

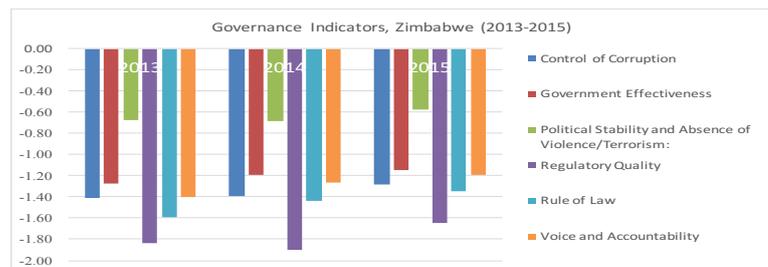
## Zingsure ready to up-scale microinsurance in partnership with the Apostolic Council of Churches of Zimbabwe

### 1. DEVELOPMENT RELEVANCE

#### Economic and poverty context

Table 1: Population and economic indicators (Source: World Bank & Heritage Foundation)	
Population in million (2015)	15,6m
GDP growth (2015)	0.47%
Inflation (2015)	1.09%
Trade balance (% of GDP) (2015)	75.6%
Foreign direct investment (net) (% of GDP) (2015)	2.77%
Net ODA received (% of GNI) (2014)	5.8%
Remittances received (% of GDP) (2015)	14.2%
Economic Freedom Index (Rank among 186 countries) (2017)	44
Poverty indicators	
GDP per capita (USD) (2015)	924
Gini Index (0= equality 100= inequality) (2011)	43.15
International poverty rate (2011; at 1.90 USD/day)	5.17%
National poverty rate	No Data
Rural poverty headcount rate	No Data

Zimbabwe's economy is characterised by instability and volatility, both of which are hallmarks of excessive government interference and mismanagement. Massive corruption and disastrous economic policies have plunged Zimbabwe into poverty. The government near bankruptcy has triggered large protests over unpaid civil service wages and a continuing economic crisis. The financial system has suffered from repeated crises. The lingering effects of years of hyperinflation have crippled entrepreneurial activity, severely undermining macroeconomic stability.



#### Financial sector context<sup>1</sup>

The Government of Zimbabwe is cognizant of the significant contribution of an inclusive financial sector to the socio-economic development of the country and that this will have substantial positive impact on people's lives through reduction of poverty and inequalities, and promotion of economic growth, while mitigating systemic risk and maintaining financial stability.

Regulatory frameworks exist for both banking and insurance. The Reserve Bank of Zimbabwe, in partnership with the locally registered banks regulate the banking environment and the Investment and Pensions Commission regulates the insurance industry and players.

The country's financial sector reflects Zimbabwe's economic and political distress. Zimbabwe has one of the lowest microinsurance (MI) coverage ratios in Southern Africa at just 1.08% (versus 5.43% average for Africa) or about 160'000 people. Microinsurance specific regulations were being drafted shortly after the commencement of this project as a specific objective to open access to insurance for the uninsured masses.

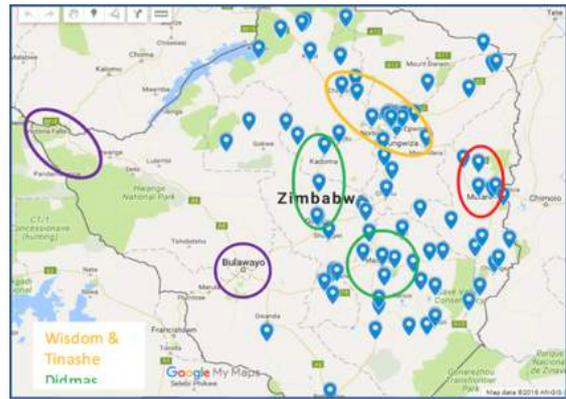


#### Partner financial institution

Zingsure Limited, registered in the Seychelles, is a subsidiary of the Zing Group of Companies. Its key objective is to create licensed microinsurance businesses in partnership with large affinity groups of more than one million members in at least ten African countries offering affordable and convenient access for the uninsured masses. In doing so, it will close the insurance penetration gap in these markets. These countries include: Zimbabwe, Malawi, Zambia, Tanzania, Uganda, Rwanda, Mozambique, Kenya, Ghana and Nigeria. Swiss Re hold 20% of Zingsure Limited.

