cenfri

The Centre for Financial Regulation & Inclusion

Access to Insurance in Mozambique

Summary Guide

www.cenfri.org

Project Manager: Bhairav Raja

VERSION 1.0 11/12/2012

Tel: +27 21 918 4390
Fax: +27 21 918 4391
E-mail: tessa@cenfi.org
Physical address: The Centre for Financial Regulation & Inclusion
The Vineyards Office Estate Farm, Farm 2, Regent House
99 Jip de Jager Drive, Bellville, Cape Town, South Africa
Postal address: PO Box 610, Bellville, 7535, South Africa
www.cenfri.org

Table of Contents

1. Introduction

Rationale for the study. *Direcção Nacional de Promoção do Desenvolvimento Rural* ("DNPDR"), UNCDF, UNDP, GIZ ProEcon, Mozambique ("GIZ"), MFW4A and FinMark Trust commissioned this study to map the landscape of insurance and more specifically microinsurance in Mozambique. The objective of this analysis is to conclude on the potential for microinsurance development in Mozambique and to make policy and regulatory recommendations.

Methodology. This study largely uses the methodology outlined in the Access to Insurance Initiative's (A2ii) Toolkit I, II and IV (in draft) [1]:

- *Toolkit I: Microinsurance country diagnostic studies - analytical framework and methodology* sets out the Initiative's analytical framework and methodology for market and regulatory diagnostic studies.
- *Toolkit II: Country Process Guidelines for Microinsurance Market Development* provides recommendations on the broader microinsurance development process to follow in a country, into which the diagnostic study (Toolkit I) feeds.
  Toolkit IV (title still subject to change): *Country-level microinsurance development process: operationalizing the action plan* synthesises lessons across countries on how to act on/respond to diagnostic recommendations.

2. Guide to reading this document

This document presents a summary of the opportunities and challenges for extending access to insurance (and particularly microinsurance) in Mozambique. It can be read alongside the *Access to Insurance in Mozambique* Diagnostic and Action Plan.

Each section is presented in two columns. The left-hand column provides descriptors drawn from the main document *Access to Insurance in Mozambique* (diagnostic) that impact upon the development of microinsurance. The right-hand column states the impact of the particular parameters on the development of microinsurance in the country.

This document provides summaries of the regulatory and insurance industry analyses, the take-up of formal and informal insurance, profiles of potential microinsurance customers, and an opportunities analysis. For further context details, including an in-depth look at the demand side analysis, the reader should reference the diagnostic.

The last section provides an opportunities discussion that utilises a different format, showing opportunity descriptors in the left-hand column, market and regulatory challenges in the middle column with implications for access to insurance in the final column. The opportunities highlighted provide a comprehensive list of potential interventions identified a subset of which was taken into the Action Plan (on the basis of impact and scope of intervention).

[1] Toolkit III, aimed at insurance supervisors, will be developed for supervisory self-assessment of compliance with the IAIS Insurance Core Principles, based on the IAIS Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets.

The demand-side data is derived from an analysis of the FinScope[2] Consumer Survey Mozambique (2009) as well as qualitative data from focus group discussions that were conducted by ICC. For the full extent of the data analysis, readers should consult the Access to Insurance Diagnostic.

3. Abbreviations

ASCA	Accumulative Savings and Credit Association
BdM	*Banco de Mocambique*
BIM	*Banco Internacional de Mozambique*
GIZ	*Deutsche Gesellschaft für Internationale Zusammenarbeit*
IAIS	International Association of Insurance Supervisors.
INSS	National Social Security Institute
ISSM	Mozambique Institution for Insurance Supervision
MFI	Microfinance Institution
MFW4A	Making Finance Work for Africa
MIS	Management Information Systems
NGO	Non-governmental Organisation
SME	Small and Medium Enterprises
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme

[2] FinScope, a FinMark Trust initiative, is a nationally representative study of consumers' perceptions on financial services and issues, which creates insight to how consumers source their income and manage their financial lives. The sample covers the entire adult population, rich and poor, urban and rural, in order to create a segmentation, or continuum, of the entire market and to lend perspective to the various market segments.

FinScope Mozambique 2009 was hosted by the Ministry of Finance of Mozambique through its Financial Sector Technical Assistance Project (FSTAP). The aim of FSTAP is to improve the soundness of the Mozambican financial sector to enable it to fulfil its role of contributing to economic growth and poverty reduction. FSTAP identified the lack of credible information about financial access in Mozambique as a key constraint in pursuit of its objectives and therefore initiated the implementation of FinScope Mozambique 2009. Mozambique's national statistics institute, INE, supported FinMark Trust with the sampling design. The fieldwork for the first survey was carried out in 2009 with 5 028 face-to-face interviews being conducted by AustralCowi. The findings were officially launched in 2010

4. Regulatory summary

Key Descriptors	Considerations for the ISSM in the development of microinsurance
There are limited indications of retail insurance in Mozambique.	*Need to enable a regulatory space for alternative retail distribution for microinsurance. The Regulations needs to consider the following:* - The need to train/educate/professionalise the retail distribution force such as agents and other types of individual intermediaries, and to balance the costs with the benefits of doing so - - Ensure consumer protection.
Definition of microinsurance (Insurance Act): - Can be interpreted as the Government aiming to achieve as high a limit as possible for microinsurance. - In line with the IAIS position on microinsurance, the definition encompasses *access to insurance* and not just the micro space for insurance provision.	*Space for the ISSM to carefully consider the appropriate benefit limits for microinsurance products (see below).* The wider definition allows scope for the ISSM to focus on broader access to insurance than be constrained to the defined micro product space.
The insurance regulations allow insurance and microinsurance companies to underwrite seven specific product categories: - Life, limited to credit-life (as described in the microfinance regulations) - Funeral insurance, limited to the expenses incurred for the funeral of the insured person - Health, limited to the costs of hospitalisation - Personal accident - Fire of mobile goods/immobile goods - Agriculture - Livestock	*These definitions are currently being reviewed by the ISSM:* - The definition of life in the microinsurance space is potentially narrow and limited to credit life, which is complementary to the services of MFIs (with reference to the MFI regulations). This may incentivise credit life products that offer more value to the credit provider rather than the client. - Limiting the definition of funeral insurance to funeral expenses and benefits in kind may undermine the potential role that funeral insurance can play in developing the life insurance market. - Health insurance restricted to the costs of hospitalisation may preclude large proportions of the population that do not have access to a hospital from accessing these benefits. The definition could rather encompass access to official health services, either public or private. Further, the health insurance definition could cover collateral expenses as a result of hospitalisation,

