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# I.I.Z. ANNUAL CONFERENCE 2019

## SELLING INNOVATION OF MICRO-INSURANCE THROUGH PARTNERSHIPS

Israel Muchena

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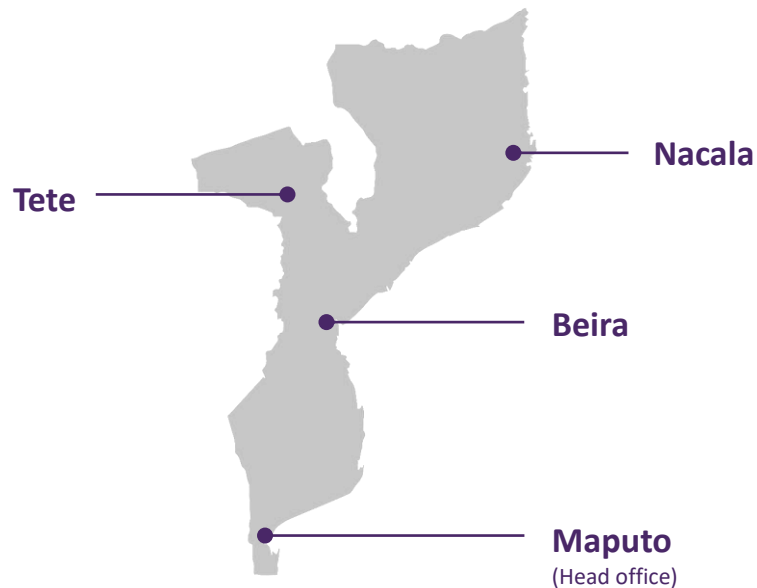
# CONTENTS

1. Introduction to Hollard
2. Challenges of Traditional Models
3. Emerging Trends of Financial Inclusion
4. Defining Microinsurance
5. Background Info on Area of Operation
6. Case Studies Involving Innovation & Partnership
7. Missing Links
8. References

# HOLLARD MOZAMBIQUE & HOLLARD INTERNATIONAL

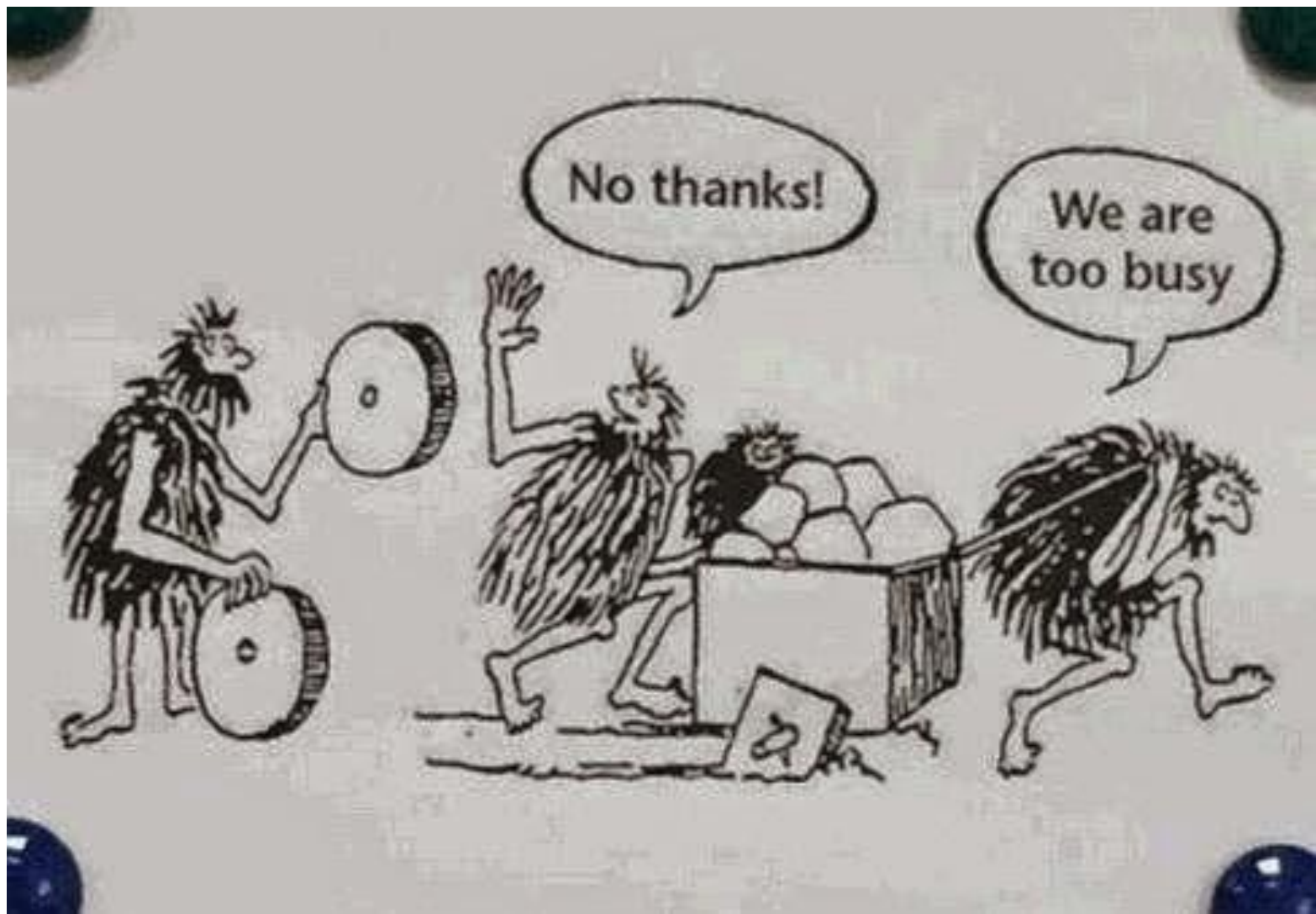
## Representation

### Hollard Mozambique



### Hollard International





# CHALLENGES OF TRADITIONAL MODELS

- High operating costs & low efficiencies
- Lack of access to markets
- Lack of skills & capacity
- Low penetration rates
- Lack of R&D
- Supply-driven approach
- Lack of trust/awareness

# EMERGING TRENDS

1. Smarter use of appropriate technology
2. Improved product offering (demand-driven)
3. Increased emphasis on the role of entrepreneurship
4. Support from a broader range of partners (Development Agencies & Micro-Lenders)
5. Enhanced regulatory framework

# MICROINSURANCE

**“Microinsurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved”**

Craig Churchill



# MICROINSURANCE - OUR APPROACH

- **Value for money** - we always aim to lower acquisition costs
- **Genuine need**, correctly targeted
- **Low Premium**: It is essential that premiums be available in units that are as small as possible.
- **Simple**: All policy and sales documentation should be in simple language and product benefits should be designed to be explainable in simple terms.
- **Upgradeable**: The insurance needs of the individual change and increase as that person progresses.
- **Embedded, where possible**: The relatively low awareness of insurance needs can be overcome by attaching a meaningful insurance products to other products that are better understood by the consumer

Tell me and I forget. Teach me  
and I remember. Involve me  
and I learn.