InsureCo has been registered in Zimbabwe as Zing Microinsurance Company (Private) Limited.

The deployment of the Zing agent network will span six phases over a period of 90 days as indicated on the map. The placement of agents focuses on two primary drivers being population density and alignment with affinity group partners.



## 2. INTERVENTION APPROACH

### Capacity building needs

SCBF assisted with establishing the setup of the InsureCo in Zimbabwe prior to obtaining the insurance licence by funding local specialists in recruitment, IT, accounting, legal and actuarial work to get the business planning and licence application process under way. This has helped Zingsure to speed up its market entrance in Zimbabwe and facilitated Zingsure to invest additional capital in the local insurance business.

### Main activity areas (goals, targets, resources & time frame) and outputs

The overarching goal has been to increase rapidly the current low 1.08% microinsurance penetration rate (with only 160'000 people covered by microinsurance) to 60% by collaborating with the largest church affinity groups as distributors and co-owners of the insurance business. The investment objectives were to raise USD 2 million as minimum capital requirement and USD 1.75 million of equity with no premium guarantee. The financial inclusion objectives were a CSI contribution equal to 2.5% of the premium inflow.

The main activities comprised:

- 1) Registration of InsureCo and licence application:  
Zingsure decided to seek a microinsurance licence for InsureCo, as the Investment and Pensions Commission promised a microinsurance licence system in place by December 2016. There were numerous delays in this, as the Investment and Pensions Commission required more industry participation. InsureCo was the first applicant to be awarded the first microinsurance licence in March 2017.
- 2) Creation of a partnership with a large affinity group:  
Zingsure developed a close partnership with the Zion Council of Churches (ZCC), which is one of the 900 churches associated with the Apostolic Council of Churches of Zimbabwe. It is the largest and best organised church and so would be the best starting point.
- 3) Investment mobilisation:  
Zingsure invested USD 1,650 million into the business.
- 3) Development of the launch product with the following features:
  - Starts with group cover for the Main Member \$500 of each family.
  - Main Member can increase this to an additional \$4,000 based on different affordable price plans.
  - Main Member can cover additional members of the family (i.e. spouse, children and parents).

## 3. RESULTS ACHIEVED AND NOT ACHIEVED

### Client level

ZCC and its members have benefited from:

- Becoming 30% shareholders of an insurance business that will very likely become the largest insurer by new business written in Zimbabwe within five years. This participation is broad-based as 100% of their main members will be offered shares in Fambazion at a price they can afford.
- The creation of Fambazion is a significant step for the ZCC by separating religious and business matters and whereby strengthening their buying power capacity. Fambazion from now on will manage all commercial business with the ZCC and in so doing will ensure that the ZCC benefits from their volumes and can distribute the savings than can secure back to their members.

- InsureCo will launch a life microinsurance product that aligns with what their members need (cover will be available from June or July 2017, depending on mobilisation – scale of claims operation is significant and so we may need more time to ensure 100% success). It provides financial support, when the main member of the family passes away of \$500. Zingsure has introduced its patent claims process, which ensures the instant payment of all valid claims. Additional products will be developed within the first year that include more cover for the Main Member and extended family cover travel insurance, hospital cash backs and agriculture insurance (60% of their community are rural farmers).
- InsureCo will be committed to corporate social investments by setting 2.5% of all premiums collected aside for community projects (CSI) within the ZCC.
- Zingsure will be issuing smart phones to the about 450 pastors of the ZCC. This will allow them to process claims, using the patented process of Zingsure. In addition, it creates a channel of communication for the ZCC, whereby the bishop can send messages to all his pastors and in this way and for the very first time connect every member of the church to the bishop.
- Zing has already created more than 300 jobs at grass roots and at corporate level. All staff appointed are Zimbabweans. Job creation will likely reach 15'000 people by end of 2018.
- The journey of Zingsure starts with embedded insurance for the end customer free of charge paid for by their church. Getting free insurance initially will help educate the masses about the benefits of insurance.
- The partnership with the ZCC will open new doors for economic development in the communities where the ZCC is present. This includes agriculture economic development and education to every one of the ZCC schools countrywide.