	including transport costs for the family to visit or loss of income due to hospitalisation.
In regards to health insurance, the Insurance Act stipulates that all illnesses are covered under the insurance policy (article 254): - Health insurance policies are required to list the types of illnesses that are excluded from cover and need a skilled medical professional to provide an explanation to policyholders.	*Potential to drive up costs for medical insurance:* - This aspect of the legislation would perhaps benefit from being adapted under a microinsurance regime, particularly with a view to expanding health services in rural and peri-urban areas. With the infrastructural challenges related to access to medical professionals in Mozambique, it may be advisable to reconsider this clause.
The legislation does not include a clear focus on proportionate disclosure requirements for microinsurance provision. Such use of proportionality would reduce the preventable cost of compliance for market operators.	*Proportionate disclosure requirements for microinsurance may remove barriers to efficient market operation:* The ISSM will need to make sure that the microinsurance regime is exempt from expensive disclosure requirements. For example, the requirement to have physical delivery of a policy would be costly from a microinsurance perspective (article 106:1-2, Insurance Act). Such exemptions would need to be clearly placed in the regulations in order to send out the appropriate message to the market. The need to reduce barriers to entry which lower disclosure requirements could achieve should however be balanced with the need to protect the consumer. Clear product definitions and benefit limits as above would assist in achieving the latter.
Unclear role of promoters: - While brokers and agents may intermediate microinsurance, the role of the promoters in intermediating microinsurance is unclear. - Article 57 (Insurance Act), which outlines those intermediary types that can offer microinsurance products, makes no mention of the promoters.	*This may be a useful distribution force in the delivery of microinsurance products:* - The ISSM could consider more carefully the role of the promoters as the legislation has been silent on their role in intermediating microinsurance. Making their role more explicit could help build a retail intermediation force.
Restricting microinsurance intermediaries to single partnerships with insurance companies: Article 57(3) (Insurance Act) stipulates that additional microinsurance intermediaries (i.e. MFIs, NGOs, banks, MNOs etc.) can only intermediate for a single operator for life insurance and another for non-life insurance.	*Enabling microinsurance intermediaries to have multiple partnerships (multi-tied agency) promotes competition in the interest of the consumer:* Article 57(3) should be reviewed and would require an amendment to enable microinsurance intermediaries (i.e. MFIs, NGOs, banks and MNOs etc.) to have partnerships with multiple insurance companies to enable healthier competition in

	the market and so enable consumer choice. This would also be relevant in the context of bancassurance where banks and insurers fall into the same ownership structure.
Bureaucratic impediment to freedom of mainstream insurance companies to underwrite microinsurance products: At present, mainstream insurance companies are required to seek authorisation from the ISSM before underwriting microinsurance products (article 4(3), Insurance Act).	*Removing a level of bureaucracy in the underwriting of microinsurance products by mainstream insurers:* The ISSM could consider removing this authorisation requirement and request mainstream insurers to notify them of what microinsurance products they are underwriting, for information and monitoring purposes. There is also a need to improve the reporting system to facilitate the monitoring of the insurance sector.
Microfinance regulation limits the scope of microbanks' activities: - The microfinance regulations stipulate that microbanks must undertake operations that are "strictly necessary" for the "proper execution" of a) granting credit and b) taking deposits from the public (article 34(1), Microfinance Regulations[3]). Any other service appears to have to be complementary to these. - Additionally, the microfinance regulations state that "microbanks, on submission of a fully reasoned application to the *Banco de Mocambique* ("BdM"), be authorised to provide complementary financial services that they are not barred from providing by law, as long as they have the financial and technical conditions needed to provide such service with quality and security, and the services are of relevant public utility and necessity" (article 34(2), Microfinance Regulations).	*Need for regulation to make microbank intermediation of insurance explicit so as to not limit it to credit-life:* - The BdM needs to specifically enable the intermediation by microbanks of microinsurance products beyond credit life. - This should be done via the microfinance legislation which will make it complementary to the insurance legislation, and vice versa.
The legislation relating to the intermediation of microinsurance (non-explicitly) permits informal entities to do so, but responsibility does not fall with the regulator: - The insurance legislation has enabled a wider set of intermediaries including MFIs, NGOs and banks to intermediate microinsurance products. Certain ASCAs	*Need to consider ISSM's ability to exercise supervision:* - The BdM does not regulate ASCA's whilst the insurance legislation permits such entities to intermediate insurance (when in the form of an NGO). - Insurers may not be certain about their ability to engage with an informal

[3] General regulatory framework for microfinance (Decree 57/2004)

would fall under the category of NGO. - The current regulation delegates the training of such intermediaries to the insurer.	entity. More certainty in the market may be required to leverage a strong potential distribution channel.
No obstacles for MNOs to offer insurance services: - There appear to be no obstacles for Mcel's Carteira Movel (issued with an e-money licence through the BdM) to use mKesh (its e-money wallet brand) to intermediate microinsurance.	*Need for regulation to be updated to reflect the potential role of MNO/e-money agents in the distribution of microinsurance:* - The ISSM would have to consult the BdM in clearly articulating the role of MNO/e-money agents so as to complement the two sets of respective legislation. - However, it may need to be explicitly articulated in the insurance and banking legislation that such an e-money provider can intermediate insurance.. This will encourage further market making.
MNOs role not explicitly mentioned in regulation: - The Payments Law (02/08) does not explicitly mention the mobile network operator (MNOs) as "actors" in the National Payment System. - However, provision 'e' of article 5 allows for the BdM to determine additional entities going forward.	*Need to explicitly mention MNO in regulation:* - Regulations to this law will need to address the role of MNOs in the National Payment System. - This has relevance for the distribution of microinsurance as this is seen as a very strong potential delivery channel.

5. Insurance industry summary

5.1. Insurance market overview

Key Descriptors	Impact on microinsurance development
Broad mix of foreign players in the Mozambique insurance market. - This mix includes those companies with Portuguese, South African, Kenyan and Malawian origins.	*Broad mix of foreign players in the Mozambique insurance market is positive:* - Entrance of foreign players signals market interest. - Foreign players can bring their technical expertise to building the capacity of the market and can leverage head-office resources and systems. - Increased competition.

