

FSW-25 | Cyclone/excess wind index insurance in Mozambique

Partner Financial Institution	Hollard Moçambique	SCBF Contribution	CHF 74'330 (60%)
Grantee	Blue Marble Microinsurance	Matching Contribution	CHF 48,675 (40%)
Country	Mozambique	Theme	Climate
Duration	1.2022 – 8.2022	Product	Index-based insurance
Potential Outreach	Short term: 5'000, Mid-term: 30'000	Target Group	Low-income clients
Thereof Women	55%		

CONTEXT

Mozambique has been severely impacted by climate change in the past few years, particularly by cyclones such as Idai and Kenneth in 2019 and Eloise in 2021. Cyclones Idai and Kenneth caused death, and destruction of crops and properties with 3.8 million people affected across 50 districts, while Cyclone Eloise similarly impacted about a quarter million people. Despite these climate change challenges, the insurance market in Mozambique does not have an index product to cover the property of low-income consumers. Hollard aims to be the first insurer to use a parametric insurance model for cyclones and excess wind as proposed under this project. By using parametric models, Blue Marble Microinsurance and Hollard aim to avoid some of the major pitfalls that prevent the use of traditional insurance amongst low-income populations, such as lack of cost-effectiveness of risk surveying and claims evaluation as well as issues of principles of indemnity and average in traditional insurance policies. Most of the target population does not currently have access to any proactive risk coping mechanisms.

CURRENT STATUS OF THE MFI

Blue Marble Microinsurance is a social enterprise owned equally by five insurance entities with a mission of providing socially impactful, commercially viable insurance protection to the financially underserved.

Hollard Mozambique currently has 100% of the existing index insurance market since there are no other insurers underwriting this product targeting the agricultural sector. Hollard has been operating in Mozambique since 2001 and has direct access to the population via its four offices in Nacala, Tete, Beira and Maputo (head office). Hollard offers commercial, corporate, retail, auto, funeral, pet, travel, and household insurance. Hollard has been actively driving forward the development of index insurance in Mozambique since 2013, testing various pilot programmes with low-income customers across the country. Hollard currently reaches 34,400 farmer. As part of the group social impact goals, in Mozambique Hollard aims to provide 100,000 low-income individuals with financial protection by 2024. This feasibility study would allow Hollard to expand its financial inclusion for the majority low-income population by offering an inclusive insurance solution intended to address challenges of extreme climatic conditions of cyclones and storm damage that have caused widespread destruction of property and sources of employment.

OBJECTIVES AND MAIN ACTIVITIES

The feasibility study intends to understand the viability of a meso and/or micro cyclone/excess wind index insurance product for low income urban dwellers by reviewing its demand, distribution, supply, enabling environment, data infrastructure, peril modelling, and business case. The key activities will be to: 1. Collect data necessary to assess the viability of the index insurance product; 2. Design and validate the product; 3. Define the distribution scheme; 4. Report on the feasibility study. Upon study completion, the partners aim to launch insurance solutions to the populations affected by cyclones/excess wind.

NEXT STEPS

Blue Marble and Hollard will build on the feasibility study findings to launch and scale-up the product by initiating a range of operational and technical measures. We will prepare business cases and proposals for potential distribution partners to launch the product and explore binding partnerships with them. If the study is positive, identified distribution partners will be engaged in the months following the feasibility study to launch the product in October 2022.

Partnering with:

