various insurers already offer funeral Insurance. However, uptake has been low. Several reasons for this were explained earlier in the introduction section in terms of competition from informal solutions and extremely weak and limited distribution channels.

There can be several types of funeral covers that can be offered. However, it is of utmost importance that the products on offer can meet the needs of the target segment. To cater to the low-income groups, the funeral cover should have a minimal premium. Among informal offerings, such as church groups, *xitiques*, and even some existing formal funeral insurance products, the consumer premium is around MZN 20-25 (less than half a US dollar) per month. Also, in the event of a death, the family incurs funeral expenses almost immediately. Hence, the processing of the claim has to be fast and efficient, while the pay-out of benefits has to be done as soon as possible.

The existence of the high latent demand for this product among the target segment, combined with the willingness of insurers to offer the product, presents a viable product opportunity.

Expenses that a family incurs most commonly during a funeral include:

- Coffin;
- Transportation;
- Funeral home charges;
- Food, lodging, and other hospitality arrangements for guests;
- The opportunity cost of lost work time.

18 Finscope Survey Mozambique 2014

Insurance covers most of these expenses. The following are some possible ways in which a funeral insurance product can be structured:

Telma stays in a rural area of Bobole in Marracuene district of Maputo province. Her family includes her husband, two daughters and a son. She and her husband work in their field to grow various crops, such as maize and vegetables.

She is part of a church group. She feels that the major advantage of being a member of the church group is the funeral expenses cover she gets from the church. She pays MZN 20 per month as fees. This money collected from all church members is used to provide funds for funeral expenses of the member or someone from their family. The funeral cover includes MZN 2,500 plus the cost of a coffin for the funeral of a young one and MZN 5,000 plus the cost of coffin for funeral of adults.

"Just by paying MZN 20 a month, the church will provide me money for spending on funeral of any one in my family."

- Guaranteed Acceptance Funeral Insurance: Everybody who qualifies and applies will be accepted for this kind of cover. It, therefore, has no exclusion criteria. There can be a waiting period of, say, X years, after which the benefit becomes payable. If a person dies within the waiting period, only the premium will be returned back along with the interest.
- Selective Target Segment Funeral Insurance: This cover can be given to those people who either do not suffer from specific conditions, such as terminal diseases or are not at the risk of near-term death. Such people can be eligible to receive the benefit as soon as they have paid the premium.

  Such products can hedge insurers against malevolent clients, from taking funeral insurance for persons with a higher likelihood of death in the near future.

- Prepaid Funeral Insurance: Insurers can tie up with funeral service providers and pay to them directly, instead of giving a cash benefit to the family. The insurer can benefit from economies of scale. The family of the insured can get the claim benefit faster since the service providers will have an extensive network and reach based on their current services.

Funeral insurance can be provided either individually or as a group product through groups or associations. The former is much more difficult to operationalize in the current context of Mozambique and unlikely to be sustainable. A better and more viable product alternative could be to target groups or associations, such as savings groups, church groups, ASCAs (accumulating savings and credit associations), farmer groups, and associations, among others. Employers may also provide funeral insurance as a part of the standard benefits package for their employees. This approach can provide advantages of economies of scale, ease, lower cost of distribution and underwriting, and the ability for a wider outreach and trust of consumers through a channel they know well compared to standard insurance channels.

b. Travel insurance

People travel frequently for personal as well as for business purposes. They occasionally meet with accidents that lead to injuries or in the worst cases, death. Respondents expressed the need to have travel insurance so that they are covered in case they meet with an unfortunate accident. Insurers too have expressed their interest in offering this product as they feel the claims ratio will be within limits to make a viable business case for this. We recommend two potential product offerings related to travel insurance, as outlined below.

c. Travel insurance on tickets

A bundled personal accident group insurance cover can be offered to all those traveling on modes of transport that provide a formal ticket. This insurance can be applied by default but any person

Case study - Travel insurance on railway tickets in India

The Indian Railways facilitates an optional travel insurance scheme for each passenger who books a railway ticket online. Under this group insurance scheme, each passenger who opts for travel insurance is insured against personal accidents when travelling on train. This covers risks, such as train accident, terrorist attack, robbery, rioting, shootouts, or arson.

Benefit in the case of death, permanent total disability, permanent partial disability, hospitalisation expenses for injury and transportation of mortal remains following rail accident or untoward incident.

Premium for the scheme is fixed at INR 0.92, which is a miniscule amount for anyone in India and is charged to the passenger along with the ticket price.

A policy certificate is sent to each passenger through SMS on mobile phone and on email with details of the policy.

Sum Insured (in INR)				
Death	Permanent total disability	Permanent partial disability up to	Hospitalization expenses for injury up to	Transportation of mortal remains
1,000,000	1,000,000	7,50,000	200,000	10,000

Millions of people travel on the Indian Railways network each day. Each passenger is covered adequately for travel on trains, which is frequent for people in India. Since the chances of occurrence of these untoward events are low, the loss ratio for this product is minuscule, thereby also making it a profitable business for the insurers.

can choose to opt out of it. These can include ticketed travel on railways, buses, boats, and ferries. The premium for such a personal accident policy can be included in the ticket price. The product offering would include coverage for death, disability, and hospitalization in case they meet with an accident while traveling with tickets.

The number of incidences of accidents is not high, hence the claims ratio is likely to be limited. Therefore, insurers are likely to be interested as they can have a sustainable business case, whereas commuters will still get some level of protection, almost by default, just by buying tickets.

d. Voluntary personal accident insurance

A large number of low-income people travel using local means of transport, such as *Chapa-cem*, which is the cheapest mode of transportation, as well as local buses. However, many people view these to be risky. A voluntary personal accident insurance cover for people who travel using these modes of transport, which do not issue a ticket can be developed. This can provide cover to them for death, disability, or for hospitalization in cases of accidents while traveling through these modes.

Figure 14: Chapa-cem mode of transport

Though personal accident insurance schemes do exist in the market, they have higher premiums and hence are targeted towards the more affluent class. People who travel using these modes of transport belong to the low-income category. Hence, insurance coverage needs to have affordable premiums. The premium can be collected in the form of a monthly fee from the individuals who wish to insure themselves. The insurance can be either provided to individuals or in the form of a group insurance scheme. The transporters' association of such modes of transport can be used as a potential aggregator to offer group insurance scheme for their travellers, making it easier for insurers to reach a large number of clients at a lower cost.

Maria is a small trader who lives in the Pessane area of Marracuene district in Maputo province. She buys grocery items in wholesale from Maputo and sells them in Pessane to petty shops. She frequently travels to and from Maputo using *shapa-shapa*.

Two months ago, when she was travelling to Maputo on a *shapa-shapa to get goods*, she met with an accident and fractured her leg. She had to visit the hospital and spend considerable money on her treatment and medicines.

"If only I had a cover for the hospital, I would not have had to spend so much of my money on treatment..."

e. Mobile phone insurance

Mobile phones occupy a position of importance for people in Mozambique. About half of the population in the country owns a mobile phone of some sort – either a feature phone or a smartphone[19]. There are instances when people either lose their mobile phones, or they are damaged or stolen. People often have to borrow money to buy new phones or to get them repaired. During our client interactions, it was evident that they are ready to pay a small fee – the premium – to cover their mobiles phones. This is also a product that insurers believe has high potential and is something they would like to offer. This product has the potential to reach a large section of the population and thus can be among the anchor micro-insurance products, needing focus from all stakeholders.

Mobile phones can be insured either for loss, theft, or damage. The policy can either cover the cost of repair on actuals – or in the case of loss or theft – the depreciated cost of phones on a standardized basis. In addition, the local police in Mozambique are entrusted with the responsibility of recovering lost or stolen mobile phones for which a procedure is laid out. The individual, however, needs to visit the police station multiple times to follow up, in which they have to spend considerable time and money.

The product design will need to prevent malevolent cases of claims. Some ways of ensuring this could be to have proof of compliant with the local police, similar to the First Information Report in

19 MicroSave consultations with INCM

India. With the support of the National Communications Institute of Mozambique (INCM), the IMEI numbers of the lost or stolen mobile phones can be blocked, which would render the phones useless. This can act as a deterrent to misuse of the insurance. Insurers can develop more innovative ways to prevent fraudulent claims.

Mobile phones can be insured at the time of purchase itself. The insurance can be offered as a bundled product and could be included in the price of the mobile phone. Such a product can be offered as a group insurance scheme in partnership with various aggregators, which would reach a large number of people at a lower cost. Potential partners could be wholesalers, retailers, or even the manufactures of mobile phones. Partnering with mobile network operators can also be a plausible solution to offer such a product to consumers.

2. Push products

Push products are those that consumers do not necessarily demand but are 'pushed' by financial services providers. Providers follow several strategies for 'push products'. They may use targeted marketing, sales push, discounts, and so on. These products may also be bundled with other products or services, such as credit, which has a high demand. Such smart bundled products fair better in terms of penetration, as they are mandatory and find subscribers by default, along with an underlying product or service that has high demand.

Credit-life is a good example of a smartly bundled push product. Financial institutions that provide credit bundle credit-life products mandatorily to secure their portfolio. In Mozambique, most consumers who avail credit from financial institutions, such as banks and microfinance institutions, mandatorily receive credit-life insurance bundled with the credit availed. The lending institutions have tie-ups with insurers. They charge the premium to customers as a lump-sum at the beginning of the loan tenure. The premium is often as a percentage of the loan amount taken and ranges usually from 1% to 3% of the loan amount.

In the event of death or disability (in some cases) of the loanee, the insurer pays the sum insured, generally equal to the outstanding loan amount, to the lending institution, thereby settling the loan account. The family or friends of the deceased loanee is, in turn, secured from paying the outstanding loan amount to the financial institution, which they may no longer be capable of repaying.

Based on our interactions, consumers have suggested some enhancements to the credit-life insurance product as is being currently offered.

- Borrowers suggested having the life insurance against credit extended to their family members, beyond the loanee individual.
- They also suggested to extend policy coverage for a longer term and not just for the tenure of the loan, as is the case currently.

This offers an opportunity for insurers and credit providers to consider product enhancements that can meet consumer needs better while designing suitable premium pricing. This would ensure a win-win for everyone.

Though push products may not have compelling consumer demand, they offer opportunities for wider coverage and penetration. As insurers are keen to offer these products, there can be opportunities to utilize them to create a strong foundation for additional products. One may ask, for example, how can insurers take advantage of the high penetration of credit-life to offer additional consumer demand driven products while utilizing their partnerships with the lenders? We have mentioned some examples of where consumers expect related product enhancements earlier. Such comprehensive coverage will help clients experience insurance first-hand and offer opportunities to create a demonstration effect in terms of claims made and paid to the beneficiaries. This will assist in developing a positive perception of insurance as a service.

3. Pull products

Pull products are those that have a high latent demand from potential consumers. However, the insurers may not be keen to offer these products. There can be various reasons for this mismatch in consumer demand and the inability or unwillingness of providers to offer them. These reasons can include a lack of understanding of consumer needs, limited capacity to manage associated risks, a lack of appropriate data or information to design suitable products, and a lack of a compelling business case, among others.

Following are some of the products that fall into the 'pull' category –

3.1. Crop insurance

More than 80% of Mozambique's labor force is involved in agriculture[20]. Agriculture in Mozambique is exposed to many risks which include:

- Weather risks, such as variations in temperature or rainfall, or natural catastrophes;
- Biological risks, such as pest attacks, diseases, and contamination;
- Price risks, such as demand and supply dynamics;
- Policy risks, such as changes in costs, taxes, and market access.

Pilot of Weather Index-based Insurance (WII) in Mozambique

International Finance Corporation (IFC) undertook a pilot in 2012-13 through the Global Index Insurance Facility (GIIF) to offer weather index-based crop insurance to cotton farmers. The initiative received support from the insurers EMOSE and Hollard. The reinsurer Swiss Re undertook a majority of the risk. The Mozambique Institute of Cotton (IAM) and the private concessionaries OLAM and SANAM were the implementing partners. Asia Risk Center Inc. was the satellite-based weather data provider.

- IAM paid the premiums on behalf of the farmers. However, due to higher claims (at a claims ratio of 170%) in the first season, premiums for the second season were escalated.
- Farmers did not pay any part of the premium, while donor grants funded the pilot. Hence, the scheme could not continue after the funds for paying out the premiums were exhausted.
- Dissemination of findings of this pilot too have been limited. Hence, many of the stakeholders do not have an understanding of the lessons learnt and what could have been done better to sustain the initiative.

Source: Presentation at workshop for weather-based Index Insurance by Israel Muchena 2013, *MicroSave* interviews with stakeholders

These risks can lead to varying levels of losses for those who depend on agriculture for their livelihood. They can take the form of production losses, low price realization, and so on. The extent of losses is also uncertain. If they are acute, these losses can pull farmers, particularly smallholders, deep into poverty. With a large number of target beneficiaries and the deep and

[20] USAID report

widespread potential for impact, crop insurance presents a significant opportunity to secure the incomes of farmers across Mozambique.

However, from a supply side, crop insurance poses significant risks. Hence the product design needs to be done carefully, after considering various aspects. Farms in Mozambique are remote in nature, while reliable data is relatively limited. Therefore, parametric agriculture insurance solutions, such as weather index-based insurance, may be more relevant and acceptable. Satellite data related to weather conditions such as the Normalised Difference Vegetation Index (NDVI) can be used for various weather-based parameters and suitable indices can be developed as per ground realities. The losses for farmers can be ascertained and claims processed based on suitable parameters as per the product design.

Lopes Chinda is a farmer in Bela Vista in Matutuine district of Maputo province. He owns a patch of land measuring 2-3 hectares. Lopes sowed tomatoes in the last season. He had availed a credit of MZN 100,000 and invested it in the inputs, which included seeds, pesticide, irrigation fuel, and rental tractor.

Just about when the crop was almost ready to be harvested, there was heavy rainfall and hailstorm. His tomato field was flooded with water. The entire produce of tomatoes was spoilt just before the harvesting season due to one day's rainfall.

"I lost my entire crop of tomatoes just due to a day's rainfall... All money I had invested was lost..."

Most insurers are reluctant to offer this product due to a limited understanding of the underlying risks. They feel that the risk exposure is likely to be quite high, and hence the loss ratio will also be high, which would make it an unviable business case. A more extensive analysis of the previous pilot and design of another pilot that improvises on the previous one may provide an opportunity to assist insurers to adopt a low-risk 'sandbox' type of approach, to develop a weather index-based or another suitable crop insurance product.

Bundling of insurance with agricultural inputs

Farmers have an almost inelastic demand for inputs, such as seeds, fertilizers, pesticides, farm equipment, and even credit. The elasticity of demand for insurance is much more. Hence there can be a high potential to bundle crop insurance along with agriculture inputs. This can bring down the premium, significantly reduce distribution costs, and enable crop insurance to be available easily and almost by default along with farm inputs.

Insurers can be innovative in products design, such that the cover available to buyers is commensurate with the cost of input purchased. One plausible product offering through Agri-input suppliers could be as follows:

Farmers get a sum insured in proportion to the amount for which they buy Agri-inputs. The premium can be included in the price of the input product, for instance, seeds and chemicals. The insurance product can be weather-index based, wherein productivity losses will be estimated as per the index values. Based on the loss estimation, pre-defined compensation in kind or in cash can be provided in case untoward events cause losses during the cropping cycle – see the example of Pula in the graphic above. This will not only provide risk cover to farmers but also drive the sales of inputs, as the cover will be proportional to the quantity of inputs purchased. It will thereby make a viable business case for Agri-inputs suppliers as well. Farmers may also opt to pay an additional premium for a larger cover, beyond the basic coverage offered.

Case study - Bundled insurance offering

Pula is an agro-insurance-technology service provider that provides crop insurance to smallholder farmers using technology and data.

Pula designs and sells ‘insurance bundles’ within which the crop insurance policy is bundled with critical inputs, such as seeds, fertiliser, pesticides, or farm equipment, or all of them.

The policy is free for the farmer. Intermediaries, such as input companies and aggregators, pay for the premium. These intermediaries are those whose products have a better demand due to bundled insurance that mitigates risk for the farmers.

In Kenya, Pula provided insurance through a seed company to provide an additional bag of seeds for farmers whose crop was destroyed due to delayed rainfall. The farmer planted seeds from this additional bag when the rains arrived later on, and could therefore salvage some of their lost opportunity.

Pula uses satellite imagery data and sample crop growth measurements to determine potential losses to crops.
The input companies use the farmer data collected for marketing purposes and to offer precision agronomic advice to farmers.

PULA

Operates in eight countries in Asia and Africa and has insured 600,000 farmers in 2017

“Crop insurance sells better if bundled with agri-inputs, which have a more visible demand…”
- Rose Goslinga (Founder, Pula)

Not only crop insurance, other insurance products, such as funeral, travel, mobile phone, among others, too can be bundled with Agri-inputs as a value-added service. The widely extant network of agro-dealers and agents can act as effective touch-point for insurers to reach the farming community at large.

3.2. Health insurance

Private hospitals in Mozambique are relatively expensive and are therefore out of the reach for most low- to mid-income people. The low-income segment avail health services at government-run clinics and hospitals, where consultation fee is either zero or nominal. However, medicines, as well as tests prescribed even at the government clinics and hospitals, are expensive for the poor to afford. The cost of traveling back and forth multiple times to hospitals for treatment is high too.

In addition, around 90% of people find employment in the informal sector[21]. They are either self-employed or are engaged in farming, agricultural labor, or in *biscato* (piece job work). The opportunity cost in terms of loss of income due to illness is therefore high. Respondents in our research have shown a keen interest in a suitable hospital insurance plan to cover for some of the main expenses they incur during medical treatment.

21 MAP Mozambique diagnostic report

Insurers, on the other hand, have an inadequate understanding of the needs for medical treatment and associated risks for low-income households. Hence, they have not invested much in terms of product design or exploring if there can be a business case. Insurers in Mozambique offer some health plans, but have high premiums and hence are targeted towards the more affluent class. They are out of the reach of the mid- and low-income segments

Case study - Fearless Health product from MicroEnsure

MICROENSURE

Fearless Health is a product developed by MicroEnsure in partnership with insurers to cater to health needs of the low-income target segment.

Fearless Health - 3-in-1 hybrid product

- Interest-free credit for all treatment expenses at hospitals
- SMS a doctor to get a call back, saving trip to hospital
- Hospital cash, if admitted to any hospital for any reason for more than three nights

"Receive treatment today, pay later…"

- Fearless Health tag line

All payouts and repayments are done through mobile money to reduce turnaround-time and make it convenient.

Source: MicroEnsure

The following is an outline of health insurance plans that can be volume-driven, based on the need of the low- and middle-income population:

- Hospital cash plan: This can be in the form of a fixed cash plan for pre-defined ailments, within which the insured get a small lump-sum amount to cover some of the treatment-related expenses. It can be designed by analyzing out-of-pocket costs of treatment of common ailments.
- Medical reimbursement: This can be in the form of partial reimbursement of expenses incurred for treatment. Such a plan could work in a more formal setup, where expenses incurred can be recorded with proof of receipts.
- Special purpose schemes: Schemes that cover special and widely prevalent medical conditions, such as childbirth, malaria, etc. can also be developed with a social objective. These too can take the form of a group product from provincial governments or be offered as a bundled product through various intermediaries in the medical value chain, or both.
- National healthcare insurance plan: The government can develop a group insurance health scheme that covers low-income segments through subsidized premium and tie-ups with healthcare facility providers. If designed well, due to a potential for large group volumes, the premium and treatment cost can be brought down substantially.
- Tele-medicine Insurance: Clients could be offered a fixed number of free medical consultation calls with a panel of doctors, avoiding visits to hospitals and associated expenses. This could be bundled as a service, with other health insurance products.

These recommendations are based on short consumer research. We recommend that a more extensive demand-side human-centric research exercise should be conducted at the sectoral level to understand the consumer demand better for specific needs and to develop customer-centric micro-insurance products accordingly. Suitable product design and pilot testing, to ensure suitability and alignment of products with consumer needs to be done before scaling them up.

In addition, insurers can enhance their understanding of innovative consumer-centric micro-insurance products through cross lessons from other similar geographies and markets. They can undertake pilots to fine-tune products before replication. Findings and lessons from the pilots should be disseminated to the sector and other stakeholders to enable sectorial learning and growth.

