

The Landscape of Inclusive Insurance in Mozambique

2021



About the Report

This report provides results and outputs of the Mozambique Inclusive insurance landscape study conducted in 2021. This report provides a detailed portrait of the state of the inclusive insurance business in Mozambique, market successes and challenges as well industry perspectives on potential drivers and aspirations.

Disclaimer

The views, opinions and theories of all outputs of the Landscape of Inclusive Insurance in Mozambique as contained herein are solely the views, opinions and theories of the authors, and do not necessarily reflect the views, opinions and theories of the FSDMoc, its members and/or its affiliated institutions as well as sponsors and their related entities. The outputs are based on the data that was made available by the industry players during the data collection phase. The depth of analysis, perspectives, views, opinions and recommendations heavily relies on accuracy and completeness of data provided. FSDMoc or authors hereby disclaims any liability in this regard.

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List of Acronyms

AMS	Association of Insurers of Mozambique
FSDMoc	Financial Sector Deepening Mozambique
GDP	Gross Domestic Product
GWP	Gross Written Premiums
HCD	Human Centered Design
ISSM	Instituto de Supervisão de Seguros de Moçambique
KYC	Know Your Customer
MiN	Microinsurance Network
ROBSMIE	Roadmap for Broad and Sustainable Micro-Insurance Ecosystem
VAS	Value-added services



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Inclusive insurance refers to appropriate and affordable insurance products for the unserved and underserved population segments, with a particular emphasis on the vulnerable and low-income people. This term inclusive insurance is interchangeably used with the term 'microinsurance'; though inclusive insurance is more embracing. Inclusive insurance products, if well designed and distributed to different market segments, can help people manage their risks better.

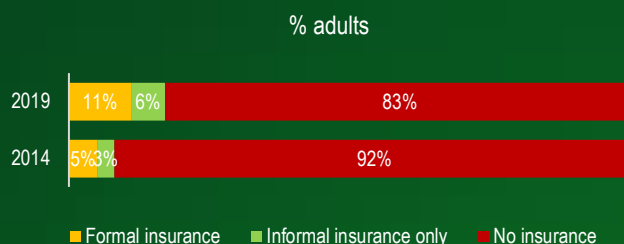


Headlines

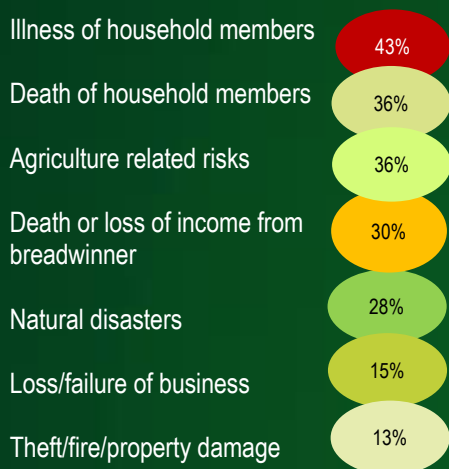
Coverage



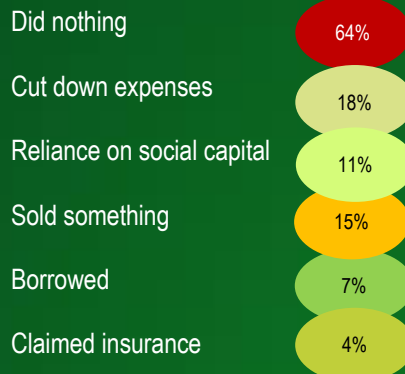
11% formally insured
6% informally insured only



Top risks



Coping with risk using insurance



Business engagement



16 companies surveyed
9 have inclusive insurance products
7 do not have inclusive insurance products

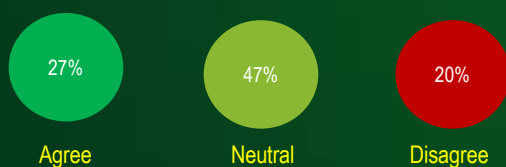
Products



8 insurers providing funeral insurance
7 providing credit life
3 insurers providing personal accident
2 insurers providing crop insurance
2 insurers providing hospital cash

Appreciation of the business case

"Most CEOs of insurance companies understand and appreciate the business case for inclusive insurance"



Distribution



5 insurers using brokers and agents
3 insurers using insurtechs
2 insurers using Mobile Network Operators
3 insurers using financial institutions
2 insurer using cooperatives and associations
1 insurer using a community-based organisation
1 insurer using a retail shop

Executive Summary

The landscape of inclusive insurance in Mozambique explored a number of themes and aspects relating to the provision of insurance to underserved and unserved market segments. A total of 16 out of the 22 licensed insurance companies participated in the study. Although the inclusive insurance sector in Mozambique is in its infancy stages, it can be considered as moving towards the emerging phase given the variety of risks that insurance companies are currently covering. With one registered microinsurer and a few insurance companies engaged in inclusive insurance, there has been growing interests and footprints which are shaping the inclusive insurance landscape for Mozambique. The key learning questions for this landscape study were as follows:

- What is the current state of inclusive insurance in Mozambique?
- How many market players are engaged in inclusive insurance?
- What are the current inclusive insurance product offerings in the market?
- What are the current successes and challenges faced by market players engaged in inclusive insurance?
- Is inclusive insurance making a difference and what are the opportunities for scaling up?
- What are the market and regulatory constraints hindering traction and what can be done to propel growth of inclusive insurance in Mozambique?

The key findings from the analysis were as follows:

- Inclusion of insurance formally and informally has increased between 2014 and 2020. Formal insurance inclusion increased from 5% to 11% while reliance on informal insurance doubled from 3% to 6%. Overall, the insurance coverage is still low.
- Inclusive insurance products are currently only serving around a quarter of million low-income consumers in Mozambique.
- The contribution of inclusive insurance to the total industry performance in terms of Gross Written Premiums (GWP) is less than 1%. However, ISSM need to enhance its reporting requirements by insurers. Conventional insurers engaged in inclusive insurance have not been separating returns for microinsurance business.
- Funeral insurance is the dominant insurance cover for low-income market segments.
- Searching for the right distribution models remains a critical area; there seems to be a number of untapped channels. However, insurers need more capacity building and technical assistance on how to navigate in

finding the right distribution partners and also manage them for the viability and sustainability of their investments in inclusive insurance.

- Senior executives interviewed in this landscape study were in unison on a number of issues such as absence of insurance culture, difficulties in distribution, enhancement of the role of AMS in inclusive insurance market development, dearth in investment capital for inclusive insurance, inadequate innovation in inclusive insurance and inadequate data and market information for inclusive insurance product development.
- Senior executives had mixed views on some of aspects on inclusive insurance; this was also testament of the differences in opinion between those who have embraced the inclusive insurance business case and those who are still skeptical. However, expressed interest in inclusive insurance was considerably very high but there is a mismatch between the actual market footprint.
- Without a national health or agriculture insurance scheme, coverage or scale in agriculture and health insurance is likely to be limited.

The report recommends that:

- Much more concerted efforts are still required from the supply side to increase the footprints of market players in inclusive insurance. With high levels of interest by the market players demonstrated by senior executives, shareholders must be encouraged to invest with a long-term perspective. The low-income sector remains a blue ocean in Mozambique. Although, some large insurance companies have some comfort with conventional insurance, going down market does not only provide an opportunity to improve market penetration but also the insurance sector's contribution Gross Domestic Product (GDP) which has remained very low (below 2%) for a number of years.
- There is still scope for dedicated innovation facilities to get insurance companies to innovate and experiment different products and models that can be appropriate for the Mozambique context. The design sprint implemented and supported by FSDMoc in 2020 demonstrated that it is possible to design affordable and appropriate inclusive insurance products that help people in the low-income market segments in Mozambique manage their risks better and at the same become viable in the long-term.
- Insurers should leverage technology for both cost efficiency and enhanced accessibility; the emergence of insurtech solutions is certainly an opportunity to make insurance more accessible. However, technology is only an enabler and with insurance, given the low outreach and experience, client education specific to the value proposition of insurance products for different market segments is required.
- There is still scope for financial support through innovation funds or premium smart subsidies for certain high-value but high-risk products particularly agricultural insurance.

- Improved data analytics by both AMS and ISSM, can also help the market players to see and comprehend new business opportunities. Through discussions with ISSM, it was good to recognise that plans are underway by ISSM to improve data analytics with ISSM and begin to segregate data by microinsurance and gender.
- There is an opportunity for the industry stakeholders (public and private) to explore the feasibility of private public partnership models for health and agriculture insurance to improve access to quality healthcare for the majority of low-income people and also improve risk majority of the households and individuals in rural areas who rely on agriculture as a source of income.
- Statutory requirements for every insurer to mandatory invest in inclusive insurance , as recommended by some of the insurance companies might help. Such a strategic direction could certainly help those insurance companies that have never embraced the inclusive insurance business case or still skeptical; giving them an opportunity to not only experiment in the inclusive insurance space but also expand their insurance business portfolios. Every business is about providing solutions to people who need them the most. On the financial inclusion spectrum, insurance remains the least utilised financial service. In principle, whether Mozambique goes for the mandatory investment route or not, insurers should still invest in addressing the real needs of low-income consumers to demonstrate the value proposition of insurance.
- The FinScope 2019 data is available for market players to conduct some deep dive insurance analysis and unlock some of the opportunities. However, every insurer needs to embrace Human Centered Design (HCD) approaches to gain more consumer insights that can guide the design of insurance product offerings and appropriate distribution models.
- ISSM may need consider and prioritise a review of existing microinsurance regulations to address some of the realities brought out by market players during this study. More importantly, globally, inclusive insurance business has proven to be dynamic and often require an enabling and responsive business environment particularly for strategic experimentation and formative research to determine what products and models can work in a particular country.
- A national inclusive insurance strategy with clear targets and milestones, spearheaded by a multi-sectoral committee could help in accelerating the development of an inclusive insurance sector in Mozambique. Working together for a common goal has yielded good results in some markets.