- Benjamin Franklin



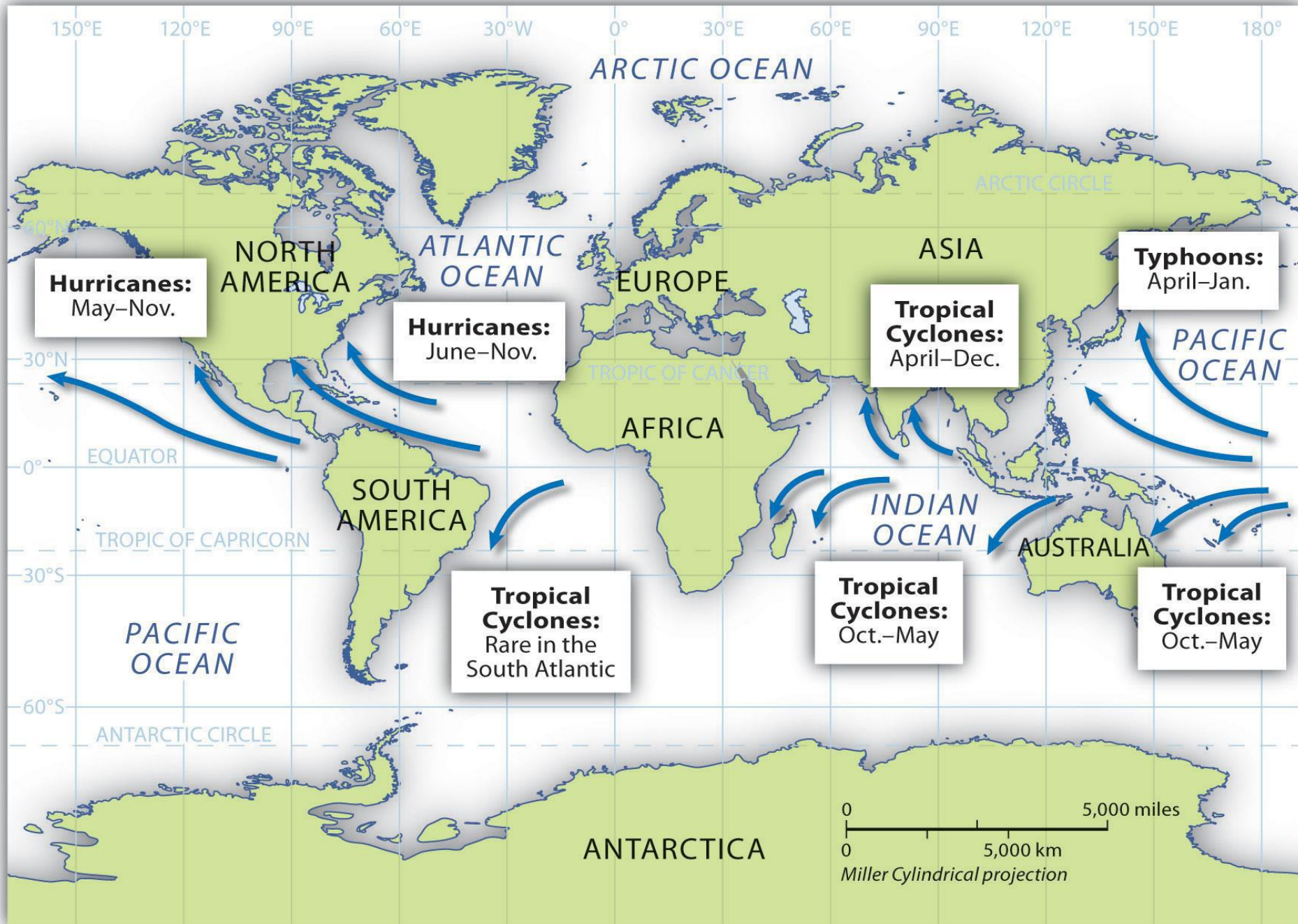


# 1st Case Study

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# PROTECTION GAP

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At the same time the vulnerable communities have no protection

- Low penetration rate of Insurance (1.5%)
- Low Premium Per Capita of \$53.80 compared to global average of \$649.80
- Only 7.7% of the adult population has some form of insurance



# UNNATURAL DISASTERS

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- Without Appropriate Policies & Measures, Natural Risks Lead to '**Un**natural' Disasters
- The Impact of these Disasters should not be viewed as natural because they are due to either
  - Omission – Failure to Implement Risk Control, or
  - Commission – Inappropriate Actions such as Damaging of the Environment

# BACKGROUND TO NATIONAL POLICY FRAMEWORK

- 1505 Beginning of colonization
- 1964 War of Independence
- 1975 Independence
- 1992 Ending of War
- 2000 Post-War Development Policy focused on the following 3 major preoccupations:
  - War Risk
  - Economic Risks
  - Natural Perils

# PRIVATE/ PUBLIC PARTNERSHIP TO ADDRESS KEY UNRESOLVED RISK

- Understand their principal preoccupations
- Learn extensively about the development policies for your areas of interest
- Identify areas of interest in their development work and illustrate how Index Insurance will facilitate their work
- Explore aspects of existing projects that can be refined
- Provide support in policy advocacy



# 2nd Case Study

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Have you ever used a product  
from this company?





# How many of you used cars from these companies recently?



# ISUZU



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# What are the key issues with trying to sell seat belts?

- It is not the first thing in the mind of the customers
- Some people may never have a chance to see it working
- How do you measure customer satisfaction/ appreciation if there are no claims?

**„The electric light did not come  
from the continuous improvement  
of candles“**

(Oren Harari)

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# 3rd Case Study

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# MICRO-LENDING PARTNERSHIP

You can embed insurance without  
increasing cost for the customer



# MICRO-LENDING PARTNERSHIP

What are the componentes of interest rate?

- Real Interest Rate
- Inflation
- Liquidity Risk Premium
- Credit Risk



# MISSING LINKS

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The fundamental problem with insurance is that it appears to reward only the “bad” clients.

