
SUMMARY OF MAIN FINDINGS OF FGD ON MICRO-INSURANCE

DRAFT REPORT

SUBMITTED BY



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Currency

Mozambican metical (MTs) is the currency used in Mozambique. On average, 30 MTs are equivalent to 1 USD¹.

¹Mozambican metical. Available at:< <http://www.tradingeconomics.com/mozambique/currency> >
[Accessed 31 July 2013]

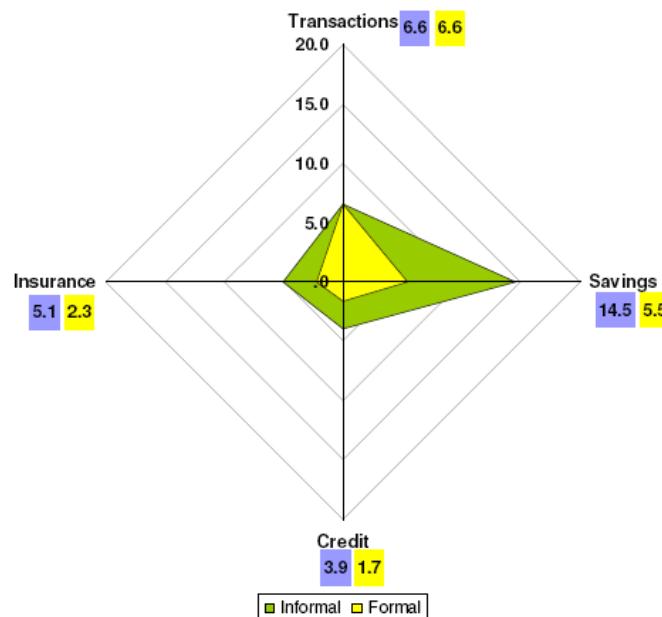
1. INTRODUCTION

1.1 Background

The Centre for Financial Regulation and Inclusion (Cenfri), the theme manager for the FinMark Trust's work in microinsurance and retail payment systems, was commissioned by the United Nations Capital Development Fund (UNCDF) and Gesellschaft für Internationale Zusammenarbeit (GIZ) in Mozambique to conduct a microinsurance diagnostic in Mozambique. The diagnostic considers the opportunities and challenges concerning the development of microinsurance in Mozambique. Thus, the diagnostic reviews the demand, supply and regulatory characteristics of the Mozambican microinsurance market to gauge opportunities and challenges. A secondary objective of the diagnostic is the development of an action plan for the introduction of microinsurance through Mozambican microfinance institutions.

According to the Finscope² Mozambique Consumer Survey of 2009, 77.8% of the Mozambican adults are financially excluded, i.e., they do not have access to any financial services either formal or informal. Figure 1.1 below shows the landscape of access to financial services, including insurance in Mozambique.

Figure 1.1:Landscape of Access



Source: Finscope Mozambique, 2009

Figure 1.1 above shows that only 5.1% of Mozambican adults use any form of insurance (formal or informal) with almost half using informal insurance mechanisms. FinScope Mozambique 2009 also highlights that there is limited voluntary formal insurance usage. Most formal insurance cover is provided by employers through employee-based schemes for particular products such as accident insurance, medical aid and funeral cover. Compulsory third party motor vehicle cover is also another driver of formal insurance penetration. Life

² The FinScope consumer survey is a nationally representative survey which measures access and perceptions of financial services.

insurance is the dominant form of voluntary insurance, with 0.5% of the population having life cover. Funeral cover is the most predominant form of informal insurance.

1.2 Objectives and Key Questions

The overall objective of these focus group discussions (henceforth referred to as FGDs) was to understand the low-income markets' experience with risk (the severity of different risks) and its interaction with insurance. An additional objective was to gain additional information concerning the risks faced by microfinance institution (henceforth referred to as MFI) clients and their insurance usage trends. The FGDs also sought to understand the participants' decision-making criteria (whether to buy or not to buy formal insurance) and their perceptions of the insurance market.

Warm up

1. How is life going lately? Better, the same or worse than 2 years ago?

Risks

1. Which expenses consume most of the household income during the month?
2. Which unplanned events requiring significant amounts of money are likely to happen in your life? (e.g. risks)

General risk management

1. What do you and the people from your community do to prepare for such events/risks?

Risk pooling

1. Do you belong to any groups in the community which share these kinds of risks, that is, where members assist each other when such events occur? If you are not part of such a group, do you know about these types of groups?
2. What sort of risks do these schemes deal with (e.g. death, health events, loss or damage to assets)?
3. What works well in these groups and what works poorly?

Insurance

1. Have you heard of insurance?
2. What types of people normally have insurance?
3. Would you ever use insurance products?

Insurance Companies

1. Do you know any insurance companies in the market?
2. Do you trust them?
3. Is there any benefit in dealing with these companies instead of an informal organisation?

Understanding of insurance (Asked only to groups composed of MFI clients that use any type of insurance from their MFI)

1. What insurance products are you using?
2. Are you happy with these insurance products?

Usage of Insurance (Asked to participants who have formal insurance)

1. How did you find out about insurance and obtaining it?
2. How did you buy the product – through a broker, directly from the company or through someone else?
3. What risks are you covered for by your insurance product or were previously covered for?

4. How often does the company or intermediary communicate with you? What do they tell you or ask from you? What kind of information did you have to give the insurer?
5. How do you pay your premiums? Is it easy, convenient?
6. Do you have a paper policy document? Do you understand what it says?
7. Do you understand what is covered and when the insurer will not pay-out your policy?

Experience with insurance

1. Have you ever made a claim on the policy?
2. What good experience have you had with insurance?
3. What bad experience have you had with insurance?
4. Overall, are you glad you have insurance?
5. Would you recommend using insurance to your friends and family?

Other

1. Do people try and cheat their insurance providers? E.g. make a false claim. What do you think about that? How do you think cheating can be reduced?
2. Are there other risks you would like insurance to cover?

Please see 6.1 for the detailed FGD questionnaire framework.

1.3 Data Collection Methods

In order to answer the key questions listed above in Section 1.2, ICC used various qualitative research methods with the various FGDs. For the purpose of this study, low-income individuals are classified as those who earn a maximum wage of MTs 7,140 (approximately US\$ 270). In total 19 FGDs consisting of 177 people in total were conducted. Other sources of secondary data were also used. For additional information concerning these, please see Section 6.2.

1.4 Sampling Strategy and Profile

The 19 FGDs were conducted in both southern and central Mozambique. 15 of the FGDs (79%) were conducted in various cities/areas in the Maputo province namely: Maputo, Matola and Machava. In the central part, 4 FGDs (21%) were conducted in two cities in Sofala province namely Beira and Dondo.

The total sample of FGD participants was 177 low-income individuals who were divided into 5 groups. These are: civil servants, members of a community (those that belong to a church and those who are members of a community association), microfinance clients, farmers and informal market traders.

As stated above, one of the main objectives of these FGDs was to identify risks that faced the low-income market as well as the corresponding risk coping mechanisms. Where possible, additional issues were explored in certain FGDs. Table 1.1 below shows the different FGDs and the number of participants per group.

Table 1.1: Sample Composition per category

Category	Reasons for inclusion in sample	Occupation	Number of FGD Sessions	Number of participants
Civil Servants	<ul style="list-style-type: none"> • Use of INSS³ • Identification of other types of formal and informal insurance products 	Primary school teachers	3	34
Members of a community	Community members that belong to a church	<ul style="list-style-type: none"> • To identify possible church based insurance schemes • To identify other forms of informal insurance used by communities 	Housewives, employed, informal traders, civil servants	2 14
	Community members that belong to a community association (AVIMAS) ⁴	<ul style="list-style-type: none"> • To identify forms of informal insurance used by communities 	AVIMAS's activists, drivers, mechanic, traders	1 9
Microfinance Clients (from various institutions) (BOM ⁵ , FDM ⁶ , Hluvuku and Tchuma ⁷)	<ul style="list-style-type: none"> • Identify the perception about the various types of insurance offered by their MFIs • Identify coping strategies of MFI clients whose institutions do not offer insurance products 	Employees, informal market traders, mechanics	6	53
Farmers	<ul style="list-style-type: none"> • Identify specific risks in agriculture and coping mechanisms 	Lettuce, beets, onions, cabbage, corn and rice farmers. Traditional beverage producers and fish sellers.	2	20

³The National Institute for Social Security (INSS) is the Mozambican social security institution which provides a number of benefits and social security schemes including various subsidies namely: illness, hospital expenses, funeral and death. The INSS also provides other social security benefits and cover including pension and old age allowances and subsistence subsidies.

⁴ AVIMAS - Associação das Viúvas e Mães Solteiras (Widow and Single Mothers' Association). Is an association composed of women who are breadwinners within their respective households. AVIMAS aims to promote women's development through education, training and other services in partnership with civil society and public sector.

⁵ BOM - Banco Oportunidade de Moçambique, a commercial MFI bank.

⁶ FDM - Fundo de Desenvolvimento da Mulher (The Women Development Found) is a Mozambican MFI whose mission is to raise the social-economic status of women in the rural and peri-urban areas in Southern Mozambique through offering sustainable financial and non-financial solutions.

Informal Sector Traders	<ul style="list-style-type: none"> Identify specific risks for people involved in informal trade Identify the several informal schemes they are involved in and their role in coping with risks 	Informal traders selling various items including clothing and other goods.	5	47
Total			19	177

Table 1.2 below shows the total FGD sample composition by area.

Table 1.2: Sample composition by area

Area	Category of Clients	Specific Location	Gender		Age			Total	
			Female	Male	20-35	36-50	> 50	Nº	%
Urban	Civil Servants	Beira	-	10	3	4	3	34	19%
	Community members	Matola	7	-	-	-	7		
	Informal Sector traders	Maputo and Beira	9	8	2	9	6		
Peri-urban	Community members	Zimpeto, 25 de Junho	12	4	9	2	5	74	42%
	Farmers	Infulene Valley	3	7	4	4	2		
	Informal Sector traders	Xipamanine	8	-	-	4	4		
	Microfinance Clients	Machava, Catembe, Xiquelene and Xipamanine	29	11	7	29	4		
Rural	Civil Servants	Boane and Manhiça	7	17	18	5	1	69	39%
	Farmers	Mafambisse	10	-	-	1	9		
	Informal Sector traders	Bobole and Manhiça	22	-	7	9	6		
	Microfinance Clients	Boane and Dondo	8	5	3	6	4		
TOTAL Nº			115	62	53	73	51	177	100%
TOTAL %			65%	54%	28%	39%	27%	100%	

19% of FGD participants resided in urban areas, 42% in peri-urban areas and 39% in rural areas.