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Microinsurance has moved up the agenda among insurance companies globally and there are now enough success stories to convince the vast majority that microinsurance can be successful, at least for certain product types and distribution arrangements. Microinsurance Network 2020



1. Background

Financial Sector Deepening Mozambique (FSDMoc) commissioned this study with an overarching objective of providing an updated portrait of the state of the market. In essence, this study is aimed at detailing the current coverage of inclusive insurance products, sector challenges, industry perspectives as well as potential drivers and stakeholder aspirations. This study builds on various initiatives supported by FSDMoc and industry stakeholders; more specifically, the Roadmap for Broad and Sustainable Micro-Insurance Ecosystem (ROBSMIE) and implementation of the road map. The study therefore takes stock of the various initiatives implemented to contribute to the development of an inclusive insurance sector in Mozambique.

The implementation of this landscape study coincided and complemented that the joint implementation and hosting of the Digital regional inclusive insurance conference by Association of Insurers of Mozambique (AMS), Instituto de Supervisão de Seguros de Moçambique (ISSM), Financial Sector Deepening Mozambique (FSDMoc) and Munich Re Foundation. The preliminary results from the study were presented on 23rd March 2021 during the regional conference on inclusive insurance.

This study was designed to not only provide the current portrait of inclusive insurance in Mozambique but also explore opportunities for expanding inclusive insurance in Mozambique. The study therefore identified and discussed some of the key market and regulatory constraints inhibiting growth of inclusive insurance. Through an inquiry on industry perspectives, the study provides insights on what senior executives within the insurance industry think about the inclusive insurance business and prospects of growth in Mozambique.

This study was also designed to provide insights on some of inclusive insurance products, schemes, models and business practices. The objective was to gain insights on some of the investments and strategies being employed by market players to serve the underserved and unserved market segments. However, analysis here heavily depended on responsiveness of market players in providing financial performance information as well as information relating to the lessons learned and challenges in designing and managing these inclusive insurance schemes.

The key learning questions for this landscape study were as follows:

- What is the current state of inclusive insurance in Mozambique?
- How many market players are engaged in inclusive insurance?
- What are the current inclusive insurance product offerings in the market?
- What are the current successes and challenges faced by market players engaged in inclusive insurance?
- Is inclusive insurance making a difference and what are the opportunities for scaling up?
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Microinsurance has moved up the agenda among insurance companies globally and there are now enough success stories to convince the vast majority that microinsurance can be successful, at least for certain product types and distribution arrangements. Microinsurance Network 2020



2. Methodology and Analytical Framework

By design, this landscape study was a comprehensive assessment of the state of inclusive insurance in Mozambique and a deep dive of insights relating to the current state of the market, progress and achievements and critical review of market and regulatory constraints hence further inclusivity of insurance services. The study is designed to provide key performance indicators of inclusive insurance (microinsurance) in Mozambique including but not limited to:

- Number of people covered by inclusive insurance products
- Coverage of inclusive insurance products by gender¹
- Number of inclusive insurance products
- Variety of risks covered by inclusive insurance products
- Premiums collected for all-inclusive insurance products
- Number and types of distribution channels engaged in inclusive insurance
- Claims ratios of inclusive insurance

This study considered some of past and current inclusive insurance market development initiatives in Mozambique. Using data from desk review and information from a structured and semi-structured interviews of market players and key stakeholders, analysis on done on industry perspectives on the value proposition of inclusive insurance, that is, addressing the question as to whether inclusive insurance are making a difference in people's lives in Mozambique. A deep dive inquiry on a few initiatives also demonstrated whether such initiatives and investments can be viable in the long-term.

The study was also aimed at providing guidance to FSDMoc, ISSM and wider industry stakeholders in designing, consolidating and implementing market development interventions to improve the inclusive insurance landscape in Mozambique. Consequently, in addition to data analysis and reporting on results of this study, this report makes recommendations on what can be done by various stakeholders interviews to shape and strengthen the landscape in fulfilling the intent of insurance, that is, helping people manage their risks better.

Recognising that there are some initiatives that have already demonstrated great value and contribution to the changing landscape of inclusive insurance in Mozambique, this study was inevitably designed to take stock of the initiatives and their contribution. This study was however not an assessment of these initiatives. Although this study was not purely a supply side study, it does incorporate a few insights from the demand side, particularly through the latest FinScope study results².

¹ Unfortunately, the data provided by the players was not segregated by gender

² FSDMoc, FinScope 2019 Study

The approach taken is in three categories as summarized below:

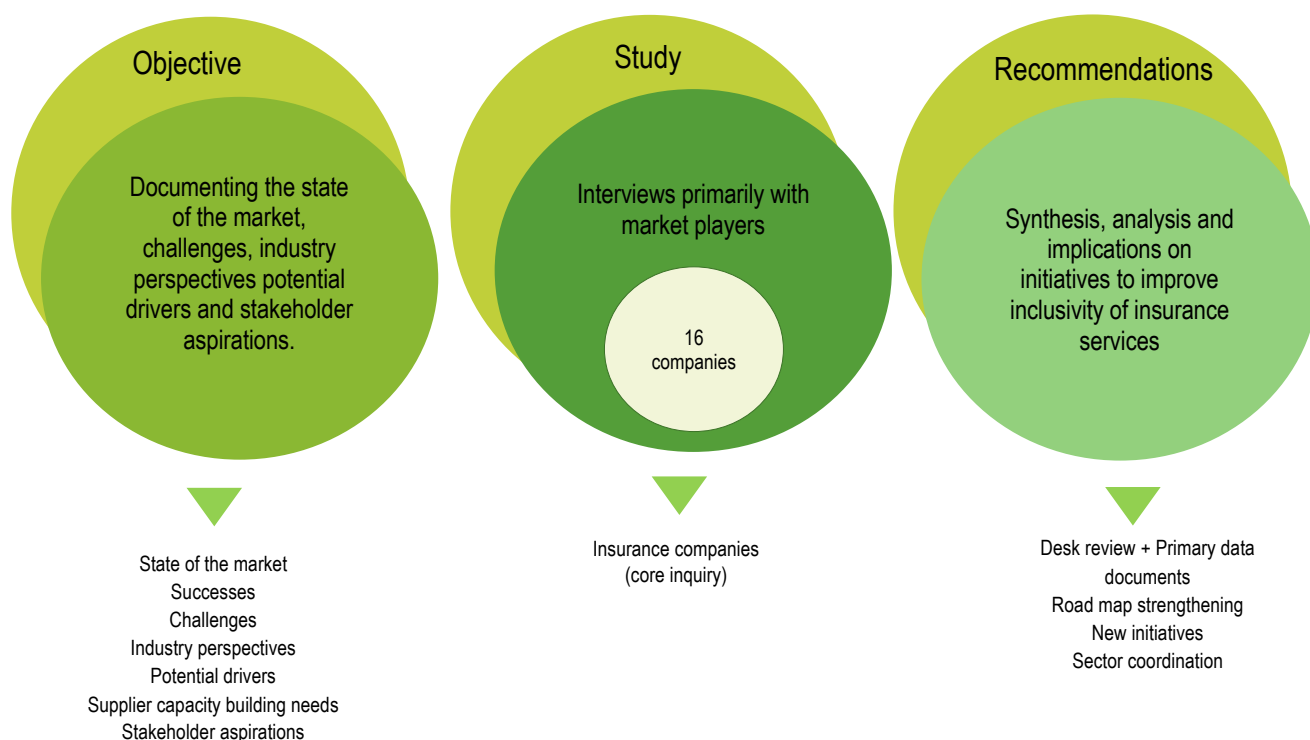


Figure 1 Summary of Methodology

The targeted sample was 50% of the registered and operating insurance companies. Through the achievement of 16 interviews meant 72% coverage of the insurance companies, exceeding the targeted sample size. Further, all the 8 insurance providers engaged in inclusive insurance participated in the study. In order to identify and validate the opportunities, the a dedicated conference session on the future of inclusive insurance discussed some of the key outcomes and possible strategic directions that industry stakeholders and players can take.