C.3) Improving access to insurance

The challenge of making micro-insurance services accessible to the common man assumes paramount importance in Mozambique due to its vast geographical expanse and limited physical infrastructure, especially in remote locations. Insurers currently offer insurance through Bancassurance, agents, and brokers. However, these traditional channels of offering insurance are limited in terms of their reach. It is therefore pertinent to assess and explore alternative means of distribution in addition to the current ones.

During the course of our study, we assessed and analyzed the following channels to offer micro-insurance products. Our analysis and recommendations are covered in the following section:

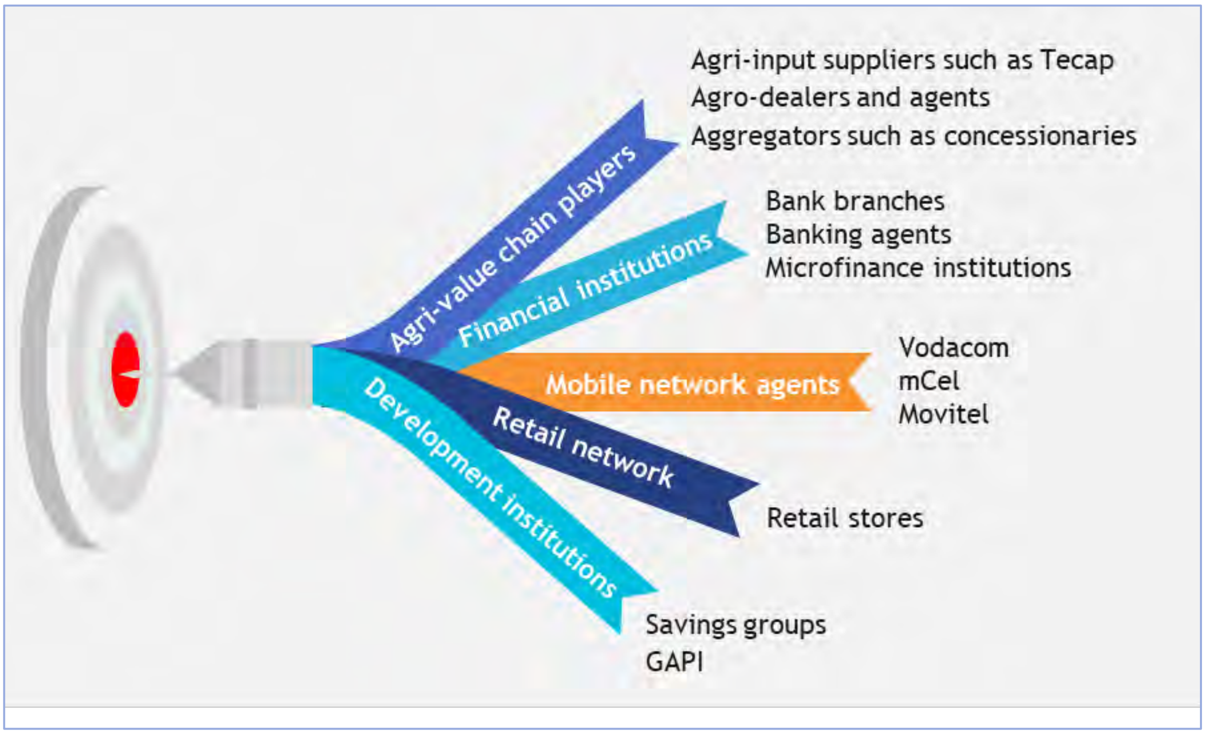


Figure 15: Potential alternative distribution channels

i. Synergies from partnerships

As is evident, many of these channels reach a large number of people and hence have potential relevance for the insurance sector as intermediaries or for sourcing of business. Some of them offer banking or other financial services and are therefore well placed to include micro-insurance in their portfolio of services.

With such partnerships, insurers stand to gain from the client base that these channel partners already have or can potentially reach through their touch-points. It is much easier to offer micro-insurance as a group product offering – and even as individual products, where feasible – to a captive set of consumers. Insurers in Mozambique have a large portfolio from group products and therefore it will be a natural fit for them. Potential client-facing activities and tasks that can be outsourced to these channel partners can be:

- Marketing and communication activities;
- Enrolment;

- Premium collection;
- Facilitating logistics with the insurer;
- Facilitating claims.

Concurrently, these potential channel partners also stand to gain from a partnership with insurers. There will be a direct revenue upside from the commission that they will earn for sourcing business for the insurers. Providing a wider suite of products will enhance customer loyalty. These may include different forms of insurance, such as a funeral, life, and crop insurance. The strategy also allows for additional cross-selling opportunities for these channel partners. In this process, the strategy will also build the capacities of the channel staff and help them achieve professional and personal growth and diversity in their roles.

However, to ensure these distribution partnerships can work seamlessly and new networks can be formed, these entities will have to invest in setting up suitable systems, processes, and in building the capacities and skills of their human capital. Processes to be set up will include monitoring insurance business through channel partners, payment of commissions, logistical arrangements, marketing and communication activities, and systems to prevent fraud. The staff of the channel partners, as well as the insurers, will have to receive training on the nuances of micro-insurance business and products, processes, compliance, and other relevant areas.

Channel partners will be the face of the insurers among the consumers. Hence, it will be essential for insurers to ensure that these touch-points help the channel partners meet delivery standards to maintain their standing in the market. Channel partners will, on the other hand, have to be equipped to manage consumers' queries, requests, and grievances.

In summary, such partnerships potentially present a win-win situation for all the stakeholders, that is, insurers, channel partners, and end-consumers that should be explored further.

ii. Feasibility assessment of potential channels

We have developed a feasibility assessment framework to analyze and segment various potential distribution channels using a combination of two parameters. These are (a) the outreach of the distribution channel and (b) the capacity of the channel to deliver micro-insurance.

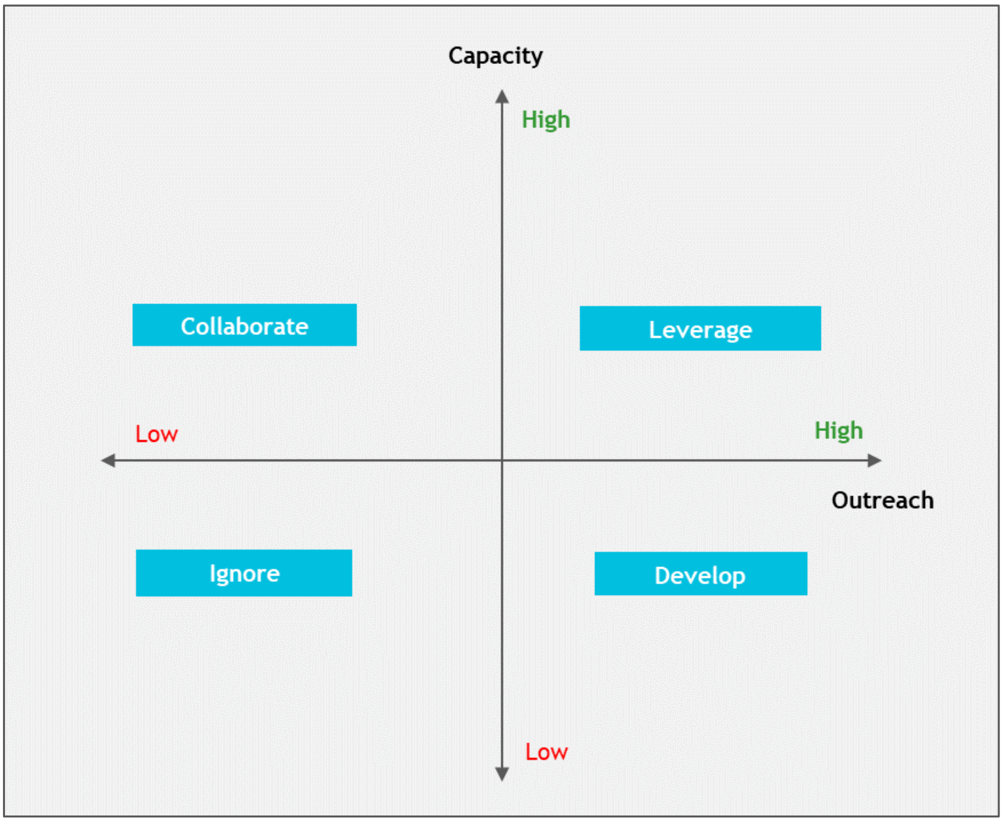


Figure 16: Feasibility assessment framework for potential delivery channels

Feasibility of using alternative delivery channels to deliver micro-insurance can be assessed based on the following two parameters:

Outreach - This is a measure of the potential of the channel to reach a large number of clients. This is a combination of:

- The number of operational or active touch-points;
- The geographical spread of their operations;
- The actual or potential customer base.

Capacity - This is a measure of the existing or potential technical and business skills and capacities of the distribution channel to offer micro-insurance products. Capacity is a combination of:

- The skills, capabilities, and bandwidth of human resources based on the nature of financial or non-financial services they provide, and their acumen to potentially understand and offer micro-insurance products;
- The physical infrastructure of these channels, such as office space, agent touch-points, electricity and digital infrastructures such as computers or tablets and Internet connectivity.

An ideal channel partner for micro-insurance should have extensive outreach and score high on the capacity metric. We can place the potential delivery channels in the feasibility assessment framework as below:

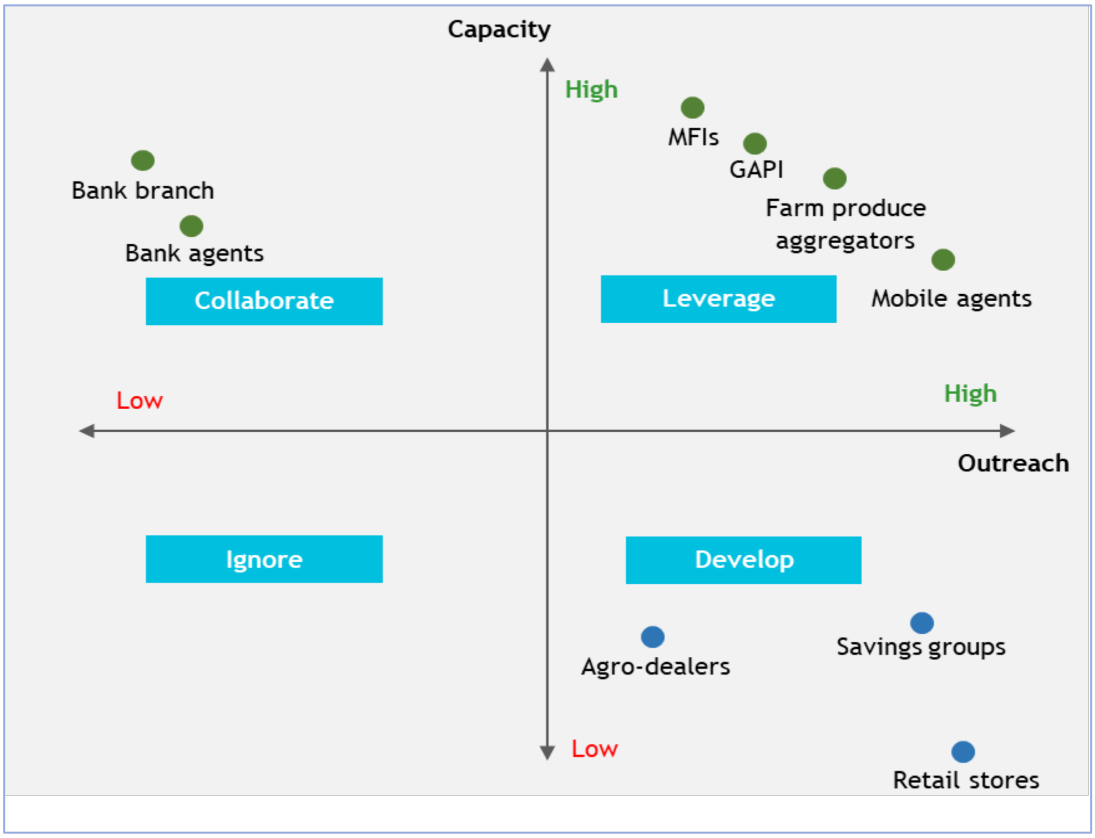


Figure 17: Feasibility assessment of potential delivery channels

1. 'Leverage' segment -

These channels have the potential to reach a large population base by virtue of the high number of touch-points, a wide geographical presence, or by the sheer nature of the services they provide. The internal capacity of these channels, as defined earlier, is also comparatively high for various reasons according to their context. Hence, these channels partners are of most relevance to micro-insurance providers and can help reach the maximum number of people quickly.

We thus recommend that the insurers and other stakeholders apply concerted efforts to overcome the barriers to enable distribution of micro-insurance through these channels. Insurers should undertake due diligence of specific entities that they consider potentially fit for partnering. For those willing to form partnerships to provide insurance, we recommend taking the following steps:

a) Rapid institutional assessment: Partnering service providers should conduct rapid institutional assessments to identify key strengths and weaknesses and assess the fitment for partnerships.

b) Process-mapping exercise: Processes will need to be streamlined, so they can be outsourced partly or fully to the channel partners. The key processes will include:
   - Assessing-customer needs and proposing suitable insurance products;
   - Enrolment of customers, that is completing the proposal form;
   - Compliance of know-your-customer (KYC) processes;
   - Processing of documentation;
   - Premium collection;
   - Claims initiation and/or closure;
   - Grievance management and/or resolution.

c) Capacity-building of partner institution: Once partnerships are firmed up, there will be a need to train the field staff and agents on specific technical, product, and soft skills.

d) Marketing and communication efforts: The distribution channels should be used effectively as a medium to create awareness among the population with respect to micro-insurance. Insurers and potential distribution channels should develop a marketing and communication strategy with allocated budgets and clear-cut roles and responsibilities for each stakeholder. A pool of experts who will guide the marketing and communication strategy across various channels on the field (on similar lines to agents of BIMA) should be developed to ensure effective implementation of the strategy.

In addition, there will be a need to undertake the following to drive and monitor progress, and to address challenges at the sectoral level:

a) Leverage the working group on micro-insurance: The working group on micro-insurance should lead efforts to provide an approach on the best way to utilize these high-potential channels. With representation from all stakeholders, the group can collectively provide guidance and comprehensive solutions to effectively utilize the potential of these channels.

b) Periodic reporting: A consensus among all insurers entering into partnership should be built to provide reports on how they utilize these channels in the form of 3Ps (progress, problems, and plans) on a periodic basis (preferably on monthly basis). The working group should meet regularly for cross-learning opportunities and discuss these reports for course corrections required thereof.

c) Utilizing technology: Actively encourage, promote, and support innovations through the use of technology to carry out various micro-insurance processes. The Electronic Transactions Law no. 3/2017 now permits digital contracts. This is progressive legislation that can further encourage facilitating micro-insurance digitally.

d) Technical assistance for agent network management: To effectively manage an agent network, the managers, staff, and agents of the partnering channels and insurers should receive the required technical assistance to serve micro-insurance offerings.

Sanlam 'go cover' insurance product

go cover is an accidental insurance scheme that covers insured individuals against injury and death. It provides cover against accident during travel or in the workplace. It is offered by Sanlam in South Africa.

- On-demand instant insurance cover from 24 hours to 30 days
- Simple one-off registration after downloading the mobile app
- Users can buy insurance cover over mobile app
- Proofs for claim also submitted online and benefit disbursed

In the following section, we present a more detailed analysis and additional recommendations to support some of the entities that can become high-potential micro-insurance distribution channels:

1.1. GAPI:

GAPI is a development finance organization that works with the community to promote entrepreneurship and to build an inclusive financial ecosystem in Mozambique. Through their elaborate network, they offer a number of services, such as micro-credit, technical assistance, and support to enterprises, among others. GAPI has a wide network of field offices and presence among community-based institutions:

■ (red square)	Regional offices
(flag)	Financial training centers for MSMEs
● (green)	Rural banking branches
● (dark red)	Companies or partners
● (orange)	Community financing institutions (ASCAs/Savings or loans groups)

As shown in the adjoining figure, GAPI has a field presence in about 100 districts in the country. The client base in which GAPI invests is massive. It includes individual clients, employees, and customers of Small and Medium Enterprises (SME). Its partner institutions include Socremo, Ologa, and Ikuru, among others.

Figure 18: Field presence of GAPI

These field institutions developed by GAPI provide financial and consulting services to their clients and are well equipped to understand basic financial products, manage operational processes, and follow necessary compliances. GAPI can be a valuable partner institution for insurers.

1.2. Farm produce aggregators:

Farmers in Mozambique grow cash crops, such as sugarcane, cotton, and tobacco extensively. They often have pre-harvest agreements with aggregators. These aggregators supply Agri-inputs such as seeds, fertilizers, pesticides, and provide agronomic advice to the associated farmers. In turn, the farmers agree to sell their produce to these aggregators. Some of the major aggregators are Olam, Sanam, Plexus, and Mozambique Leaf Tobacco (MLT).

Olam works with around 42,000 cotton farmers in the provinces of Nampula, Zambezia, Tete, and Manica[22]. MLT has contracts with more than 117,000 smallholder farmers in provinces of Tete, Manica, Zambezia, and Niassa[23]. Similarly, all these aggregators have a captive pool of farmers who are directly associated with them. These aggregators have a long-standing relationship with the farming community that can be leveraged to offer micro-insurance products.

These aggregators usually have extensive field staff who manage field operations and are well versed with agriculture, farmers' financial needs, risk exposure, and so on. Farmers too trust them due to mutual synergies with aggregators.

1.3. Mobile network agents:

The total number of subscribers for mobile services in the country (Vodacom, mCel, and Movitel) is around 13 million as of December 2017[24]. Even considering individuals that have more than one connection, this represents a substantial percentage of the population of Mozambique. Moreover, in terms of geographical coverage, 92.7% of the districts have mobile network coverage[25]. Mobile network operators also have extensive rural coverage through primary outlets, agents, and secondary and tertiary distribution[26].

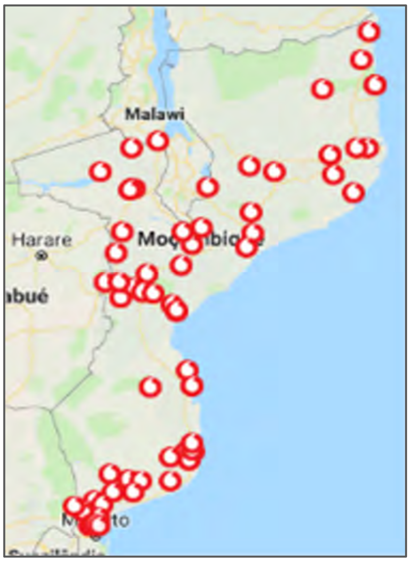


Figure 19: Network of Vodacom stores

Additionally, the mobile money services mKesh, M-Pesa, and eMola are also available in Mozambique. The penetration of mobile money has been growing rapidly, with around 370 mobile money accounts per 1,000 adults. Also, the growth of mobile money agents has been healthy, with about 160 mobile money agents per 100,000 adults as of 2016[27]. eMola is the mobile money service of Movitel and has a network of around 10,000 agents. M-Pesa reported operating with 12,609 agents in 2016.[28]

Mobile network agents and mobile money agents provide both financial and non-financial services to consumers. Hence they have the basic skills to offer micro-insurance.

Innovations in distribution channel using mobile technology

One example of technology-led innovation in Mozambique is a start-up called UX. It has been piloting a mobile platform called Soma that proposes to record information on savings groups, including details of individuals, amount saved, and their geographical location. The app aims to eventually connect the groups to the wider financial system[29].

22 *MicroSave* consultations with Olam
23 Club of Mozambique
24 INCM Data
25 National Financial Inclusion Strategy 2016-22
26 Finscope 2014
27 World Bank Country data sheet - Mozambique
28 *MicroSave* consultations with MNOs
29 Financial Times 2017

BIMA -mInsurance

BIMA is an insure-tech that provides insurance products and solutions over mobile phones. It acts as an intermediary between mobile network operators and insurance providers through its proprietary mobile insurance platform. It also has around 3,500 agents who move around in the field and work with consumers to hand-hold them at every stage. 26 million customers have registered across 15 countries through BIMA's service.