Out of the 19 FGDs, 6 were with MFI clients from 4 MFIs namely, BOM, Tchuma, FDM and Hluvuku. The remaining 13 FGDs conducted were with non MFI clients. Out of the 19 groups, 4 groups were composed of both men and women, 10 groups were with women only, and the remaining 5 were with men only. The total gender split was 62 men and 115 women totalling 177 participants.

Most FGD participants (53%) were aged between 36-50 years old, 26% were aged between 20-35 years and the remaining (21%) were over 50 years of age.

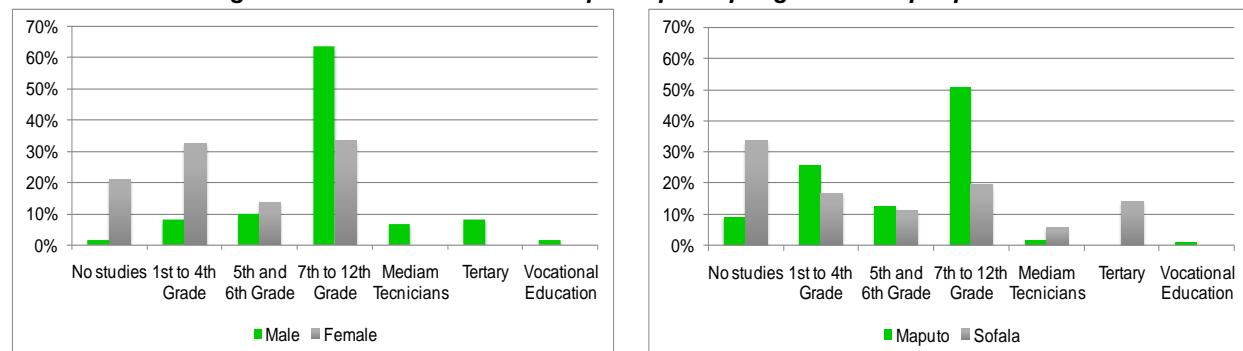
Household composition

The average FGD participant's household size was 6 individuals, however, this varied by region. In Sofala, the average household size ranged from 2 to 18 household members and the average was 7 household members. In Maputo, the household size ranged from 1 to 15 members. Moreover, approximately 75% of FGD participants were the heads of their respective households.

Level of education

44% had grade 7 to 12 education, 24% had grade 1 to 4 education and 14% had no education. As shown in Figure 1.2 below, men generally had a higher level of education. Male FGD participants were the only participants that had some form of technical training or tertiary education. Figure 1.2 also shows that education levels in the southern parts of the country varied from those in the central parts. Participants from Maputo province had higher levels of education than their counterparts in Sofala.

Figure 1.2: Level of Education of participants per gender and per province



Occupation

32% of the FGDs were conducted with MFI clients, 26% with informal market traders, 16% with civil servants (primary school teachers), 16% with community members and the remaining 11% with farmers. The groupings were made according to according to occupation (or main economic activity). MFI clients, informal traders and community members held multiple occupations ranging from trading in several goods, the provision of additional services (sewing, driving, construction and mechanics) and agricultural activities. Holding multiple occupations is atypical of members of the low-income market as they seek to earn income from as many sources as possible. Interestingly, civil servants were also involved in multiple activities as a means of augmenting their income.

Levels of income

As discussed above, low-income individuals were defined as individuals with a maximum income of MTs 7,140.00 (approximately US\$ 270). Civil servants, in particular teachers and some community members who had salaries and other regular sources of income, had higher income levels than other FGD participants.

1.5 Sampling Limitations

During the course of the study the service providers faced a number of constraints:

- 1) Sampling of participants was not completely random due to difficulties experienced in mobilizing individuals for the FGDs. The service providers (ICC) had to rely on third parties to select the FGD participants based on the occupations discussed above.
- 2) FGDs held in informal trade markets were much shorter due to the fact that participants could only leave their market stalls for a limited period of time.
- 3) It was difficult to source MFI clients that used formal insurance products other than those provided by their respective MFIs. However, there were a few MFI clients that had formal insurance cover.

Despite these limitations, the FGDs provided useful insights concerning the risk experiences and risk coping mechanisms of the Mozambican low-income market.

2. PERCEPTIONS ABOUT LIFE AND INCOME MANAGEMENT

2.1 Brief background based on selected economic and poverty indicators

Mozambique has recorded an impressive stretch of economic growth. The average real GDP growth rate between 2002 and 2010 is 7.7% and the economy is projected to continue to grow at 7% to 8% in 2011 and 2012. This is mainly due to foreign direct investment in the extraction sector, particularly the large coal projects in Tete.⁸ Nevertheless, majority of the population lives in poverty. The GDP per capita, accounting for purchasing power, is only US\$ 804.

According to the UNDP's 2011 Human Development Report, 60% of Mozambicans were living below the US\$ 1,25 poverty line, Mozambique ranked 184 out of 187 in the 2011 development indicators and Mozambique's overall score on the Human Development Index (HDI) was only 0.322. This score was below what was considered "low human development" (0.456) and the average Sub-Saharan Africa HDI score (0.463) then.

2.2 Perceptions about their current life

Life is viewed to be harder now than it was 2 years ago: 84% of the FGDs felt that life was worse than it was 2 years ago. Only 1 FGD in Sofala generally felt that life was better. 2 FGDs, a female group in Sofala and a mixed gender group in Maputo, generally felt that life was the same.

"We don't live, we are just surviving. Normally a person is supposed to have three meals a day but we are used to having tea at lunch and later having dinner"

A farmer in Infulene Valley

"Life is the same"

An MFI client at Xipamanine Market

"My life is very bad and I depend on loans from the MFI to sustain my family"

An MFI in Boane

"Before we started our businesses life was good but now everything is expensive so life is not going well"

An MFI in Machava

"BOM did a lot for me. I was able to improve my house. Life is becoming better"

An MFI client in Dondo

The main reasons for the decline in the quality of life are the high cost of living and the difficulty in generating a sustainable income. Other reasons include the increase in the number of dependents (including extended family like grandchildren) as a consequence of increased unemployment. For those that run small to medium enterprises, the rationale for the decrease in income is that their businesses are experiencing stagnation or decline in income due to high levels of competition tied with low demand and the lack of resources to develop their businesses.

⁸African Economic Outlook 2011, AfDB, OECD, UNDP, UNECA.

“Nowadays, nobody stays at home. A few years ago there were fewer women involved in business. Currently all women are vendors and it is because of this there is no business...”

An informal market trader in Xipamanine

“Life is worse because there is no employment... We knock on doors, they promise to call back but never do”

A community member that belongs to one association in Bairro 25 de Junho

Many traders claimed that in order to maintain a wide customer base they have to sell goods on credit. This is a risky strategy as some of the clients do not pay on time or they just disappear without ever paying the debt. Traders attributed this to economic difficulty and hardship.

Farmers indicated that the main problems they faced include the high cost of agricultural inputs and limited access to markets due to poor road infrastructure. Farmers also indicated that this leads to the putrefaction of their produce due to limited market access.

“...we know that in Maputo city and Matola there are many markets but we don't have any means to transport our produce... in addition, the roads are bad and this limits our ability to travel to other markets and constrains our reach ... as a consequence we have to reduce the price .”

A farmer from Infulene Valley

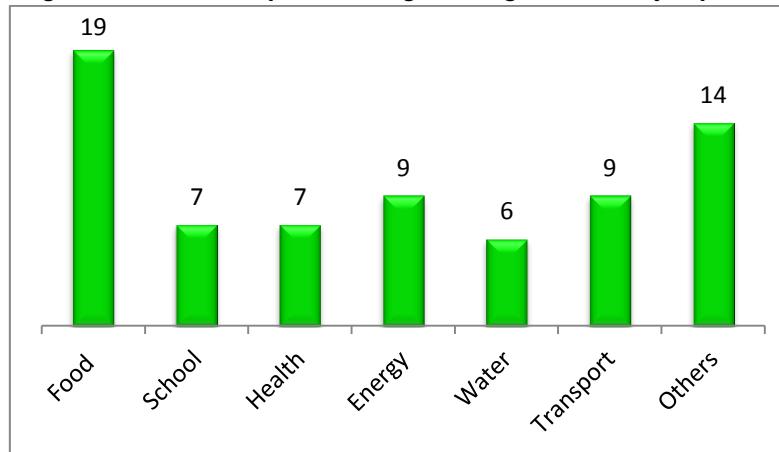
2.3 Income and household budget priorities

Food and other basic needs are still the top priorities. All the FGD participants indicated that food was their highest monthly expense. Groups that live in urban or peri-urban areas indicated that energy, water and transport were their greatest monthly expenses. Health and education expenses were also cited as additional significant monthly expenditure items. Figure 2.1 below shows the ranking of household expenses based on each group's indication of which expense items account for the greatest portion of their household budget.

“We use water provided by private households because not everybody has access to public water facilities”

A farmer in Infulene Valley

Figure 2.1: Nr of Groups indicating their highest monthly expenses



“Other” in Figure 2.1 aggregated various expenses including: construction, housing, clothing, loan repayment and leisure.

2.4 Saving's capacity and main mechanisms used

It is difficult to save money for the future: Almost all FGD participants stated that it is impossible to save money for the future. There were only 2 groups where most participants indicated that saving for the future is possible.

“We save 50 MTs per week...”

A MFI client at Xipamanine market

“We are Mozambicans and we don't have a saving's culture, we blow all the money we receive. My colleague here is saying that if he invests all the money in construction, how will he take his child to the hospital if he/she catches malaria? The British have created a savings culture through a “freedom account”⁹, regardless of what happens they have to deposit 10% of their monthly income”

A primary school teacher in rural Boane, Maputo province

Xitique is the most common informal savings mechanism (68% of FGD participants): 68% of the FGD participants indicated that they saved through xitique. (Please see section 4.1 for more information on xitique). Xitique is used by participants that dwell in both urban and peri-urban areas. Moreover, women are more likely to use xitique than men.

“In our school there are more women involved in xitique”

A primary school teacher from Manhiça

There are also some noticeable trends concerning saving across age groups. The younger age groups indicated that they preferred using formal financial institutions like banks for saving purposes while the older age groups preferred using xitique. There was no noticeable difference in the savings culture of FGD participants with insurance when compared to those without insurance.