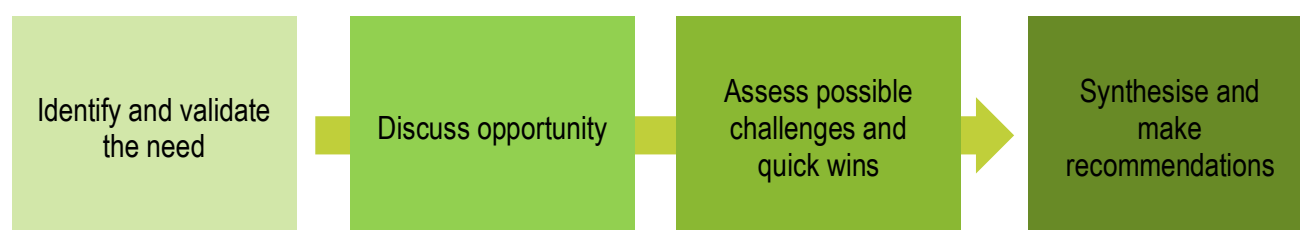


Figure 2 Flow of analysis



3. State of the Market

The insurance industry in Mozambique has 21 licensed insurance companies and 1 licensed microinsurance company. Out of the 21 insurance companies, 13 companies underwrite non-life insurance business, 4 have underwrite life insurance business while 4 are composite insurers. The ownership structures are varied with a mix of owners of Mozambican, South African, Malawian, Portuguese and Kenyan origins. The Portuguese owned companies were the first to show interest in the Mozambique industry shortly after privatisation initiatives began in the 1990s³. In 2019, the total gross premiums were reached MZN 15,950.1m (approximately USD 260m) and the insurance industry has been experiencing a steady growth over the last 5 years as below figure below:

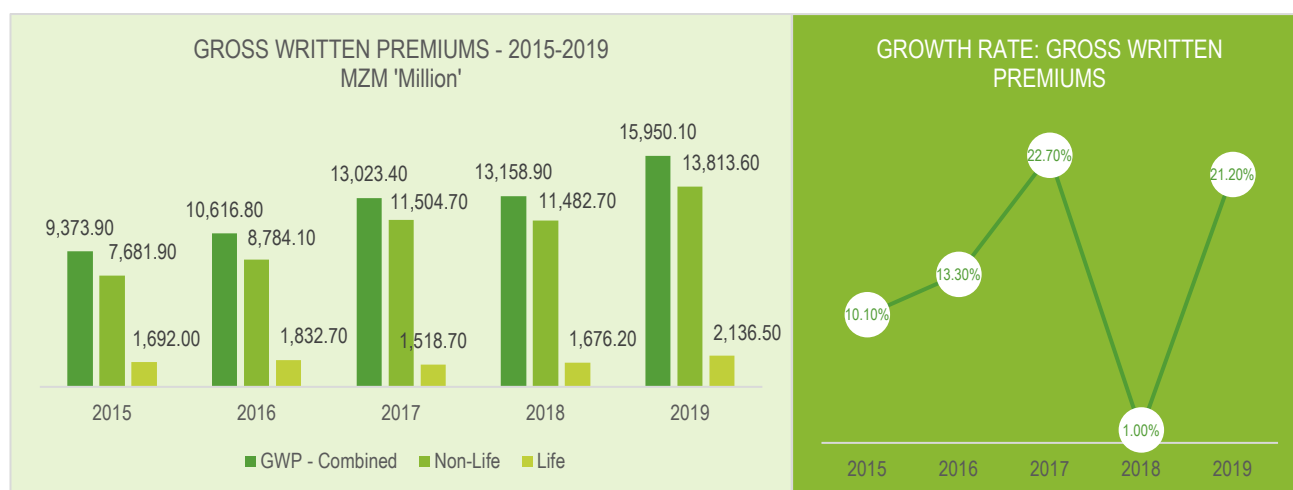


Figure 3 Industry performance - GWP 2015-2019

Evidently, the insurance industry in Mozambique is hugely dominated by non-life business; a greater number of players and higher GWP. Market share analysis also show non-life and composite players in the lead; namely EMOSE, Hollard, International Commercial & Engineering (ICE) and Seguradora Internacional de Moçambique (SIM).

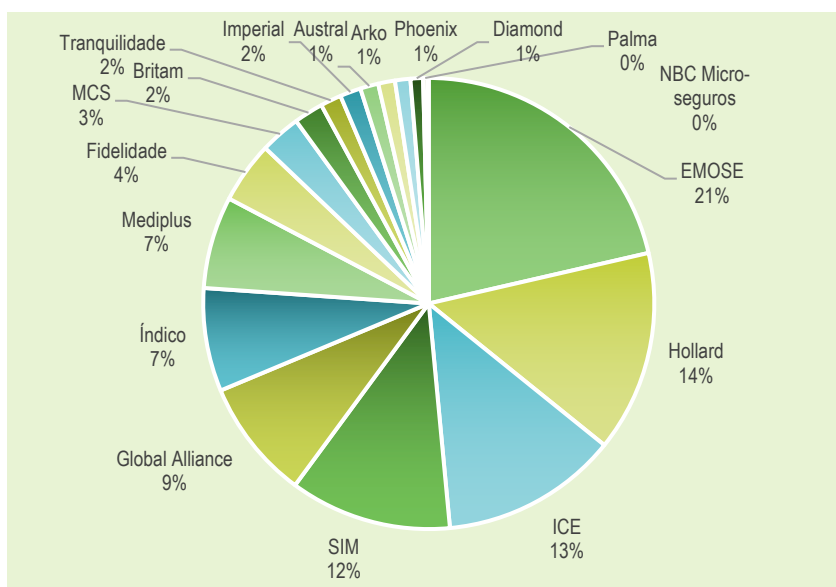


Figure 4 Industry performance - Market Share 2019

³ MAP 2014 Report

Inclusivity and coverage of insurance services

Despite the reported financial performance above, the insurance industry in Mozambique, remains very small, low insurance penetration and contribution to GDP which has remained under 2% for many years. The insurance industry in Mozambique is also not very inclusive. Reported GWP for microinsurance business in 2019 was only MZN 18.8 million⁴. ISSM data also shows that there are 8 authorised microinsurance providers; 7 insurance companies and 1 microinsurance company. The landscape study revealed that inclusive insurance products are only covering around a quarter million lives through credit life, funeral, hospital cash, crop and personal accident. Funeral insurance accessed through personal and group policies seems to be a key driver of insurance inclusion at 62% coverage. Crop insurance emerged as the second product driver and this largely due to the investments by Hollard in extending index insurance for smallholder farmers.

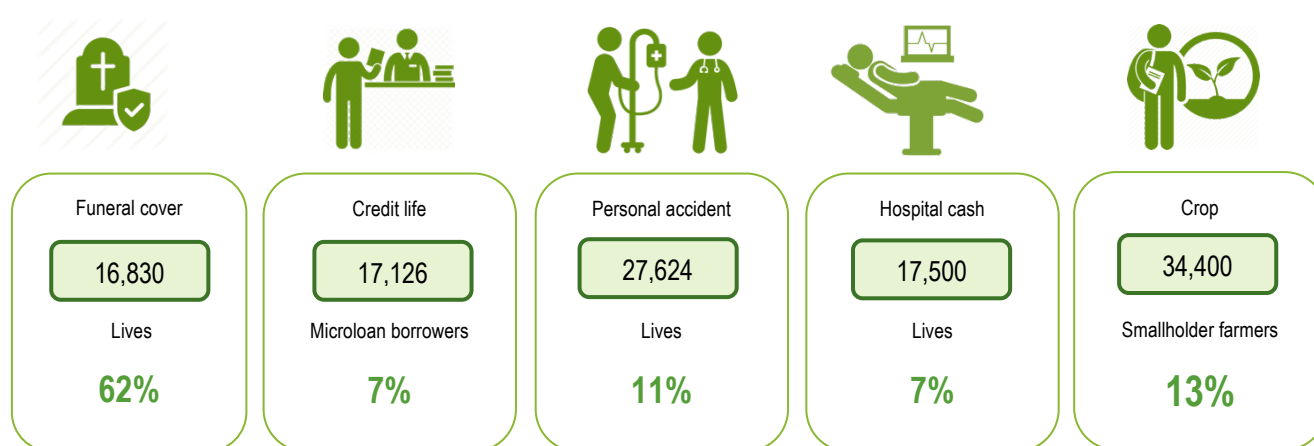


Figure 5 Coverage of inclusive insurance products (lives)⁵

Insurance inclusion and access strand

The 2019 revealed that both formal and informal insurance inclusion has been increasing over time. Formal insurance increased from 5% to 11%. However, this inclusion is still skewed towards the formally employed, reside in Maputo Cidade (19%) and male adults (13%). According to the Finscope 2019, insurance is hugely perceived as unaffordable by majority of adults; awareness of the value of insurance is biggest barrier with 68 % claiming that they are unaware of insurance.

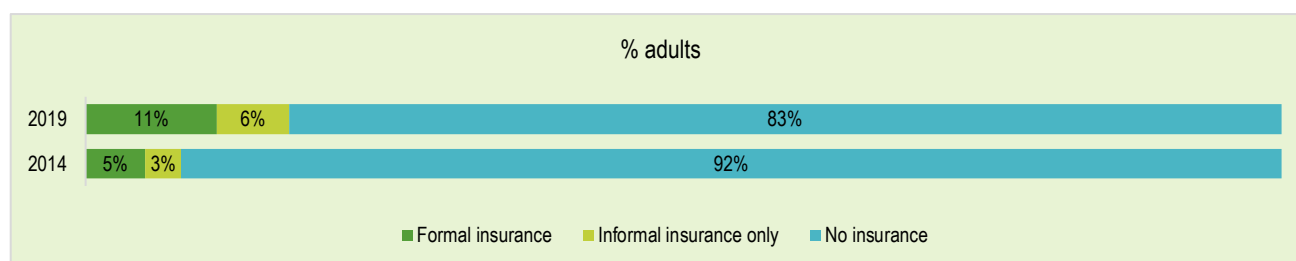


Figure 6 Insurance access strand 2014-2019

⁴ Source: ISSM; Reported by one microinsurance provider, other authorised microinsurance providers (conventional insurers) are not yet reporting segregated microinsurance data.

⁵ Figures based on reported data and insurers that participated in the landscape data.

Finscope 2019 data also show that insurance is least utilised risk management strategy. For all the adults that experienced risks, only 4% indicated that they claimed insurance.