# WHAT DO WE HAVE TO RESOLVE THIS CHALLENGE?

- Provide value-adding services
  - Climate Report per Locality
  - Some of the technology that we are using such as GPS/ GIS has other benefits
- Explorations aimed at rewarding the good client



# REWARDING THE BEST



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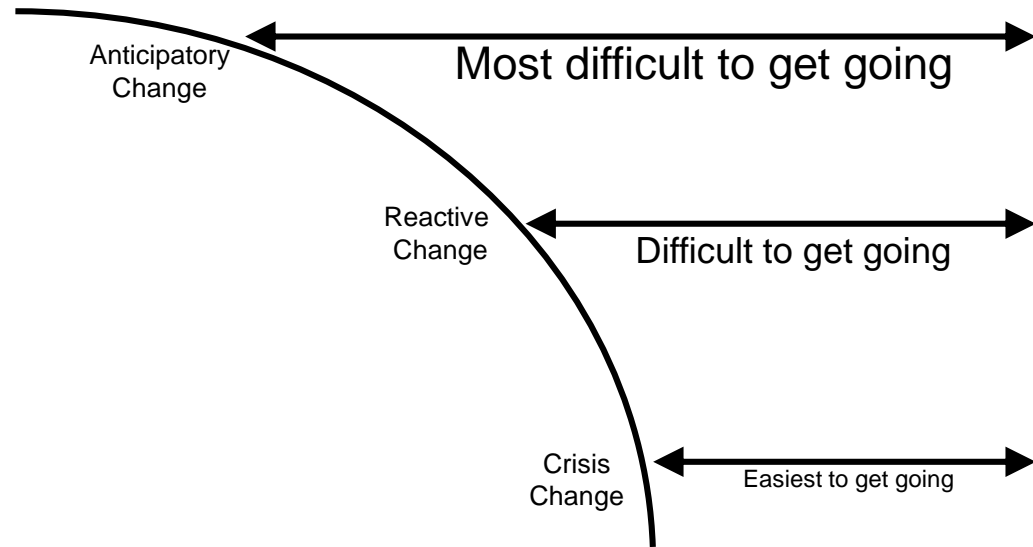


Insurance is a “grudge” purchase.

# WHAT LESSONS CAN WE LEARN?

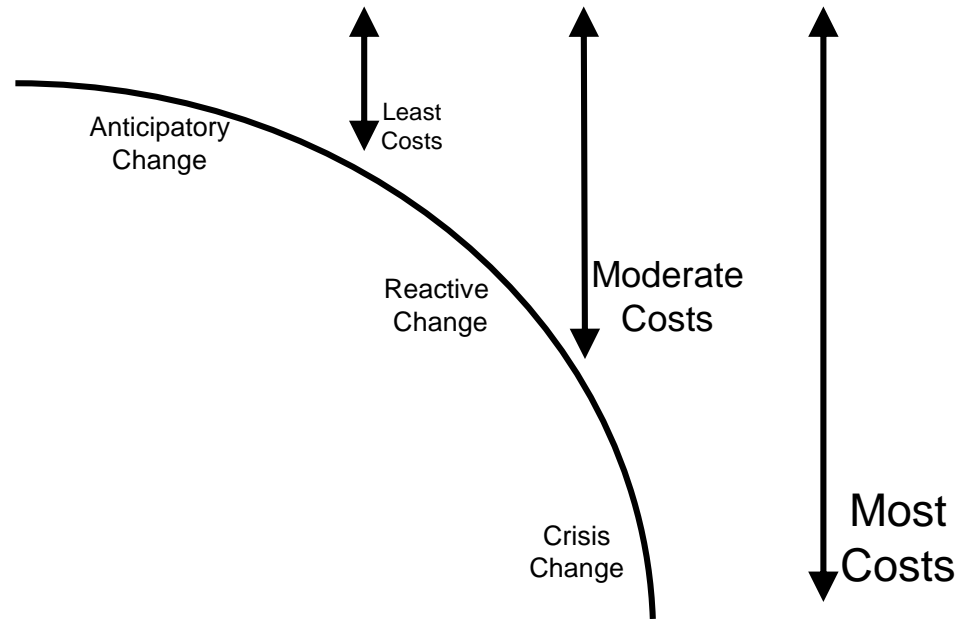
- It is crucial to position insurance as an integral component of a risk management framework which must be looked at holistically
- It is vital to embed index insurance with appropriate products where it should be an integral part of the value-chain.

# THE DIFFICULTY OF CHANGE



Leading Strategic Change: Black & Gregersen 2002

# THE COSTS OF CHANGE



Leading Strategic Change: Black & Gregersen 2002

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# OBRIGADO

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