“We have xitique at the market. It is the most helpful savings mechanism for us”

⁹ It is important to note that due to the translation from Portuguese to English, some of the cultural and contextual nuances were lost in translation and are difficult to articulate.

Emergencies and household related expenses are the main reasons for FGD participants to save: Most FGD participants stated that emergencies such as illness and death of a relative were the main reasons for saving. Other household also reported saving for expenses related to home improvements and purchasing of clothes and food. Only 3 FGDs mentioned purchasing stock for their businesses as the main reason for saving.

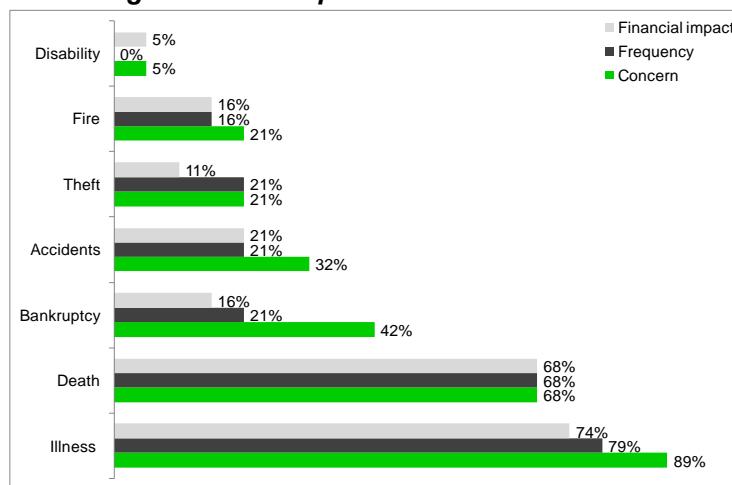
3. RISKS AND IMPACTS

3.1 Overview

FGD participants were asked to rank the different risks they faced. These were to be ranked according to financial impact, frequency and concern.

As shown in Figure 3.1 below, illness, death and bankruptcy are ranked as the top three risks that concern FGD participants the most. Although bankruptcy is not an insurable risk, it is important to note that many of the FGD participants cited it as a risk faced on a regular basis. With regards to frequency, illness, death, bankruptcy, accidents and theft are the most frequent risk events faced by participants. The top three risk events in terms of financial impact are illness, death and accidents.

Figure 3.1: Perception about different risks



The main risks identified by FGD participants are summarized in Table 3.1 and Table 3.2 below and explored in more detail in this section of the summary document. Given that the financial impact of illness, accidents and disability is similar, these risks are analysed together under health problems.

Table 3.1: List of risks identified and immediate effects/impacts

Risk	Type of risk	Impact of Risk
Health problems	Illness within the household	<ul style="list-style-type: none"> Loss of income if illness persists over a long period Need for large amounts of cash to pay for medical treatment and medicine Risk of getting tuberculosis and blindness as a consequence of using chalk (teachers only)
	Accidents and Permanent Disability	<ul style="list-style-type: none"> Loss of income (temporarily or permanently) Need for large amounts of cash to pay for medical treatment and medicine
Death	Own death or the death of another household member	<ul style="list-style-type: none"> Funeral expenses Loss of income Loss of a moral support
Bankruptcy	Business bankruptcy or natural disaster for farmers	<ul style="list-style-type: none"> Loss of income Hard to restart May result in other risk events (illness or even death)
Theft	Theft at the household or business premises	<ul style="list-style-type: none"> Loss of assets and stocks Loss of income

		<ul style="list-style-type: none"> Creates more debt where stock has been purchased on credit
Fire	Fire at home, business premises or at the farms	<ul style="list-style-type: none"> Loss of assets and stock

Table 3.2 below shows that most of the risks identified are common across the different occupation groups.

Table 3.2: List of risks identified by category of FGD participants

Risk	Type of risk	Civil servants	Members of community	MFI clients	Farmers	Informal sector traders
Health problems	Illness within the household	✓	✓	✓	✓	✓
	Accidents and Permanent Disability	✓	✓	✓		
Death	Own death or the death of another household member	✓	✓	✓	✓	✓
Bankruptcy	Business bankruptcy			✓		✓
	Floods, draughts and plagues				✓	
Theft	Theft at household or business premises	✓	✓	✓	✓	✓
Fire	Fire at home, business premises or at the farms	✓	✓	✓	✓	✓

In the following sections, the main risks identified are discussed in greater detail.

3.2 Health Problems

As previously mentioned, Illness, accidents and permanent disability are the main health-related risks identified.

Illness is the risk that most concerned participants: 90% of the FGD participants cited illness as a major concern regardless of the gender, age, region or occupation.

The reasons why the risk of illness ranked so high is that people never know how long they will stay ill and sometimes they get ill for longer periods than they expected. During the period of illness, FGD participants discussed losing significant amount of income due to inactivity or reduced activity and increased household expenditure resulting from the added medical expenses. Moreover, limited access to health services further exacerbates their hardships during this period.

"I would say that illness concerns us the most. We prefer death because when it happens we have a one-time expense. With illness however, a person can be ill over a year and the loss of income is higher than that of death. When faced with death, we do not struggle to bury the deceased as people are willing to assist. When faced with illness, the growth in debt due to ongoing medical expenses makes people stop helping because they don't know when you will be able to pay"

Group of farmers at Infulene Valley

"We don't know how long we will stay without work"

"With the disease, everything stops"

Informal traders from Xipamanine market

"There are many diseases: HIV-AIDS, malaria and now is the time for cholera"

A MFI client in Machava

Illness is perceived to have the greatest financial impact: Regardless of occupation, illness was considered to have greatest financial impact by most of the groups (75%).

According to participants, illness results in the loss of income as it affects one's ability to work. Apart from that, medical treatment is expensive. The FGD participants attributed this to the fact they often have to purchase medicine from private pharmacies because some medicine is unavailable at public pharmacies. They sometimes had to resort to seeking alternative health care from witchdoctors and natural medicine. Transportation to health facilities also increases the cost of treatment. For instance, some of the FGDs in Sofala mentioned that they have to travel to Maputo to seek better medical treatment depending on the seriousness of their illness.

"When we are hospitalized we cannot run our businesses."

Informal vendors of Bobole market

"In this area we have to get transport to the nearest facility if the disease is serious. Doing so can be really expensive."

Informal vendors of Bobole market

"Imagine that someone only sells 3 products because of illness therefore obtaining an income of only 500 MTs and a profit of 300 MTs. This is not enough to pay for all the expenses arising from illness including the cost of medicine, juice and fruits."

MFI client in Xipamanine market

Accidents are also cited as a risk of great concern. Accident related risks, in particular those related to car accidents involving public transportation, were cited as another risk of great concern by 32% of the FGD participants. 21% of participants stated that accidents had the greatest financial impact.

FGD participants conveyed that when one is involved in a car accident, related risks being disability and death also arise. Moreover, a breadwinner's involvement in an accident results in the loss of future income as well as present income as additional medical expenses are incurred.

"...you can leave the house and never come back... Even at home they can kill you¹⁰..."

A MFI client in Machava

"...On April 6 this year I had an accident when I was coming down from Chapa¹¹. I went to the public hospital in the area but they did not have medication. I then had to go to a private clinic. I

¹⁰ Sometimes cars hit the houses and people that are inside are wounded or killed

¹¹ Chapa is the most used means of transport in Mozambique. They are normally mini-bus or vans

only had 200 MTs but the treatment cost 700 MTs. I underwent the partial treatment I could afford but after 2 days the wound was infected..."

A community member from Zimpeto

Permanent disability is also a concern though it is considered less of a risk. The main impact is the loss of income.

"...if I become disabled it will be very difficult and problematic for my family and for the reimbursement of borrowed credit... but if I die, the problem will simplified by the insurance from the bank."

A MFI client in Xipamanine

3.3 Death

The second risk that mostly concerned participants is death. 70% of FGD participants cited death as a risk of greatest concern to them.

In some of the groups where death was discussed, although their own death and that of another household member were both of high concern, it is interesting to note that most participants were more concerned about the death of a relative rather than their own death. This is an important consideration given that most of the FGD participants were household heads.

An additional impact identified was the loss of moral support attributed to a household member passing on.

"When the father dies the children can even go to the garbage to scavenge for food, which may result in death..."

A MFI client in Dondo

"I'm not concerned with my death because I know that when I die I'll not see what will happen. I'm concerned about my son and my wife. If I die, I'm dead, that's all."

MFI client in Boane

"When I die, I'm dead and it is up to others to manage themselves..."

A MFI client in Maputo city

"... death is not a good thing because we do not just lose the breadwinner we may have lost an important supporter of the household and we need to value that, not only the financial loss "

A primary school teacher from Manhiça

Death ranked as having the second highest financial impact. 70% of FGD participants felt that death resulted in the second highest financial impact.

The main reason for this is the loss in income and the expenses related to death (including funeral costs etc.). It was interesting to note that participants were more worried about the short term impact of death versus the long term impact.

"We are more concerned about the funeral than the future because after death people always find ways to survive"

A farmer from Mafambisse, Sofala

Significant funeral expenses cited by FGD participants include the coffin, body transportation and food for mourners. It was clear from most of the FGDs that the coffin is the most important expense to meet. Additional items such as food and body transportation can be paid for through contributions from members of the community and family members.

“When a family member¹² dies, because of lack of savings, I as the salaried worker have to pay for the expenses”

A primary school teacher from Manhiça

“I can go to a pharmacy and buy one medicine despite needing two or three. However, I cannot make half of a coffin when death occurs.”

Informal trader at Maquinino market

“If a family member dies I will have to use my money. Should I have to reimburse my credit at the same time, I will run into the risk of defaulting and the bank may have to take reposes my house as a consequence”

A MFI client in Xipamanine

“To feed the family that gathers for the funeral is less important. The most important thing is to bury the dead”

A MFI client from Machava

“The funeral costs are high and apart from that we have to feed the family that participates in the funeral”

A Community member at 25 de Junho

The 7th day ceremony marks the end of mourning, and FGD participants indicated that there are times it has had to be postponed or cancelled due to lack of finances for purchasing food and other expenses related to the ceremony.

“The ceremony of the 7th day does not exist anymore because we cannot afford to pay for the expenses”

A farmer at Infulene Valley

3.4 Bankruptcy

Bankruptcy was the third risk concerning FGD participants. 42% of the FGD participants cited bankruptcy as a risk of greatest concern to them. This concern was particularly shared by MFI clients and informal traders.