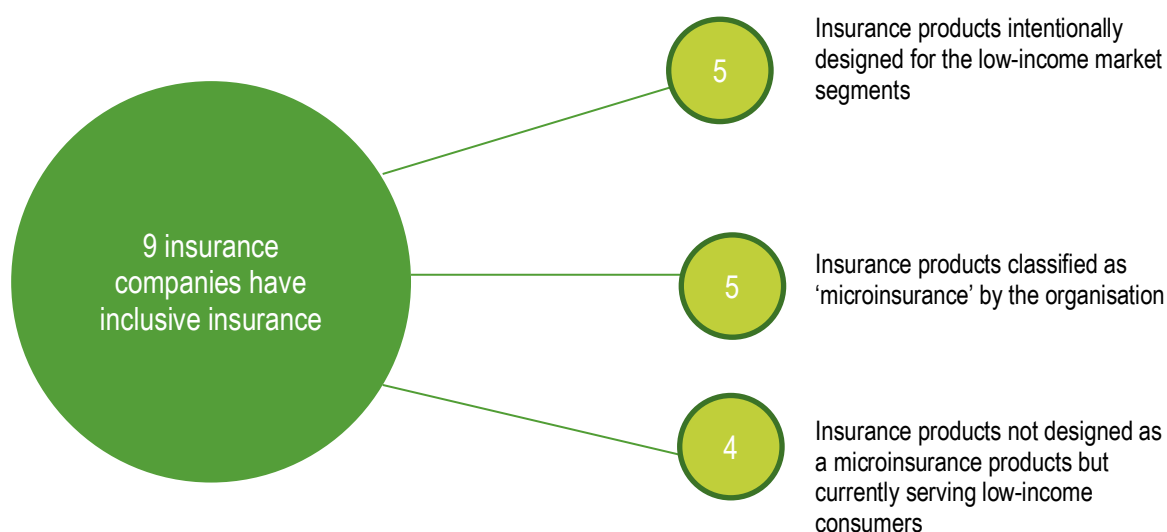
Figure 7 Risk management strategies

The Finscope results also show that majority of adults in Mozambique are either left to the full impact of risk experienced or use very costly coping mechanisms such as cutting down expenses, selling something or borrowing money. In sum, the current state of insurance industry in Mozambique still shows a blue ocean, a huge untapped market for affordable and accessible insurance. The interviews with selected key informants revealed while interest seems high by some insurance companies, many still fear the unknown and hesitant to go into unventured territories

4. Inclusive Insurance business case

Inclusive insurance business is about volumes and low-cost margins to ensure profits. Various actors in the insurance ecosystem have different reasons for wanting to serve this low-income market segments. The reasons range from economic, strategic, to social motives. Governments, for example, pursue inclusive insurance for the provision of social benefits to the people. While insurance companies see the inclusive insurance sector as an emerging market opportunity for business expansion due to the saturation of the traditional insurance markets which focus on a small formal sector. From the perspective of the potential clients, inclusive insurance presents an opportunity or window to an improved livelihood and better quality of life. For the community, it is an avenue to be more resilient in the face of a crisis and a path out of the cycle of poverty at the household level.

The results show that there are 9 insurance companies providing insurance products serving the low-income market segments in Mozambique. Out of these 9 insurance companies, 5 have insurance products intentionally designed for low-income market segments while 4 had insurance products which were not designed as inclusive insurance products but upon launch to the market, were be accessed and utilised by low-income consumers as well.



Findings from the landscape survey show that the majority of the senior executives rated their interest in inclusive insurance very high. The perceived interest by insurance business owners is also perceived to be high. There is recognition among most senior executives and professionals in the insurance industry that the low-income market segments are a blue ocean and present a great opportunity for market expansion and insurance penetration. For some of the professionals, inclusive insurance represents a business opportunity that can yield return in the medium to long-term provided the right products are developed and distributed at scale.

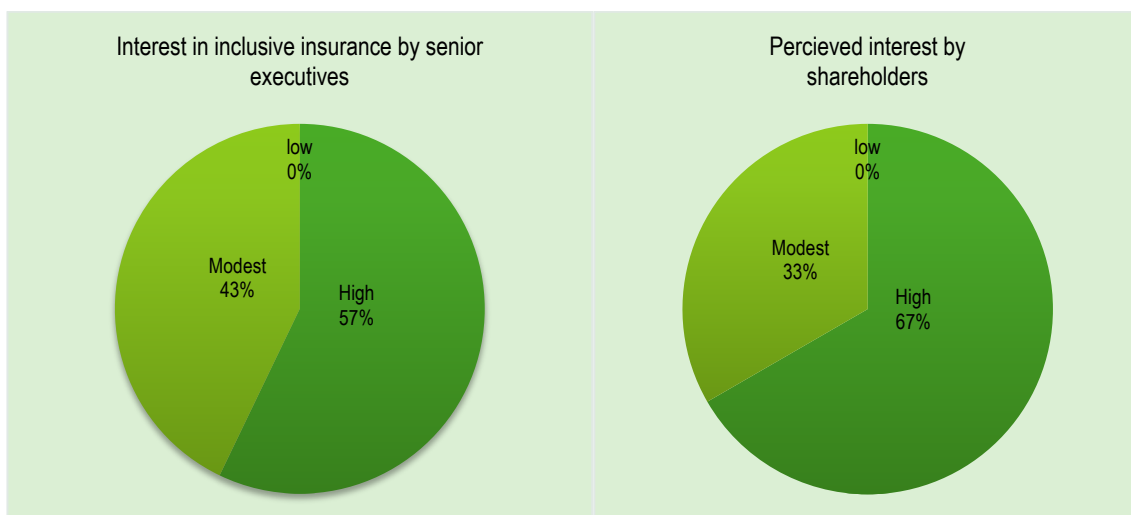


Figure 8 Interest in inclusive insurance

Insurance companies that are currently offering inclusive insurance indicated that the key changes following their engagement in inclusive insurance were increase in the number of policyholders and usage of new distribution partnerships. Further, the companies also achieved market visibility in serving the low-income market and increased gross written premium. However, for most of the companies, viable scale has not yet been achieved. Notably increase in GWP was the least impact as this inevitably require significant scale.

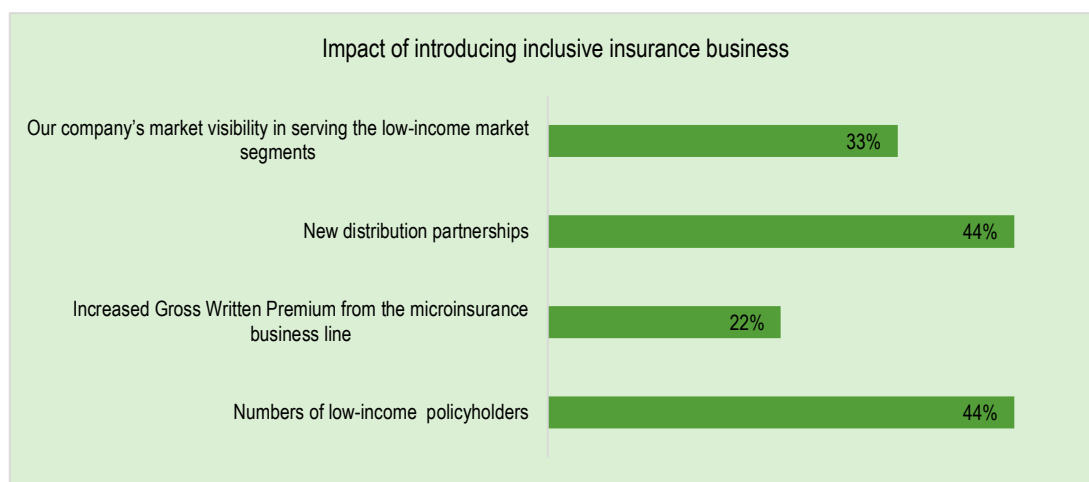


Figure 9 Impact of introducing inclusive insurance business

The major challenges experienced in inclusive insurance are finding appropriate distribution partners, educating clients, selling the products, managing distribution partners and designing microinsurance products.

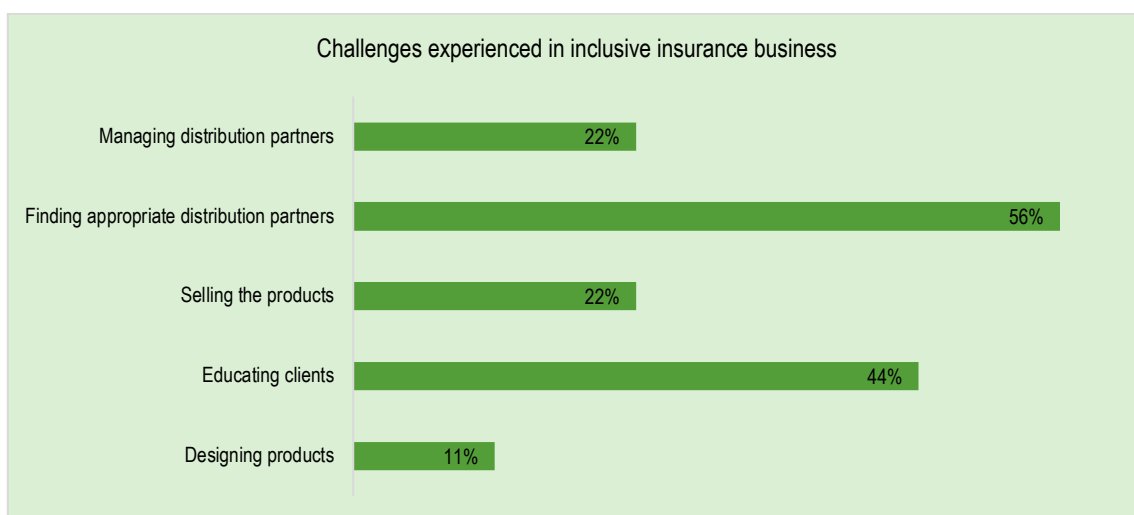


Figure 10 Challenges experienced in inclusive insurance

For insurance companies that are currently not engaged in inclusive insurance; notably, some of the CEOs are still skeptical about the business case. The results from the landscape study revealed that most of the industry players were neutral to the statement that investment capital for developing inclusive insurance products is available in Mozambique; a demonstration that the majority of senior executives have no opinion about investment opportunities in inclusive insurance. There is a need for senior executives to acquire more knowledge on investment and viability considerations for inclusive insurance to vividly and decisively embrace it.