1.4. Microfinance institutions:

There are 11 major microfinance institutions (MFI) that operate in Mozambique, with a client base of around 37,000 active borrowers[30]. As MFIs provide financial services to their clients, the staff of MFIs are conversant with formal financial services, compliance requirements, documentation, procedures, and technology. This makes MFI channel to have a high level of fitment for offering micro-insurance.

Hluvuku is a microfinance institution that has recently graduated to a microbank. For consumer-facing credit operations, Hluvuku has smaller offices called 'units', which are like front offices and are manned by a unit manager and 2-3 loan officers. The infrastructure at these units consists of a permanent office and a computer with Internet connectivity. The loan officers travel in the field to scout for potential clients and also to complete the required formalities and processes of KYC and loan documentation, appraisal, and disbursal. Another example worth mentioning is Caixa Communitaria de Microfinancas (CCOM), which not only works as an MFI but also provides technical assistance to 35,000 members of around 1,300 savings and lending groups.

MFIs can be approached collectively through the Microfinance Association (AMOMIF), which is not active as of now but is being revived.[31] The association will provide a platform to mobilize the MFIs and a workshop can be held under its aegis, involving all the stakeholders where participants may discuss opportunities.

30 Mix
31 *MicroSave* consultations

2. 'Develop' segment -

These channels have good consumer outreach. However, their skills and capacity to offer micro-insurance to consumers are limited due to their minimal exposure to formal financial services and technology. Hence, to develop these channels, efforts will need to focus on skill and capacity-building. The focus of capacity-building will need to be on advancing general literacy, exposure to formal financial systems and technology, understanding the nuances of risk management, consumer needs, micro-insurance products, processes, selling and mis-selling, and so on. The section below presents an analysis of potential partners in this category

2.1. Savings groups:

Savings groups in the form of *xitiques*, Accumulating Savings and Credit Groups (ASCAs), and associations operate in Mozambique prominently, promoting informal means of savings and credit. *Xitiques* are by far the leading form of informal savings and credit mechanisms in Mozambique, with around 1.83 million members who belong to 60,000 odd *xitiques*, considering an average of 30 members a group.[32]
Most members of savings groups, especially in rural areas, have limited literacy and lack exposure to risk mitigation and micro-insurance products. Thus, their capacity to facilitate micro-insurance is limited and needs to be built.

Some savings groups are also being managed by development organizations that provide them with the necessary hand-holding support and training. Donor agencies support ASCAs in terms of capacity-building. Collaboration with these savings groups-supporting organizations can be explored to introduce micro-insurance to the member savings groups.

Savings groups can be federated at a locality level. It will be easier to provide group policies to savings groups' federations. Individual members can subscribe to the scheme through their

Calipso – organisation that supports savings groups

Calipso operates and supports around 300 savings groups in Mozambique. It provides technical assistance to the savings groups to help them manage their day-to-day operations. Calipso also facilitates funeral insurance for members of its groups. Its field staff manage various compliance requirements for funeral insurance cover and assist group members in claims process.

Insurance provider

Monthly premium - MZN 25

Funeral Insurance cover - MZN 5,000

32 Finscope Survey, 2014

respective groups. These federations can be similar to how *stokvels* (South African version of ROSCAs) are federated through the National Stokvel Association of South Africa (NASASA). NASASA is a self-regulatory organization authorized by the South African Reserve Bank that represents the needs of stokvels in the country.

Many savings groups already provide funeral cover to its members through the corpus generated from the savings and also the additional monthly fee for the same. Insurers can do a margin analysis to assess if they can offer funeral cover at a same or lower premium, but with added benefits to members. If this can be a viable business case then insurers should consider offering such products to savings groups.

Another possible offering can be to replenish the corpus of the savings group when benefit against funeral cover is paid out to a member. Savings groups offer funeral insurance informally to its members for a small monthly fee. This fee forms part of the surplus fund, which the savings groups use to pay out in case of a need for funeral expenses for the members. As and when they make this payment from the surplus fund, insurers can replenish the funds for a smaller fee.

2.2. Agro-dealers:

During cropping season, usually twice a year, farmers have a regular need of Agri-inputs such as seeds, pesticides, fertilizer, and farm equipment. The majority of farmers receive Agri-inputs through aggregators (such as concessionaires and out-growers) or through government programmes. However, some of the farmers buy inputs directly from the agro-dealers or from the Agri-inputs suppliers such as TECAP.

Figure 20: Location of Tecap agro-dealers and agents

TECAP provides farmers with Agri-inputs and agronomic advice. It has an elaborate network of their "*Casa Da Agricultor*" outlets and around 200-plus agents and agro-dealers to supply inputs to farmers throughout the country. As shown in the adjoining figure, TECAP agents and agro-dealers are present across six provinces of Maputo, Manica, Zambezia, Tete, Nampula, and Maputo City. There are also arrangements for institutional sales with larger companies, such as Olam, Plexus, and Gapi, among others. Similarly, AgDevCo is another major seed producer and distributor in Mozambique and provides seeds to over 120,000 farmers[33].

Such Agri-input suppliers and Agri-input producing companies can be valuable channel partners to provide bundled insurance products along with the Agri-inputs as a group offering. The section on products provides greater details on this. Every farmer who buys Agri-inputs or services can receive a suitable insurance cover as per the product design. The touch-points of agro-dealers can have a role in serving insurance claims from farmers.

Agro-dealers are similar to small and petty shops with the distinction that they sell Agri-inputs. As is the case of savings groups, the skillset and literacy levels of agro-dealers in terms of risk management, financial, and insurance products is limited. In addition, their outlets may not have adequate infrastructures like computers or tablets and Internet connectivity. Insurers will be required to support and perhaps make investments to strengthen these areas to allow the dealers to deliver and serve micro-insurance services.

33 MAP Mozambique report

2.3. Retail stores:

In urban as well as rural areas, there is a wide presence of retail outlets, such as grocery stores and mom-and-pop stores. Apart from their core business of retail groceries, these independent retailers also provide basic services, such as mobile top-ups. There is a high customer footfall in these retail outlets and hence they have the ability to reach a large number of low-income consumers. However, their viability to provide micro-insurance is limited by the fact that they do not have the requisite skill set for the same. Busy retail stores are also limited in their capacities to provide services with a high level of customer engagement compared to off-the-shelf products that they primarily sell.

Some of the organized retail stores, such as Shoprite and SPAR among others are expanding their footprint in urban Mozambique. These retail stores can potentially act as touch-points to provide micro-insurance either as a standalone product or as bundled products with the purchase of groceries or goods. A case in point is Hollard, which offers various insurance products, including the funeral cover, cell phone, hospital cash back, and others, through retails partners, such as Ackermans, Edcon, Game, PEP stores and others in South Africa.

3. 'Collaborate' segment -

This category of channels is well equipped to deliver micro-insurance due to synergies with the existing services being provided. However, their outreach is limited in terms of the number of touch-points and the number of end consumers they connect with. Hence, for these channels, the initial focus can be to utilize synergies with their existing offering and to create enabling conditions so that they expand their footprint both in terms of the number of touch-points and their geographical spread across provinces. Some level of capacity-building for this channel will be required with a focus on developing knowledge, skills, and processes specific to micro-insurance. The key institutions in this category are:

3.1. Bank branches:

Commercial banks in Mozambique have branches in major cities and provincial capitals. There are 680 bank branches across the country[34]. About 5.4 million people in Mozambique access banking services.

The bancassurance channel presents a critical pathway for selling insurance products across the globe. The proportion of life insurance premiums from bancassurance channels was in excess of 60% for France, Spain, and Italy. In Brazil, it is as high as 77%.[35]

About 67.2% of Mozambicans live in rural areas, where only 11% of bank branches are located.[36] Hence, the outreach of bank branches is limited in terms of providing for the majority of the population, especially in rural areas.

34 FSDMoC report
35 Impact of Bancassurance channel study
36 IGC Report 2017

Bancassurance - Synergies between insurance and banking
Bancassurance refers to selling of insurance through the banking channel. Insurers enter into partnerships with banks to sell their products to the banks' customers.

Value for insurers	Value for banks	Value for consumers
• Access to the captive customer base of banks • Expanded geographic presence • Take advantage of banks' understanding of consumer behaviour • Ride over banks' consumer segmentation • Low cost to insurers • Assistance in marcom efforts	• Enhance the utilisation of existing infrastructure, including human resources • Expand product portfolio thereby enhancing customer engagement and loyalty • Additional revenue through commissions • Opportunity to cross-sell other products	• Bank becomes a one-stop shop for financial products • Buy insurance from a trusted institution - the bank • Effective lower costs due to economies of scope through bundled products

Incentives need to be given to banks so that they expand their footprint beyond the traditional urban centers. Though such incentives do exist in terms of relaxation of mandatory reserves among others, more needs to be done on this front. One particular roadblock is the mandatory reporting of transactions to the Bank of Mozambique on a daily basis[37]. In the absence of proper infrastructure in terms of electricity and internet connectivity, among others, this becomes a daunting task for branches operating in remote locations. Bank of Mozambique could allow opening of differentiated bank branches in various regions, based on the local conditions. Branches in relatively remote locations can have relaxed compliance requirements and provision of only basic banking services, among others.

Bank of Mozambique can mandate targets to banks for selling micro-insurance through branches. Incentives can also be provided for the business of micro-insurance done through bank branches. Branches can also act as hubs for processing of micro-insurance sourced through other channels, such as mobile money operators, in their catchment area.

3.2. Banking agents:

Banks, such as BancABC, Letshego operate through banking agents in various provinces where it is economically unviable to set up bank branches. These agent outlets provide basic banking services to the surrounding population, in the absence of a bank branch. Lesthego bank has about 300 active agents who operate in the provinces of Maputo, Inhambane, and Gaza[38]. Lesthego has plans to expand the agent banking base in phases, with a vision to eventually cover nearly all the provinces. Similarly, BancABC operates about 130 banking agents across provinces. BCI bank also plans to set up agency banking operations in Mozambique.

37 *MicroSave* consultations with banks
38 Letshego Financial Results 2017 and *MicroSave* consultations

Banking agents can be a high potential channel for micro-insurance if insurers and banks are able to collaborate suitably. It can be an opportunity for symbiotic collaboration. Providing micro-insurance through banking agents will provide an additional revenue stream to the agents and to the banks. Moreover, the premiums that consumers pay to the banking agents in cash will partially solve the liquidity issues for banking agents in remote areas. For insurers, it offers a channel that is skilled to offer financial services and KYC or documentation – which is also a pre-requisite for micro-insurance. The outreach of banking agents is growing and will, therefore, prove valuable to insurers.

The regulations relating to agency banking operations need to be reviewed in more detail in conjunction with those regulating insurance to make sure that the policy framework facilitates such a partnership.

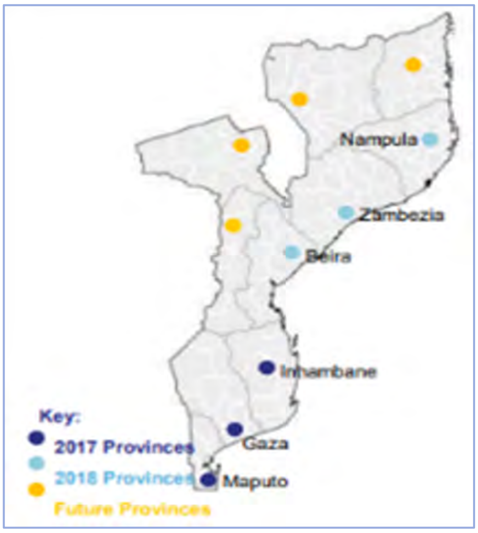


Figure 21: Letshego agent banking

An enabling ecosystem needs to be created to facilitate the expansion of agency banking operations.

- Regulations with respect to agency banking operations need to be more conducive to enable the expansion of agent networks. According to existing regulations, a customer cannot be charged for services availed through agency banking. This hampers the business case for banks to operate agent outlets. Also, there is a cap on the maximum commission that can be paid to the agent. This affects the profitability of agents.
- Technical assistance to banks for agent network optimization should be provided with support from the Bank of Mozambique and donor agencies.
- Banks can explore, as a platform, alternative technologies, such as USSD (Unstructured Supplementary Service Data) channel that have low infrastructure requirements.
- A ‘sandbox’ environment for testing such innovations will help banks in developing strong systems.

4. Other touch-points:

Other alternative touch-points, such as post offices and fuel stations can also be explored as potential channels to offer micro-insurance. The criteria of outreach and capacity as explained above can be used to assess the feasibility of using these channels for delivering micro-insurance. During the course of this study, we did not explore these channels in detail.

C.4) Assessment of insurer’s capacities in the Mozambican market

In this section, we provide an assessment of the landscape of the insurance sector in Mozambique, starting with an overview of the existing insurers in the market. Immediately after independence, the state-owned insurer – Empresa Moçambicana de Seguros (EMOSE) – dominated the Mozambique market. Over the years, it has evolved into a market with 21 private and government-owned insurers. The market in Mozambique draws its lineage from the insurance regulations and market in Portugal. From a distribution perspective, the market has evolved from a state of not having any brokers, due to a legislative ban on brokers after independence, to a market that now has more than 75 brokers.

The growth of the insurance market in Mozambique has three well-identifiable phases. During the first phase, as the economy was liberalized after the civil war in the early 1990s, two insurers set up their businesses. The second phase was between 2000 and 2010 when five insurers and one reinsurer started their businesses after legislative changes came into effect during the early 2000s. The third phase, post-2010, saw further changes in legislation and the establishment of ISSM. These changes attracted many more players into the Mozambican market, including from international markets. Most of the active insurers in the market today find backing from either Portuguese or South African investors.

Prior to 2003, insurers were allowed to undertake life and non-life business under a single composite license. After changes in the Insurance legislation in 2003, new entrants are required to possess separate licenses to carry out life and non-life business in Mozambique. The four existing insurers prior to this legislation were allowed to continue both life and non-life under a single composite license. Two composite insurers find a place in the top-three slots in terms of market share.

Phase	Number of Insurers/Reinsurers	Insurers/Reinsurers (Business)	Enabling triggers
First	Two	• Seguradora Internacional de Moçambique, SA (Composite) • Global Alliance Seguros, SA (Composite)	Liberalisation of economy in early 1990
Second	Five insurers and one reinsurer	• Hollard Moçambique Companhia de Seguros (Composite) • Moçambique Companhia de Seguros, MCS, SA (Non-life) • Companhia de Seguros da África Austral, SA (Non-life) • BRITAM Companhia de Seguros de Moçambique, SA (Non-life) • Hollard-Vida Companhia de Seguros, SA (Life) • MOZRE - Moçambique Resseguros, SA (Composite), Reinsurers	Changes in insurance legislation in early 2000
Third	Twelve insurers and one micro-insurer	• Company of Insurance Índico, SA(Non-life) • Tranquilidade Moçambique Companhia de Seguros, SA(Non-life) • Diamond Company of Insurance, SA(Non-life) • Phoenix Company of Insurance of Moçambique, SA(Non-life) • Fidelidade Companhia de Seguros, SA(Non-life) • ICE International Commercial & Engineering, SA(Non-life) • Arko Companhia de Seguros, SA(Non-life) • Mediplus Companhia de Seguros, SA(Non-life) • Imperial Insurance Moçambique, SA(Non-life) • Sanlam Mozambique Vida Companhia de Seguros, SA(Life) • Fidelidade Vida Companhia de Seguros SA(Life) • Tranquilidade Vida Moçambique Companhia de Seguros, SA(Life) • NBC- Negotiable Benefits Consultant, SA(Composite)-Micro-insurer	Changes in insurance legislation in early 2010

Table 6: Different phases of growth of the insurance sector in the country

The internal and external capacities, experience, and understanding of the market for insurers depend, to a great extent, on their vintage in the market. From that perspective, the insurance sector in Mozambique is in its infancy and emerging, with half of the insurers having started operating only from the year 2010.

1. Focus on non-life and mandatory business

From a product mix perspective, life business contributes a little over 11% of the total premium collected in the Mozambican market, while non-life business contributes the rest. Therefore, non-life business is dominant and has been the major driver of growth in the market. Breaking down the non-life business, a major contribution is from motor insurance, which is a legally mandatory (third-party liability) for motor owners. The next largest contribution to non-life premium is from coverage for fire risk, personal accident insurance, and workmen's compensation. Combined, these four lines account for 80% of all non-life business in Mozambique.

The focus, capacity, and expertise of the insurance providers and other stakeholders are towards these few commercial lines of business that drive a majority of the insurance business. This is one of the barriers for insurers and other stakeholders to invest in and evolve capacities for micro-insurance products.

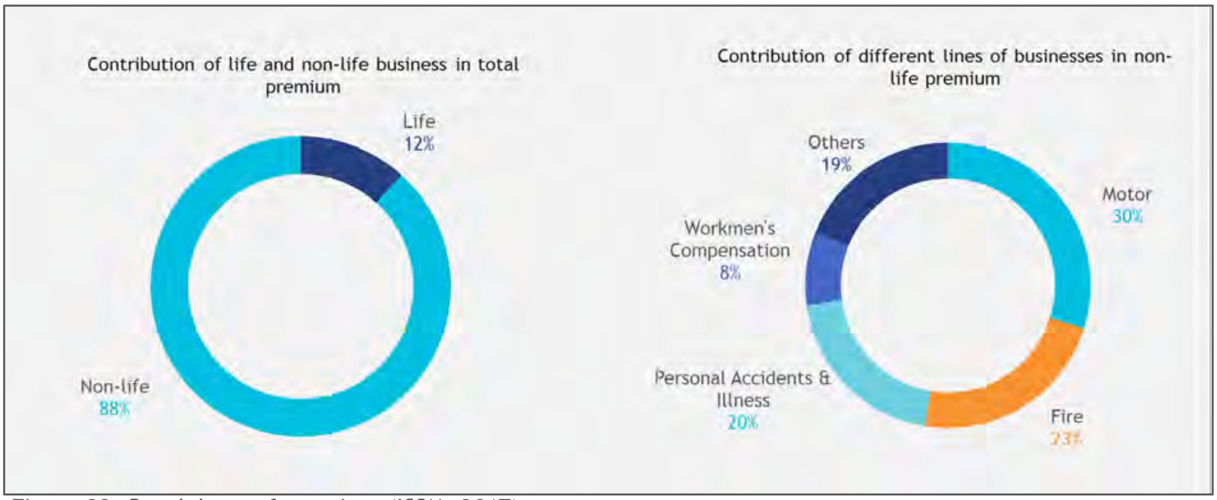


Figure 22: Breakdown of premium (ISSM, 2017)

There are critical gaps in the capacities of insurers that prevent them from offering micro-insurance products and meet the insurance needs of the low- to mid-income consumers.

2. Limited touch-points of insurers

Aggregating entities drive the insurance market in Mozambique. Around 50% of the business is sourced through brokers. In the year 2017, the distribution channel constituted 80 brokers, comprising 78 insurance and two reinsurance brokers, 17 insurance agents – as commercial entities, 139 agents – as individuals, and 395 insurance promoters. This is also a reflection of the limitation of direct touch-points like branches or agents by insurers beyond Maputo and a few other provinces. In fact, the geographical spread of the insurers in Mozambique is fairly limited to Maputo province. Yet Maputo exists in sharp contrast to Nampula, Zambezia, and Tete, which are the three most populous provinces, followed by Maputo province. The following table presents a comparison of the density of insurer touch-points and brokers per one million of the population.

Province/City	Touch-points (insurers)	Touch-points (brokers)	Total touch-points	Total touch-points per one million of the population
CaboDelgado	3	0	3	1.3
Gaza	4	0	4	2.8
Inhambane	3	2	5	3.3
Maputo province	52	63	115	46.0
Maputo city	27	61	88	80.0
Manica	7	2	9	4.7
Nampula	14	0	14	2.3

Niassa	2	0	2	1.0
Sofala	9	3	12	5.4
Tete	7	0	7	2.5
Zambezia	7	1	8	1.6

Table 7: Touch-points of insurers and brokers (Source: ISSM and INE)

In terms of distribution across Mozambique, as can be seen in the table above, nearly 48% of the insurer touch-points and 91% of the broker touch-points are within Maputo province. All other provinces put together have only 38% of insurance touch-points. The last column in this table also brings out the stark differential in agent density per one million of Mozambique population, which varies from as high as 80.0 in Maputo city and 46.0 in Maputo province to less than 5.0 agents per million people in all the other provinces, except Sofala.