According to participants, bankruptcy is attributed to a number of factors including decreased sales (high competition and low purchasing power), poor management, theft and fire at the business premises.

“Even if you manage your business well, there are times when you don’t sell anything. You buy the stock and it just stands there looking at you and you go bankrupt”

¹² He was referring to the large family not only the members of his household

The main financial impact caused by bankruptcy is loss of income. FGD participants stated that it is very hard to recover from financial loss resulting from bankruptcy. Moreover, repayment of loans by MFI clients becomes even more difficult when one faces bankruptcy.

“Bankruptcy can cause a person to fall ill and die”

An informal trader operating in Maquinino market

In the case of farmers, the losses are caused by plague and natural disasters (heavy rains). These destroy their produce and property. With no produce to sell and nothing to fall back on, there are then faced with bankruptcy.

“...when the natural disaster happens it causes bankruptcy, it destroys everything ...”

A farmer from Infulene Valley

3.5 Theft

Theft was only cited as a concern by 21% of participants and also ranked low in terms of financial impact (11%). Theft was ranked lowly by FGD participants and only cited as a risk of concern by 21% of the participants. Only 11% of the participants stated that theft resulted in significant financial impact. Participants also felt that the police and other law enforcement institutions provided little support in the event of theft.

“You can stay all night long so that if the thief sees you he goes away...”

An informal trader operating in Maquinino market

“When the thief is caught, he is released one or two days after...”

An informal trader operating in Maquinino market

3.6 Fire

21% of participants cited fire as a concern. Only 21% of the participants cited fire as a risk of significant concern. In addition, only 16% mentioned fire having a significant impact on income. Fire can occur at home, at ones business premise or in the *machambas*¹³ (fields). It often results in the loss of assets, stocks and the loss of crops, depending on where it occurs.

“If there is a fire at the business premises, the business becomes bankrupt and you do not have any another resource...”

An MFI client from Catembe

“...in cities fire is not frequent but in the rural areas there are big fires at the machambas at this time of the year”

A primary school teacher in Manhiça

¹³Machambas is the name designated to crop fields

4. COPING STRATEGIES

4.1 Risk Management

FGD participants identified four main risk coping strategies. They conveyed that they mainly utilised a) loans – from friends, family etc), b) savings including own savings – informal saving mechanisms such as xitique and xitique geral and c) informal risk pooling mechanisms – informal insurance schemes/risk pooling mechanisms including family xitique/associations and own savings. The participants also identified selling of assets and formal insurance as additional minor risk coping mechanisms. Table 4.1 below provides a detailed breakdown of the different risk coping strategies identified.

Table 4.1: Summary of cope strategies used by households

Strategy Group	Strategies
Loans	<ul style="list-style-type: none"> • Loans from friends and family • Loans from MFIs • Loans from money lenders
Savings mechanisms	<ul style="list-style-type: none"> • Xitique • Xitique geral • Bank accounts
Insurance schemes	<ul style="list-style-type: none"> • Family Xitique, or funeral associations • Funeral associations at markets • Medical aid and funeral subsidies provided by employers • Insurance provided by MFIs. • Insurance provided by commercial banks • INSS (National Social Security Authority) • Insurance provided by insurance companies
Others	<ul style="list-style-type: none"> • Selling household assets

Loans are the most common risk coping strategy. Loans are usually sourced from friends and family, MFIs and even money lenders.

Friends and family are the most preferred source of credit. Approximately 90% of participants referred to loans from friends and family as being their primary risk coping mechanism. However, it is important to note that, loans from friends and family could also have been inappropriately classified as loans from money lenders. Of all participants that utilise loans from friends and family, 50% stated that they do not pay interest. Of the remainder, 43% indicated that they pay interest and that the terms of repayment are often dictated by the lender. In some instances, interest rates are as high as 50%. High level findings indicate that payment of interest on loans was more common in Sofala province (central) than in Maputo province (southern).

Loans from MFIs and money lenders are additional alternatives. MFI clients mentioned using MFI loans as an additional risk coping mechanism. Additionally, a small number of participants expressed that they had borrowed loans from money lenders in emergency situations.

“If I borrow 1,000 MTs, I have to pay 500 MTs monthly. I only stop paying 500 MTs each month when I finally have the total amount of 1,000 MTs ...If I fail to pay, the money lender will go to my house and take something...¹⁴”

A community member from 25 de Junho

“In my area, the person that asks for a loan needs to leave a Bank Card, PIN and sometimes the ID. Only after they pay off the loan can they have their documents back”

A primary school teacher from Boane

Xitique were cited as the second most important risk coping mechanism. Xitique, xitique geral (see description below) and family xitique/associations are cited as the second most predominant risk coping mechanisms. Family xitique/associations can also be defined as informal family associations (see Box 4.2).

a) Xitique

Xitique, is the Mozambican version of a ROSCA¹⁵. They are informal savings groups found mainly in the Southern parts of Mozambique, in urban and peri-urban areas. Xitique members are composed of individuals who share a common interest e.g. they could be employed at the same place or attend the same church. Often, the main objective of xitique is to save for the purchase of household assets or business stock and to fund house improvements. It is also used to purchase business stock. The regularity of contributions is often monthly and the amounts vary depending on the members' financial ability. On a monthly basis members meet to present their monthly contribution as well as a small fee (often 100 MTs), which goes towards a small celebration for the pay-out recipient that month. Participants indicated that xitique have become ineffective savings mechanisms as members often struggle to keep up with monthly payments. This is attributed to the high cost of living. FGD participants stated that this has led to a decline in the popularity of xitique.

“In this area xitique does not exist, only in Beira. This is a thing practiced by the southern people”

A farmer from Mafambisse

b) Xitique geral

Xitique is an informal savings mechanism where individuals deposit funds with a collector or “tesoureiro”, or “cobrador”. Xitique geral depositors pay a fixed amount of money to the collector on a daily basis over a 30 day cycle. At the end of the 30 day cycle, the depositor receives all their money back less the equivalent of one day's savings which serves as the collector's service fee. Xitique geral are more predominant in informal markets both in Maputo and Beira. People normally use xitique geral to save for the purchase of household goods, stock, household expenses and even for MFI loan repayments. FGD participants also stated that the pay-out from xitique geral could also be used to pay for emergencies.

“...when you pay 50 MTs daily, at the end of the month you have 1,500 MTs. You use the money to buy a bag of rice, or 2 litres of oil, or buy energy or water. And you have to spare 50

¹⁴According to our knowledge, the debt is considered paid off only if the person pays the capital and the interest all at once. Otherwise, they will continue to pay the monthly interest.

¹⁵ Rotating Savings and Credit Association

MTs to pay for an emergency... does not mean that this amount is enough, but it is better than nothing...

A vendor from Xipamanine market

Box 4-1 is a discussion with a xitique geral collector in Xipamanine market. The discussion provides insight into the everyday realities and practicalities concerning xitique geral.

Box 4-1: A Conversation of one xitique geral collector (tesoureiro) at Mercado Xipamanine

During the field work, the FGD facilitators had the opportunity to interview a xitique geral collector at an informal market in Xipamanine. He had more than 1,000 clients.

As expected, the collector's clients have to deposit a certain amount of money on a daily basis and over a period of 30 days. The 30 day cycle does not need to commence at the beginning of the month. The amount deposited with the collector is dependent upon the depositor's financial ability. When the cycle is completed, the client withdraws the savings less the equivalent of one day's savings which serves as a service fee for the xitique collector.

The collector indicated that the most common amount deposited on a daily basis is 10 Mt. “*There are few that deposit 20, 30 or 50 MTs*”. The collector also mentioned that a few years ago, there were many people that deposited 100, 200, 300 MTs daily. “*Today they are very few people that deposit such large amounts*.” Apart from the decrease in the amounts deposited, the collector stated that the number of xitique geral clients was also on the decline.

During the interview with the collector, several clients came to deposit their money while others came to withdraw as it was the end of their cycle. It was interesting to observe that those that wanted to deposit, did so without any hassles. However, clients that sought to withdraw their savings invariably received the same answer: “*Please come back in two days. I was sick and in hospital for more than a week and I do not have the money now*”. During the interview, one client wanted to collect their money just 8 days into their cycle because they did not have the resources to continue and needed to withdraw their funds immediately. The xitique geral collector explained that it has become more common for clients to withdraw their savings before the end of the cycle. Regardless of when clients withdraw, they must still pay the service fee.

The collectors observed that most of the clients use their money to buy land, build/improve their houses, weddings or other celebrations, just to accumulate the money for their xitique monthly contributions or even for emergencies.

The collector stated that she did not have any security problems. She deposited the daily collection in a bank branch 2 km away from the market. She previously deposited at a closer branch but it had closed down.

Xitique geral was cited by FGD participants as being an unreliable savings mechanism as there were stories of collectors disappearing with client's savings. Another significant risk associated with utilising xitique geral is the death of a xitique geral collector. One of the participants in the FGD held at the Bobole market (Maputo province) stated that their xitique geral collector had died and they were struggling to retrieve their savings. The police were also unable to assist this participant in retrieving their funds.

“Police do not like xitique. They say that we have to put our money at the bank. The government also says the same. It was our mistake to give the money to someone that is now dead”

An informal trader from Manhiça market

c) Family Xitique, or funeral association

Family xitque/association was identified as one of the most predominant risk coping mechanisms utilised by FGD participants in southern Mozambique, namely Maputo province. 80% of Maputo province participants belong to one or more family xitque/associations. A family xitque/association is different from xitque and xitque geral as the former is a risk pooling mechanism as well as a saving mechanism. The latter two are saving mechanisms only.

Box 4.2: Family Xitique (funeral associations)

Family xitque may also be defined as funeral associations whose members are often related. Membership is per household. The size of the association varies (group sizes reflected in FGDs ranged from 10 to 34 families). The amount each household contributes on a monthly basis varies as well. The most common contributions were 100 MTs and 500 MTs. Contributions ranged from 50MTs through to 2,000 MTs. The main objective is to save towards covering future funeral expenses. However, there are instances where funds have been used to pay for health related expenses. In one FGD in Matola, one participant stated that her family xitque/association also contributed small amounts towards family events like graduations and weddings.

Amounts paid out are sometimes determined on a case by case basis by the family while in other instances there are predetermined pay-outs. It would appear that a very few family xitque have any written rules or guidelines. For those that have predetermined pay-outs for death events, the amounts ranged between 3,000 and 6,000 MTs. The main purpose of the pay-out is to buy a coffin (which costs between 4,000 and 6,000 MTs). Nonetheless, some of the groups pay a bit more to assist members in covering other funeral related expenses such as costs incurred in transporting the body.