The landscape study revealed that 7 insurance companies have no inclusive insurance products. Lack of engagement was largely attributed to insufficient market information to help in the design of insurance products and lack of technical expertise and capacity. The lack of distribution channels to reach the low-income market segment was also cited. A few insurance companies seem not to see demand for insurance in the low-income segments; an outcome that may result from lack of market research on these market segments. Other senior executives alluded to lack of favourable market conditions and the regulatory framework.

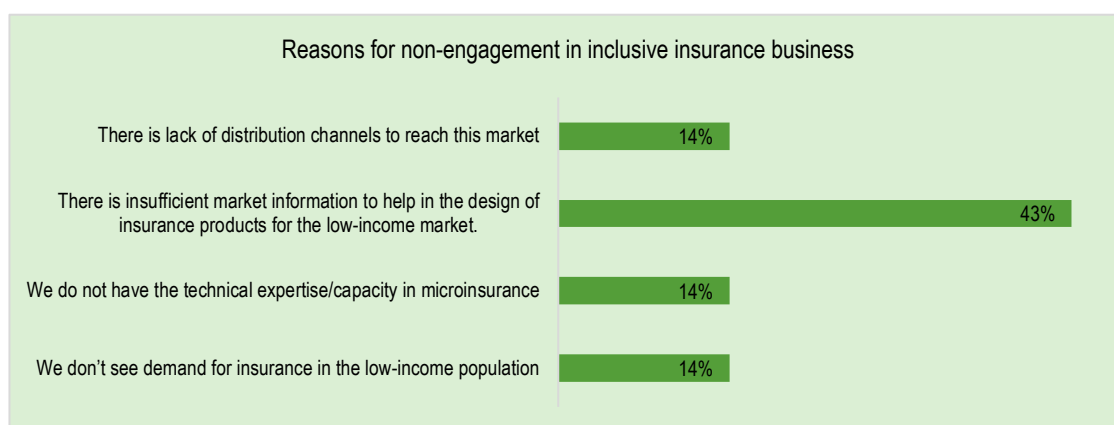


Figure 11 Reasons for non-engagement in inclusive insurance business

Notably, most players and their shareholders are highly motivated to provide inclusive insurance in the next one to two years as indicated in the figure below:

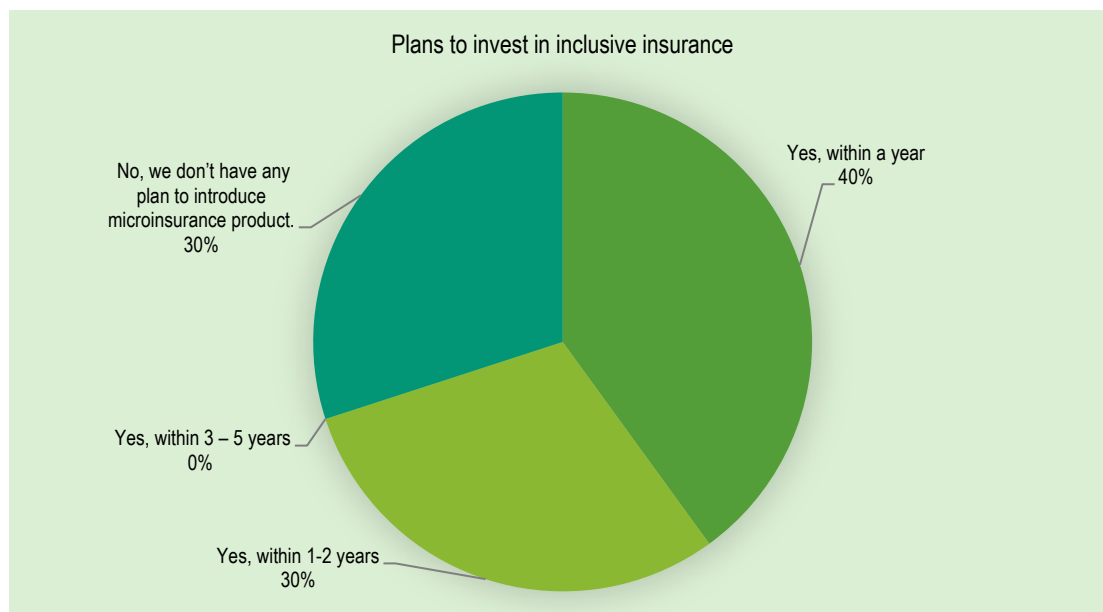


Figure 12: Plans to invest in inclusive insurance

The motivation to invest in inclusive insurance can be varied. For some companies, they recognise that there is blue ocean which does not yet have competition and if they get the products and distribution models right, they will experience business growth. For others, investing in inclusive insurance is about involved in contributing to the national agenda of financial inclusion while at the same time gaining financial value for their low-income clients and company. For most CEOs, demonstration of financial value to the company is supreme and willingness to see financial gains in the long term is not easily achieved. Globally, impatient investors; particularly those looking for quick return on investment, have usually failed to sustain their interest and investments in inclusive insurance. Inclusive insurance inevitably requires long-term thinking and investment.

5. Inclusive Insurance Products and Distribution

The landscape study shows that coverage of inclusive insurance products is mainly through funeral and credit life. Agriculture insurance is among the least products though growing steadily. The figure shows the number of insurance companies providing different types of inclusive insurance products.



Figure 13 Types of inclusive insurance products

In terms of distribution, the landscape study revealed that most insurers are using agents, brokers, financial institutions and insurtechs to distribute insurance. Globally conventional brokers and agents have proven not to be key drivers of scale in inclusive insurance. However, it is rewarding to note that some of the insurers are beginning to explore unconventional channels such as Mobile Network Operators and Insurtechs. Not surprisingly that financial institutions are drivers of credit life to protect their loan portfolios. One insurer is exploring the retail chain channel for funeral insurance and agro dealer shops for distributing agriculture insurance. Community based organisations remain an untapped channel.

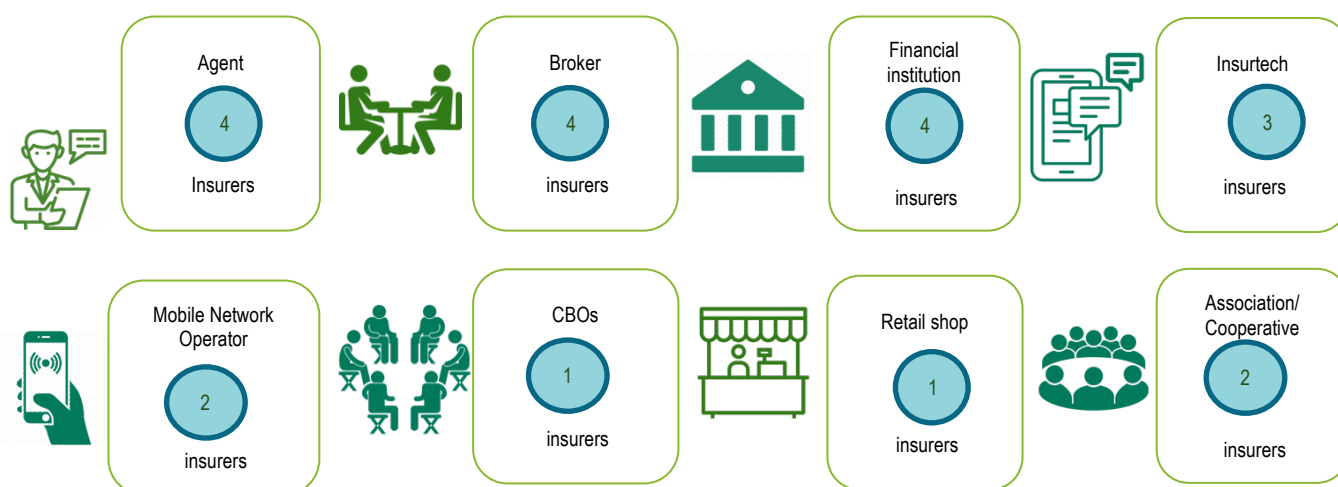


Figure 14 Distribution channels

The landscape study shows that most of the insurers are using distribution channels for product promotion, enrolment, client education, premium collection and claims reporting. Not surprisingly, claims assessment, provision of value-added services (VAS) and claims payout are normally done by the insurers. Evidence else show that when distribution channels effectively handle claims administration and payouts, claims are usually made timely. However, insurers need to train and empower distribution channels for such functions. In distribution partnerships where channels are allowed to undertake claims administration and payouts, systems are integrated between insurer and distribution channel or limits are created on amount of payouts that the channel can undertake.