Member country	Number of insurers	Number of reinsurers	Number of brokers	Number of agents	Broker-insurer ratio	Agent - insurer ratio
Angola	24	-	60	469	2.5	19.5
Botswana	24	3	51	161	2.1	6.7
Lesotho	11	-	42	500	4.1	45
Malawi	13	1	16	245	1.2	18.8
Mauritius	23	10	38	238	1.7	10.3
Mozambique	21	1	80	125	3.8	6.0
Namibia	30	2	951	4,490	31.7	149.7
Seychelles	5	-	15	2	3.0	0.4
South Africa	161	14	9,564	130,745	59.4	812.1
Swaziland	12	1	31	137	2.6	11.4
Tanzania	30	1	136	584	4.5	19.5
Zambia	34	4	50	240	1.5	7.1
Zimbabwe	20	9	31	465	1.6	23.3
SADC	406	36	11,057	138,259	27.2	340.5

Table 8: Insurance touch-points in the Southern African Development Community (SADC) countries (Source: Committee of Insurance, Securities and Nonbanking Financial Authorities CISNA annual report 2016)

As we see from the above table, the agent and broker-to-insurer ratio in Mozambique is minimal, particularly when compared to more mature insurance markets, such as South Africa and Zimbabwe. This analysis holds for micro-insurance, as the same set of agents and brokers also serve micro-insurance products.

Of the 21 insurers, only a few have businesses in the capital cities of multiple provinces. Most insurers have just one office in the capital city of Maputo. Hence, for such entities, the outreach and business sourced from agents are not significant, which makes them dependent on brokers for most of their business. This creates an uneven situation for them, whereby insurers are heavily dependent on brokers, who in turn are in a position to drive and bargain. The bancassurance channel is an additional major distribution approach, apart from brokers, that brings in significant volumes. This is largely due to credit-life products.

An acute lack of a physical distribution network and an absence of other innovative and emerging channels, such as MNOs, InsurTechs, or physical kiosks, have a severe impact on the capacity for marketing, distribution, and outreach by the insurers. It forces them to focus on low-volume, high-premium products and restricts them from any efforts towards building high volume low-premium mass-market products, which essentially characterize micro-insurance.

Moreover, there is no regulatory requirement to source businesses from new areas or geographies – that is, to expand beyond Maputo city. Moreover, there are no obligatory requirements to source business or a number of policies from an unserved area and population. In India, under the social and rural sector obligation mandated by the local regulator, a certain percentage of business must be underwritten from the low-income population and rural areas. The section on regulations in this report discusses this in detail.

There is also a complete lack of incentives in the form of tax breaks or other incentives to encourage and motivate insurers to go beyond their current quick-win business portfolio to serve the mass market. All these reasons prevent insurers from exploring beyond the Maputo city and province or from attempting to focus on products relevant for mid- to low-income consumers.

2.1. Possible ways to enhance touch-points

- We recommend financial and non-financial incentives to encourage insurers and brokers to open branches outside Maputo city and province. These could be in the form of tax exemptions for a certain duration for the business sourced through these new branches. This is a common practice in many countries to encourage private sector investments in priority areas.
- In the case of regular insurance agents who sell micro-insurance, insurers can build a case for lowering the supervisory tax to promote business through these agents based on the volume generated by them. Currently, individual agents and corporate agents have to pay 1,000 and 3,000 MZN respectively per year in the form of supervisory tax.
- The sector should consider utilizing the increasing coverage of banks and other financial institutions by extending the bancassurance channel. Insurers, banks and other stakeholders could consider advocacy for lowering the supervisory and other taxes for a fixed period of time on new bancassurance agents established in underserved and unserved areas. The Ministry of Economy and Finance, as well as the Ministry of Rural Development, have been providing subsidies and financial benefits to banks to set up new branches in rural areas. These subsidies include purchase and leasing back branch buildings, to banks, so their capital is not blocked. These ministries can consider similar incentives for the micro-insurance sector.
- In the medium term, a consensus among insurers should be built to open a branch in a province in case an insurer is sourcing a certain level of business from a province – in terms of premium and number of lives. As the business from a province increases and reaches an inflection point, the regulator could persuade insurers to open a branch for a cluster of districts. Alternatively, a consensus among insurers should be built to provide for a gradual expansion of branches and agency network beyond Maputo in the next 10 years in proportion to the total distribution network of the insurer. For example, at least 5% of the total branches and agency network in year 1 would be set up in rural areas, going up to 25% of the branches and agency network in year 5. Similar requirements could be extended in case of brokers too. This needs to be done in consultation with insurers, brokers, insurance association, and other stakeholders. The current direction from Bank of Mozambique for opening new bank branches could be looked at for similar adoption in insurance sector too. Currently, a bank has to open a new branch in an area where there are no bank branches, corresponding to the addition of two new branches at a location of their choice.
- Insurers in Mozambique largely focus on group policies and take the support of corporate clients or employers to underwrite the group policies for credit-life and funeral. In most of these cases, the employers or the aggregators do the premium sourcing, KYC, and claim assessment. This is a win-win approach as it provides outreach while allowing insurers to serve the market and manage their operations with minimal human resources. We recommend that insurers continue to follow this strategy, as it has been effective. Insurers should extend this approach to micro-insurance products, by innovative design of group-based products and suitable additional partnerships with appropriate aggregators. Insurers should start working on other models too. For example, exploring a partnership with MNOs and InsurTech could be encouraged and explored.
  As an example, Vodacom has partnered with Sanlam to offer freemium and paid products to their existing customers. Sanlam partnered with MicroEnsure to design the product, and to prepare the distribution and client service strategy. The roll-out of products to the customers might take some time. However, they have made a good start. Mobile penetration and reach have increased constantly over the past couple of years. There are approximately 13 million mobile connections in Mozambique. This provides an opportunity to utilize mobile penetration and reach for the roll-out of insurance products.

  The three mobile service providers have also their own mobile money service. The current usage of mobile money is limited to urban and semi-urban areas for money transfer and utility bill payments. However, mobile money has the potential to be used for premium collection and settlement of claims. Few insurers are already doing this on a small scale. The insurance industry should consider collaboration with MNOs for wider adoption.

The insurance regulator could encourage payment of premium and claims settlement by means of mobile money. Working group on micro-insurance could assess ways for wide adoption and promotion of mobile money.

For wider acceptance, it is necessary to increase the customer base of mobile money and interoperability among the providers. Interoperability of mobile money is still being discussed and not in place in the country. All stakeholders could request the Bank of Mozambique to expedite the complete interoperability of mobile money.

- Deduction from airtime as a method of payment of premium is another innovative way to utilize mobile penetration to offer insurance services. It is convenient for customers to pay small ticket-size premium amounts, and to enable insurers to develop "low-premium high-volume" products that need low distribution costs. The current regulatory environment in Mozambique does not allow for premium collection by deducting from airtime. Deduction from airtime has fuelled the growth of micro-insurance in countries like Ghana, through InsurTechs like MicroEnsure and BIMA. It has enabled insurance to be offered for the first time to many mobile customers, while at the same time, enabled providers to lower their costs and enhanced the potential for profitability and sustainability for the providers. Concerns such as consumer benefits and protection need to be thought through by three regulators and addressed, as customers may not understand what is being offered and why they are being charged. We recommend that the banking, telecom and insurance regulators engage in consultations to explore possibilities of airtime as a method to collect insurance premium while making adequate provisions for consumer protection.
- In addition, we recommend that to increase insurance touch-points, insurers explore arrangements with saving and credit groups, funeral parlors, and church groups. These have a high potential to serve as micro-insurance agents and has been discussed in detail in the chapter on improving access to insurance.

3. Lack of skilled human resources

A lack of adequately trained and skilled human resources is another critical gap that the insurance industry in Mozambique faces. The absence of formal training and capacity development institutions in the country that are equipped to meet the needs of the insurance sector exacerbates this issue.

Most of the insurers In Mozambique either train their resources internally or send or encourage them to acquire skills from overseas. There is a dearth of skilled human resources in specialized areas like product development, underwriting, claims handling, and processing. The shortage or unavailability of critical professionals like actuaries hampers sustainable growth and innovation in the sector. Hence, it is not surprising to observe that in the absence of local talent, expat professionals hold a good number of key positions with the insurers. This gap in the adequate availability of skilled personnel is a bottleneck for insurers to expand their operations to cater to the growing demand for insurance in Mozambique.

This situation is unlike the neighboring countries of South Africa and Zimbabwe, where considerable infrastructure has been established for training and skill development for insurance services. This has been a major factor in the exponential growth and maturity of the insurance sector in these countries. South Africa and Zimbabwe have their own insurance training institutes. Insurance Institute of South Africa (IISA) is more than four decades old. It provides training and capacity-building for the required skills for the insurance industry in the country. Actuarial Society of South Africa (ASSA) regulates and supports the actuarial profession in South Africa. Similarly, the Insurance Institute of Zimbabwe (IIZ) and The Actuarial Society of Zimbabwe (ASZ) are involved in the training and capacity-building for the insurance industry in Zimbabwe.

These institutions are well networked with similar institutions in other countries. These institutions have standard short- and long-term courses on different aspects of insurance. On regular intervals, these institutions organize workshops and annual events for the exchange of information, knowledge, and to share the latest developments in the insurance industry of their country and in international markets.

All stakeholders can explore the possibilities to have a knowledge exchange-driven partnership or association with suitable institutions in South Africa or Zimbabwe, to source courses and content for standard insurance skills. These courses can be either short-term or long-term and cater to the needs of employees at different levels and roles in the hierarchy of the insurance providers. Training is required at all levels and for key skills that range from surveying, loss assessment, enrolment, compliance, sales and marketing, underwriting, claims processing, and actuarial skills. As South Africa and Zimbabwe are English speakings, while Mozambique's national language is Portuguese, an arrangement for translation of the content will be needed. In the short term, this can be explored by stakeholders with help from a local university. An effort to establish standards for training curriculum and guidelines for certification is required.

Stakeholders could approach suitable institutions in the country after assessing and gauging their willingness to host training courses for insurance professionals. This can be a potential solution until there is a separately dedicated institution to train insurance professionals.

We recommend that in the short term, insurers can explore collaboration with international entities like either the Impact Insurance Facility from the International Labour Organization (ILO) or other similar capacity-building entities that can provide design and execution support for training courses and workshops on insurance.

Drawing examples from India, there are two independent institutions to train resources and for skill development. These are the Insurance Institute of India (III) and the Institute of Actuaries of India (IAI). The primary role of the Insurance Institute of India is to be a leading educational and training provider for the Indian insurance sector. It is the nodal agency for all the training and certification courses mandated by the Insurance Regulatory Authority of India (IRDAI). All insurers in the country lend support to the III.

The Insurance Institute of India offers both online and residential courses. It has its own college of insurance where it trains resources in short- and long-term courses. The Institute of Actuaries of India is a statutory body established to regulate the profession of Actuaries in India. Another institute, the Institute of Insurance and Risk Management (IIRM) has been set up by the regulator IRDAI itself. IIRM offers both on campus and distant learning courses in the field of risk management and insurance.

In the short term, we recommend that ISSM could consider becoming an associate member of the Insurance Institute of India. Many neighbouring countries of India like Sri Lanka and Bhutan are members of this institute. In the medium- to long-term (three to five years), AMS with support from other stakeholders, and insurers can consider establishing a local institution in the country, to train and develop the skill of various insurance professionals for the local market.

Another critical gap in Mozambique is the inadequate number of human resources in the insurance companies. Except for the big five insurers in Mozambique, other insurers operate from just one office. EMOSE, the state-owned insurer, has only about 350 personnel. This is the highest among all insurers, who have even fewer staff. Some insurers have as few as 10 resources for their entire business.

In addition, hardly any insurer has a dedicated micro-insurance division. Most insurance companies have shared resources across products and divisions, which prevents them from developing deeper expertise that is essential for micro-insurance to scale. Hollard started its agriculture insurance division recently, others do not have any similar ones. In effect, insurers lack an exclusive focus on promoting micro-insurance. Also, with the increasing volume of business in credit-life line, insurers find it hard to manage any additional business with their existing workforce.

4. Lack of capacity to develop new micro-insurance products

The portfolio of micro-insurance products offered by insurers is minimal. Only two micro-insurance products are registered with the insurance regulator. Both are funeral coverage products. One of them was registered just last year and the second one has been registered this year. Four more micro-insurance products have been proposed for analysis and approval. This demonstrates the sheer lack of depth and width of micro-insurance products on offer by the providers.

A few of the regular products, too, will qualify under micro-insurance. Yet due to the absence of data and reporting on micro-insurance, it is difficult to identify them or to comment on their market penetration and uptake. There is also an absence of SME- and MSME-oriented micro-insurance products in the market. Credit-life products in the micro-insurance category dominate the insurance market, followed by funeral coverage. It is important to understand that the growth in credit-life is linked to the growth in formal credit by commercial banks, micro-credit institutions, and that it is generally limited to the salaried class from private and government institutions. In most micro-insurance markets, credit-life and funeral insurance are relatively sustainable and profitable for insurers that offer them. In South Africa, both products have been successful. In the case of both credit-life and funeral insurance, the improvement of life expectancy has turned the loss ratios manageable for insurers.

There have been a few attempts to demonstrate a sustainable business case for agriculture insurance in the past that would qualify for micro-insurance. In 2012, the first weather-based agriculture index insurance was piloted in Mozambique in two districts. The pilot was a grant-supported multi-stakeholder initiative. The pilot found support from International Finance Corporation's (IFC) Global Index Insurance Facility (GIIF), in partnership with the Cotton Institute of Mozambique (Instituto do Algodão de Moçambique, IAM), EMOSE, and Hollard as insurers. SwissRe was the reinsurer along with Guy Carpenter - in conjunction with the Asia Risk Centre. Agriculture Concessionary acted as the aggregator and distributer of the insurance product. The pilot covered two important crops - cotton and maize. The pilot was implemented for two seasons.

Recently, IFC has again initiated efforts towards developing a market for agriculture index insurance in Mozambique. This initiative is part of a larger programme to support agriculture insurance across multiple markets. Under the first phase of this initiative, IFC has invited PwC India to conduct a feasibility study for agriculture index insurance and also to map the value chains of the identified key crops that the project had covered. This study will likely provide key inputs to plan the next phase of development of the project in Mozambique.

IFC selected EMOSE and Hollard as local partners for this initiative. IFC will support both these insurers financially and technically for three years to roll out agriculture index insurance in the country. Utilising the support from IFC, Hollard has established an agriculture insurance division to focus on and build a larger portfolio of agriculture index insurance in the country.

In India, the Government of India first piloted agriculture index insurance for a few years with help from the World Bank Group and in partnership with private insurers. After the agriculture index insurance gained better acceptance among the farmers, the government adopted this under a central scheme, providing subsidy on premiums, leading to much wider outreach of agriculture insurance in India. Mozambique could explore a similar approach too. We recommend that the insurance regulator coordinates with all stakeholders involved in this pilot and monitor the progress closely. It can present outcomes and lessons learnt to the Ministry of Economy and Finance to assist the government along with inputs for design of an agriculture

Mozambique has a history of attracting many donors and institutions to provide financial as well as technical assistance. It has encouraged the development of a business case for micro-insurance and demonstrated it. The last pilot and current initiative to develop agriculture index insurance (as mentioned in the box above) is a leading example. Bilateral and multilateral agencies have been supporting micro-insurance in the country.

We recommend all stakeholders collaborate on such initiatives, document findings, and key lessons, and publish them in the public domain for wider knowledge dissemination. The progress of such initiatives should also be discussed periodically through workshops involving all stakeholders. Currently, much of the knowledge relating to such innovative initiatives is limited only to the stakeholders that are directly involved or participating. We recommend that the insurance association form a working group or committee to encourage such innovative initiatives and for periodic sharing of lessons with the sector.

C.5) Activating latent demand

i. Need for consumer education

Only an abysmal 7.7% of the adult population in Mozambique has an insurance cover through formal means or informal means such as from savings groups. One of the major reasons for this low penetration is a lack of understanding among the population regarding insurance.

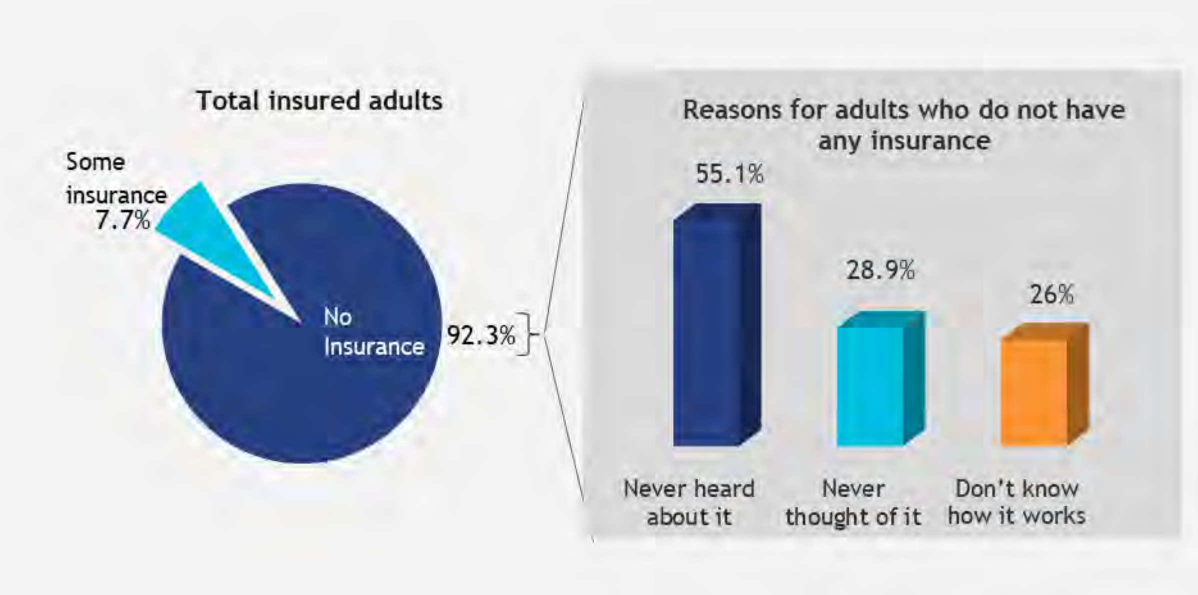


Figure 23: Insurance statistics in Mozambique and reasons for the current state of affairs (Finscope 2014)

A majority of the population not having any kind of insurance mention limited to no awareness about insurance or how it works.[39] Mozambique does not have a well-developed culture of insurance yet. "Despite the risks the unbanked population are exposed to, insurance is not a common coping mechanism for them. They sell their possessions, use their savings, or borrow money to cope with unforeseen events".[40]

Our primary research corroborated this. There is a need to augment consumer awareness and education about insurance through concerted supply-side interventions. One of the qualitative performance measures in the strategic plan of ISSM 2014-2018 is to improve the level of knowledge of the general public about insurance. ISSM has also developed a Financial Education Strategy in Insurance (EFISE) 2014-18 that stresses the need for consumer education for insurance.

ii. Initiatives undertaken by the insurance regulator until the date

The insurance regulator has undertaken various initiatives with a focus on consumer education.