*This project has been overwhelming for the ZCC. We are so excited by what Zing is doing for the ZCC. In the words of our Bishop..." before Zing, there was little hope for Zimbabwe. We can now see and imagine hope again."*



*"Zing is allowing me to invest in the growth of my own career. The brand, services and kiosk are world class. Customers like the system."*

**Amon Mashonganyika**

*"Zing is helping me to help myself. By investing in me, you've improved my financial situation and I can now help my kids through their studies."*

**Florence Madodo**



### **Partner financial institution level**

Doing business in Zimbabwe is extremely difficult because of a lack of manpower and expertise with the necessary skills and experience. The Investment and Pensions Commission, for example, has no qualified actuary in its team. Many of the government departments include political appointees. Documents submitted to the various regulators simply disappear in the system and must be resubmitted. Application forms must be created from scratch because there are no other than sample scanned versions.

Despite these challenges, Zingsure has been successful in:

1. Registering the insurance business.
2. Securing the first microinsurance licence in Zimbabwe.
3. ZCC having secured 30% of the insurance business. ZCC has matched Zingsure's paid in capital and in addition has committed to paying USD 16.8 million of premiums over the next two years. This sufficiently capitalises the business and ensures profitability from the onset.
4. In terms of the goals and planned objectives the status is as follows on the next page:

<b>Microinsurance Penetration</b>	160k (penetration = 1.08%)	700k (initial penetration estimate = 4.73%) Zimbabweans.
<b>Capital Raise</b>	MCR = \$2m	MCR reduced to \$300k
	Equity = \$1.75m	Equity = \$800k
	Premium Guarantee = \$0	Premium guarantee = \$16.8m
<b>Financial Inclusion</b>	Broad participation of 60%	Fambazion 30%, with offer to all families to take up 100% in Fambazion.
	CSI of 5%	CSI contribution equal to 2.5% of premiums, rest will be distributed from capital reserves
	Share in risk profits	Share in risk profits between InsureCo and FBC Re

Zingsure foresees premium collections starting by 31 May 2017, with the first claims processed from the 1 June 2017. It puts additional effort into the collection process to ensure this is smooth process to create high client satisfaction from the onset.

Securing the licence and closing the partnership with the ZCC was critical and so now Zing will be unlocking further investments in Zimbabwe by rolling out more Zing kiosks.

#### 4. LESSONS LEARNT

Zimbabwe was the first territory Zing decided to penetrate. The following lessons are taken forward to speed up the process of market entrance in other countries:

##### 1) **Licence:**

Better to secure off-the-shelf insurance licences instead of chasing MI licences that still need approval. To do that:

- The business needs to be adequately financed to meet the Minimum Capital Requirement (MCR).
- We must submit for the LT license and then negotiate to reduce the MCR to the MI levels of MCR.



Zing kiosk

##### 2) **Partnering with affinity groups:**

- Selection of affinity groups which are well organised and able to engage with Zingsure commercially.
- The proposal around the equity raise needs to be simplified.

3) **Local operation:** The local new insurance company needs to get this registered and set up earlier with the right managing director who can then lead the insurance initiative and open the affinity group play.

4) **Lead with insurance:** Zingsure aspires to lead with insurance in each country. To start off Zingsure only requires Zing mobile phones for the trusted elders rather than Zing kiosks. We can scale up after that via our ZingWorld initiative (crowd funding with ROI)<sup>iii</sup>.

5) **Call service centre:** Having a centralised call service centre significantly reduces the need for a local complex IT and operations setup. With Cloud computing Zing can give local people a local experience. The centre is set up in Cape Town in South Africa and customers calling in experience a local call (cost and the quality).

6) **Acquisitions:** Once Zingsure has obtained a licence, it is well positioned to then acquire small start-up insurance business. The combined ratio and distribution platform plus large affinity group play place Zingsure in a very strong position to do that.

7) **Partnerships:** The SCBF contribution can help in the start-up phase in each new country where Zingsure must rely on local specialist to establish its greenfield insurance company. In addition, SCBF members have many of the experiences and skills that can complement what Zing is doing with digital (e.g. to roll out financial service education) and that together we can make a significant impact on improving financial inclusion and economic development in Sub-Saharan Africa.

<sup>i</sup> <http://rbz.co.zw/assets/zimbabwe-national-financial-inclusion-strategy-2016---2020.pdf>

<sup>ii</sup> <https://zing.world/entrepreneurs>

<sup>iii</sup> [www.zing.world](http://www.zing.world)