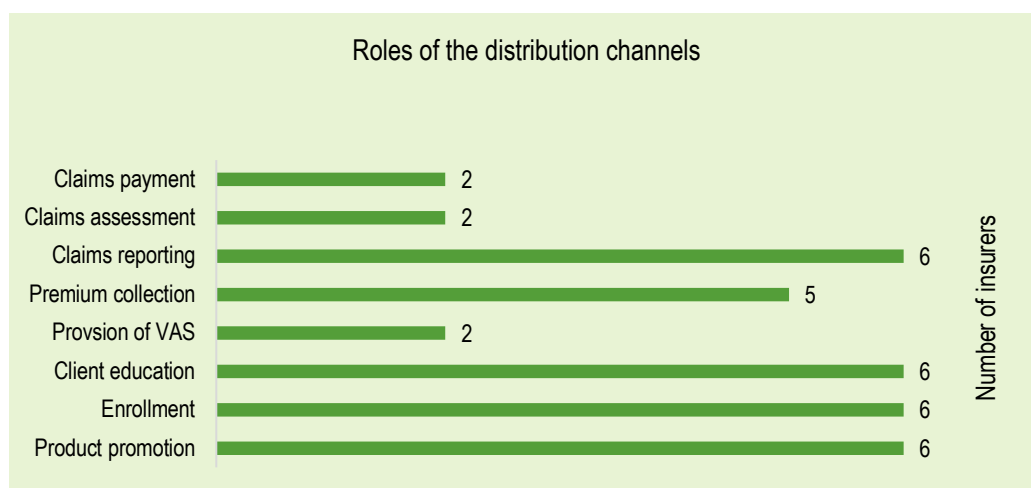


Figure 15 Roles played by distribution channels

When asked about challenges, finding appropriate distribution channels remain a key challenge for most insurance companies (see figure 10). The finding was aligned to the capacity building needs highlighted by the insurance companies. Most of the insurance companies still indicated distribution as a critical capacity building need.

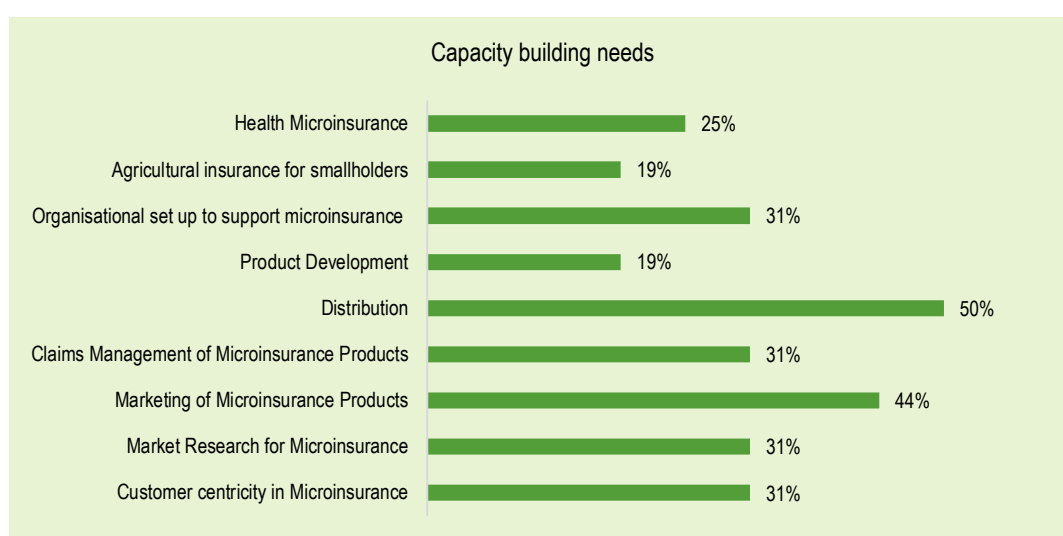
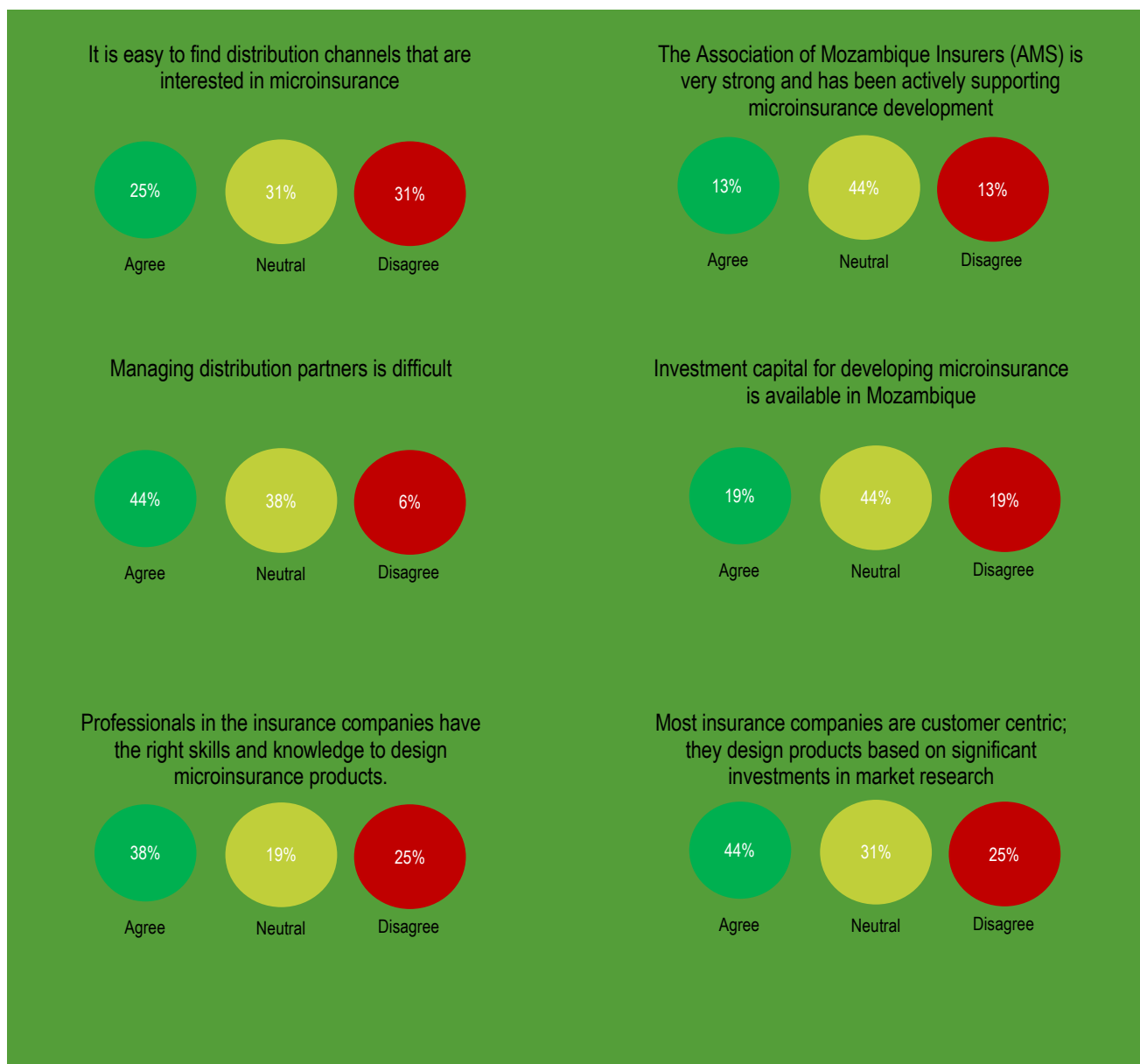


Figure 16 Capacity building needs

6. Industry Perspectives

The landscape study also explored a number of perspectives of industry players on various aspects of inclusive insurance. This was done through a number of statements for which the CEOs of insurance companies need to agree or disagree to. The results are summarised below:





The results show that majority of senior executives agree that ISSM is very supportive to Microinsurance development in Mozambique. The introduction of microinsurance business license in the market is testament to this fact. ISSM has also been investing in consumer education initiatives to improve awareness levels of the value and benefits of insurance.

Getting reinsurance, market information and data were highlighted as key areas of concern by the market players. The orientation training provided to some of the market players is likely to contribute to a changing landscape if the insurers can invest more in understanding and translating consumer insights into products that address real prioritised risk management needs of people in Mozambique.

All senior executives were in unison on absence of an insurance culture. Regarding the business case, there were mixed results; not all senior executives seem understand and comprehend the business case for inclusive insurance. This was also evident in the perspectives expressed on whether there is demand for inclusive insurance products or not. However, most of the senior executives in the insurance industry were in unison on prevalence of low insurance culture. It was however interesting to note that some senior executives in insurance industry are either neutral (33%) and disagree (27%) on whether there is demand for microinsurance. This is indication that some senior executives in Mozambique are still skeptical about the market potential presented by the low-income market segments. Majority of the senior executives also feel there isn't sufficient innovation within the microinsurance or inclusive insurance space.

Regarding distribution, it was evident that finding the right distribution partners and also managing distribution partnerships are not easy. Insurers in Mozambique are still navigating and trying to find the right distribution models. Mixed views were expressed on skills indicating that there is need for insurance professionals to build their skills and knowledge on managing inclusive insurance business. The views expressed on customer centricity indicate that there is recognition of some of the investments by some market players in developing customer centric products. Majority of the senior executives seemed unsure on whether there is investment capital for inclusive insurance. This is consistent with the sentiments expressed on the business case. Some players are doing well with conventional insurance but skeptical about investing in inclusive insurance. The views expressed on AMS suggested that there is room for an enhanced role by AMS in supporting or stimulating inclusive insurance market development. This could be in form of coordinating the availability of data and market information, lobbying and advocating for supplier incentives and also spearheading dialogue for public private partnerships among other things.

7. Is Inclusive insurance making a difference in Mozambique?

Mozambique still has a huge proportion of population in the low-income market segments. Further, the historic account of climatic risks characterising Mozambique suggest that Mozambicans are very vulnerable to risks; this reinforces the value proposition for insurance. The key question most senior executives and shareholders ask is whether it pays to invest in inclusive insurance. It is a fact that people in low-income market segments need insurance the most. It is also a fact that low-income markets are the blue ocean for insurance in most markets including Mozambique. However, the question remains: does it pay to invest in inclusive insurance? Are inclusive insurance products generating meaningful impact on the end users in Mozambique? To explore this, the landscape study included a deep dive on some of the inclusive insurance products and key performance indicators.