- Newsletters – The regulator publishes a biannual newsletter on its website. Apart from generic news regarding various matters involving insurance, it often dedicates a few pages to financial education initiatives that it undertakes. Posting the newsletter solely on the website limits the viewership to only those few who are often online and visit the website. The regulator could consider sending these newsletters electronically to all stakeholders, including Insurers, channel partners, commercial banks, Bank of Mozambique, and National Communications Institute of Mozambique (INCM), among others. It could also consider bringing out printed versions of the newsletters.
- Lectures on insurance in schools – The regulator conducts lectures in schools to sensitize students on insurance. These lectures are on practical experience and explain the main

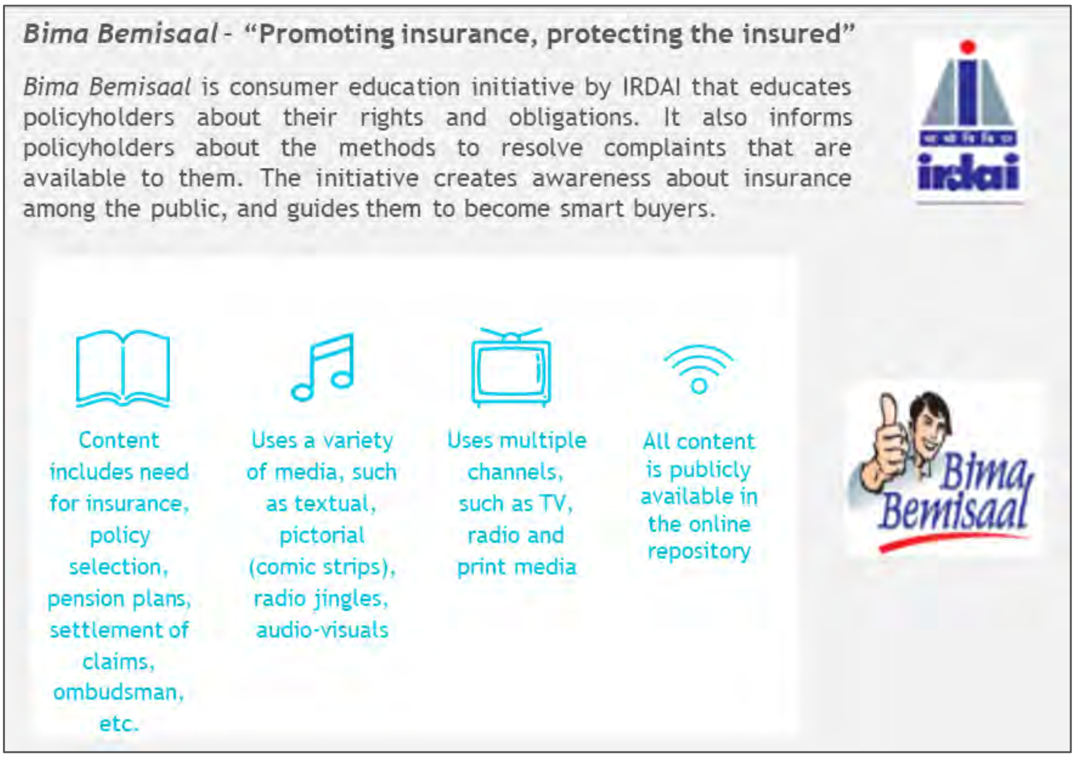
39 Finscope 2014
40 IGC Report 2017

concepts of risk, insurance, award, compensation, and policyholder, among others. Such an initiative covered a total of 17 secondary schools involving about 2,550 students. The regulator also offered reading material regarding insurance to school libraries. However, to have a lasting impact, it needs to undertake such informative sessions on a more frequent basis. One possible way would be to take support from school teachers to conduct these sessions more often. The regulator can train interested teachers to conduct these sessions.

- Training of journalists – The regulator also sensitizes journalists regarding insurance. The regulator believes that journalists have a larger role to play in creating awareness regarding insurance and developing a culture of insurance through their reports and columns, which have a wider audience in the country.
- Collaterals – The regulator has developed some collaterals that are available publicly on their website. It includes a list of Frequently Asked Questions (FAQs) that relate to insurance in general, a brochure for insurance contract, and a car insurance brochure. These collaterals are text-heavy and hence not too user-friendly. They need to be more user-friendly and more pictorial in nature. Audio-visuals in the form of animations or short brochures will be more suitable and have a greater impact.

The insurance regulator needs to revamp its consumer education initiatives to stress its importance to various stakeholders as well as assist them in building their individual consumer education initiatives.

A case in point is the consumer education initiative that the insurance regulator in India had



undertaken. The Insurance Regulatory and Development Authority of India (IRDAI) launched an insurance awareness campaign called '*Bima Bemisaal*' (translated to English as 'Unparalleled Insurance'). IRDAI developed a variety of material under this initiative, which includes comic strips, comic book animations, comic books in local languages, and eBooks on insurance.

IRDAI also developed a separate website, which contains all the information about various other initiatives being undertaken, as well as information on insurance in the form of collaterals. Similar to this initiative by IRDAI, the regulator could develop generic insurance collaterals in collaboration with insurers that they would utilize in print media, including billboards and flex boards at prominent locations that have a high footfall. The regulator could consider broadcasting audio-visuals on television as advertisements and also be include them in the TV shows conducted by Bank of Mozambique as a part of its financial education programme. All the content developed by the regulator can be added to its website for various stakeholders to download and re-use in their respective product marketing strategy.

iii. Key constituents of a consumer education programme

This section presents key considerations to take into account while designing an effective consumer education programme. Based on our experience of designing various consumer education programmes, a well-designed consumer education programme rests on three pillars:

a) Content – This refers to the actual message that is being conveyed. It assumes importance because it has to appeal to the needs of the target segment.
b) Channel – There can be multiple channels that can be used to reach the target segment. There is a need to have a multi-pronged approach to reach the maximum number of consumers and to create a salience effect on the minds of consumers.
c) Medium – This refers to the form that the message can take, such as audio-visuals, textual content, pictorial, etc., so that it can be disseminated over various channels.

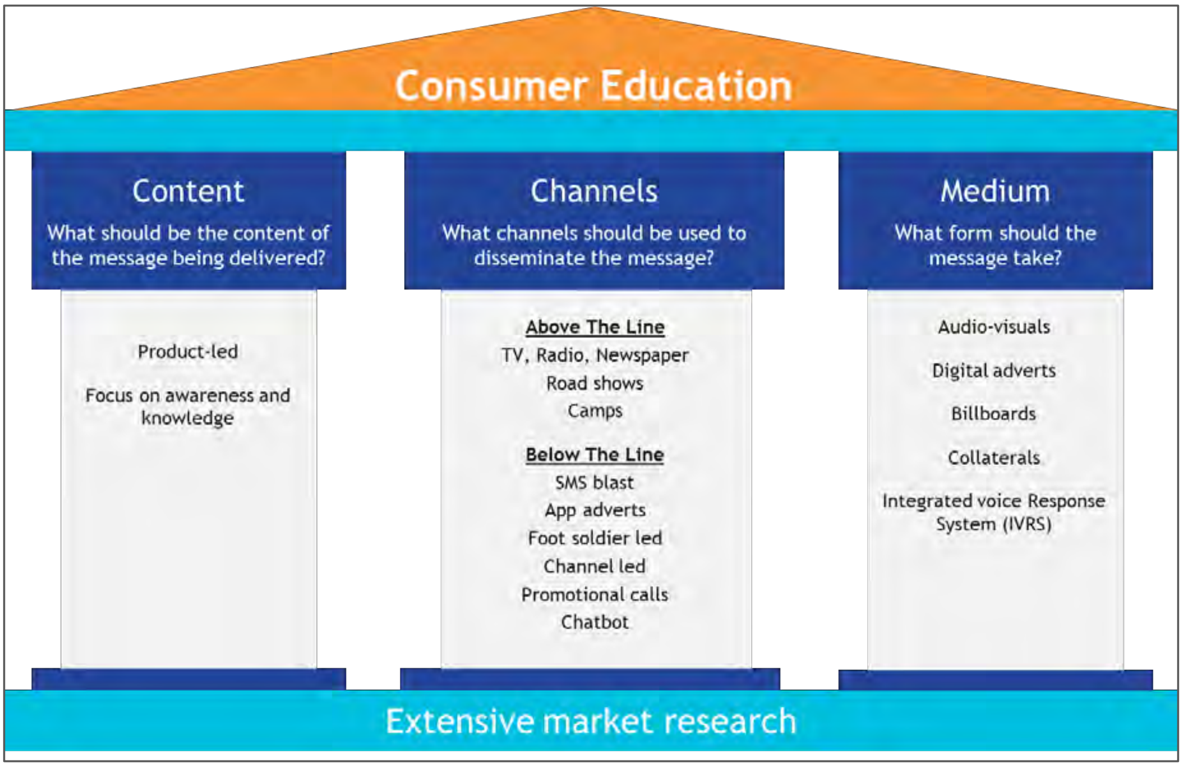


Figure 24: Three pillars of consumer education program

a) Content

Generic consumer education programmes have a limited and short-term impact on the minds of recipients. We have observed this through [specific research] and also through a number of education programmes that we had designed for various target segments. Financial education programmes have to be built around products that are being offered in the market to be more effective. Such education is more likely to accelerate the actual uptake of products or services and can be integrated with the product marketing activities of the service providers.

We have also seen that solely creating awareness does not suffice to help consumer graduate to actual usage. The consumer education initiatives also need to provide specific knowledge regarding the product or service, such as key features.

For example, if a customer education initiative is to be developed for a funeral insurance cover, it should have the following content:

- Why do you need funeral insurance?
- What is the monthly fee? How much is the benefit from the cover?

- How do you enroll in the scheme?
- How do you make a claim?
- Whom do you contact in case of either queries or disputes or both?
- List of service providers that offer funeral insurance

MicroSave's Alternative Financial Education (AFE) approach can assist in integrating consumer education with product marketing by insurers. The AFE tools integrate well within the operational structure of the organization and hence do not entail additional efforts and costs. The sales staff responsible for product marketing can simultaneously conduct consumer education with the client. This bottom-up approach to include the needs of clients and field staff has found to have positive tangible results in pilots conducted by us.

Alternative financial education pilot - CMC Ltd., India

MicroSave designed the AFE tools for CMC clients to conduct a pilot test of the methodology. The objective was to enable CMC clients to choose the right financial products and services that are suited to their needs.

CMC Cashpor Micro Credit

Consultative process in understanding needs of clients, centre managers, and field staff

Programme fits within the existing operational hierarchy

Positive outcomes

- 89% increase in savings deposit
- 233% increase in account openings
- Increased productivity of sales force through enhanced confidence
- Behavioral change in clients through a change in perception

"Without the AFE tools, my path for selling the saving products was like travelling on a dirt road, while with AFE, it is like travelling on a paved road…"
- CMC sales staff

"I thought I did not have money to save, [and now] I save even INR 10. This is something I have started after opening of an Apna savings account [with CMC]…"
- CMC Client

Insurance education is not one man's job. We must all come together…

Winfred Dodzih, Ghana Insurers Association

Since there is a lack of a culture of insurance in Mozambique, it is essential to understand the behavioral biases associated with it. *MicroSave's* propriety Market Insights for Innovation and Design (MI4ID) framework can assist in ascertaining these behavioral biases and help in designing key behavioral levers to be built into the consumer education initiatives. Also, as per our experience, the emotional connect of the content does have a major impact on the customer's decision-making.

b) Channel

For wide outreach and effectiveness, the consumer education programme should adopt a multi-pronged approach and use a variety of relevant channels. It would also involve a combination of above-the-line (ATL) and below-the-line (BTL) marketing and communication activities.

c) Medium

Collaterals can be developed in various forms including textual, pictorial, audio-visual among others. Audio-visual content offers ease of understanding and enables maximum retention, followed by pictorial and textual content. Also, audio-visual messages have the advantage of scalability and low-cost, thereby making them a preferred medium for all stakeholders. Therefore, a combination of textual and pictorial content can be built into leaflets, flex boards, billboards, etc. to make them more appealing to the consumers.

A segmentation approach can be followed in developing consumer education programme. With the suggested nationwide Insurance awareness survey, the parameters for segmentation can be ascertained. Some of these parameters could be rural-urban, male-female, youth-old, salaried-self-employed, etc. Customized consumer education programmes can then be designed to cater to the specific traits and needs of various consumer segments.

iv. Consumer education strategy

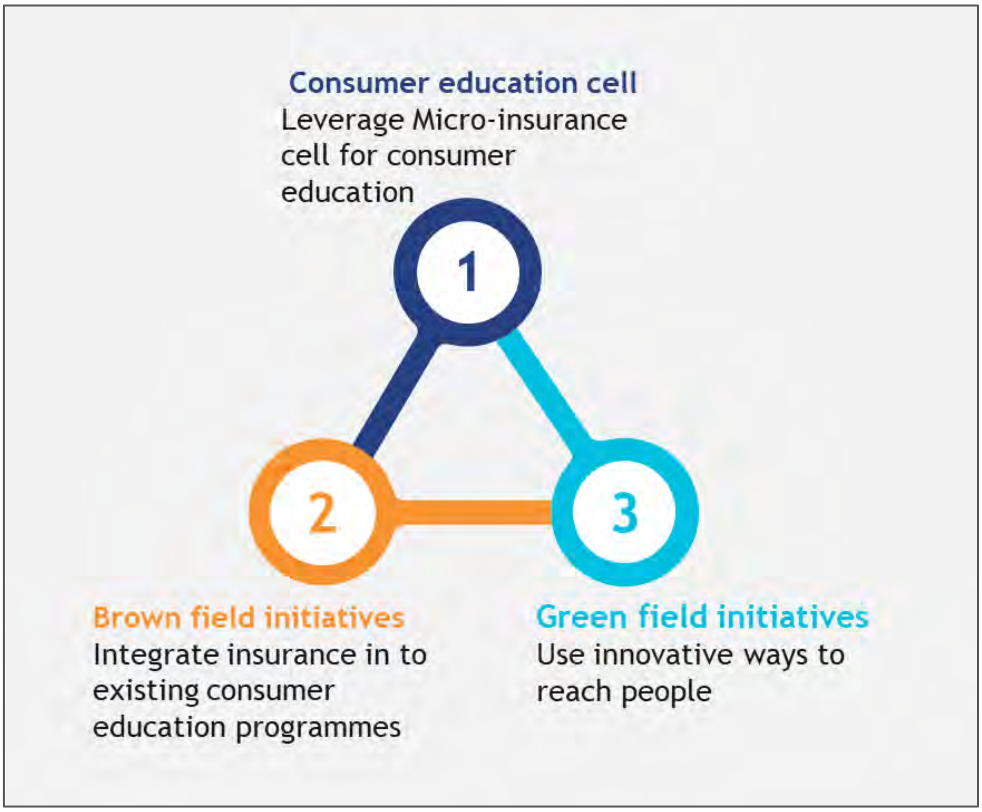


Figure 25: Consumer education strategy

The consumer education strategy for insurance in Mozambique rests on three basic pillars, as shown in the figure above. Some of the initiatives and measures suggested are primarily the responsibility of the insurance regulator, while most of them are a joint responsibility of various stakeholders. The following section mentions the primary responsibility for each of the initiatives in their respective sub-sections.

1. Consumer education cell

Consumer education is one of the top priorities for any insurance regulator, so a larger dedicated multi-stakeholder based consumer education efforts need to be undertaken in the country. This will allow a sharper focus and concerted efforts that are so desirable towards consumer education. The micro-insurance cell proposed earlier can lead the efforts for consumer education internally as well as with other stakeholders.

> *Insurance education is not one man's job. We must all come together…*
>
> Winfred Dodzih, Ghana Insurers Association

Representation:

In addition to the sectoral experts, media-related expertise assumes importance in this context. There needs to be an information, education, and communication (IEC) expert in the committee to suggest various modalities of making the marketing and communication strategy actionable. There also needs to be a market research expert as a member who can guide and facilitate any market research required to develop marketing and communication initiatives.

Mandate:

The cell should undertake a nationwide insurance awareness survey to assess the as-is situation regarding consumer awareness about insurance. This can be undertaken with active support from the National Institute of Statistics (INE). From the analysis of the as-is situation, with a projected desired to-be situation, gaps shall be identified to arrive at key focus areas. These will likely be in terms of geography, perception, knowledge, and attitudes regarding insurance, decision-making context, marketing and communication efforts, channels, and medium of dissemination, among other factors.

The cell should develop a plan of action with inputs and buy-in from various stakeholders, to enable it to be implementable and impactful. Making the roadmap actionable should also be a collective responsibility of the cell. For course correction, there should be periodic monitoring and evaluation of various consumer education initiatives. The cell should set up metrics to measure and monitor progress and impact. Regular meetings should be conducted to discuss various initiatives in the form of 3Ps (progress, problems, and plans) and taking suitable corrective actions.

Since insurance providers will be the direct beneficiaries of the outcomes of consumer education and capacity-building of stakeholders, they should assume primary responsibility for these activities.

Insurers should earmark a certain proportion of revenues towards furthering consumer education. They can do this through the Insurers Association of Mozambique (AIM). The South African Insurers Association (SAIA) has undertaken a similar initiative. Insurers are free to utilize these earmarked funds directly through their own efforts or contribute these to a larger pool of resources if they are not able to utilize them for consumer education. This pool of funds can be termed Consumer Education Fund (CEF), which the consumer education cell can utilize for various consumer education initiatives. It should use part of the fund corpus for consumer education specific to micro-insurance.

2. Brown field initiatives

Various consumer education initiatives are already underway in Mozambique. There is a need to achieve synergies with such initiatives and, where feasible, integrate initiatives for education on insurance. This will aid in economies of efforts, lower costs and enhance the level of impact due to cohesion in the group. Based on our experience, the following customer education platforms could be utilized to provide insurance literacy in the country:

a. Savings groups-supporting organizations: Organizations, such as Calipso, CCOM, and Gapi provide technical assistance to savings groups – that is, ASCAs, *xitiques*, and associations – to manage their day-to-day operations. As part of their technical assistance support, they train the members of savings groups on formal book-keeping, credit, savings, and formal financial services. Insurer-agnostic content on insurance can be developed and integrated into the training programme for savings groups as an add-on module.

b. Farmers associations: Farmers associations in Mozambique operate to promote good agricultural practices among farmers and to further their common interests. These farmers associations or clubs have a high potential to act as platforms for consumer education relating to insurance.

c. Banks: BancABC has its financial literacy campaign in the form of a brochure that can be downloaded from the website of BancABC. It includes concepts on savings, budgeting, and partly on insurance. This partnership should be explored further to develop more relevant content for micro-insurance and dissemination through its branches and banking agents. Letshego and BancABC operate agent networks and hence have been taking up training agents on day-to-day operations. Insurance can be an additional module on which the agents can be trained.

   Similarly, other banks in Mozambique can also be encouraged to participate in insurance education initiatives for consumers.

d. Microfinance institutions: Microfinance institutions, such as Gapi and CCOM have their own financial literacy initiatives for their clients. Insurance education and awareness can be integrated with these programmes.

e. Other regulators:

f. Other sectoral regulators, including Mozambique Stock exchange (BVM) and Bank of Mozambique (BoM), also have their own financial literacy programmes. Bank of Mozambique has various initiatives for financial education, which include television and radio programmes and *Save* campaigns.

   BVM has its own financial education programme (PEF 2017-19) that targets businesses, investors, students, professionals, and the general population. We need to identify opportunities to ensure that insurance too becomes an important part of these customer education programmes to enable greater synergies and outreach.

3. Green field initiatives

Retention of messages is better if they are reinforced multiple times through various means. In this context, we recommend additional initiatives to achieve a greater impact on enhancing consumer awareness and understanding of insurance and micro-insurance.

a. Agent led consumer education:

Agents who are involved with insurance can also be utilized to play an important role in consumer education. A day per fortnight or month could be earmarked as ‘insurance day’ when all agents who sell insurance conduct a campaign at their touch-points. Procedure for these campaigns should be laid out and collaterals required should be supplied to agents. Incentives can be provided to agents who conduct such campaigns. Capacity-building of these ‘champions’ and ensuring that they conduct adequate consumer education efforts will be the primary responsibility of the insurers.

b. SMS blasts:

A majority of the people in Mozambique have a basic feature phone and use SMS for communication.[41] SMS blasts on educational topics for insurance, such as products, benefits, claims procedure, dos and don’ts can go a long way in achieving the desired outcomes. Reminders through SMS can overcome psychological barriers that prevent consumers from availing insurance[42].

41 Mozambique Mobile access and usage study
42 YouthSave programme

c. Mobile network 'feet-on-the-street':
Numerous mobile network agents in Maputo do not have any permanent establishment and sell mobile top-ups on the streets, moving along the city. These 'feet-on-the-street' can be used to create a buzz around insurance through the distribution of pamphlets, display of flex boards, etc. Insurers can use these people as an additional platform for consumer education and product marketing.

BIMA agents - Insurance mavens

InsureTech BIMA offers insurance to the low-income group and operates through an agent-led model. There are around 3,500 BIMA agents across the world who sell micro-insurance to consumers.