One participant from the rural areas of Maputo province stated that there had been a number of issues with their family xitque. Despite this, it appears that family xitque/associations function without any hiccups.

Only one FGD participant indicated that their family xitque (in Matola) had written rules that every family had to read and sign. This particular family xitque/association was also in the process of registering/ formalising the association so that the rights embedded in the organisation can be transferrable to the family's children when the elders pass away. In addition, one can only receive a pay-out from this family xitque only if they contribute.

Preparing for death by saving and taking part in other risk coping/pooling mechanisms is considered taboo in Mozambique. FGD participants who were not members of any family xitque/association often this taboo aspect and poor family relations as the main reasons why they would not participate in this informal risk pooling mechanism. They also considered monthly payments to such associations as a waste of money.

“When we start to think about it, it happens”

An informal trader from Xipamanine market

Additional risk coping mechanisms cited

Utilising own savings/resources was an additional risk coping strategy that was cited by FGD participants. Some groups mentioned that they used the money that they put aside or savings in a bank account to deal with emergencies or unexpected risk events.

“In case of accidents or death we rely on savings”

A teacher from Boane

“...I have to deposit some money at the bank so that if an emergency like illness happens, I can withdraw the money”

A community member in Matola

“There are people that form xitique that sometimes put the money collected in the bank so that the money helps them when they have a problem”

An informal vendor operating in Central Market in Maputo

Less popular risk coping strategies that were mentioned include **selling of household assets**, **medical aid** and **funeral cover**. Selling of household goods so as to cover emergencies was mentioned by 3 groups from Maputo and Sofala. The groups that mentioned medical aid and funeral subsidies were those composed of school teachers and salaried workers. These occupations paid higher and more regular levels of income and were more likely to have insurance cover, which was often provided by the employer.

“in case of illness, people use what they have at home such as a chair or a table. Others even sell their clothes...!”

A farmer from Mafambisse, Sofala

Medical aid (assistência médica e medicamentosa) is public medical cover provided to civil servants. Civil servants contribute 2% of their monthly salary towards it. Under this scheme, the main member and his/her family are reimbursed for expenses that are incurred at public hospitals or pharmacies.

Compulsory contributions by members of particular communities were also cited as an additional risk coping mechanism. These contributions were applicable to all members of their community (Machava, Maputo Province). Residents are required to contribute 10 MTs each should a resident of that area die. Because this is a small amount, people often pay without any problems. Should a resident be unable to contribute in cash, they have the option of contributing in kind (firewood, food etc.). These compulsory contributions are collected by local municipal authorities.

Funeral associations, which are not xitique, are another risk coping strategy. These are more applicable to informal market traders and are typically found in markets such as the central market in Maputo and Maquinino market in Beira. Funeral associations are risk pooling mechanisms that allow members to save for death and funeral related expenses. Membership of these associations is voluntary. FGD participants did not know the exact number of these groups but stated that in some funeral associations there may be as many as 100 members.

When one of the members experiences death in their household, each member contributes 20Mt. Extended family members including parents are also covered. Funeral associations normally raise between 3,000 MTs and 4,000 MTs per death event. If a member does not contribute he/she will not be eligible to receive money in the event of death in their household

or family. FGD participants that were members of funeral associations mentioned that it is difficult for anyone to cheat as members know each other fairly well. Funeral association members also mentioned that they felt such groups were useful as they helped them make the necessary preparations when death occurred. The only complaint they had was regarding the delay in obtaining the funds. Payment often took a couple of days or weeks after the event, rather than being immediate.

Credit life and funeral insurance provided by MFIs were mentioned as a risk coping strategies. As mentioned earlier, there were four MFIs represented in the FGDs. All of these institutions offered credit life insurance to their clients. Credit life ensures that the client's debt is paid off should he die before he completes making his repayments. One of the MFIs, BOM, also offered funeral insurance over and above their credit life offering. In all cases, the credit life was offered on a compulsory basis. The premium was embedded within the loan repayment. At that point, none of them had claimed the insurance since credit life insurance can only be claimed once the concerned client dies. Although BOM offered funeral insurance, none of them had made claims as they had not experienced death in their households. Despite this, most of the participants saw the value of having these products.

“...insurance gives us safety; if I die my family does not need to pay as the insurance does that”
A MFI client in Boane

“I have worked with several banks but this is the first one to tell us that in case of a death they will give us money for the expenses.... That is very important and we are very happy”
A MFI client in Maputo

Insurance provided by commercial banks (bancassurance) was mentioned as a risk coping strategy by teachers in the FGDs in Boane and Manhiça, and an MFI client in a FGD in Machava.

In the FDGs with the teachers, at least one participant in each group had life insurance with Millennium BIM which covered death and permanent disability. One MFI client in the FGD in Machava mentioned that she had life and health insurance from Standard Bank and that she paid 400 MTs every month. In case of illness, the insurance would pay for hospitalization but she was not sure whether it also paid for medical consultation and medicine or whether she was covered in the event of death. Another lady from a church group in Matola mentioned that her bank, Barclays, offered her funeral insurance. She would have had to pay a percentage of her salary in order to receive funeral cover of up to 12,000 MTs. She had not decided to take up the funeral insurance at the time of the discussion.

“... I have to inform them on who my beneficiaries are. These can be a wife, children and others. They will then benefit from an x or y amount depending on the amount I pay monthly...”
A primary school teacher from Manhiça

Retirement pension offered by National Institute for Social Security (INSS) covered one participant of a FGD in Maquinino market in Beira. Some participants mentioned INSS as a possible mechanism to cover medical expenses while other participants including salaried people regarded it as a retirement pension.

“... it is only for retirement... there is a clause that states that medical expenses can be reimbursed...”

An informal trader from Maquinino Market

Insurance provided by insurance companies was familiar to many of the participants. However, although most had heard about it, only two were insured by this type of provider. One was from a market in Manhiça and the other was from Maquinino market. The lady from Manhiça market had funeral insurance from EMOSE for 300 MTs per month. Unfortunately, she could neither articulate the expenses that were covered nor the value of the compensation. The lady from Maquinino Market had car insurance and had previously claimed after a car accident. In a few other groups, there were participants whose family members had insurance products.

“Q: in case of your death, how much will the insurance company pay-out to your family...?”

A: I cannot explain

Q: But did you not sign any paper?

A: I did

Q: ... and do you think that the money your family will receive if something happens to you is a lot or very little?

A: It is not a lot

Q: Why do you think it is not a lot?

A: It is not a lot because they told me that they will contribute to my burial including the food and a coffin...”

An informal trader from Manhiça Market

“I had an event where they helped, they paid what was needed....and it was worth it...”

An informal trader from Maquinino Market

4.2 Coping Strategies for Health Problems

The coping strategies below are presented into two categories: ex ante strategies i.e. when provisions are made prior to the risk event; and ex post strategies which are provisions made after the event has occurred.

Ex Ante Risk Management Strategies for Health Problems

In general people do not use ex ante risk management strategies. Nevertheless, even though people struggle to save, savings (both formal and informal) is the most common strategy to manage illness.

“When we sell produce, we save of 10 MTs or 20 MTs per day through the xitique (geral). When we receive that money at the end of the month, we buy goods but also hide 50 MTs so that if one day the illness comes at night, we won’t need to knock on our neighbours’ doors. We will use that 50 MTs to take the person to the hospital”

An informal vendor from Xipamanine market

As mentioned above, some of the family xitique also cover health problems. Medical aid provided by the employer is also used by civil servants.

Additionally, it was interesting that participants also identified non-financial strategies to prevent health problems. These include the use of condoms to prevent HIV/AIDS and the removal of grass and stagnant water around the house to prevent mosquitoes, and consequently malaria. There was also a teacher from Boane that mentioned that he opted to live a healthy life.

"As a sports man I practice sport, I consume less alcohol and I try to have a balanced diet"
A Primary school teacher in Boane

In dealing with accidents, participants mentioned savings, insurance and family xitique. Two people in the FGD that had teachers in Boane mentioned that their family xitique also covered accidents.

"In my case, I opted for a bank product. All-risk insurance from BIM covers accidents and death"

A Primary school teacher in Boane

Regarding permanent disability, life insurance from banks is considered as an ex ante management strategy, even though the ones who had such cover did not mention it.

Ex Post Risk Management Strategies for Health Problems

In cases where people do not sufficiently prepare for risk events, they have to rely on several ex post risk management strategies to deal with illness, accidents and permanent disability.

"...we have to rely on help by knocking doors here and there..."

A community member from Zimpeto

The ex post risk strategies for illness include loans from family and friends (some of which are subject to the payment of interest), selling of household assets and loans from the employers and colleagues.

"Q: But you said before that in the public hospital there is lack of medicine....

A: in such cases we rely on neighbours, family or someone close.

Q: And in the case of a loan from a neighbour, does he/she charge interest?

A: It depends

A: there are those who charge interest and those who don't

A: It depends. For instance, we do not "play" with everybody. There are people that we just greet and if I ask them for a loan they can charge interest. Those that I play with may be ashamed to charge interest"

A Community member at 25 de Junho

As mentioned above, it is common for some people that use xitique geral to interrupt the cycle and withdraw their savings for medical expenses. On the other hand, informal traders and service providers use money from their businesses for health emergencies.

"...if it (illness) happens in a time when we have made sales, the only alternative is to use that money. If it happens in a time when we have nothing, we can only ask for a loan from a neighbour"

A FGD consisting of community church group members in Matola also revealed that although family xitique are for funeral purposes, members can borrow money when faced with health problems. The loan was without interest in one case while another charged 10% interest on the total amount regardless of the loan term.

For accidents and permanent disability, people mainly rely on loans from family and friends.