The industry at present has limited capacity and skills: - There is only 1 actuary in the country at present. - There are 720 employees that need to serve an existing market of c. 95,000 people that have formal insurance. (i.e. 1 employee per 130 people).	*There is a need to capacitate the insurance industry to deliver microinsurance.* At present staffing levels, the delivery of microinsurance may not be sustainable. It would require larger numbers of sales and administrative staff if delivery is to extend beyond corporates and large groups (see notes on agent distribution below).In addition to more staff, it would require staff with skills in designing and delivering microinsurance products as well as having an understanding of the low-income market. In addition, The limited number of domestic actuaries may be overcome by utilising foreign consultants. While this is not a problem per se, it will mean that the actuary is not available in the day-to-day operations to support the business development process. This undermines the ability to innovate and evolve business practices on an on-going basis. It may also prove extremely costly.
Shift from non-life to life insurance as a result of growing credit-life business.	*The life insurance market in Mozambique is under developed. The late development of life insurance in Mozambique was largely triggered by the development of the credit market and compulsory credit life. This development was not driven by or dependent on the insurance industry's retail distribution infrastructure.* Credit-life is a typical entry point for the delivery of insurance products. It nonetheless needs to be managed appropriately taking the following into consideration: - Low-levels of financial literacy among the adult population. - Insurers need to ensure clients are aware that they are insured. - Experiment with extending benefits inside products so that more value is provided for clients.

5.1.1. Performance indicators: Profitability, solvency and efficiency

Key Descriptors	Impact on microinsurance development

Healthy levels of solvency and profitability in the market: - Combined life and non-life business reveals an average return on equity of (13%) for 2009. - Good levels of solvency[4], with the ratio of liabilities to investment assets worsening slightly from (51%) in 2007 to (55%) in 2009. - Industry appears to have sufficient capacity to absorb adverse shock events. The industry ratio of capital to liabilities is in excess of (50%), having reduced only marginally between 2007 and 2009[5]. - Based on the good levels of solvency and the ratio of capital to liabilities, we can conclude that current stated levels of profitability have not been at the cost of financial security of policyholders.	*Existing levels of profitability with further high-income opportunities to explore may mean that insurers are comfortable with their current positions and not incentivised to explore new and more challenging market segments such as microinsurance.* However, industry consultation in 2012 suggests that profitability levels have declined since the original research was conducted in September 2011, meaning that the industry may now be more inclined to seek to grow new market segments, including microinsurance.
The insurance industry is heavily invested in illiquid assets such as property: 84% of gross premiums underwritten were non-life assets, which require greater levels of liquidity.	*Regulators may need to monitor the liquidity levels of insurance companies.* The concentration of assets in property reflects the limited investment options available. If investment options are constrained this may disincentivise insurers from pursuing premium growth. Given that microinsurance by its nature may be short-term, the absence of liquid investment options may present a problem in ensuring their asset-liability liquidity match.
Competition for clients in non-life market: - Combined expenses for non-life business are high and increased from (40%) in 2007 to (47%) in 2009. - Almost doubling of acquisition expenses from (10%) in 2007 to (19%) in 2009. *Life industry less competitive than non-life industry:*	*High cost levels will make it difficult to offer low-premium products and the expectation is for costs to increase.* *The development of retail insurance and particularly microinsurance will result in an increase in distribution cost due to the higher level of distribution effort involved.* *The limited skills base in the industry combined with increased competition for these scarce resources will result in increased labour cost.* *Non-life market players need to explore new markets:*

[4] A ratio in excess of 100% indicates insolvency
[5] The lower the ratio, the lower the ability to absorb shock events

- Combined expenses (acquisition and administration) in the life insurance industry from 2007 to 2009 vary between (19%) and (30%). - Administrative expenses account for roughly double the acquisition expenses, which may reflect the very limited retail distribution that is taking place and the fact that much of the life business is based on compulsory credit life (requiring minimal intermediation effort). - Lower costs in the life industry may still reflect some level of cross-subsidy between recently separated life and short-term business units.	- It seems that increasing competition in the non-life business is driving up the costs of acquiring new customers. This should incentivise insurers to explore new channels and markets. Current business is driven by brokers for whom more competition means more options to place their business and could increase their commission.
There are improvements in client value for non-life products: - Claims ratios have been increasing steadily for the non-life industry from (37%) in 2007 to (57%) in 2009.	*It is extremely important that the industry maintains good non-life client value for it to be successful in rolling out microinsurance.*
Life claims ratios recovered	*Consistent improvement in claims ratios reflects better value to consumers. Substantial variation in claims ratios over time reflects small portfolio and the risks of pursuing new business too aggressively.*

5.2. Distribution

Key Descriptors	**Impact on microinsurance development**
Brokers dominate the market: - Brokers control 60% of distribution[6]. - Companies derive in excess of (60%) of premiums from brokers.	*Need for innovation in retail and alternative distribution models:* - Broker businesses may not be mobile enough to reach into areas that are outside the country's main commercial centres.
Bancassurance has grown to be about 25% of industry: - This is not a reflection of a growing industry but of the business model of SIM, the largest insurance company in terms of gross underwritten premiums, which distributes its premiums via BIM, the bank within the same ownership group. - SIM derives 50% of gross underwritten premiums through BIM.	*Even though low, bank penetration exceeds that of insurance and presents an important distribution channel that reaches into lower-income households* However, banks' control over access to these clients places them in a powerful bargaining position potentially increasing commissions at the cost of consumers. Bancassurance partnerships are limited and insurers would have to invest in developing other channels.

[6] An estimate based on industry consultation and 2010 market share.

- Global Alliance (through ABSA South Africa and Barclays Mozambique) is looking to grow its bancassurance channel.	
Limited use of agents to distribute insurance: - Agents contribute less than 15% of premiums. - ISSM only registered 17 insurance agents in 2011. - ISSM registered 294 promoters in 2011. The promoter is a simpler form of agent (and cannot collect premiums). - For an existing market of c.95,000 adults that are formally insured, this means that each agent/promoter has to serve c. 300 individuals, a figure that underlines the severe capacity constraints.	*Given the early stages of market development and low awareness of microinsurance, distribution channels are required that can create a market (i.e. can actively sell insurance).* *Brokers are unlikely to be able to intermediate microinsurance beyond large aggregators and client groups. Such groups are limited and to develop the market beyond these insurers will require some form of agency force.* Developing and managing such an agency force will require substantial investment and effort from the insurers and will place further stress on the already limited management capacity.