- A BIMA agent leads each sale and provides adequate product information
- Agents provide product information as well as information about insurance in general
- Agents explain about claims and assist in claims settlement
- Claims hotline to assist customers

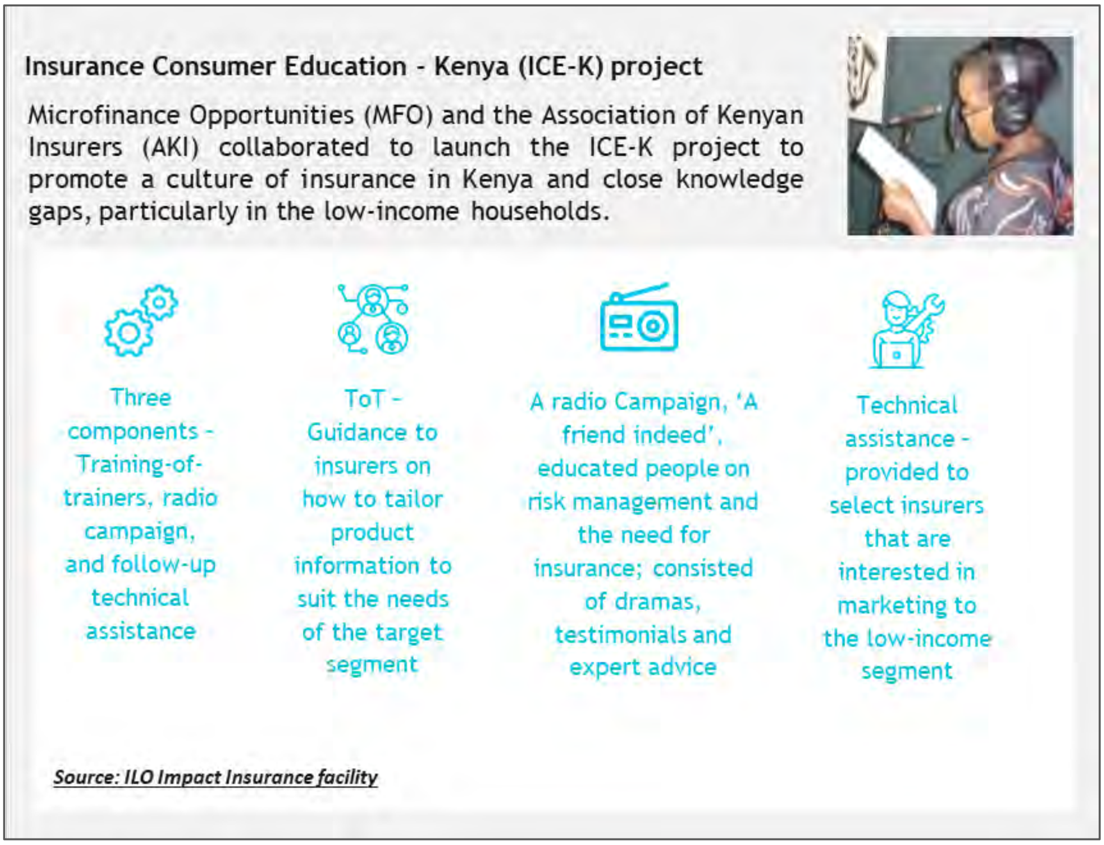
BIMA

d. Radio plays
Radio plays can also be developed and broadcasted on Radio Mozambique to reach a greater number of people. Radio Communication toolkit by Impact Insurance facility can be used for designing radio programmes suiting needs of the target segment. These AVs and plays can be more conversational in nature so that it is easier for the common man to relate to.

e. Chatbots:
Insurers can employ chatbots for use by people who have smartphones. Most consumers want to have interaction with a real person at the other end. Chatbots can give consumers who use smartphones a real-life experience of interacting with another person. Agents who sell insurance through their touch-points as a source of information can also use these chatbots. Juntos is one such chatbot solution that works specifically with financial services providers (FSPs) and provides customer data to FSPs.

f. Programme for youth:
A financial inclusion programme that targets youth should be launched in Mozambique. Youth are high-potential ambassadors of educational messages and campaigns. Also, instilling a positive perception regarding formal financial services in the minds of youth at an early age can catalyse

the demand for financial products and services. Youth are also perceived to have a greater influence on their parents, thereby presenting an opportunity to reach the larger adult population.



The *YouthSave* programme undertaken by the *YouthSave* consortium (Save the Children, Consultative Group to Assist the Poor, Centre for Social Development, New America and MasterCard Foundation) was a similar programme for youth, typically covering school students.

Barclays Bank (Mozambique) conducted a two-day programme in 2017 to impart financial literacy to school students. The Vodacom Mobile Education Programme trains teachers and managers of their education centers on the effective use of ICT as well as financial management for a better learning experience. This programme can also be utilized to include basic content on insurance.

i. Integrated programmes:

Integrated consumer education programmes follow a multi-pronged approach, where the service provider receives assistance at various stages. These stages comprise assessing clients' needs, developing collaterals and channels for dissemination, and training of staff, followed by hand-holding for on-ground implementation. Such programmes provide holistic support to insurers for consumer education, thereby empowering the organization to internalize the process and have a potentially higher and long-lasting impact. The following section describes two such programmes already executed earlier.

- ICE-K project
- Promoting insurance in Ghana (ProMiGH)

GIZ in collaboration with the Ghanaian insurance regulator – National Insurance Commission – alongside key stakeholders of the industry has intervention in Ghana – Promoting Insurance in Ghana (ProMiGH). Given the lack of understanding of the concept and benefits of insurance and considerable skepticism towards insurance, ProMiGH works to enhance the understanding of people around insurance and change the attitudes towards it. As a part of the programme, a multi-channel awareness campaign was designed and piloted in four regions, involving 20 communities. The following tools were used as a part of the campaign:

- Micro-insurance edutainment movies: Screened during road shows and in Q&A sessions;
- Radio jingles and a radio drama with a radio quiz;
- Community advocates who were trained to serve as local resource persons supporting the campaign;
- Pocket guides and booklets as support material.

Apart from intangible benefits in the form of increased awareness and better attitudes towards insurance, there was an 18% increase in the insurance enrolment for project participants.

Given the current state of awareness of insurance and a lack of insurance culture in Mozambique, a lot needs to be done. Concerted efforts from all stakeholders for an extended period of time will be required to bring about a perceptible change.

C.6) Facilitative policy and regulations

i. Regulatory environment and roadblocks for micro-insurance

The *Decree No. 30/2011*, of 11th August, has included and touched upon the various aspects of micro-insurance in Mozambique. It covers aspects, such as the requirements for setting up a micro-insurance business, legal forms of micro-insurance providers, and intermediation of micro-insurance and product categories. Further, the regulation has also tried to define micro-insurance qualitatively and for targeted customers based on income. The current regulations do not have any mandate for insurers to promote micro-insurance. The participation of insurers in micro-insurance is voluntary and driven by a business case. Mozambique has taken steps to recognize micro-insurance as a policy instrument for financial inclusion and documented this in her National Financial Inclusion Strategy (2016-2022).

The paper "Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets, October 2012", from The International Association of Insurance Supervisors (IAIS), advocates the application of the proportionality principle in inclusive insurance. This is equally relevant to micro-insurance too. The paper emphasizes that supervision needs to be as per the nature, scale, and complexity of individual insurance business. It talks about the supervision and licensing of inclusive insurance market participants to make the entry, stay, and continuity in the inclusive insurance business with innovations and rapid changes in the environment.

From a regulatory perspective, the environment for setting up and running a micro-insurance business in the country is enabling and follows the principles of proportionality to a certain extent. For example, to start a new micro-insurance company, the initial capital requirement is low compared to other lines of business. Similarly, the regulations allow setting up of a composite micro-insurer and permits existing insurers to sell micro-insurance products with prior permission.

Type of business	Business line	Minimum capital requirement in million MZN
Insurance/Reinsurance	Non-life	97
Insurance/Reinsurance	Life	196
Insurance	Composite	295
Insurance	Health/Assistance only	45
Mutual	Non-life	37
Mutual	Life	74
Mutual	Health or Assistance	22
Micro-insurance	Composite	10
Mutual: Micro-insurance (only to members)	Composite	3
Mutual: Micro-insurance (members & non-members)	Composite	10

Table 9: Minimum capital requirement for insurance license in Mozambique

The enabling provisions for the promotion of micro-insurance in the country are as follows:

- For setting up a dedicated micro-insurance company, the minimum initial capital requirement is only 10 million MZN. This is significantly low compared to capital requirements to start a life or non-life insurance company. This, therefore, is in accordance with the proportionality principle.

- A company can start as a mutual company with a reduced minimum capital requirement of 3 million MZN. This is an enabling factor to promote savings and credits groups or federation of such groups to establish a business, and to provide micro-insurance to its members.
- A dedicated micro-insurance company has permission to underwrite business for both life as well as non-life segments under seven defined categories of micro-insurance products.
- A dedicated micro-insurer is exempt from employing an actuary. This helps in lowering costs for the micro-insurers since, in the context of Mozambique, actuaries are scarce and costly resources.
- A wide range of financial intermediaries like banks, micro-credit institutions, NGOs, or specified persons are allowed to distribute and intermediate micro-insurance products without the requirement of them registering themselves as an insurance intermediary.
- Training of intermediaries that distribute micro-insurance products is the responsibility of the micro-insurer or insurer that sells micro-insurance products.
- Regular insurers can also conduct micro-insurance business in the country with prior permission. In fact, the current micro-insurance regulation even allows a life insurer to sell non-life products and vice-versa.

1. Gaps in regulations:

While there are several enabling provisions, we highlight below some gaps and potential improvements or enhancements related to micro-insurance regulations.

1.1. Expanding product definitions

1.1.1. MSME micro-insurance, a missing product category

A key focus area in the financial inclusion strategy (2016-22) of Mozambique is to develop micro-insurance products for the MSME sector and to develop mobile-based insurance services. However, in the current regulatory framework for micro-insurance, both these areas of interest are not mentioned explicitly. According to the *Decree No. 30/2011, of 11 August, Article 84 No 2*, an insurance policy for the fire of movable and/or immovable property is considered as a micro-insurance product. Generally, standard fire policy covers other perils like an inundation, floods, and so on. In the context of an MSME, it may face various risks apart from fire, floods, and other natural perils, that is, risks from theft, burglary, worker's accidents, etc. Hence, it is prudent to undertake wider consultations with the industry stakeholders to explore the creation of a separate product category for MSMEs.
Similarly, providing key information about insurance contracts (as mentioned above), including renewal dates could be considered for mobile-based insurance services envisaged under the financial inclusion strategy.

1.1.2. Life micro-insurance limited to only credit-life:

Product category	Description	Maximum sum assured or insured in MZN
Life	Limited to death risk for a loan guarantee	5,00,000
Funeral	Limited to expenses incurred at the funeral of the insured person	15,000
Illness	Limited to hospitalization expenses	30,000
Personal accidents		50,000
The fire of movable and /or immovable property		3,00,000
Agricultural		6,00,000
Livestock		6,00,000

Table 10: Defined product categories under micro-insurance

The current definition of micro-insurance restricts life insurance to cover only death risk for credit guarantee. So, at present only credit-life products qualify as micro-insurance under the life insurance category. This limits the possibility of expanding life insurance product options under the micro-insurance category. Insurers have not explored the option of offering products that they can potentially offer under the life micro-insurance category, such as non-credit term life products, freemium term life products offered through Mobile Network Operators (MNOs) or any of the several endowment products.

Such additional products will enable insurance to work not only as a risk mitigating mechanism but also as a means of saving or investment in case of endowment products. This can be an important enabler to generate consumer interest in micro-insurance, and thereby to enable the expansion of the customer base and premiums collected in the life segment. As we can see from other evolved insurance markets, the width of the portfolio of life insurance products including endowment products not only promotes a saving culture but also enables liquidity for long-term capital formation through investments by insurers in the country.

Non-credit term life and freemium-based products are also relevant. The constraining regulation on insurance, exacerbated by difficulties in regular premium collection, contributes to life business is limited to only about 12% of the total premium collected in Mozambique last year. This is in contrast to other countries, where life insurance premium contribution is more than non-life business.

Taking an example from India to emphasize the broader coverage of products under life micro-insurance category, a life micro-insurance product covers:

- A term insurance contract with or without the return of premium;
- Any endowment insurance contract.

These can be either on an individual or group basis.
We recommend expanding the current product definition of life micro-insurance product to include non-credit-life products. This could be non-credit term life products, endowment products that encourage goal-based savings along with insurance and freemium products. In other nascent markets, freemium-based life products usually provide the first exposure to insurance to the target population for micro-insurance. The insurance regulator could expand the definition through a new notice after consultation with stakeholders.

1.1.3. Hospitalisation Insurance:

Hospitalization insurance as defined in the existing regulations is limited to hospitalization expenses, such as consultation, admission charges, and medical bills, among others. These are not too appealing to the target consumer segment. This may be because medical consultations and medicines are almost free at government hospitals, where most of the low-income segments go to for their health care needs. However, what is important to note is that such hospitals are few. Hence, for a large number of people, accessing these hospitals entails a substantial travel cost and loss of employment and wages during their illness.

Hence, there is a need to explore the possibility to extend coverage of some of these expenses under health policies. This is the case in evolved micro-insurance markets. For example in Kenya, Jubilee Insurance and Bluewave, which is a third-party administrator, offers an insurance product 'Imarisha Jamii' through m-Pesa on the USSD platform. The product offers hospital cash, funeral, and permanent disability benefits with weekly and monthly cover options. Under the hospital cash benefits, an insured person can get a cash benefit of up to Kenyan Shilling (KSH) 10,000 depending upon the weekly or monthly cover options they have subscribed to.

The regulation could allow a few considerations. These could include a fixed cash reimbursement for travel-related expenses incurred going to and from the hospital. The regulation could also allow for a fixed daily cash allowance during the treatment to account for the loss of employment and to cover food and other expenses for a fixed number of days. These considerations will help to expand the scope of the hospitalization cover and enable insurers to design more innovative and attractive products that can meet the needs of the low-income segment better.

Therefore, we recommend that the insurance regulator works towards expanding the product definitions and their coverage as suggested above under the three product categories to meet the consumer needs from these products better.

1.2. Refinement in digital contracts to suit the requirements of micro insurance segment

Prior to 2017, the law mandated insurers to provide physical copies of the insurance contracts to the customers. This regulation was particularly challenging in the case of micro-insurance, as associated costs put pressures on margins. These costs stem from expenses related to delivering the contracts in physical form to a large number of customers and from the fact that the premium amounts are small. This issue was resolved after the *Electronic Transactions Law no. 3/2017* of 9 January 2017 was passed, which now allows for digital contracts and it can be offered to insurance and micro-insurance customers. This law regulates electronic transactions, electronic commerce, and electronic governance. Insurers can now express the insurance contract that requires offer and acceptance through electronic messages. It takes the form of a digital contract or a digital insurance policy.

As this regulation has come into effect a year ago and is not well known to prospective or existing customers, there is a need for all stakeholders to publicize it to the customers. Stakeholders need to make the customers aware of the need to have an insurance contract and assure them that the contract received through the digital medium is legally valid. This could also encourage the use of insurance through mobile, which has the potential to fuel the expansion of micro-insurance in the country.

The target segment for micro-insurance is more likely to use feature phones for communication, instead of smartphones and emails. This makes it challenging to deliver insurance contracts to them digitally over a feature phone, such as through SMS. Therefore, in the interest of the target consumer segment for products, and to ensure they are aware of the entitlements from their insurance policy, there is a need for the insurers and the insurance regulator to come together and establish a standard format to communicate the key policy information to the customers who use SMS as their primary or sole medium of receiving digital information.

Most of the policies sold in the country are generally group policies. A minimum set of information should be provided through digital media by insurers, particularly through SMS messages. This information includes the type of insurance cover (credit-life, funeral and so on), insurer’s name, sum insured or assured, the premium paid, policy tenure, renewal date, and a toll-free number or contact of the insurer or group policy owner. If it is offered as part of employee benefits, a similar set of information, excluding premium and renewal date should be provided by insurers.

1.3. Persuading insurers to increase coverage for micro-insurance

Insurers in Mozambique remain hesitant to introduce and distribute mass-market products, including. A major factor that drives this reluctance is a lack of business case from products for the mid- to low-income segment, as well as the high cost of distribution and service. In addition, until insurers experience stiff competition in either their traditional markets or segments or both, they will not venture out in new segments like micro-insurance and new geographies outside Maputo province.

Broadly speaking, a shift of business focus from urban and established market to rural markets happens only when the former is saturated and offers limited opportunities for growth and profitability. In the case of Mozambique, there is still a robust business potential in the urban segment. This is supported by the fact that even the mandatory segments like motor third-party liability and workmen’s compensation deliver significant underwriting profit to the insurers, though the coverage is minimal. So, until and unless there is a nudge from the regulator, the insurers are unlikely to pay attention to the mass and segments in Mozambique.

Due to a lack of compelling business case at this point in time, most insurers need to be nudged gently to move beyond the urban and institutional insurance segments. This can be achieved by persuading insurers to ascertain that a certain percentage of their business caters to the micro-insurance category. Insurers could be required to cover either a certain number of lives or acquire a certain percentage of their total premium, or both, under the category. This requirement can be

The example from India is worthwhile to mention here. The Indian regulator IRDAI brought in a new regulation in 2002, with further amendments in 2004 and 2015. The regulation, termed 'Obligations of Insurers to Rural or Social Sectors, 2002', aimed to fulfil the rural and social obligations and increase the coverage of insurance among the rural and low-earning population. As per the regulation, IRDAI mandated all insurers working in India to fulfil rural and social obligations. Insurers in India that started their business after the commencement of the IRDAI act have to ensure that a certain percent of gross premium or number of new policies or number of lives are from both rural areas as well as social sector.

The regulation adequately defines what constitutes a rural or social sector leaving no space for ambiguity. The regulation requires a gradual increase in their obligation of the gross premium or number of new policies or number of lives covered over the years by insurers. For promoting micro-insurance, policies issued under micro-insurance are counted under social sector obligations. If issued in a rural area, the policies are counted towards both rural and social sector obligations.

Rural and social sector obligations for insurers as mandated by IRDAI in India are below:

Sr. No.	Financial Year since Inception	Rural Sector			Social Sector
		Life Insurer	General Insurer	Standalone Health Insurers	All Insurers
		% (Number of Policies)	% (Direct Gross Premium)	% (Direct Gross Premium)	% (No. of Lives)
1	First	7%	2%	1.0%	0.5%
2	Second	9%	3%	1.5%	1.0%
3	Third	12%	5%	2.5%	1.5%
4	Fourth	14%	5%	2.5%	2.0%
5	Fifth	16%	5%	2.5%	2.5%
6	Sixth	18%	5%	2.5%	3.0%
7	Seventh	18%	5%	2.5%	3.5%
8	Eighth	19%	6%	3.0%	4.0%
9	Ninth	19%	6%	3.0%	4.5%
10	Tenth and thereafter	20%	7%	3.5%	5.0%

The spurt in the growth in micro-insurance in India is well documented after the regulation on micro-insurance was brought in by IRDAI. In India, over 26 micro-insurance products along with 64 social and rural products are now available in the market from different insurers in life as well non-life segments. Prior to introduction of this regulation, there were hardly any products in the micro-insurance segment.

CAGR of the three key indicators - new premium collected, number of lives covered and number of agents were 5%, 11% and 25% from the financial year 2007-08 to 2015-16 respectively. The major growth was achieved by the private insurers themselves. In the same period, the new premium went up from INR 219 million to 334 million and number of lives covered increased from 13.1 million to 30.1 million.

telescopic in nature, starting with low requirements in the near-term and a greater mandatory share of business in the long-term.

We recommend that the Association of Insurers of Mozambique (AMS) in consultation with all stakeholders could take similar steps to prescribe a certain percentage of premium and lives each year to be derived from the micro-insurance business. The required percentage could vary across insurers based on certain parameters such as the year of commencement of business.

Formulation, roll-out and implementation timelines for this prescribed change can be arrived at after due consultation with all involved stakeholders. This change could be introduced gradually and could start with a minimal percentage of business to be sourced through micro-insurance in the initial years and could be increased in tandem with development of physical infrastructure, such as road, electricity, telecom, and the Internet, among others, and financial infrastructure, such as bank branches and ATMs, among others. Insurers too will be dependent on the development of support infrastructure to meet their obligations for micro-insurance.

1.4. Promote mutual insurance companies

A significant portion (more than 90%, *Finscope survey 2014*) of the population in Mozambique is employed in the informal economy and is actively involved in saving and credit groups, associated with funeral societies promoted through churches, funeral parlors, etc. Utilizing this platform for saving and credit groups to provide insurance through mutual insurance companies could be a way forward to achieve the goal of expanding micro-insurance to the hitherto uncovered segments of the population.