"If I become disabled I can knock on the door of my brother or a friend"

An MF client in Maputo

"If an accident happens we are in trouble. The only thing we can do is to knock on the door of Sister Cecília for a loan which I will repay when I can"

A community member in Maputo

Effectiveness of Coping Strategies for Health Problems

Categories of Coping Strategy	Types of Coping Strategy	Effectiveness	Shortcomings
Ex Ante Coping Strategies			
Formal Mechanisms	Savings at a Bank	<ul style="list-style-type: none"> Secure Prevents use for non urgent needs 	<ul style="list-style-type: none"> Amounts that people save are very small Not everybody has a bank account
	Medical aid provided by employer	<ul style="list-style-type: none"> Deduction from salaries obliges them to make a "reserve" for medical treatment Convenient as they do not have to travel to make payments 	<ul style="list-style-type: none"> The system does not work well and even though they are eligible to some benefits, bureaucracy prevents them from having such access It is only valid in public hospitals and public pharmacies; where shortages of medicine exist
Informal Mechanisms	Family xitique	<ul style="list-style-type: none"> The amount to be paid is based on the capacity of its members There is less cheating compared to other types of xitique The disbursement of the compensation is quick Reinforcement of family ties 	<ul style="list-style-type: none"> Only few family xitique cover illness and accident problems Sometimes there are high interest rates associated

Categories of Coping Strategy	Types of Coping Strategy	Effectiveness	Shortcomings
	Savings at home	<ul style="list-style-type: none"> • It is convenient and access does not depend on third parties 	<ul style="list-style-type: none"> • Not secure • Can be used for non priority needs
Ex Post Coping Strategies			
Informal Mechanisms	Loans from family and friends	<ul style="list-style-type: none"> • Can be immediately disbursed 	<ul style="list-style-type: none"> • Depend on the availability and willingness of the lender • Sometimes there is high interest associated
	Selling of household assets	<ul style="list-style-type: none"> • Relatively easy to sell 	<ul style="list-style-type: none"> • Assets can be sold at a low price • Loss of a household asset base
	Loan from the employers and colleagues	<ul style="list-style-type: none"> • Reimbursement can be deducted gradually from salary 	<ul style="list-style-type: none"> • Depends on the availability and willingness of the lender • Sometimes the interest rates charged are very high
	Money lenders	<ul style="list-style-type: none"> • Immediate availability 	<ul style="list-style-type: none"> • Very high interest rates • Not secure in cases where the money lenders keep the bank card and PIN
	Xitique geral	<ul style="list-style-type: none"> • Prevents the use for non urgent needs 	<ul style="list-style-type: none"> • Interest charged are very high if one has to interrupt the cycle
	Money from the business	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Loss of future revenue • Not always available

4.3 Coping Strategies for Death

Ex Ante Risk Management Strategies for Death

The main ex ante strategies that were found for death are savings, family xitique, (none family member) funeral associations, life insurance from banks and insurance companies and credit and funeral insurance from MFIs.

“...there are associations out there that aggregate people that are interested. I can say that I belong to one of them”

An informal vendor operating in Maquinino market

“... my death is more simplified with the life insurance but if a member of my household dies and they are over the 35 year age limit, the bank will not pay out. I live with my mother who is

elderly. If she kicks the bucket, the bank will not be liable and I will need to take money from my business to pay the bill"

An MFI client from Maputo

FGDs also revealed that many people struggle to adopt ex ante risk management strategies because they believe that they do not have the capacity to save.

"There is no way I can prepare myself, I only ask God to protect me so that these things don't happen to my family. At the moment I'm not in a position to do so (savings) as I have to borrow from others in order to eat"

A MFI client from Boane

Ex Post Risk Management Strategies for Death

As with ex ante, there are several ex post risk management strategies for death such as funeral associations in markets and loans and support from family, friends, colleagues and church fellows. In fact, death is the risk event where there is a lot of solidarity among people.

"When someone passes away neighbours help, they have compassion, ... they help with a glass of sugar, soap..."

An Informal vendor operating in Bobole Market

Besides this kind of voluntary safety nets for death, there are others that are mandatory. For example, it is compulsory to contribute in some residential areas as well as in some churches. One such case was mentioned by the FGD at Maquinino market. It was said that church members of a certain church have to give monetary contributions to support households where death had occurred. People who do not have money available can contribute in kind, such as food.

"..."

A: where I live the area local leader (chefe do quarteirão) goes house to house to collect each family's contribution of 10 to 15 MTs

Q: Is it mandatory?

A: Yes

A: you contribute whatever you have

A: can be firewood, coconut for cooking, anything

Q: Can it be a neighbour that was not your friend?

A: in case of death it does not matter...

A farmer from Infulene Valley

In general all the support mechanisms mentioned above are for funeral expenses only.

"In those days family could help but nowadays family has run away"

"In those days there were many people that brought bread, tea, lettuce, but after that..."

"Apart from the food there are people who promise to get you a job but after that nobody does anything..."

Community members at 25 de Junho (AVIMAS)

Effectiveness of Risk Management Strategies for Death

Categories of Coping Strategy	Types of Coping Strategy	Effectiveness	Shortcomings
Ex Ante Coping Strategies			
Formal Mechanisms	Savings at a Bank	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> As above
	Life insurance from banks	<ul style="list-style-type: none"> Convenient as people normally have their bank account at that bank A percentage of the salary Captures people that otherwise would not go to an insurance company 	<ul style="list-style-type: none"> Not everyone deals with banks Covers funeral expenses only
	Credit and funeral insurance from MFIs	<ul style="list-style-type: none"> They are compulsory so people have to pay Captures people that otherwise would not go to an insurance company 	<ul style="list-style-type: none"> Covers funeral expenses only Are linked to credit so not every MFI client has access to the product
Informal Mechanisms	Family xitique	<ul style="list-style-type: none"> The amount to be paid is based on the capacity of the members There is less cheating compared to other types of xitique The disbursement of the compensation is quick Reinforcement of family ties 	<ul style="list-style-type: none"> Only covers funeral expenses
	Non family member itique or associations	<ul style="list-style-type: none"> The amount to be paid is based on the capacity of the members The disbursement of the compensation is quick 	
Ex Post Coping Strategies			
Informal Mechanisms	Loans from family and friends	<ul style="list-style-type: none"> Can be immediately disbursed 	<ul style="list-style-type: none"> Dependent on the availability and willingness of the lender Sometimes there is high interest associated
	Support from family, friends, colleagues and church fellows	<ul style="list-style-type: none"> The moral obligation to help No need to reimburse Helps the bereaved family cope with the need to feed those who visit to offer support 	<ul style="list-style-type: none"> None
	Funeral associations in markets	<ul style="list-style-type: none"> Helps the family cover funeral expenses 	<ul style="list-style-type: none"> Sometimes money is handed to the affected family several weeks after death occurs
	Compulsory contributions in residential areas and churches	<ul style="list-style-type: none"> Helps the bereaved family cope with the need to feed those who visit to offer support 	<ul style="list-style-type: none"> Sometimes money is handed to the affected family several weeks after the death event

4.4 Coping Strategies for Bankruptcy, Theft and Fire

These three events will be analysed jointly as the coping strategies are quite similar.

Ex Ante Risk Management Strategies for Bankruptcy, Theft and Fire

Even though people do not save specifically for this purpose, savings is the only ex ante risk management strategy to manage these three risks.

One lady from the central market in Maputo mentioned that her strategy is to invest in her kids' education so that they are prepared to help her in case of bankruptcy. This goes to further show that many people do not regard insurance as a way of mitigating risks. They prefer to rely on third parties to help them mitigate risks.

“For instance, what I do is send my kids to school to educate them and I tell them that they cannot quit school because one day when I am not able to come to the market they will be the ones to help me. It’s the only safety net I have. I don’t see it any other way. I can only cry because I don’t know what to do with this business that is going down”

An Informal vendor from the Central market, Maputo

“We take some money from our salaries and put it in the bank”

A primary school teacher from Manhiça

Ex Post Risk Management Strategies for Bankruptcy Theft and Fire

The main ex post strategies mentioned during the FGD for coping with these 3 categories of events are loans from family, friends, colleagues and renting ones house. Another strategy mentioned for dealing specifically with the theft of business stock was to negotiate longer credit terms with the suppliers that provide stock. Support from neighbours in the case of theft and fire in the household was also mentioned.

With respect to farmers, bankruptcy can be caused by natural disasters. In such scenarios, they have to ask for loans to pay off debts.

“...when the natural disasters happen ...because we have employees we have to go into debt...”

A farmer from Infulene Valley

“For me bankruptcy is a distress. I would not sell my house but would rent it to try recover my business.”

An informal market vendor from Xipamanine market

4.5 Client Perception and Preferences

Is Insurance Regarded as an Appropriate Way of Guarding against Risks?

As shown in the previous chapters, the low income population is vulnerable to a series of risk events and they are well aware of that but they do not in general terms adopt ex ante risks management strategies. However, the reasons for not using insurance do not imply that they do not perceive it as a good way of mitigating risks.

Almost all groups considered insurance to be for people like them. Even though some groups think that people who have insurance are normally public servants, taxi owners, wealthy people or those who have a stable income, about three-quarters of the interviewed groups think that insurance is also for people like them.

“...only people from government have insurance and very few people in private companies have insurance”

An MFI client from Xipamanine

“Poor people also deserve insurance because they also die”

“Insurance is not for rich or poor people, it is for everyone that can afford to pay”

Informal vendors from Bobole Market

The main reasons for not adopting ex ante strategies (health, funeral and life insurance) are:

- Perception that they do not have enough money to pay for formal or informal insurance mechanisms.

“the insurance is for those who have money, you have to have money to pay for it. It’s like a bank account, for you to have one you need to deposit in it”

Farmer from Mafambisse, Sofala)

- Lack of awareness and knowledge about formal insurance providers, their products and how they operate.

“When I went there (a commercial bank), it was quite packed and the people explained very quickly and I never went back to get a deeper understanding”

Primary school teacher from Boane

- Physical access is a problem as insurance companies have a limited branch network and the use of agents is not that common.

Q: What are the factors that constrain the use of insurance?

A: First, there is no (insurance) company here, Emose is only in Beira. Secondly, they do not promote their products and thirdly; they do not promote their products among low income people...”

A farmer from Mafambisse, Sofala)

Owing to the above, very few low income people use insurance from insurance companies. Only two participants were using funeral and car insurance from Emose.

- Some people perceived that it gives bad luck to take insurance, more especially life insurance.

“This xitique (family xitique) charges for death. If nothing happens in one’s household, one will feel that they are contributing in vain and therefore desire to have the contributed

money back....", "...before we started xitique, there was almost no death in the family. From the time we started the xitique, death is happening more frequently"

Informal vendors from Xipamanine market

A few people with experience in other financial products also used insurance as they recognised its value in risk mitigation. People who receive their salaries via banks sometimes had life, health and funeral insurance cover. Additionally, MFI loan clients were compelled to take out credit life cover and had the option of obtaining funeral insurance cover. Based on the above, one can fairly conclude that people use insurance when they are exposed to it. Many begin to realise its benefits and regard it as an appropriate way to cover risks.