5.3. Microinsurance products on the market

Key Descriptors	**Impact on microinsurance development**
Microinsurance type products on the market consist mainly of funeral and credit life products:	*These products are common as first stage products and are simple to deliver and understand.* *Care should be taken to ensure that consumers are aware of their cover and are able to derive value from the compulsory products*.
There are several products still in pilot stage: - The products analysed in this study have not been in the market for more than 3 years. - Beyond funeral and credit life, all products are still in pilot phase and as a result, take-up is limited.	- The recent introduction of these products is positive but also reflects that the industry is still in the early stages of exploring this market. - The products that are currently in pilot should be monitored to see how successful they have been in the market. - Consideration should be given to encouraging a wider variety of products to serve the needs of low-income consumers.
Credit-life is offered on a compulsory basis: - Some evidence of products evolving beyond pure credit life. - Examples include Hollard's package of funeral cover for the borrower's family which provides, in addition to credit life cover, disability and retrenchment	- While there are concerns about compulsory products, these do present an opportunity to expose the low-income market to insurance. Feedback from the focus group discussions (FGDs) as well as FinScope data indicates that consumers are aware that they are covered by credit life policies

cover (enhanced or extended credit life).	and have a basic understanding of the product. This could present the appropriate opportunity to introduce new products or extend coverage on the current offerings.
Credit-life premiums are too high: - Credit-life premiums vary considerably, ranging from (1%) per annum to (2.5%) and even higher. - Premiums are paid in a single instalment upfront and capitalised to the loan, resulting in even higher premiums due to the interest charged.	- Given the compulsory nature of these products, the premiums seem too high. Other SADC benchmarks would suggest that premiums should be less than 1% of the loan value - It could be that financial institutions providing credit-life do not have appropriate capacity to price and set arbitrary fees. Alternatively, it could simply be an additional revenue stream for credit providers and the compulsory nature means that they are not incentivised to optimise the value for the consumer.
Funeral products are more standardised than credit-life and are generally limited to bancassurance distribution: - Funeral products tend to be more standard across insurers than credit life products. - Typically, cover is provided to the immediate family (member, spouse and children) and sometimes extended to cover parents. Benefit levels vary by age of the person insured, from MT 3,000 for stillborn children to MT 50,000 for adults. - The premiums paid depend on age and gender but can range between approximately MT 10/month to MT 190/month. - Funeral products are generally distributed via bancassurance models, with some evidence of insurers making use of brokers and even their own tied agents.	*Innovation lies in improving the distribution of funeral insurance:* - Funeral products, although in the microinsurance market, require greater innovation in the distribution channel in order to increase the level of access to the product offering.

5.3.1. Informal insurance landscape

Estimations of the number of users of such informal mechanisms are not extensive For the purpose of this analysis, informal insurance/risk mitigation schemes are defined as insurance type products that are offered by players that are not regulated for the purposes of doing so.

Key Descriptors	Impact on microinsurance development
Family and community solidarity mechanisms, operating on a structured basis without a legal identity, make up the majority of informal insurance: - These include *xitiques*, funeral funds, and contributions towards community infrastructure or for social community events. - Brief descriptions of these mechanisms are provided in the diagnostic.	- Informal risk management reflects the need of low-income communities to manage their risk and their willingness to pay to do so. However, it does not translate automatically into demand for formal insurance products. - Use of informal mechanisms shows that low-income consumers have an awareness of insurance-type risk management. This may make it easier to raise insurance awareness. It may, however, also confuse matters where some informal mechanisms do not follow strict insurance rules. - The informal sector in Mozambique is not well networked making it difficult to use it as a consolidated distribution channel. Individual informal groups may, however, present opportunities for group sales and marketing.
"Self-insurance" in the form of credit-life type products is found in the informal space. When provided by an MFI such products are compulsory: - MFIs can either partner with an insurance company (e.g. Banco Oportunidade with Hollard) or informally self-insure via a "solidarity fund" with premiums standardised at (1%) of the loan value (e.g. CCOM, RCRN, FDM, Progresso and Hluvuko). - Self-insurance type products (*fundo solidario*) are compulsory for clients. These take the form of credit-life type products, where the outstanding payment on the loan is settled upon death of the client. - MFIs are not legally allowed to underwrite insurance products and this is a new area for most of them, if provided at all. However, several already offer compulsory credit-life insurance to their clients. -	- Self-insurance amongst MFIs presents a risk that they are not able to appropriately manage the risk pool. This is particularly the case for smaller MFIs where the risk experience may be more unpredictable (due to small number of lives covered). - Where the benefits are limited to outstanding loans and only the life of the borrower, such risk is relatively limited. It is still in the interest of the policyholder to formalise these insurance activities. - Even if an MFI can manage the risk, such informal insurance presents a substantial lost opportunity to evolve the microinsurance market. The product is limited to cover the outstanding loan amount on the death of the borrower. It does not allow the MFI to offer enhanced benefits beyond the loan value (e.g. funeral or life benefits) or to cover the lives of the borrower's family.

6. Take-up of formal and informal insurance products

Key Descriptors	Impact on microinsurance development

Insurance penetration lower than other SADC peer countries. - Only 2.3% of adults have some form of insurance cover including both formal insurance and insurance or cover provided by the National Social Security Institute (INSS). - This is lower than other SADC countries for example, 22.8% in Swaziland, 19% in Zimbabwe and 6.3% in Tanzania.	*Insurance industry is at the very early stages of development. Experience and capacity is limited and systems are not geared for large-volume retail distribution.* Foreign insurers may be able to leverage head-office infrastructure and experience but in-country capacity will remain a challenge. There are still opportunities for the insurance industry to grow amongst the high-income population and this will reduce their interest in the more challenging low-income market.
Life and health insurance dominate. - The life and health related insurance product categories have the highest levels of usage - 1.3% of adults (146,600 people) have some kind of life cover (largely composed of funeral insurance). Asset insurance has the least take up (0.6% of adults or 68,563 people) as it is dependent on income.	Low penetration means that there is very low awareness of insurance in the market. To create a market for insurance is likely to create a substantial sales effort. Funeral insurance is often the lead product in developing microinsurance as it presents tangible benefits that are in demand by consumers and the product is simple to understand. This product provides the basis to evolve to more traditional life products.
54% and 63% of those with formal insurance cover (excluding INSS insurance) earn less than MT 50,000 per annum (c.USD $5 per day) and MT 100,000 per annum (c. USD $10 per day), respectively. *72% of the uninsured earn less than MT 50,000 per annum (between USD $0.5 and 5 per day).* - 43% (c.4,814,000 people) of the uninsured earn less than MT 5,000 per annum (USD $0.5 per day).	*While not an exact science, a typical rule of thumb is that commercial insurers would consider clients with income in excess of USD $5 per day as viable.* 62% of the <u>population</u> meets this basic criterion for viability as insurance clients. Below this income level there may still be opportunities but this market will not be the first priority for insurers and may require additional support or incentives to catalyse exploration. It is, therefore, interesting to note that the market has already reached consumers earning even less than USD $2 per day. This bodes well for microinsurance development as it means that insurers are already exposed to this market. 28% of the <u>uninsured</u> population earns more than approximately USD $10 per day and these are viable insurance clients (from an income point of view). There are also c. 195,000 of uninsured people earning between USD $5 and USD $10 per day, (or 96% of that income segment is uninsured). While more challenging from a commercial perspective, these income levels should present viable insurance clients. 43% of the uninsured earn less than USD $0.5 per day. This market will not be viable to serve on a purely commercial basis. Income levels of between USD $10 and USD $15 per day are still relatively low (and would fall within microinsurance definitions in Brazil and South Africa).. Further