Micro-insurance regulations in the country allow the formation of mutual micro-insurance companies with the capital requirement of only MZN 3 million. However, not enough work has gone into exploring this route by entities like MFIs and financial institutions like Gapi, which may have some interest in pursuing this model.

Federations of saving and credit groups, funeral groups, farming societies are entities that may have the potential to form mutual micro-insurance companies. Technical and financial assistance from bilateral and multilateral agencies for starting initial operations of mutual micro-insurance companies can be explored. Initial testing of this approach can be done through a pilot, while multiple other entities can subsequently adopt a refined approach based on this pilot.

Gapi has invested in social and financial inclusion-oriented companies or institutions and promotes them actively. It can be a potential partner in this initiative as it has significant reach among such groups and vast experience in working with different financial institutions.

43 https://www.researchgate.net/publication/324007538_A_Decade_since_the_First_Micro-insurance_Regulations_in_India

Let us look at an example of a successful mutual from India. The Self-Employed Women's Association (SEWA) is a registered trade union of 1.3 million women workers of the informal economy in the country. It was founded and registered formally in the year 1972. It has members in more than nine states in India. Members of SEWA started realising the need to have insurance as they were a part of the informal economy and were prone to many risks. SEWA approached to a few established insurers in India but realised that most of them were not willing to offer suitable products catering specifically to its members.

So, SEWA started an integrated social security scheme in 1991-92 that offered comprehensive cover to its member and their families. In 2009, SEWA commenced a mutual insurance cooperative with help from National Insurance, a public sector general insurer in India. The initiative came into being in the form of a multi-state cooperative society called National Insurance VimoSEWA Cooperative Ltd. By 2017, it had covered around 80,000 women and their families. VimoSEWA offers term life insurance with accidental death benefit, endowment savings-linked life insurance with a policy period of up to 15 years, a family floater health insurance, a family floater health cash, and a bundled product that covered life, health, asset, and accident both for individuals and families.

In the following section, we present an analysis of some of the industry-level concerns regarding regulations and our recommendations. Many of these have an impact on the entire business of insurers and in-turn the micro-insurance business too.

- Separation of life and non-life business and abolition of composite or mixed license to create a level playing field for all the insurers. With the latest capital requirement notice this year, there is hardly any benefit to a composite insurer in terms of minimum capital requirement – only a meager advantage of 2 million MZN. However, synergies between life and non-life human resources and business infrastructure give an upper hand to composite insurers in the marketplace. There needs to be a roadmap to completely separate life and non-life businesses that markets like Kenya undertook in the late 2000s. This will enable the life insurers to focus exclusively on the life business and innovate to improve from the growth of the life business in the Mozambican market. A complete separation with no shared resources between life and non-life business will ensure more transparency.
- As per latest notice from ISSM in August 2018, the Council of Ministers through Decree *39/2018* of 5 July has kept the minimum capital requirement for life insurer at 196 million MZN. Given the small size of the life portfolio at the moment, such high capital requirements for life insurance business can act as a deterrence to existing dedicated life insurance players and new entrants that now have to ensure three times more capital than earlier. Instead of having a minimum capital-based regulatory environment, the insurance regulator could move to a risk-based regulatory environment. Here, the minimum capital requirement should be based on the willingness of amount and type of risk being undertaken by the insurer.
- The solvency regulation (*Decree number 30/2011*, article 48) of Mozambique does not allow to account for the portion of risks as an asset in calculating the technical reserves placed through reinsurance to the reinsurer. That is until either the reinsurers deposit advance for the probable future claims or the insurer cedes the premium to the reinsurer in the form of a deposit. Neither cases of deposit are in practice – reinsurers do not follow them.
  Insurers have to pay for the reinsurance upfront and reinsurers pay back their portion of claims amount only after insurers settle the claims from their end. The basis for calculating the liability of the insurer as defined in Article *57, Decree number 30/2011* of 11 August 2011, is on the insurer’s gross premium income, including ceded reinsurance. This creates a situation where an insurer that places reinsurance has to create the technical reserve for the entire risk without considering the portion of risk ceded to the reinsurer. This affects the insurer’s liquidity requirements.
  At times, the net retained premium and existing capital may be inadequate to achieve the minimum required solvency levels. At the same time, it would not be prudent for insurers to avoid suitable proportional reinsurance for new initiatives under micro-insurance, such as weather index insurance, livestock insurance, and so on. This is due to reinsurance, expert advice, product development support, and underwriting capacity that insurers require from expert reinsurers like SwissRe and others.

Therefore, the regulator could consider providing relief to insurers in this matter for all the products that fall under the micro-insurance category. Insurers could be permitted to fully recognize the recoveries from reinsurers, local as well as of foreign jurisdictions while calculating their technical reserves under solvency requirement for at least the micro-insurance segment. This will encourage insurers to reach out to big reinsurers for their risk underwriting requirements and technical and other support. In the process, insurers would design, deliver, and manage micro-insurance products and services better.

- The pure premium for mandatory motor third-party liability and workmen's compensation are the two compulsory insurance segments that have not been worked out in an actuarial manner. The absence of benchmark pure premiums, combined with the absence of recommendations from the regulator to charge an appropriate premium that is actuarially viable, have resulted in acute competition on pricing and even under-pricing in both these categories to win market share. This is particularly due to the focus of insurers on urban centers and relatively small addressable market that they can target more easily. As most of the risk is placed in Maputo city and few other provincial capitals, this also deters the insurers to move beyond Maputo and urban locations.

  Insurers have been generating good underwriting profits as there have been no major claims in the past years. This is due to a fortunate lack of calamities or big accidents that could have led to claims. However, should such an event was to occur, the claims can be overwhelming, and some of the insurers could face major losses.

  Defining and prescribing pure premium requirements for both these major products will limit under-pricing and encourage prudent underwriting, managing future risk to the sector, and enabling stability. This will also encourage insurers to explore new markets for business growth – in other provinces and in semi-urban or rural areas – instead of competing merely within the urban centers.
- Definition of micro-insurance in the glossary of the regulation book published by ISSM has been discussed in section B in the report. The current definition of micro-insurance in the country falls under the hybrid definition.

  Some of the insurers suggested the need for a more precise definition of the low-income population. In addition to the definition, some illustrations or examples of the low-income population can be provided in terms of socio-economic class or similar categories. The country diagnostic report on demand, supply, policy, and regulation (Making Access Possible, MAP) report 2015, has classified the adult population along with their income into groups, such as farmers, dependents, micro-entrepreneurs, *biscatos*, salaried workers, and government workers in Mozambique. This classification could also be used to illustrate to insurers and to identify the target groups and income levels for micro-insurance.

ii. Reporting of micro-insurance

Relevant, accurate, and comprehensive data is critical for the insurance sector in general and the micro-insurance sector in particular. It is more so for regulators that need data for nearly all aspects of supervision, monitoring, regulations, and policymaking.
The following section presents an analysis of the practices and processes of data reporting followed for the micro-insurance sector in Mozambique. The subsequent section features our recommendations for enhanced data collection, analysis, and reporting – and ways to utilize them for improvements in the micro-insurance sector. The regulator collects data from all stakeholders monthly, quarterly and annually.

Apart from collecting these periodic data, the regulator receives audited annual reports of insurers every year. Periodically, the regulator conducts onsite inspections of insurers. It also requests specific data and information from insurers and brokers as and when required.

Each of the seven defined product categories under micro-insurance has an upper cap on the sum insured or assured, below which the product qualifies for micro-insurance. When the sum insured for a product is above the prescribed maximum, it falls into the general insurance category.

However, as is evident from our analysis, data about micro-insurance is not getting collected by the regulator exclusively. For example, insurers or brokers do not report crucial data, such as the monthly premium collected under the approved micro-insurance category of products, the number of new policies and cumulative policies or customers insured, amount of taxes collected under this category, among others. The exception to this is data collected through NBC, the only dedicated micro-insurer in the country.

Currently, there is no mechanism to report crucial indicators for any of the micro-insurance product categories. These include the number of policies, the number of lives covered, the sum insured or assured, whether it is a group policy or individual policy, or intermediary involved, among other factors. The lack of these indicators hampers analysis of the current situation and planning for supervision and growth of micro-insurance in the country. It is also possible that some insurers offer insurance products that should qualify as micro-insurance products. However, as they do not report for micro-insurance separately, it is not possible to differentiate and analyze the real situation.

This is a major gap in the data reporting requirements and collection process for micro-insurance products and services. Insurers and brokers are neither asked to report data specifically for micro-insurance nor do they report the data voluntarily. This is a major barrier to the analysis of the state or performance of the sector in Mozambique that could potentially enable data-driven decision-making.

The regulator publishes two reports on its website on the indicators and status of the insurance sector in the country. The first report is published every quarter and highlights the key indicators, such as the number of insurers and their respective market shares, premium collected, and ranking of insurers by market share. The second is an annual comprehensive report on the state of the economy in general and insurance in particular. There is little mention or analysis of micro-insurance in either report.

Let us review examples of reporting about micro-insurance by regulators in emerging but more mature markets like India. The Insurance Regulatory and Development Authority of India (IRDAI), the regulator in India, publishes information through two yearly publications. The first is in the form of an annual report and the second is in the form of a handbook on insurance that provides all the vital statistics on the insurance sector in India. In both reports, there is a significant amount of information on micro-insurance In fact, both reports have separate segments on micro-insurance in general and crop insurance in particular.

IRDAI publishes the following information that demonstrates the depth of data it collects for analysis, planning, and growth of the sector:

- New business under the micro-insurance portfolio – life insurers;
- Death claims under micro-insurance portfolio – individual category;
- Death claims under micro-insurance portfolio - group category;
- Duration-wise settlement of claims- micro-insurance – individual category;
- Duration-wise settlement of claims- micro-insurance – group category;
- Insurer-wise number of micro-insurance agents – life.

Under the first category mentioned above, IRDAI publishes data about both individual lives covered and the premium for the past four financial years for each insurance company that operates in India. Similarly, under the second category, IRDAI publishes claim details for all the insurers for the past four years. The reports also analyze the channels through which micro-insurance products are being sold. The reports provide details of all micro-insurance products that every insurer offers.

Another recommendation is that the insurance regulator should seek information regarding the products that each insurer offers under the micro-insurance category, along with their standard terms and conditions, proposal forms, claim forms, and any other documentation. This will help compare the products offered under each category of micro-insurance and identify gaps in these products. It will also enable the insurance regulator to guide the insurers towards standardisation of terms and conditions and service offerings. This will enable the sector to develop micro-insurance products that cover common risks, with a certain premium and sum insured or assured. These steps, among others, can go a long way in lowering the cost of micro-insurance products and to expand the penetration and outreach of micro-insurance across Mozambique.

The regulator's website also makes the standard terms and conditions and other details available online.

It is a long journey to reach a level of maturity where data can be reported and analysed at these levels. However to move in that direction, there is a need to have a minimum level of data collection, analysis, and reporting. In Mozambique, almost the entire concentration of insurance services is in and around Maputo city and Maputo Province. In this context, we recommend that one of the objectives of the regulator from data collection and analysis standpoint should be to analyse the spread of micro-insurance services across the country. For this, it is necessary to collect data at the provincial level. This will provide an indication of the micro-insurance penetration across provinces and bring out the massive regional disparity between Maputo and other provinces, in terms of micro-insurance coverage.

In the short term, we recommend the following data reporting format to be used by all insurers to report their micro-insurance products.

From new business

Insurer	Product Category	Province	Sum Insured/ Assured(in MZN)	Premium Collected(in MZN)	Group/ Individual	Number of lives/family/ farmers/cattle covered
Hollard	Credit-life	Manica	9,999	99	Group	9
EMOSE	Agriculture insurance	Nampula	4,343	403	Group	100

Table 11: Format for data collection from new business

From existing business

Insurer	Product Category	Province	Sum Insured/ Assured(in MZN)	Premium Collected(in MZN)	Group/ Individual	Number of lives/family/ farmers/cattle covered
Hollard	Credit-life	Manica	10,000	99	Group	9
Sanlam	Funeral	Maputo	10,000	1,000	Individual	1

Table 12: Format for data collection from existing business

Data could be sought by the regulator on a quarterly or yearly basis, through a mutual agreement with insurers and the AMS. However, the stipulated data should be necessarily provided by insurers within a defined and pre-agreed time-frame after the end of that period – for example, within one month after the end of a previous quarter or within two months for the previous calendar or fiscal year.

There is a compelling case for the reduction of taxes and stamp duty currently levied on micro-insurance products, which would stimulate the micro-insurance sector. To strengthen this, it is necessary to have evidence based on data. If data and information are collected in terms of product category under micro-insurance, it will be easier to compute taxes and stamp duty being collected from the micro-insurance category. It would also be easier to demonstrate how high the taxes are compared to even some of the general insurance product categories. This will in turn help in convincing the policymakers to look into low tax base for micro-insurance.

For example, the stamp duty tax on agriculture falls under the category of tax on "All other classes", which is the highest at 5%. This is a major barrier to the low-income smallholder farmers and contravenes the government's vision and aspiration towards financial inclusion. Micro-insurance products, such as for agriculture and crops, should come under the lowest category of tax rates or should be exempt from taxes completely to benefit the poorest segment of farmers. As it is, they are likely to be the main target segment for such products.

Data reporting by the regulator from insurers regarding taxes on micro-insurance products will enable a more compelling case to design incentives for the micro-insurance sector.

Tax on	Prescribed rates (in %)
Life, accident, and health	1
Obligatory motor third-party liability and other obligatory insurance	2
Aviation, goods in transit, marine and rolling stock	2
Credit insurance and guarantees	3
All other classes	5
Intermediary commission	2

Table 13: Stamp duty tax rates

Branch and type of business	Tax base	Prescribed rates (in a %/fixed amount in MZN)
Life insurance	Gross premium before taxes (GBPT)	0.35
Non-life insurance	Gross premium before taxes (GBPT)	1.5
Insurance brokers	Fixed annual fee	10,000
Insurance agents	Fixed annual fee	3,000
Individual agents	Fixed annual fee	1,000
Private pension fund administrators	Fixed annual fee	30,000

Table 14: Insurance supervisory tax rates

In the medium- to long-term, the regulator should aspire to gather data and information in a more granular manner for each district in Mozambique. For this, it would be difficult for insurers to gather and report data manually. We recommend that the regulator initiates exploring automated data gathering at the district level in the timeframe of the next two to three years.
Moreover, in the medium- to long-term, data and information regarding claims, grievances, distribution channels, among others, should also be collected by the regulator and processed using automation and information technology. These should include,

- Both paid and outstanding claims for each insurer;
- Grievance raised and addressed for each insurer;
- Distribution of micro-insurance products reported for each distribution channel;
- The number of micro-insurance agents for each insurer.

In the annexure of this report, we enclose some reports and formats that IRDAI uses. The regulator can consider adopting these once the data collection and analysis become more streamlined and automated.

iii. Consumer protection

1. Policyholder protection- A key enabling factor to build trust and promote micro-insurance

Consumer protection and fair treatment of customers are essential that help the growth of a robust and strong insurance sector in any country. This gains paramount importance in the case of micro-insurance, where consumers are often from low-income groups, with low levels of literacy and awareness. Insurance is a legal contract between the insurer and the insured. As with most legal contracts, a common person may find it difficult to comprehend the language and terminology used there. Given these challenges, the role of the regulator and its regulatory framework assumes importance in protecting the rights of customers.

2. Role of the insurance regulator in consumer and policyholder protection

The insurance law of *1/2010* and its subsequent revisions and notices consider the protection of policyholders and prospective customers of insurance. The insurance law empowers the regulator to supervise insurers and intermediaries to ensure the protection of customers and fair treatment to them on various aspects of insurance. For example, article 89 of the insurance law emphasizes consumer protection and prohibition of discriminatory practices. Similarly, article 90 and 91 explains the duties of the insured and the insurers to provide necessary and accurate information to each other. There are other articles in the law about the nature of the contract and information provided within it to the policyholders.

In its strategic plan (2014-18), the regulator reiterated that ensuring the protection of insurance consumers is a strategic objective (objective number 4). This objective envisages to:

- Stimulate the interest of the public and build a culture of insurance, based on the dissemination of relevant information to the public about the insurance market;
- Ensure clarification of the rights and duties of the parties that emerge from the insurance contract, that is, the insurer and the policyholder.

Figure 26: Number of grievances registered with ISSM (Source: ISSM Annual reports)

Acting on this, the regulator, a few years back has started taking initiatives to ensure consumer protection. Under this initiative, the regulator has started a toll-free number (*green line*) to facilitate consumer and policyholders to raise their grievances. The results have been encouraging in raising awareness about the grievance resolution mechanism available through the regulator. The number of complaints and grievances have been on a rise over the years. This is significant because earlier consumers only had legal recourse through the judicial system, which is costly and time-consuming.

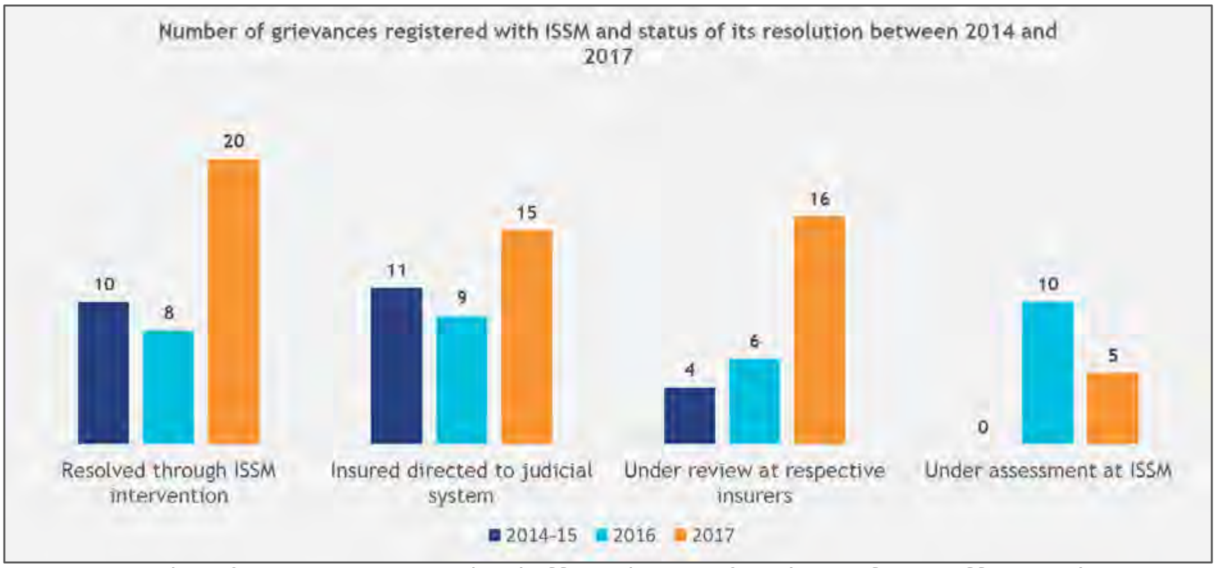


Figure 27: Number of grievances registered with ISSM and status of resolution (Source: ISSM annual reports)

While the numbers of grievances compared to the total base insured consumers is small, this is a welcome development. However, as the number of grievances increases, it will be difficult to manage the complaints given the limited resources at hand.

3. Recommended integrated grievance resolution mechanism
Considering experiences from other markets, we suggest the following structure for grievance management.

Figure 28: three-stage approach for policyholder protection

In other parts of the world and in emerging insurance markets, the insurance regulator encourages or mandates insurers to set up an internal dispute resolution mechanism. It provides a first-level recourse to policyholders to raise their issues and grievances. The mechanism enables insurers to serve their consumers better by learning about their grievances and trying to address them. Under the current insurance law, there are no provisions that require the insurers to set up an internal grievance handling mechanism, and it is up to the insurers to do it voluntarily. During our study, we found that hardly any insurer has any grievance resolution procedure in place. We strongly recommend the insurance regulator to make it mandatory for insurers to set up a grievance resolution mechanism (GRM). The regulator can provide guidelines on the requirements for GRM to support insurers and to ensure a degree of standardization.