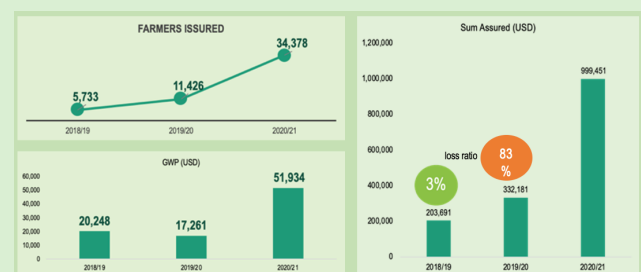
Box 1 Hollard's footprint on agricultural insurance

It is a known fact that majority of low-income people in most developing countries reside in rural areas and rely on agriculture as the main source of income. Mozambique is not an exemption and it is estimated that Mozambique's rural population is around 64%⁶. According to IFAD, agriculture is not only the main source of income for over 70 per cent of Mozambique's population and but also provides employment for 80 per cent of the workforce; majority of whom are women. Unfortunately, there is a historic account of floods and droughts that have repeatedly affected the performance of the agricultural performance especially for smallholder farmers. Mozambique's flooding is mainly caused by heavily localized rainfall or tropical cyclones. In recent years, Mozambique as experienced major extreme events, such as Cyclone Idai which caused catastrophic damage and a humanitarian crisis in Mozambique and neighboring countries. Germanwatch⁷ identified Mozambique as one of three countries most affected by the impact of climate change in 2019 and within the top five most affected countries from 2000 to 2019.

Risk management through insurance is therefore highly critical to ensure that farmers do not lose their investments in their main source of income and livelihood. In response to this need, Hollard Mozambique, has been offering crop index insurance to smallholder farmers since the 2018-2019 agricultural season. The insurance product is embedded into the purchase of seeds at no extra cost for the farmer. Hollard focusses on bundling insurance with other agricultural services and products as part of distribution model which has so far proven to be cost-effective. Since crop index insurance is complex and new to smallholder farmers, Hollard has been innovatively been investing in consumer education based on story telling in local language.

"I'm happy to see how before trying to teach our farmers about your new climate risk protection product, you showed us that we already have insights on risk embedded in our traditional stories that we already know. We also have lessons on the question of risk in our traditional knowledge systems, expressed in our local languages." Edson Carneiro, Sustainable Development Senior Manager, Parque Nacional da Gorongosa.

In terms of performance, the crop insurance product is currently covering around 34,378 smallholder farmers with sum assured of nearly USD 1 million in 2020-2021 season. The account of claims ratios show that client value is being demonstrated to the smallholder farmers. However, the high claims ratio in the 2019-2020 season is a signal that scale is highly required. Elsewhere, scale has been achieved through private public partnerships and there is still scope for this in Mozambique.



⁶ World Bank

⁷ <http://www.germanwatch.org/en/cr>

The landscape study also revealed that claims ratios for hospital cash and credit life are around 10%. Low-cost hospital cash is new on the market while credit life has been provided micro-loan borrowers through financial institutions for a number of years. While the low claims ratios are a sign of profitability of these products, they are also a signal on low client value. With time, there is an opportunity for the market players providing these products to review the performance and see how best they can enhance the value proposition of these products either through additional risk coverage or provision of value-added services.

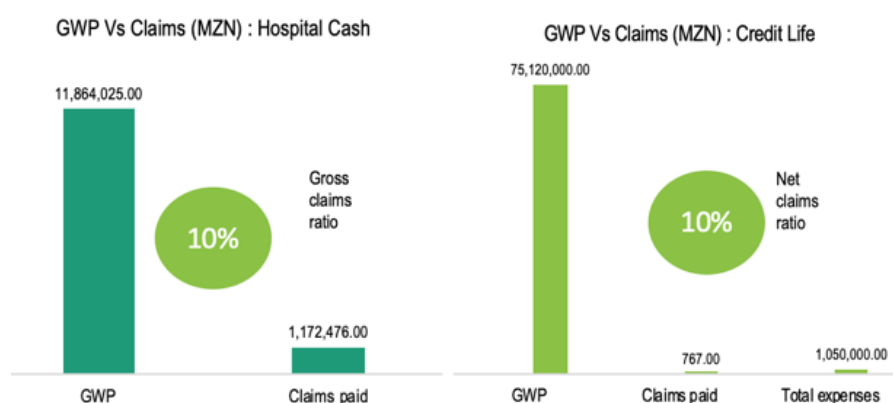


Figure 17 Claims ratio for Hospital cash and Credit life

In terms of claims turnaround time, the results show that insurers are investing well in these aspects. With exception of crop insurance, most insurers indicated that they pay claims within 1-5 days. One MoveCare client is testament to this.

"We knew our claim was going to be 48 hours but in 8 hours we received confirmation that it was already processed".

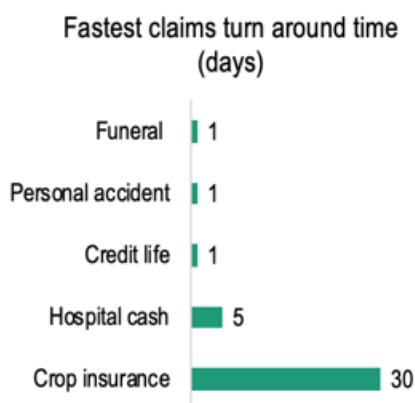


Figure 18 Claim settlement time by product type

Digital inclusive insurance solutions have demonstrated in a number of markets to be among the most effective way of reaching low-income market segments. One of the insurtechs in Mozambique, TABECH has been partnering with insurance providers to make insurance accessible to low-income households and individuals in Mozambique. TABECH was the first and multi-award-winning insurance technology company in Mozambique.

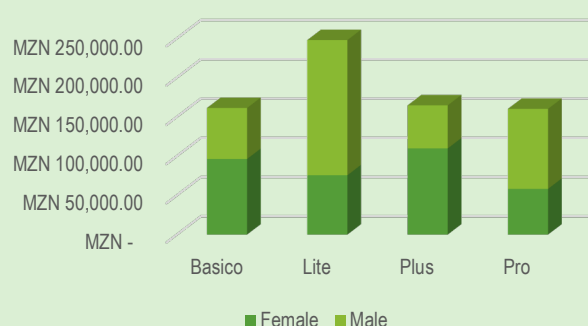
Box 2 MóvelCare's Funeral product

MóvelCare is a funeral product, underwritten by NBC Micro-Insurance in partnership with TABECH. The funeral product is a tier-based product with 4 packages for families to choose from. The first two tiers offer only funeral insurance and the last two tiers offer funeral and life/memorial benefit to families. The product has coverage up to 7 members of the same family; providing an opportunity for the policyholder include and pay for other household members. The product is the first to include a cash benefit and a funeral services benefit in Mozambique and the first funeral product on USSD and SMS in Mozambique. The product is also distributed in Tuk tuks and will soon include local football clubs as distribution channels.

The MóvelCare funeral product was approved by the insurance regulator, ISSM, in 2020 and already gaining traction. MóvelCare has created the insurance payment platforms that are open to various players in the funeral industry such as Funeral agencies, women who sell flowers (florists) at cemeteries, transporters and other providers of services required for a funeral.



Gross Premium Collected January-April 2021



Although the product is new on the market, it is slowly gaining traction with 3,000 registered members, 1,141 active clients. Recognising that insurance culture and insurance awareness are low in Mozambique, TABECH and its partners are investing in insurance education and educated around 11,000 low-income consumers. Below are some of the quotes of the clients of MóvelCare funeral product.

Although most inclusive insurance products are still in infancy stages, current product offerings are already improving risk management practices for low-income households and individuals. With a good emerging business practice of efficiency in service delivery and claims administration, more investment in client education and development of more client centric products, scale is likely to increase over time. For products like agricultural and health insurance, it is inevitable that dialogue for private public partnership models is initiated if significant scale is to be achieved.

8. Opportunities

Remittances linked insurance: Mozambique continues to export migrant labour to neighbouring countries, especially South Africa for employment opportunities. It is believed that a significant proportion of the working members of the households living outside of Mozambique send money to their spouses or to their dependents back home. Remittance linked insurance is growing to one of drivers of insurance inclusion in some countries. A good example is Pioneer OFW Guard insurance product retailed through a money transfer company called USSC. The product has an annual premium of USD 10 and provides benefits of around \$600 cash assistance in case of involuntary loss of employment overseas and \$1000 in case of accidental death, dismemberment and disability. Another example is the partnership between ADA, a Luxembourgish NGO, Democrance, an InsurTech called Hellowaisa and AXA insurance company that enables migrant workers living in the Dubai and UAE to send money to their families back home and also access insurance through remittances by simply by using their mobile phones.

Think beyond claims: Client value is the total benefit, that is, tangible and intangible, derived by customers from a service or product. Insurance is an intangible service and from a client perspective, real value is derived during the claims payout moment when the risk occurs. Claims settlement turnaround is therefore very critical from a client perspective. In addition, in countries with low insurance culture, low insurance literacy and low insurance experience, it helps to think of value-added services (VAS) that can accompany product sign ups. Investing in VAS have a way of making insurance tangible, influencing renewals and building an insurance culture.

Exploring prospects for digital insurance solutions: Like many African countries, Mozambique equally has considerable high mobile phone ownership and usage levels. Evidence else show that digital solutions, if well combined with client education investments has often been advantageous for insurance companies to achieve scale. Mozambique is already on a good path in exploring digital inclusive insurance solutions. The role that is being played by market players like TABECH is critical for advancing digital inclusive insurance solutions.