	support or incentives may be required to catalyse exploration of the lower-income market.
Bulk of low-income penetration achieved by life in particular funeral and credit life.	See above
Maputo city and Province dominate. - (Including Beira). *Dominance of Southern provinces.* - Formal and informal financial services usage and cell phone ownership increases as one moves further South in the country towards Maputo Province and Maputo City. - Insurance penetration is concentrated in the Southern parts of the country with the highest level of insurance penetration in Maputo City followed by Maputo Province and Sofala Province.	*Adoption of alternative distribution strategies to reach other parts of the country.* - This reflects economic activity (and is also mirrored by penetration of MFIs), the early stages of development as well as limited distribution infrastructure. - Given this, it is likely that an early microinsurance pilot would have to focus on these geographic areas to be viable (following which it can be extended outside these areas). Cconsideration should be given to initiatives and incentives to extend outside these regions as well as the infrastructure challenges.
Informal financing mechanisms penetration surpasses formal insurance penetration. - 1.9% of adults (c. 217,350 people) are members of informal risk groups; this figure is double that of formal funeral insurance usage.	As noted above, this is an area to explore as an opportunity.

7. Understanding the potential microinsurance customer

7.1. Profile of the market

Key Descriptors	**Impact on microinsurance development**
Summary of key population profile descriptors: - 79% of the insured live in the urban areas - 80% of the insured have bank accounts - 70% of the insured are male	Insurers have not moved beyond the distribution opportunities considered within reach such as banks and this development has been led by the banking channel rather than by the insurers.
Cell phone usage has highest level of penetration across all income brackets and provinces.	The cell phone client base presents a key access point that can be reached through an MNO, as a channel that could be utilised for wider distribution of insurance as

- Higher penetration than any other financial services across all income categories.	well as a potential agency force to distribute microinsurance. This may present challenges in operationlising (e.g. this may not be a high priority for the MNO) but the dearth of distribution alternatives provides strong motivation to explore this.
Formal insurance provided by insurance companies achieved a higher level of penetration within the high-income market. In addition, formal insurance usage peaks at the MT 750,000 to 1,000,000 per annum (USD $50 to USD $75 per day) income bracket.	While there is higher than expected penetration in low-income markets, insurance is still concentrated in the high-income market and there are further high-income opportunities to explore.

7.2. Risk experience and perceptions of the low income market

Key Descriptors	Issues of relevance to the delivery of microinsurance
Illness, death and bankruptcy cited as the top three risks across all focus group respondents. - **Illness, death and bankruptcy** the greatest risk in terms of concern, frequency and financial impact.	*Illness was the greatest risk noted and has impacts beyond the immediate cost of treatment (e.g. having to leave income producing activities to take care of the sick)*. While health insurance may be a complex and difficult product to deliver under current circumstances in Mozambique, consideration should be given to developing products that may provide support when a health event occurs. A hospital cash plan is one such product but is limited to events requiring hospitalisation. Further innovation could be encouraged to deliver products that cover particular medicines (e.g. through the providers or distributors of medicines), travel costs ,loss of income etc. *As regards death, funeral insurance already exists but can be improved and innovation will be required in terms of distribution*. While funeral insurance is a starting point, it is important to encourage the industry to evolve beyond just funeral insurance and to develop life insurance products that can offer greater value. *Bankruptcy is not an insurable risk*. However, products to cover SMEs in certain events could be developed, although will require innovation..
Indications are that funerals cost in excess of MT 10,000 with coffins contributing at	*Given low-income levels, this cost takes up a substantial proportion of annual*

least MT 4,000.	*income*: 43% of the uninsured earn less than MT 5,000 per annum. For them a funeral of MT 10,000 would amount to twice their annual income. 72% of the uninsured earn less than MT 100,000 per annum. For them a funeral of MT 10,000 would amount to 10% of their annual income.
Funeral and family associations are primary funders of death, but cannot fully cover costs. - Interestingly, funeral associations and family groups often only pay for the coffin and do not cover other expenses related to the funeral gathering..	*Informal mechanisms are unable to meet needs in full.* This may reflect the early stages of development of such mechanisms. This may also reflect severe economic constraints as people may be unable or unwilling to contribute more on a monthly basis and, therefore, have to face the risk of short-fall on the risk event occurring. Further exploration of these informal mechanisms may be useful to gain a better understanding of the potential for formal insurance.

7.3. Informal insurance or risk coping strategies

Key Descriptors	**Impact on microinsurance development**
Borrowing from family and friends is the predominant risk coping strategy. - FinScope identified that between (12%) and (17%) of respondents noted that they will borrow from family and friends.	*Low-income households use multiple strategies to manage risks when they occur.* As a household or individual, the low-income population is often exposed to others' risks given that they will be called on for support in times of need. Funeral insurance that allows coverage of extended family may be able to address some of this risk exposure although care should be taken to ensure insurable interest.
Disposal of assets is the second most popular risk coping strategy. - Findings from FinScope indicate that the selling of assets and disposal of livestock is the second most predominant risk coping strategy.	*Assets disposed of under such conditions are sold off at below market value*. Some assets may also be income producing. In such cases the sale may cover the immediate financial need, but the financial loss to the household may ultimately be greater.