Only one of the MFI client groups stated that they would not continue to pay for credit insurance if it was not mandatory. The reason given was that life is difficult and money is scarce. Two groups declared that they would continue to pay while the remaining two groups mentioned that it would depend on the benefits offered. It was noted that although they had insurance, they did not fully understand the benefits and this may be the reason for hesitancy. However, they confirmed that they would continue making payments after an explanation about the benefits was provided.

The fact that many people use voluntary informal insurance mechanisms shows that people value this financial instrument. Family xitique, non-family members' xitique and market and church associations are examples of commonly used informal insurance mechanisms.

Awareness of insurance companies and their products

Insurance is a service that almost everyone has heard of. Except for one female group in Maputo province (rural), most participants in the other 18 FGDs had heard of insurance. Although almost all the participants of the FGDs knew of its existence, only two could explain what it is. Interestingly, one of them is from the largest market of Maputo while the other is from the rural province of Sofala.

"We heard about insurance but we don't understand what insurance is"

A farmer from Mafambisse, Sofala

Majority of participants know or have heard of insurance companies. 84% of the groups knew of insurance companies. Only two people (rural and female groups) claimed not to know of any company. Of those who responded affirmatively, 100% had heard about EMOSE and 50% about Impar.

Life insurance is the most known type of insurance. When asked about the type of insurance products they knew, most groups indicated life insurance (47%) and car insurance (24%). Other types of insurance mentioned include house insurance and fire insurance. Car insurance was mentioned in urban and peri-urban areas. It was interesting to note that when two groups of women (Church members from Matola and Xiquelene) were asked if they knew what insurance was, they gave the example a famous Mozambique singer insuring her legs.

"We have just heard that Marlene insurance her legs... (laughing)"

A Community members from a church in Matola

Experience with formal insurance providers

Life and credit insurance are the most common types of insurance. Out of the 19 FGDs, 3 groups which consisted of secondary school teachers from Maputo and Beira admitted having life insurance provided by commercial banks.

For those teachers that had life insurance with BIM, the premium was deducted directly by the bank from their salary accounts. Family members would then be entitled to a compensation in the event that the member having life cover dies.

Q: What type of insurance do you have?

A: life insurance... for death and accidents...

Q: How much will your family receive if something wrong happens?

A: 1,500,000 MTs

A teacher from Boane

"... I have insurance in case of my death but if one of my household members die, I can also get compensation"

A teacher from Boane

According to them, BIM proactively promotes their product and explains the advantages. Although they are generally happy with the product, one teacher in Sofala province complained about the insurance only covering his life and not that of other household members.

"I don't think BIM insurance is right because it is only for me....

A primary teacher in Sofala

As it happens with many people that have insurance, some teachers were not sure about the amount that they contribute.

"They did not tell me (how much they deduct per month). When I tried to find out, they told me to read the pamphlet but I did not understand...the amount is not always the same. The amount is above 100 MTs. Sometimes it is 200, or 300"

A primary teacher in Sofala

"...in the beginning there were problems for some of us that signed the insurance. Initially, we paid the premium for 2 years thinking that after that period we could go back and withdraw the money. But it is not like that, we have to wait until something wrong happens"

A primary teacher in Manhiça

As referred to above, only two participants had insurance from insurance companies (funeral and car insurance) at the time. In both cases, they were clear on the premium amounts and the frequency of payments but they were not sure about the amount of compensation they stood to receive if the insured event happened. A lady from Maquinino market had claimed car insurance after an accident and was happy that EMOSE covered the damage. However, the

general perception that most of the participants had regarding EMOSE is that it took too long to compensate them. A different opinion exists regarding IMPAR. One of the participants mentioned that her son claimed insurance from this company and the process was very quick.

“... It is difficult for me to advice people to take out insurance. We have had bad experiences with Emose.....you pay insurance at Emose and they do not give your money back. I saw it when my brother died. He had insurance from Emose. He died and we tried for six months to get the compensation. At the end we gave up and nobody talks about it today.”

MFI client in Xipamanine market

On the other hand, 5 groups composed of MFI clients have credit insurance. It is interesting to note that 3 out of the 5 groups with credit insurance stated that they would not pay for the insurance if it was not mandatory. All groups mentioned that the fact that a MFI was offering insurance was not a decision factor to join the MFI. In fact in most of the cases, the product was introduced after they had become clients.

“In case on my death or the death of a family member that lives with me and is not more than 40 years old, they will pay for funeral expenses”

An MFI client from Maputo

In general only MFI clients have experience with insurance as it is a product provided by their institution and linked to credit products (credit insurance and funeral insurance). However, two of the groups consisting of MFI clients conveyed that they did not understand how insurance worked.

It was also interesting to note that most of them do not know how much they pay as it is deducted from their loan repayments. It is also important to mention that some people who used insurance from banks did not fully understand the product, its premiums and compensation amounts.

“I don't understand quite well how the insurance with my MFI works. If I request a loan of 10,000 MTs, they will discount a certain amount for the credit insurance. When I pay back the loan, the amount that I pay (premiums) is not given back to me. Where does the money go?”

“Because in other associations when you quit they give the money back to you...”

A MFI client from Machava

Some of the people were aware of cases where people tried to defraud. In 4 of the groups, there were participants that had heard of people who tried to cheat insurance companies. They mentioned ways to do so. These included damaging one's own car on purpose as well as arranging for false death certificates so as obtain the insurance pay out.

“In one of the places that I worked, someone destroyed their car hoping to get a new one... he did not know that the company would do an inspection... and because they detected the fraud, he lost the case”

Community members at 25 de Junho (AVIMAS)

What would it take for people to use insurance products from an insurance company?

In general terms, it can be said that determinants of insurance usage are perception of enough income, products that would meet a wide range of needs, the speed of the service (mainly the payment of compensations), level of bureaucracy, as well as the appropriate price and a better understanding about how insurance works.

Their priorities for insurance products are illness and funeral expenses. The sort of expenses they would like to see covered by insurance include medical expenses (medical consultation, medicine, operations and transportation to another country for more serious cases and funeral expenses such as the coffin). There were a few mentions regarding natural disasters and bankruptcy. The two groups composed of farmers mentioned crop insurance as a priority.

"We would use insurance for medicine, medical appointments and sometimes there is a need for medical operations.... Three years without a medical operation because they want a lot of money.... Sometimes we need to go to South Africa to be operated, and we do not have that money."

Informal vendors from Xipamanine market

"...we all need insurance to protect us from the natural disasters that we have talked about."
A farmer from Infulene Valey

The attractiveness of an insurance product depends on its efficiency and the price. The groups that discussed this issue mentioned efficiency (speed of disbursing compensations) and price as the most important factors. According to them, the best way to pay for insurance would be directly at the insurance company (which should be close to them) or at a bank branch.

"... you don't get the money immediately in case of illness. This does not work as you can end up dying. At Emose, when you get involved in an accident where you run over somebody, it takes ages to get the money "

"They (EMOSE) can take one or two months to pay out the money and they even say that if you have money you should pay and they will reimburse you afterwards"

Informal vendors from Xipamanine market

As a result, some participants prefer the informal schemes because of less paperwork and the fact that it is faster to get compensated when compared to formal schemes.

Several participants declared that they do not understand how insurance works. During FGDs, it was clear that even though many participants had heard of the concept, they could neither articulate how insurance worked, nor could they explain the benefits involved. In fact, they found explanations made by moderators during the FGDs very interesting and informative. This was not the case for informal schemes given that they were already familiarized with similar concepts.

"We just heard about it (insurance) but we don't know how it Works. You should clarify the main aspects at the very least"

An MFI client from Catembe

The best way to transmit information is through direct contact with the customer. Most participants preferred direct contact with insurance sales people. Hence, direct contact seems best for transmitting insurance information to customers.

“Someone should come to the market and explain. This person should speak in a local language and have a lot of patience to explain”

An informal vendor from Central Market, Maputo

“... some people do not have television. Rather broadcast on the radio, in churches, at the work place and places with a high concentration of people”

A community member at Zimpeto Market

Trust of Insurance Firms and Brokers/Agents

There is a preference for insurance company compared to informal schemes. When asked about what types of insurance they prefer, of the 12 groups that responded to this question, around 58% stated that they trust insurance companies more than informal schemes, 12% had more faith in family xitique and 25% trusted both of them. Therefore, majority of the participants trusted the insurance companies more. Nine of the groups stated that they trust insurance companies, while others were indifferent. This shows a high degree of trust in insurance companies.

“We cannot rely on xitique, ... a company or a bank is safer”

A MFI client in Sofala (Dondo)

“... a company never dies. But if someone from xitique (geral) dies, we have nowhere to go...”

A farmer from Infulene Valley

“I trust them (BIM) because it is where I receive my salary. They are a credible institution”

A teacher from Boane

“The activity of a company is registered. If they cheat me I can complain and the government will back me up. In a xitique group, if the person that collects money disappears, even if you complain, they will ask in what basis we gave the money to him/her”

A teacher from Beira

“Q:...but some companies go bankrupt...”

A: ..yes, but if there is a clear clause in the contract, you are safe”

Teachers from Boane

The main advantage of the formal schemes is related to security and larger coverage.

The main reason presented by those who prefer insurance companies included security issues because they were believed to be professionals and hence safer. Moreover, they were said to cover the entire expense incurred (while family xitique only covered a portion of it). Participants reported feeling more at ease paying premiums to a formal company than to an informal scheme based on the above factors.

“I prefer BIM because when a tragedy takes place, the group (family xitique) does not cover all expenses unlike BIM”

A Teacher in Manhiça

“...I can say that life is becoming harder and harder and I cannot prepare for all events. Therefore, the fact that they oblige us to take insurance and hence prepare ourselves for these unexpected events resulting in hardship is beneficial for me”

MFI clients from Xipamanine

For those that prefer the more informal schemes, the main reason is that disbursement is quicker and it is built on family ties.

“...it is a family account from which you can withdraw money immediately, you don't need any documents ...with companies you have to write, wait for the decision... it is a process that is not suitable for me...”

MFI client Maputo

The trust on an insurance firm is related to the perception about its performance. Three of the groups stated that EMOSE service is very poor and that it is cumbersome for people to obtain their compensations.

“I don't trust EMOSE. Obtainig insurance at Emose is losing money”

“My son had a car accident and the car was insured by Impar. They only took 4 days to compensate him. They are efficient”

MFI client in Xipamanine market

Perceptions of Value Proposition

Most of the people that are using formal and informal insurance value the product. Participants valued the fact that both formal and informal insurance helped them cope with risk events.