The regulator could draft a grievance resolution procedure in consultation with insurers and the AMS. In the long term, the regulator can plan to have an integrated IT platform for grievance management. Tracking and analyzing grievances will allow the regulator to develop a better understanding of the diverse problems that customers face. This, in turn, could help in better policy formulation and supervision.

The regulator could also publish an annual report that analyses the nature of grievances, volumes by different categories, turnaround-times taken by insurers to resolve issues, and other important metrics. This will enable to bring in greater transparency and focus on policyholder protection across the sector.

The insurance regulator could consider the grievance resolution procedure mandated by the insurance regulator in India, the Insurance Regulatory and Development Authority (IRDAI) under its Protection of Policyholders' Interests Regulations, 2002. Its proposed amended version in 2017 clearly describes that each insurer in India should follow the grievance resolution procedure mandatorily. This procedure directs every insurer in India to:

- Have a clear and effective grievance resolution procedure in place to address complaints of policyholders;
- To inform the complainant about the action taken by the insurer on the complaint within a fixed number of days;
- Have a senior-level officer as the designated Grievance Resolution Officer (GRO) at the corporate office of the insurer – the same officer will also be the point of contact for IRDAI;
- Have a designated grievance officer at every office;
- The website and every office of the insurer should mention the details of the GRO or designated grievance officer;
- Mention grievance-related procedures and contact details on policy documents;
- Every office of the insurer shall also display contact details of the respective insurance ombudsman.

Apart from mandating to put in place grievance resolution procedures and respective officers, the regulation also mandates an IT system for registering, processing, and disposal of grievances. IRDAI has established its own IT system platform known as the Integrated Grievance Management System (IGMS) to monitor all the grievances that it receives directly or through insurers. Every insurer in India is connected to the IGMS.

IRDAI also publishes a yearly consumer affairs booklet that gives a detailed account of the grievances received and their outcome or current status. This publication provides a detailed analysis of complains received. It therefore helps in peer comparison, enhances transparency, and enables the regulator to take suitable policy and supervisory actions.

g. Role of mediator – The concept of the insurance ombudsman

Insurers should ideally be the first level of recourse for complainants to resolve their grievances. There needs to be a provision for the next level of escalation or resolution for complainants who are unable to resolve their grievances or are dissatisfied with the resolution offered by the insurers. Most of the emerging insurance markets provide such a platform to the policyholders through the appointment of an insurance ombudsman. An ombudsman is an impartial and independent mediator who helps both policyholders and insurers to settle their disputes amicably.

There is no such ombudsman in the insurance sector Mozambique as of now. There are examples in other African markets that have established insurance ombudsman systems that function effectively. For example, in South Africa, there are two insurance ombudsmen, The Ombudsman for Short-Term Insurance (OSTI) and The Ombudsman for Long-Term Insurance (OLTI). Both these ombudsmen are responsible to mediate disputes between policyholders and insurers. They publish an annual report that mentions the status of the complaints received for every insurer and the steps taken.

Another example of insurance ombudsman is the Insurance Ombudsman Scheme of India. The Government of India through the Insurance Ombudsman Rules has established the Insurance Ombudsman Scheme for the protection of individual policyholders. Under this scheme, there are 17 offices of the insurance ombudsman in India, one for each of the 17 zones created across the country for this purpose. Any person directly or through a legal heir can approach the office of the insurance ombudsman through a written complaint.

Insurance ombudsman will act as a mediator and arrive at a fair recommendation. The ombudsmen offices also are legally empowered to pass judgments and provide suitable compensation. The decision of the ombudsman is legally binding for the insurers. The Insurance Ombudsman Rules in India also define its scope of work, tenure, removal, remuneration, jurisdictions, function and duties, conduct and so on. We recommend the regulator to develop a draft mechanism for establishing an insurance ombudsman in consultation with other stakeholders.

Sometimes, aggrieved customers and policyholders are dissatisfied with the resolution offered through the insurance ombudsman. Such customers and policyholders look forward to approaching the judicial system of the country for a satisfactory resolution. In many countries, third level consumer protection authorities, such as consumer forums and courts exist. In the following section, we discuss examples of consumer forums and courts in a few countries, and the current consumer protection environment in Mozambique.

h. Consumer protection environment in Mozambique

The government of Mozambique approved *the consumer protection law 22/2009* of 28 September through *Decree no. 27/2016* of 18 July in 2016. This law establishes and protects consumer rights across the industry and covers the insurance sector as well. Under this law, there is provision for the establishment of a consumer protection institution and provisions to strengthen consumer associations. So, consumer protection regulations do exist in Mozambique. However, the implementation of this provision is lacking and needs greater attention. There is also a need to establish a suitable institution with responsibility and accountability to drive, monitor, and ensure consumer protection.

In South Africa, the National Consumer Commission (NCC), an established body of the state under the department of trade and industry is responsible to execute the functions assigned to it under the consumer protection act of the country. Similarly, in India, the Consumer Protection Act, 1986 protects consumer rights and provides easy ways to address consumer grievances. This act defines and ensures the basic rights of consumers in India and provides a framework to resolve complaints and grievances. The Consumer Protection Act, 1986 in India provides a three-tier structure for grievance resolution as follows:

1. At the district-level – consumer dispute resolution forum or consumer courts
2. At the state (province) -level – Consumer Disputes Resolution Commission
3. At the national-level – National Consumer Disputes Resolution Commission

A policyholder can approach the above three forums depending on the number of claims in dispute. For example, a district forum can take on complaints up to INR 2 million, a state commission is empowered for complaints up to INR 10 million and the National Commission for complaints above claims of INR 10 million.

These forums have judiciary powers to call upon the insurers, pass judgments, and if necessary penalize insurers up to a certain amount. In case of dispute in these forums, one can appeal to the next forum. Dissatisfied consumers can also approach the Supreme Court of India.

The Department of Consumer Affairs under the Ministry of Consumer Affairs, Food and Public Distribution is the nodal department to implement the act and take forward the agenda of consumer protection. The department undertakes consumer awareness campaigns in the media aggressively. It has established helplines to enable customers to share their experiences and complaints.

Name of agency	Cases filed	Cases disposed	Cases pending	% of total disposal
National Commission	117,430	100,419	17,011	85.51%
State commissions	757,887	649,606	108,281	85.71%
District forums	4,062,476	3,759,249	303,227	92.54%
TOTAL	4,937,793	4,509,274	428,519	91.32%

Table 15: Cases filed and disposed of at the National Commission, State Commissions, and district forums, as on 29th January 2018, since its inception (Source: Annual report 2017-18, Department of Consumer Affairs, Minister of Consumer Affairs, Food and Public Distribution Govt. of India)

We recommend that the regulator takes initiatives in consultation with the relevant stakeholders regarding the necessity to establish mechanisms to implement the consumer protection law. As stated earlier, while the law has been defined, its implementation and monitoring are lacking. A strong consumer protection implementation regime in the country will enable consumer confidence and ensure that consumers receive adequate protection in a market that is provider-driven.

4. Treating customers fairly - The core of consumer protection

Many of the insurance supervisors are moving to a regulatory regime, where consumer protection is at the core of their decision-making. Treating Customers Fairly (TCF) is an outcome-based regulatory and supervisory approach that regulators have been prescribing. This requires insurers to embed the principles of TCF in the conduct of their businesses and operations.

TCF emphasises the following six customer outcomes for retail customers and suggests that these guide the conduct of insurers:

- Outcome 1: Consumers can be confident they are dealing with firms where the fair treatment of customers is central to their corporate culture.

- Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

- Outcome 3: Consumers receive accurate and comprehensive information and are kept appropriately informed before, during, and after the point of sale.

- Outcome 4: Where consumers receive advice, it should be suitable and take into account their circumstances.

- Outcome 5: Consumers are provided with products, that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.

[44]

In South Africa, TCF has been at the core of the supervisory and regulations regime. The Financial Services Board (FSB), an independent institution established by statute to oversee the South African non-banking financial services industry, including insurance, adopted TCF in 2011. FSB came up with a roadmap to implement TCF and prepared a tool to check and assess the TCF readiness of the insurers. In Mozambique, we have not observed any TCF-related initiative until date. We recommend that the regulator develops a TCF implementation roadmap in consultation with other stakeholders.

5. The localization of the contract language

In Mozambique, as mandated by the Insurance Law, the policy document (insurance contract) should only be in Portuguese. Although Portuguese is the official language of Mozambique, there are also other regional and local languages that find use in the country. One of the major challenges for low-income people is that they may not be able to read Portuguese. Even when they can, it would be difficult for them to comprehend the policy terms and conditions. It is now a widely accepted that providing insurance contracts or policy documentation in local languages and in a simple, direct style that is the general public understand easily facilitates better understanding and hence better uptake of micro-insurance.

Hence, a simplified policy document, preferably in the local or regional languages, is needed to ensure the delivery of insurance in a language that policyholders can understand. The regulator could recommend that insurers issue bilingual policy documents, that is, Portuguese and a suitable local language that is widely spoken. The regulator can support insurers by providing templates for

44 https://www.fca.org.uk/firms/fair-treatment-customers

policy documents for ease of adoption and standardization across the industry. The regulator could provide guidelines to insurers and their intermediaries to explain the product features, policy documents, among others, for each category of micro-insurance product in a language that the end-customers understand.

6. Supervision in times of rapid innovation- A regulatory sandbox approach

Tech firms that support various functions of insurance are described as InsurTechs. The evolution and rapid innovation in technology that InsurTechs support has been changing the landscape of insurance in general and of micro-insurance in particular. A few years ago, insurers could not consider the low-income population in far-flung areas to be viable customers due to the high cost to serve them. The advent of InsurTechs, fuelled by the penetration of mobile networks, has made such challenges much easier to address. It has enabled the low-income population to experience their first insurance products through loyalty and freemium products.

At the same time, this technological evolution has introduced new challenges in areas like the protection of customer rights. The underlying reasons for this include:

- Lack of physical interface or documentation in such models;
- A limited understanding of the products and the technology – navigation of mobile apps, and so on;
- The general unpreparedness of the regulators to deal with such rapid evolution of technology-led businesses;
- Challenges in data management and data protection;
- Involvement of multiple regulators, such as insurance, banking and telecom, and other stakeholders.

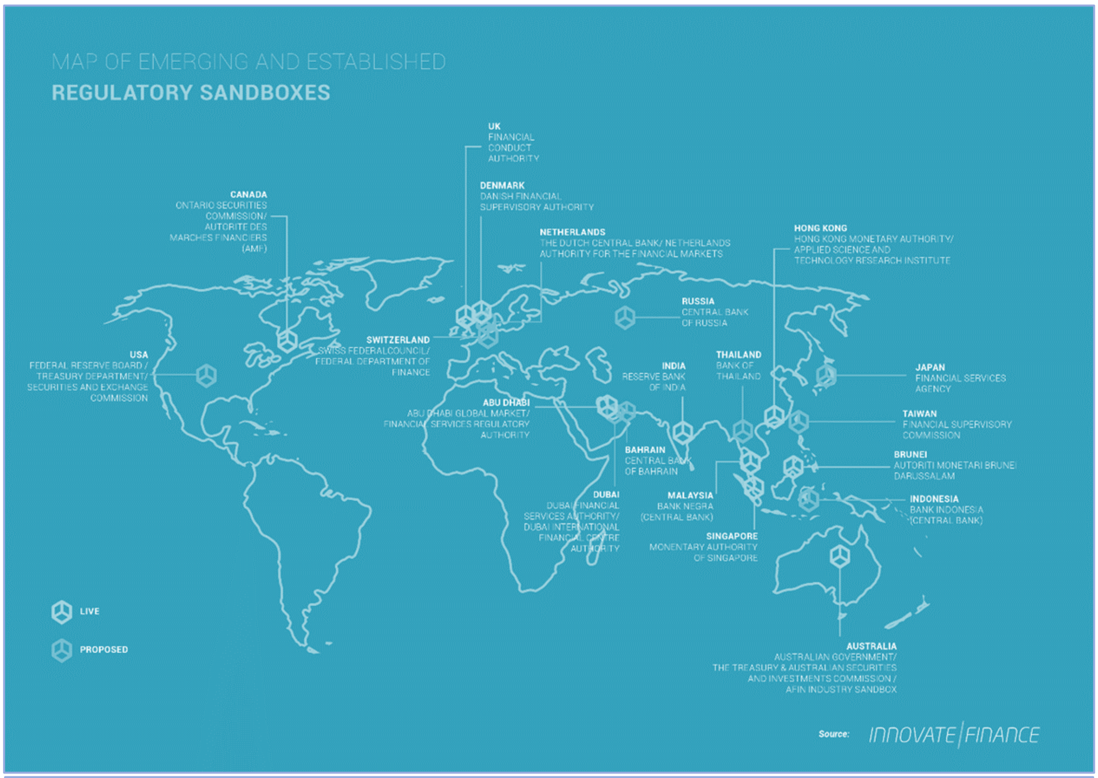


Figure 29: Landscape of regulatory sandboxes across the world

Source: Sandbox industry[45]

[45] https://www.eba.europa.eu/documents/10180/807776/BSG+Paper+on+Regulatory+Sandboxes_20+July+2017.pdf

Insurance regulators have been gearing up to prepare themselves to deal with such a rapid transformation. For example, micro-insurance products are sold through the MNO platforms using diverse payment models, such as through mobile wallets and deduction from airtime. Often, the end customers are unaware of buying the insurance products and the amount they have paid for it. This not only leads to an adverse claim ratio but causes consumer dissatisfaction and also raises consumer protection concerns.

In the absence of or lack of suitable grievance and dispute resolution mechanisms, it takes a toll on consumer confidence in insurance as a risk mitigating mechanism. The involvement of other regulators, such as telecom and banking, makes it more complex and challenging to coordinate and jointly regulate these kinds of emerging areas.

Insurers, telecom providers, and InsurTechs have been planning and developing mobile wallet-based and freemium-type products. We expect these to launch in Mozambique in the future. For effective supervision, the regulator could start preparing to build capabilities and hire and train human resources. These resources should understand underwriting, marketing, service, consumer protection, data protection and privacy, technology, and other key areas linked to micro-insurance products offered with help from InsurTechs. These resources also need to keep themselves abreast with the related innovations in the insurance sector.

A regulatory sandbox approach could be the way forward to test and understand new innovations in the field of micro-insurance. InsurTechs can test new product and processes on a limited scale under this regulatory sandbox approach, where some of the existing regulations can be relaxed. This approach provides the opportunity to develop a forward-looking and evidence-based regulatory and supervisory framework.

The Central Bank of Mozambique and FSDMoc have launched a ‘regulatory sandbox’ for Fintechs in May 2018. The regulator could observe the outcomes and lessons learned from this regulatory sandbox and consider developing a suitable regulatory sandbox approach for the micro-insurance sector. The insurance regulator could potentially collaborate with other regulators and stakeholders, either within Mozambique or in other suitable geographies, or both.

Based on this approach, new innovations, accompanied with suitable relaxation or enhancements to policies or regulations can be tried out by InsurTechs and insurers on a limited scale to gauge the outcomes, benefits, risks and other metrics. These innovations, models, or products can be fine-tuned within the sandbox environment to ensure they meet the standards and requirements that the insurance regulator has laid out or would expect, before allowing scale-up. The stakeholders could set the following illustrative processes or requirements to test innovations in the sandbox environment:[46]

1. Entry requirements;
2. Requirements while in the sandbox;
3. Exit conditions and learning process.

This will also help all regulators in the country to keep themselves updated with the latest developments in technology. It would help them build knowledge, skills, and capabilities to introduce new technologies and innovations. The sandbox would help them regulate and supervise all stakeholders more effectively.

7. Case to have policy regulations for pilot studies

In Mozambique, pilots to assess the feasibility of agriculture index insurance have been conducted in the past. A few more pilots are being planned by bilateral and multilateral agencies. At present, no supervisory guidelines exist on conducting these pilots. Hence the opportunity is limited in terms of getting the best outcomes from these pilots, including supervisory and regulatory or policy aspects, and mutual learning between insurers and the regulator. This can limit the outcomes and lessons from the pilots and the opportunity to scale up considerably.

These guidelines can articulate the criteria to qualify as a pilot, the roles and responsibilities of the stakeholders involved, the learning and dissemination process, among other factors. An application paper on regulation and supervision that supports inclusive insurance markets published in 2012 by International Association of Insurance Supervisors (IAIS) could be referred to by the insurance regulator for handling pilots related to micro-insurance or inclusive insurance.

Annexures

Reporting formats for micro-insurance used by IRDAI

New business under the micro-insurance portfolio (life insurers)

Insurer	Individual category			
	No. of policies		Premium	
	Year 1	Year 2	Year 1	Year 2
Insurer 1				
Insurer 2				

New business under the portfolio (life insurers)

Insurer	Group category			
	No. of policies		Premium	
	Year 1	Year 2	Year 1	Year 2
Insurer 1				
Insurer 2				

New business under the micro-insurance portfolio (non-life insurers)

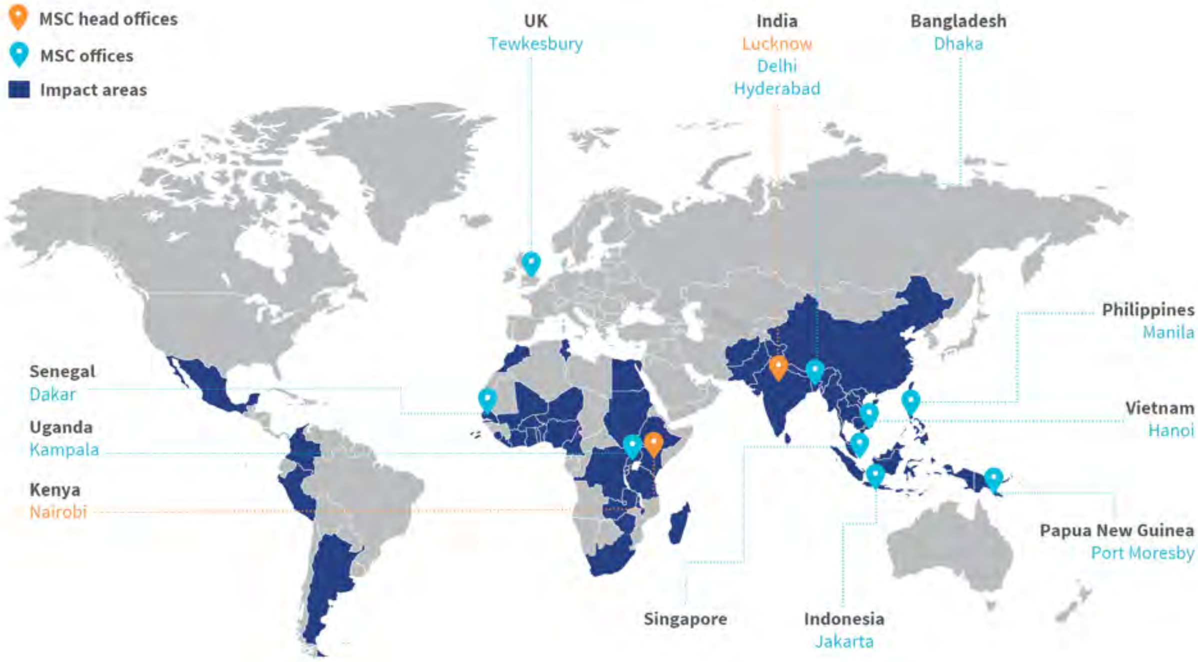
Insurer	Individual category			
	No. of policies		Premium	
	Year 1	Year 2	Year 1	Year 2
Insurer 1				
Insurer 2				

New business under micro-insurance portfolio (non-life insurers)

Insurer	Group Category			
	No. of policies		Premium	
	Year 1	Year 2	Year 1	Year 2
Insurer 1				
Insurer 2				

Insurer-wise number of micro-insurance agents (life and non-life)

Insurer	Year 1	Year 2	Year 3	Year 4
Insurer 1				
Insurer 2				



Asia Head Office

28/35, Ground Floor, Princeton Business Park, 16 Ashok Marg,
Lucknow, Uttar Pradesh, India 226001
Tel : +91-522-228-8783 | Fax : +91-522-406-3773
Email : manoj@microsave.net

Africa Head Office

Shelter Afrique House, Mamlaka Road, P.O. Box 76436,
Yaya 00508, Nairobi, Kenya
Tel : +25-420-272-4801 | Fax : +25-420-272-0133
Email : anup@microsave.net

www.MicroSave.net