Minimal responses for formal insurance as a risk coping strategy. - Less than (0.5%) of respondents noted that they will use insurance to cope with any of the risks mentioned.	*This reflects the low penetration and awareness of insurance*. It may also reflect the perception (as this is not always informed by fact) that insurance is "for the rich" and not an available mechanism for low-income consumers. Developing the microinsurance market will therefore require distribution channels that could actively create the market and potentially wider awareness campaigns to support the roll-out of products.
Key informal financing mechanisms identified: - *Xitique* - *Xitique geral* - Informal family groups (*a conta da familia*), or family associations - Market (informal trader) funeral associations - Church groups or associations - ASCAs – were not discussed by FGD participants but were picked up in FinScope survey.	Discussed above
30% of adults belong to more than two informal risk sharing mechanisms. - Multiple membership driven by risk perception of groups and need for cover.	*This reflects the fact that informal schemes do not fully cover the cost of a funeral.* More likely it reflects the precarious nature of informal schemes and the fact that members are not sure whether the scheme will still exist in the coming months. To mitigate this risk they choose to belong to more than one scheme rather than to increase their contributions (and therefore the benefit) to a single scheme.
39% of xitique members in South.	*This confirms the severe economic barriers outside of urban and Southern areas.* Taking microinsurance beyond these areas will, therefore, require far more than just finding the appropriate distribution channels. Further research will be required to establish the viability of insurance (as opposed to other alternatives) as a risk mitigation mechanism for these areas. At the least, it would suggest that purely commercial mechanisms will find it difficult to achieve viability and scalability.
Average contributions in informal mechanisms. - FGDs revealed that contributions to family associations may range from between MT 50 to MT 2,000 per family with benefits ranging from MT 3,000 to MT 60,000. - 63% contributed MT 500 or less (FinScope).	These contributions are substantial and comparable to the premiums for formal products on the market (but offering lower benefits). It shows that low-income consumers are willing and able to pay for risk mitigation.

7.4. Perceptions of and experiences with insurance

Key Descriptors	Impact on microinsurance development
General trust in insurance companies - Unlike typical findings in other developing countries, Mozambicans still trust insurance companies. Few FinScope respondents noted distrust of the insurance companies as a reason for not obtaining insurance.	*While this should be interpreted in the context of low penetration and awareness of insurance, it is positive* that there is not yet a situation of distrust as is commonly found amongst low-income consumers. Such distrust is often fuelled by word of mouth based on bad experiences with an insurance company (and not direct exposure). Overcoming distrust increases the cost and challenge of distribution. Protecting this positive perception of insurance (through value products and fair treatment of policyholders) is, therefore, critical for the development of the industry.
Awareness and understanding of insurance present challenges to take-up. - While most FGD respondents demonstrated some form of understanding of insurance, most had a limited understanding concerning the detailed workings of products and how insurance companies operate.	*To penetrate the low-income market, it will be a requirement to have distribution channels that can actively sell the product to create a market for insurance.* This will be challenging to do at low cost and innovation efforts should be focused on this issue. *Larger awareness campaigns could be considered* but need to be supported by the delivery of good value products. It is of little use to raise general awareness of products that are not available to specific consumers.
Affordability reported as a key issue for respondents but may be driven by perception. - 11.7% of FinScope respondents (c. 1,346,000) people) mentioned affordability as a reason for not having insurance.	*Affordability is an important feature of appropriate products.* However, as noted above, contributions to informal schemes are similar to and even higher than the cost of formal products and carry lower benefits. The issue of affordability is often driven by perception rather than fact.
MT 100 is the average premium people are willing to pay. - I would pay MT 100 on a monthly basis for insurance." Informal Trader, Vale Infulene (Maputo)	While this is not a scientific measure, it is interesting to note that there are a number of existing formal microinsurance products that could be purchased for this contribution.

8. Opportunities

In this section we discuss opportunities for the provision of microinsurance through a variety of channels. The implications highlighted provide a comprehensive list of potential interventions identified a subset of which was taken into the Action Plan (on the basis of impact and scope of intervention). This section can be read in conjunction with the Diagnostic and Action Plan for further details on the specific terminology.

8.1. Distribution points

8.1.1. Opportunities for distribution to mobile phone clients/ via MNO

Key descriptors	Challenges	Implications
Distribution to mobile phone clients. Currently 21%, or c. 2.4 million Mozambican adults own a mobile phone and only 29.3% of mobile users or (c. 708,000 people) are banked. Only 3.6% or (c. 86,000 people) of mobile users currently have insurance products. This provides a significant opportunity for mobile banking or other mobile financial services to increase access to a broad range of financial services. *Distribution through mobile banking agents*. Over and above the significant mobile client base, the introduction of mobile financial services has also created a growing network of mobile money agents (e.g. 2,250 cash merchants	**Market challenges** *Challenges experienced with mobile payments models.* The concept of mobile payments was only recently introduced in Mozambique and will face its own challenges to embed the business model. *Incentives may be required to catalyse interest.* Given that MNOs may not prioritise insurance as a product and that, where they do offer insurance, there are risks that the bundled product does not deliver value to the consumer, this warrants the involvement of public interest parties to incentivise adoption of products delivered by MNOs and support design to ensure value to consumers.	The pilot within the Action Plan provides details on how relationships between an insurer and an MNO can deliver m-insurance. Insurance could potentially be attractive for mobile sales agents as the additional source of income may encourage loyalty amongst such agents. Bundled products could unlock market. Given the lower distribution cost and scale benefits, automatic enrolment products could be viable even for those clients with very low incomes. The rationale for this type of cover (where the MNO pays for the insurance) may also dissipate as it is most valuable to the MNO when they are the only ones offering such product (to distinguish them from competition). While this is a valuable

by November 2011 for Carteira Movel's Mkesh brand). This growing network of agents presents an interesting opportunity for selling insurance even beyond the mobile client base.	**Regulatory challenges** *Articulating regulation for the delivery of microinsurance via MNOs.* There are no immediate obstacles to the delivery of microinsurance via an MNO. Although not explicitly included, MNOs can nonetheless be microinsurance intermediaries (according to consultation with the ISSM).	starting point, the focus from the start should be to ensure awareness of and value to consumers to enable longer-term business development. It will also be in insurers' interests to explore voluntary take-up models in anticipation that the bundled model may have a limited life span. Care should also be taken to ensure that products offer value and consumers are informed and able to use their cover. The BdM would need to consider the issue of premium collection, embedded in airtime, deducted from airtime in a voluntary sale or a cash transfer in an e-money scheme (i.e through Carteira Movel's mkesh brand). Explicitly articulating the potential to leverage MNOs for distribution inside the regulation would send out signals to the market to develop this distribution channel.