“I've worked with several banks but this is the first one that says that in case of a household member's death, they would help with the expenses...”

MFI clients from Xipamanine

Moreover, some of the MFI clients mentioned that they would continue to pay for the insurance even if it became voluntary.

“if I realise advantages, I will continue to pay..”

A MFI Client from Xipanine Market

Another aspect that is worth mentioning is that many participants, including those that use insurance products from MFIs, do not fully understand the concept and benefits of insurance. However, many of them stated that insurance is a good risk management strategy after an explanation.

“It's good because it helps in times of distress”

A MFI Client, Dondo

“Life insurance is very good”

A vendor of Central Market, Maputo

“Let me understand, if I pay insurance for my parents and they die I would be the beneficiary? I would receive the compensation?... On Monday I'm going there... (applauses)”

A primary school teacher from Boane

“Just by knowing that this initiative (insurance) exists is enough motivation. We thought that insurance was for rich people but based on this conversation, we have reached the conclusion that it is possible for people like us to have insurance. If the product is offered, we will be in the group of interested people”

An MFI client from Catembe

The ones that use informal insurance schemes are generally very happy and recognise its value.

Majority of civil servants (interviewed teachers) who had medical aid provided by their employers did not see good value for money because of the inefficiency of the public health system. This group could only use public medical centres and pharmacies, which do not have the necessary resources available. They paid but they did not utilize the benefits because of the poor standards that were offered.

It was found that people were willing to pay if they understood the value proposition of the product. For example, some people contributed to a *dizimo*,¹⁶ in the church because they believed in the future benefits they would gain, this being a (or a better) place for worship.

Most of the groups stated that they would be willing to pay a monthly fee of 100 MTs or less to have insurance. The amount people would be willing to pay varies, from 50 MTs to 200 MTs. Very few groups showed willingness to pay above 100 MTs per month. This is interesting given most participants involved in family xitique generally pay more than that.

¹⁶Dizimo (tithe) is a voluntarily contribution by church members. The money is normally used to build or improve their church. Even though people do not have to pay a tenth of their income, the name is still used.

5. CONCLUSION AND RECOMMENDATIONS

This research showed that low-income households, micro and small businesses and the wider community are vulnerable to many risks. These risks include illness, death, bankruptcy and loss of assets and stock through fire or theft. The types of risks that most concern them are illnesses, death and bankruptcy. This is so because apart from their frequency, they have significant financial impact on their lives.

Traders and microfinance clients operate in difficult business environments and often face risks that are specific to their businesses such as decreased revenues (high levels of competition and low purchasing power), poor management, theft and fire at the business premises. Farmers face agricultural risks that can be systemic in nature such as plague or natural disasters (heavy rains).

The most common ways of mitigating risk is through loans from family and friends, practice of xitique (including xitique geral and family xitique), own savings, and funeral associations at markets. Only a few people make use of insurance from banks, insurance companies and microfinance institutions, as well as medical aid provided by their employers. The later relates to public servants (school teachers) only.

Apart from the risk associated with death, most people do not use ex ante strategies. Even though people struggle to save, savings (both formal and informal) is the most common strategy to manage illness.

The general positive attributes of self-insurance include easy access to funds, security and fast disbursement. Support from family, friends, colleagues and neighbours was also guaranteed when death occurred.

The main reasons for not resorting to formal insurance schemes are low awareness of the products and the benefits provided as well as heavy paperwork and tedious processes. On the other hand, companies are perceived to be more secure than savings groups. For this reason, there is great potential for expanding insurance to the low-income population. However, it is necessary to take into account the following factors:

- ***Financial literacy strategy on microinsurance:*** Given the low levels of access to insurance caused by lack of understanding the products, it is crucial to improve the level of awareness and understanding. It is also important to use appropriate means of communication.
- ***Product development strategy:*** Improving product features is important in increasing the use of micro insurance products. Therefore, it is necessary to develop products that best suit the needs of the low income population. This should cover health and death as they are the biggest concerns. Even though bankruptcy is also a risk that concerns most people, it is not insurable and hence people would need to use other strategies such as savings to cope with it.
- ***Price Strategy:*** Despite economic difficulties, people are willing to pay where a balance between cost and benefits exists. However, it is important to ensure a vast client base so that the cost can be affordable.

- **Training of staff:** It would be important to provide training to staff so as to increase their skills in dealing with the mentioned target group.
- **Streamline processes:** Despite the need to formalise the process, it is important to create mechanisms that reduce the bureaucracy and the cost to the client. Another important aspect is the speed of disbursing the compensation; low income people are often not in a position to afford to pay incurred expenses in advance of obtaining a claim.

6. ANNEXES

6.1 Annex 1: FGD guide: Micro-insurance study in Mozambique

CORE QUESTIONS	PROBING QUESTIONS
Warm up 1. How is life going lately?	<ul style="list-style-type: none"> • Is it better, the same or worse? Why? • What is improving? • What is worsening?
Risks 1. What are the expenses that consume most of the household income during the month? 2. What kind of events can happen in life, which you cannot plan for and which you need money for? (e.g. risks)	<ul style="list-style-type: none"> • How much do you save for the future? Where? • How much do you put aside for unexpected events and rainy days? • Explore different categories of risks (personal, family, community and business) and put each one in a card • Which of these events are you most concerned about? (Rank according to the level of concern) • Which are most likely to happen? (Rank in terms of probability of occurrence) • Which have the worst financial consequences? (Rank events in terms of perceived financial impact) <p>Note to the moderator: if they mention death explore if they have also considered the loss of future income or only the funeral expenses</p>
General risk management 1. What do you and people from your community do to prepare for such events/risks?	<ul style="list-style-type: none"> • What do you do to prepare for the risks/events? (Explore different products like formal and informal savings and insurance) • What mechanisms do you use to cope with these events/risks after they occur? (explore borrowing, family support, community support, informal and formal savings, etc) • What are the main advantages and limitations of these mechanisms?

<p>Risk pooling</p> <ol style="list-style-type: none"> 1. Do you belong to groups in the community which share these kinds of risks, where people look after each other when these events occur? If you are not part of such a group: do you know about these kinds of groups? 2. What sort of risks do these schemes deal with (e.g. death, health events, loss or damage to assets)? 3. What works well in these groups and what works badly? 	<ul style="list-style-type: none"> • Distinguish between credit, savings and insurance schemes and list them • What events are specifically excluded? • How are the groups structured (who collects money, bank account, secretary, written constitution, meetings, etc.)? • How many people belong to these groups? • How do the processes work? (Membership, 'claim' payment, contribution collection, etc.) • Spontaneous • Do you get anything back if the event doesn't happen? • Have you ever lost money? • Does the group charge you for being a member? • How easy is it to get the money when the event happens? • Do these groups have a wider, social role? • Do people ever try to cheat these groups? How does the group deal with that?
<p>Insurance</p> <ol style="list-style-type: none"> 1. Have you heard of insurance? 2. What type of people normally have insurance? 3. Would you ever use insurance products? 	<ul style="list-style-type: none"> • What is insurance? • Do you know anything about it? • Where did you hear about insurance? • What do you think about it? • What have you heard from other people about it? <p>Explain the insurance concept</p> <ul style="list-style-type: none"> • Are they many? Few? Why? • Why, why not? • Explore the following underlying reasons: <ul style="list-style-type: none"> ✓ Concept of insurance ✓ Cost ✓ Is it easy for you to buy? ✓ Are there branches close by where you can buy it? ✓ Do you need someone to talk to about it before you buy it? ✓ What level of access would make insurance attractive to you?

	<ul style="list-style-type: none"> ✓ Understanding ✓ Trust ✓ Perceptions about target market
Insurance Companies	<ul style="list-style-type: none"> • Which ones? • Why, why not? • Will they still be around when your claim has to be paid? • Can they be relied on not to disappear with your money? • Do you trust them more or less than informal mechanisms? • What would it take for you to trust them more or less than informal mechanism? • Which ones?
Understanding of insurance	<p>Ask only the groups composed by MFI clients that use any type of insurance from their MFI</p> <ul style="list-style-type: none"> • What insurance products are you using? • What are the expenses that are not covered? • Why, why not? • If it was not mandatory to have these insurance products would you buy it anyway? Why, why not? • Has the fact that this MFI offers insurance contributed to the decision to join them or stay with them? • Do you know people that have left the institution because they have to be insured? • Do you normally recommend other people to buy insurance?
Asked participants who have insurance	<ul style="list-style-type: none"> 1. How did you find out about insurance and buy it? 2. How did you buy the product – through a broker, directly from the company, through someone else? 3. What risks are you covered for by your insurance/were you covered for? <ul style="list-style-type: none"> • Death (funeral expenses, life insurance, etc.) • Health (expenses, income replacement, etc.) • Loss of or damage to assets (house, assets, crops, etc.) 4. How often does the company or

<p>intermediary communicate with you? What do they tell you or ask from you? What kind of information did you have to give the insurer?</p> <p>5. How do you pay your premiums? Is it easy, convenient?</p> <p>6. Do you have a paper policy document? Do you understand what it says?</p> <p>7. Do you understand what is covered and when the insurer will not pay-out your policy?</p>	
<p>Experience with insurance</p> <p>1. Have you ever made a claim on the policy?</p> <p>2. What good experience have you had with insurance?</p> <p>3. What bad experience have you had with insurance?</p> <p>4. Overall, are you glad you have insurance?</p> <p>5. Would you recommend using insurance to your friends and family?</p>	<ul style="list-style-type: none"> • How did the process work? • Was this easy, convenient, paid in time? A lot of paper work? • Was the claim paid? Did it cover the whole loss? If not, why? • Which ones? • Paid claim quickly • Was cheap • Company was reliable and helpful • Which ones? • Claims not paid • Unhelpful service, hard to understand • Expensive • Difficult to access • Even if you haven't claimed, are you glad you have the insurance in case? • How do you feel about paying the premium when you haven't claimed? • Are insurance products good value for money? • What are the main obstacles of using insurance? • What would cause you to use more insurance? • What would make insurance work better for you? • What would be a reasonable price to pay for a typical life insurance?



ICCI

Other

1. Do people try and cheat on their insurance? e.g. make a false claim.
What do you think about that? How do you think cheating can be reduced?

2. Are there other risks you would like insurance to cover?

6.2 List of secondary source of information

Ministry of Finance, Finscope Mozambique 2009, 2009

AfDB, OECD, UNDP, UNECA, African Economic Outlook 2011, 2011

UNDP, Human Development Report, Mozambique, 2011