Expanding distribution space: There seems to be a lot of untapped distribution channels. Getting the products right is just one important step. However, business viability will rely on sustainable distribution models. The design sprint conducted in March 2020 opened insurers to new possibilities including microenterprise associations, retailers and employers of low-wage earners. However, based on the outcomes of this landscape study, capacity building and technical assistance on distribution could be very helpful to the insurers, microinsurers, insurtechs, financial institutions and other prospective channels.

Cohesive industry effort: Winking alone in the dark by some market players may limit the growth potential of inclusive insurance in Mozambique as evident from the current coverage of only a quarter of a million. A multi-sectoral approach bringing all the stakeholders (public and private) may generate a meaningful contribution of inclusive insurance to the financial inclusion agenda. Mozambique has also experience major adverse effects of climate change requiring a cohesive approach to risk management including consideration for coverage of sovereign risks.

9. Conclusions and Recommendations

Risk management is critical element of one's financial freedom and welfare. Financial health, in the context of insurance, refers to ability of households and individuals to protect themselves effectively against shocks and risks. The occurrence of shocks and risks often leave families or households in devastating circumstances. Although Mozambique has recorded an increase in formal insurance inclusion from 5% to 11% in the last 5 years, the actual coverage is still low. A deeper footprint by the market player is still required. To ensure insurance effectively contribute to financial health of individuals and households, there has to be a close match between risks covered and type of insurance products. Some of players are now exposed to client centric approaches and some of the products in the pipeline have benefited from interactions and field-based validations with prospecting clients. One of the positive outcomes of this landscape survey is analysis is the unison among majority of the market players on the need to invest in inclusive insurance. Although this interest is not translating into coverage at faster pace, there are signals that some players may lead the way for the skeptical ones. It is important to note that investing in inclusive insurance is about investing for the future; returns are not immediate but certainly come in the long-run.

The National Financial Inclusion Strategy (NFIS) for Mozambique 2016-2022 is based on three pillars:

- 1) access and usage of financial services,
- 2) strengthening financial infrastructure, and
- 3) consumer protection and financial literacy.

Financial inclusion is achieved when individuals and businesses have effective access to a wide range of useful and affordable financial products and services that consumers are willing to pay for, from formal or informal institutions, which meet their needs, delivered in a responsible and sustainable way. Under pillar 1, inclusive insurance is recognised as one of the essential financial services for meaningful financial inclusion and financial health.

The results from Mid-term review conducted on NFIS revealed that the main driver of this financial inclusion has been the growth in mobile wallets. Much more investments are required for other financial services including insurance if people in Mozambique, particularly those in the low-income population segments, are to experience meaningful financial inclusion and financial health. Access to appropriate insurance inevitably improves people's ability to safeguard their gains in income and welfare, secure futures and reduce their vulnerability.

While value of insurance is undisputable from a need and demand perspective, access inevitably brings in a supply perspective which was the core of this landscape survey. The following are some of the key recommendations based on the submissions from industry players:

To effectively engage in inclusive insurance

- Innovate more and increasingly use technology as an enabler in business models and product offerings;
- Improve claims management systems and ensure reputation of insurance is not characterised by delayed claims;
- Invest more in market research and build customer centric DNA in insurance providers;

- Invest more in data analytics; beyond client data, enhance analysis of industry performance trends including investments in inclusive insurance;
- Build professional skills through technical assistance and training. Microinsurance or inclusive insurance is still new to most professionals within the insurance industry;
- Establish an innovation fund that players can access to test new models and products for inclusive insurance;
- Innovate and pilot gender sensitive inclusive insurance products; reporting on gender coverage is not sufficient, insurers can use consumer insights and develop specific products for different market segments including focus on women.
- Improve access to reinsurance for high-risk products such as agricultural and health insurance;
- Insurers consistently experiencing low claims ratios should consider undertaking product benefit design reviews including consideration for value added services;
- Insurers need to increasingly search and use unconventional channels to reach low-income market segments; and
- To achieve sustainability and viability there is an inevitable need for insurers to significantly increase scale.

To build an enabling environment

- Consider mandatory requirement for all players to invest in inclusive insurance players;
- Consider smart subsidy for high risk insurance products such as agricultural and health insurance;
- Consider tax relief or other supply side incentives for high risk insurance products such as agricultural and health insurance;
- Review microinsurance regulations to capture and reflect current market realities and enhance the operational definition of microinsurance;
- Review KYC and AML requirements to capture and reflect the context of inclusive insurance;
- Invest more in tailored consumer education to low-income market segments; and
- Enhance industry reporting and data analytics including separation of business classes and microinsurance from conventional insurance.

Ultimately, the inclusive insurance sector is still in its infancy stages but slowly emerging. A few players are investing and trying to find the right models for improving access and usage of insurance in Mozambique. Mozambique has benefited from various market development initiatives supported by FSDMoC, ISSM, AMS and other industry stakeholders such as the Roadmap for Broad and Sustainable Micro-Insurance Ecosystem (ROBSMIE) and implementation of the road map. Much more support is still required to get more traction. More importantly, a multi-sectoral approach may be required to collectively join efforts and address systemic market and regulatory constraints that are inhibiting the growth of the inclusive sector. Setting targets in terms of coverage levels and variety of products and market segments would help to have focused interventions that will change and improve the landscape of inclusive insurance. Some of the market players have already

been exposed and experienced the value of investing in arriving at products and models that based on insights from prospecting clients. With growing and known evidence of the benefits of such approaches, it would be critical that players continue to invest in understanding client needs and then navigate of how to best distribute insurance products through the right channels.

ISSM as the insurance regulator, still have a critical supervisory and market development role. Taking a client centric or end-user approach to reviewing or upgrading the microinsurance regulatory framework would help in ensuring the regulations and policies are aligned to the market realities.

Annex: Key definitions

Accessing financial services: refers to the usage of financial services either through: (1) An account/policy – owned by the individual him/herself or jointly with someone else (2) Another account/policy in the name of someone else and (3) Over the counter services

Claims ratio: The claims ratio is calculated as claims paid as a percentage of the written premium. MIN 2020

Coverage: The scope of protection provided under a contract of insurance, and any of several risks covered by a policy.

Credit life insurance: Credit life is insurance coverage designed to extinguish the outstanding indebtedness of a borrower that dies while indebted.

Crop insurance: An insurance product which insures farmers against the loss of their crop due to natural events such as drought, flooding, hail etc.

Distribution channel: Entity, organization or company that distributes inclusive insurance (microinsurance) products to its members of clients. This term mainly refers to microinsurance aggregators. A distribution channel is also referred to as an intermediary.

Financial services: refer to saving services, credit services, insurance services and payment services.

Formal financial services: refers to financial services being provided by service providers which are regulated such as commercial banks, MFIs and insurance providers for example; consumers using formal services are being used are formally included or formally served

Freemium: A pricing strategy by which a product or service is provided free and customers are given the option to purchase additional features or services (or to extend their cover, in the case of insurance). MIN 2020

Funeral insurance: Funeral insurance is an insurance product designed to cover the costs of the insured's funeral on their death. MIN 2020⁸

Health insurance: Coverage that provides benefits as a result of sickness or injury. Policies may include insurance for losses from accidents, medical expenses, disability, or accidental death and dismemberment. MIN 2020

Hospital cash insurance: Health insurance that provides a stipulated daily, weekly, or monthly payment to an insured person during hospital confinement, without regard to the actual confinement expense. MIN 2020

Inclusive insurance: Inclusive insurance refers to appropriate and affordable insurance products for the unserved and underserved population segments, with a particular emphasis on the vulnerable and low-income people. This term is interchangeably used with the term 'microinsurance' though inclusive insurance is more embracing and currently being used to replace 'microinsurance'. Emphasis placed on inclusive insurance is the intent of developing a product specifically for underserved or unserved population segments. To achieve this, the products have to be appropriate, affordable and accessible to these segments.

Informal financial services: refers to financial services being provided by service providers which are not regulated such as money lenders in the community and savings groups for example; consumer using informal serves are informally included or informally served

⁸ Microinsurance Network, The Landscape of Microinsurance 2020

Insurtech: The use of technology innovations in the insurance industry. The term is also used to refer an entity that uses technology to distribute insurance

Livestock insurance: An insurance product which insures farmers against the loss of their livestock due to disease or accident etc.

Microinsurance intermediary: Entity, organization or company that distributes inclusive insurance (microinsurance) products. These may include microinsurance brokers, agents and aggregators. In practice, some aggregators may not be licensed but empowered by the insurers to effectively distribute inclusive insurance products. The participation of intermediaries in the insurance value chain is dependent on their capabilities and experience.

Microinsurance products: Refers to inclusive insurance products with modest premium levels based on the risks insured. They are developed intentionally to serve the low-income population. The insurer is the risk carrier, and the product must be working towards profitability or at least sustainability, and managed on the basis of insurance principles. For the purposes of this study, the term microinsurance covers all products that fit within this definition. Any further classification may be provided by BNR particularly for licensed 'micro' insurance products. These may include range of premiums or sums assured. Notably there are variations of operational definitions across countries. Adapted MIN 2020

Microinsurer: Entity or company registered and licensed to provide inclusive insurance products (microinsurance) only.

Quality: refers to the perceived satisfaction with service usage and the extent to which the consumer needs are being met

Value added services: Value-added services are services offered to policyholders outside of the insurance contract. They are not based on an insurable risk or event, but are benefits of enrolment.

Uptake: refers to having an account of a of financial services (with a formal financial service provider)

Usage: refers to the extent to or the frequency at which services are being used