8.1.2. Opportunities for distribution to MFI clients and/or via MFI agents

Key descriptors	Challenges	Implications
8% of MFI clients have formal insurance. According to FinScope, 1.3% of adults (c. 146,000 people) indicated they were members of MFIs. *Commercial bank-focused MFIs account for 74% of MFI clients and are showing interest in*	**Market challenges** *Microinsurance products may contribute to growth and sustainability of MFIs during a period of saturation in the industry*. Microinsurance products offer MFIs an additional product suite and revenue stream in a period of saturation	MFIs offer the potential for insurance companies to leverage the MFI infrastructure and client base. Regulators can aid this channel in the following ways: Assist MFIs in formalising credit life schemes where these are

insurance. This translates to c. 108,000 people. However, of these, only 4% (4,700 people) are formally insured. Given their ease of reach in accessing the client base, there is potential for insurance penetration within this market. Banco Opportunidade is already offering a credit life product. During meetings, Tchuma indicated a keen interest in the provision of microinsurance to its clients. *Microbank clients show a higher penetration of insurance.* Microbank clients account for 16% of all MFI clients (c. 23,800 people) and 24% of microbank clients (c. 5,400 people) are formally insured. There is a higher level of insurance penetration among microbank clients than for commercial bank-focused MFI clients. *Savings and credit co-operative clients* account for 10% of all MFI clients (c. 14,800 people). This group of MFI clients has the highest level of insurance penetration at 39% (c. 5,800 people). This potentially indicates the potential for reach and distribution (albeit limited in terms of scale). Interestingly, all of the formal insurance policies that are held by savings and credit-cooperative clients are with EMOSE.	for the MFI industry in Mozambique. The challenge will lie in catalysing interest in the sale of microinsurance products beyond credit-life. *Skills/capacity challenges.* An additional challenge will lie in training MFI agents to sell voluntary insurance products in a way that facilitates consumer protection. *MIS challenges*. The diagnostic anticipates that adjustments to their respective MIS systems may be required to facilitate an efficient relationship between insurers and MFIs. **Regulatory challenges** *Uncertainty on distribution by MFIs beyond credit-life.* Currently there may be uncertainty as to whether whether MFIs are legally able to distribute microinsurance products beyond credit life.	underwritten by them in contravention of insurance regulations.. Particular attention to be given to catalyse the delivery of voluntary products (e.g. funeral insurance) that may be beyond the immediate business strategy and capacity of the MFIs Devise framework for training of MFI agents. While the diagnostic did not flag concerns about abuse, it will be important for the supervisors to monitor developments in this space. This will require the ISSM and the BdM to monitor a process which is largely delegated to the insurer. Amend microinsurance product categories to enable life products beyond credit life and funeral. The BdM needs to tailor regulation in order to explicitly enable microbanks to intermediate products beyond credit life. This will make the microfinance legislation complementary to the insurance legislation and vice versa. It will also send out the appropriate message to the market and bolster the objectives of the MFI pilot within the Action Plan.

8.1.3. Opportunities for distribution via Bancassurance **Key descriptors**	**Challenges**	**Implications**
Expanding the network and reach of insurance companies. In 2009, 7.6% or c. 869,000 adults held a bank account with a commercial bank (excluding the four microfinance commercial banks focused on MFI business). Of these	**Market challenges** *Challenge to benefit end-consumer.* Negotiation between bank and insurer needs to benefit the end-consumer. Banks control access to client bases and large commissions may be	Bancassurance offers the potential for insurance companies to leverage the banking infrastructure and client base, in particular those of Millenium BIM and BCI.

customers, only 10% (c. 85,000 adults) reported having a formal insurance policy. This signals significant opportunity to expand access to insurance through bancassurance channels. In addition, the traditional commercial banks could extend the reach of an insurance company by a further c. 360 branches.	demanded by banks to intermediate insurance. This may require monitoring by the ISSM to ensure that value is delivered to the consumer. *One-to-one partnerships*. Certain banks and insurers fall under the same holding group, for example, SIM and Millenium BIM or Barclays and Global Alliance. Exclusive relationships may impede the ability of the market to expand faster than would be the case with banks having multiple insurer partnerships. Multiple partnerships would also help spur greater competition, helping to deliver better value to consumers.	Avoid regulation that dictates one-to-one relationships. Encourage partnerships that allow key channels to be used for multiple products/providers (this also holds true for e-money providers and MNOs). Given the potential relevance of the bancassurance channel to microinsurance, attention needs to be given to disclosure requirements in the interests of consumer protection.
	Regulatory challenges *No regulatory impediments to bancassurance were identified*. The insurance and financial companies' legislation does not provide any regulatory impediment to bancassurance. However, bancassurance is exempt from the extensive disclosure requirements that are applied to brokers and agents. To ensure a level playing field and to avoid regulatory arbitrage, it is important consider potential consumer protection issues in this channel.	

8.1.4. Opportunities for leveraging remittance channels

Key descriptors	Challenges	Implications
Remittances provide opportunity to extend the reach with complementary products. 7.3% or (c. 840,000 adults) indicated that they remit funds within and outside of Mozambique. 39% (c. 325,000 people) of those who remit funds do so through commercial banks, while only 1% (c. 9,400 people) made use of specialised remittance service providers such as Western Union and Money Gram. There are some examples globally of remittance insurance products which are embedded within the actual money transfer. Such products typically protect the recipient in the case of the sender's accidental death. 5% of those who remit funds (c. 39,000) are formally insured, this is almost a tenth of those who remit funds through a commercial bank. This further highlights the role that bancassurance could play in extending the access remittance insurance.	**Market challenges** *One-to-one partnerships*. Exclusive partnerships between remittance providers and banks limit potential microinsurance delivery channels. Remittance service providers such as Western Union are not allowed by regulation to operate independently in Mozambique. They are tied to the relevant commercial banks that they have chosen to partner with. As a result, their reach is limited by the branch network of the respective bank they have partnered with. The significance of this should be tempered with the fact that only c. 1% of the population uses these remittance services. **Regulatory challenges** *No explicit barriers identified*. The ISSM would have to identify the consumer protection issues related to delivering insurance via remittance providers.	Exclusive partnerships may be determined by business interest, but it may be worth exploring wider partnerships in insurance to ensure that limited distribution channels are of optimal use to the insurance industry. While no explicit regulatory barriers have been identified, it will be important for the ISSM to monitor further refinement of regulation to ensure that this channel can be accommodated within their framework. Cross-border remittance services may require coordination with counterpart supervisors for the delivery of insurance.

8.1.5. Opportunities for leveraging utility bill infrastructure

Key descriptors	Challenges	Implications
7% of adults reached through utility bills. Approximately 7.3% of adults (c. 840,000 people) indicated they have either a water or telephone bill in their name. Of these 9% (c. 44,000 people) indicated they are formally insured. Our research shows that in Latin America (including Brazil), there are insurers that have partnered with utility providers to provide insurance products to their client base. Typically these utility-based insurance policies cover the client's contractual obligation to the provider in the case of death, illness, or unemployment. Not only does the utility provider's client base serve as a distribution network achieving scale, it also serves as a premium collection channel via the bill payment system.	**Market challenges** *Ensuring mutually beneficial relationships.* Facilitation may be required to structure mutually beneficial relationships between insurers and utility companies. The study did not identify any particular constraints to utilising this opportunity. However, international experience shows that there may be some challenges in structuring a partnership between entities of a very different nature. In addition, the utility companies (and for that matter insurance companies) may not be aware of insurance as a potential opportunity and may also face mandate constraints (particularly if they are government-owned).	Support may be required to raise awareness of opportunities and facilitate a relationship between insurers and utility companies to ensure mutual benefit and delivery of products that serve the best interest of the clients. While no explicit regulatory barriers have been identified, it will be important for the ISSM to monitor further refinement of regulation to ensure that this channel can be accommodated within their framework.
	Regulatory challenges *No explicit barriers identified*. This opportunity should be further explored and may benefit from facilitating the partnership with insurers.	

8.1.6. Opportunities for distribution via employers

Key descriptors	Challenges	Implications
Leveraging insurance provision via payroll deduction. While making up 56% of all formally insured people, only 5% (c. 55,000 people) of salaried workers have any formal insurance. This indicates a significant opportunity for insurance companies to further extend insurance offerings within this group. The fact that a substantial proportion of the formally employed are Government employees places the Government in a good position to leverage this opportunity.	**Market challenges** *Resistance to employee payroll deduction*. Industry interviews reflected resistance of employers to facilitate insurance to employees and allow deductions of insurance premiums from payroll. Typically this type of employee-benefit scheme starts with retirement savings, which is still underdeveloped in Mozambique.	Further research is required to understand apparent resistance to enabling employer-based delivery of insurance products (i.e. deducting an insurance premium from an employee's salary). This may include consideration of tax incentives to incentivise this channel.
	Regulatory challenges *Regulatory calibration required to enable this channel*. Whilst there is no explicit barrier identified, a regulatory amendment would send out the appropriate message to encourage market making via this channel. Such an amendment could articulate the provision of this channel to generate more visibility about its possibilities.	

8.1.7. Opportunities for distribution via key players within the agricultural value chain

Key descriptors	Challenges	Implications
Agricultural producers, processors and associations ("agricultural players") could serve as a touch point. 21% of adults indicated that they earn their livelihood from agricultural activities. In addition, 16% (c. 400,000 farmers) indicated that they receive financing from a large agricultural producer or processor. Approximately 165,000 farmers (7% of farmers) indicated that they sell their crops to large agricultural producers and processors. In addition, 1% of farmers (c. 24,000 people) indicated that they sell their produce through agricultural associations. There could be potential for scale and reach through these channels.	**Market challenges** *Awareness.* Agricultural players may not be aware of or prioritise the provision of microinsurance. *Fragmentation*. Opportunities are limited in individually reaching relatively small numbers of consumers. Large segments of the agricultural industry remain un-networked. *Systems and infrastructure*. Agricultural players are unlikely to have MIS systems that will easily facilitate the delivery of insurance or administering and receiving premiums. *Business interest*. It is likely that agricultural players may have several other core business priorities and may not consider insurance as a priority.	Further research is required on agricultural value chains and corridors in Mozambique to allow the market to better evaluate the opportunities therein. Catalyse interest: Support may be required to catalyse interest amongst agricultural players. Brokering relationships: Support may be required to facilitate relationships between insurers and agricultural players to ensure mutual benefit and delivery of products that serve the best interest of the clients. Research on the Zambian market reflects on a partnership between an insurer and a cotton ginning association. Appropriate product design: Given low-incomes and vulnerability of farmers, it would be critical to ensure appropriate product design that benefits the farmers.
	Regulatory challenges *No explicit barriers identified*. There is no barrier to agricultural cooperatives distributing insurance, but the ISSM should consider articulating this channel in a regulatory	While no explicit regulatory barriers have been identified, it will be important for the ISSM to monitor further refinement of regulation to ensure that this channel can be accommodated within their framework.

	amendment.	

8.1.8. Opportunities for leveraging distribution via informal financing mechanisms

Key Descriptors	Challenges	Implications
Informal mechanisms may present fragmented opportunities for marketing. In 2009, 7.4% of adults (c. 850,000 people) indicated they are making use of informal financing mechanisms namely through a xitique, xitique geral, ASCA, informal family grouping or funeral associations. Typically these are not networked and may not offer opportunities as distribution and premium collection channels that could achieve scale. These do, however, present client groups that are familiar with an insurance type product and could provide fertile ground for which to market insurance through agents. Interestingly, 3% (23,000 people) who access such informal channels have formal insurance.	**Market challenges** *Fragmented, lack of networking and low-income*. The fragmented nature of informal provision, a lack of networking and low-incomes will combine to undermine interest in this potential target market. *Limited understanding of informal insurance sector.* *Not necessarily demand for formal insurance*. The informal insurance market demonstrates familiarity with risk-management but not necessarily demand for formal insurance. *Limited market data*. The lack of data covering the informal insurance sector in Mozambique prevents stakeholders from holding a clear picture of opportunities therein.	Even though limited by lack of networking, informal groups may still provide opportunity for marketing insurance products. Initiatives to encourage networking of the groups could be beneficial as a longer-term strategy to achieve necessary scale. Further research may be able to better articulate potential opportunities as well as to shed light on risks and implications for supervision. Enhance treatment of informal sector in forthcoming FinScope (i.e. further develop the design of questions related to the informal sector). The improved data captured from the informal sector could better inform potential business strategies and donor interventions. Our research in other SADC (Southern African Development Community) markets shows that a limited understanding of informal provision and limited interaction with that market may culminate in a greater number of supervisory issues. While not requiring immediate action, it may warrant better monitoring of
	Regulatory challenges	

	Limited data presents a challenge. The ISSM has limited data and information on the informal sector and therefore is unable to assess potential risks in this sector.	this environment.