



MOZAMBIQUE

BACKGROUND

In Mozambique, agriculture accounts for approximately 32% of GDP and involves over 81% of the population (CIA, 2012). With little infrastructure and reliance on rain-fed agriculture, farmers' livelihoods are negatively impacted by natural hazards such as droughts, cyclones, and floods.

PROJECT DESCRIPTION

The Global Index Insurance Facility (GIIF) is providing financial and technical support to Hollard Mozambique to help the firm expand its agricultural insurance business line to offer index-based products to smallholder farmers in the country. As part of this support, during the agricultural season ranging from November 2018 to March 2019, Hollard developed three index insurance products against drought and excess rain for maize, cotton, and sesame farmers. Hollard Mozambique covered 5,547 smallholder farmers during the season in the provinces of Cabo Delgado, Nampula, and Zambezia.

This index insurance scheme has been supported by strong public-private collaboration, which is critical for creating markets for agricultural insurance. The Government of Mozambique committed \$1 million to provide premium subsidies for agricultural insurance products. The subsidies will be extended over a five-year period, starting from 2018. Government's support will cover up to 40% of the premium, with the remainder being borne by the beneficiaries.

This project was informed by an Index Insurance Feasibility Study, conducted by GIIF and MITADER, that consists of a value chain analysis for four priority crops (beans, cotton, maize, and cashew nuts). This study shed some light on farmers' willingness and ability to pay for insurance premiums as well as identifying key aggregators through which index insurance products could be distributed in the country.

GIIF's first engagement in Mozambique was to support Guy Carpenter – in conjunction with the Asia Risk Centre Inc. – to design, develop, and deploy a weather-index insurance product for cotton farmers in Mozambique. The pilot covered the 2012/13 and 2013/14 agricultural seasons and reached approximately 43,000 and 39,000 cotton farmers respectively. The pilot brought several key stakeholders together; two agribusiness firms, Olam and Sanam, distributed this product to their cotton farmers; two insurance companies, Hollard and EMOSE (Empresa Mocambicana de Seguros, SA), underwrote the policies; and the Cotton Institute of Mozambique (IAM) coordinated this successful partnership.

PROJECT SNAPSHOT	
Market Launch	2018
Clients	5,547
Partners	Hollard Mozambique
Delivery Channel	Three agricultural input providers
Insured Perils	Drought and excess rain
Crops covered	Maize, sesame, cotton

RESULTS AND IMPACTS

The ability to educate farmers and distributors on the nuances of index insurance and to continuously improve the quality of product design through the acquisition of more and better data and farmer/delivery channel input is critical. In addition, increasing the penetration of index insurance in Mozambique through a multi-stakeholder approach to value chain development where all actors – from the national government to individual farmers – are involved in agricultural risk management has also contributed to the project's success.

Index insurance should increase the overall resilience of the agricultural sector in Mozambique, thereby giving smallholder farmers the ability to recover from droughts and other adverse weather phenomena more quickly. This, in turn, should make the agricultural sector more attractive to investors and lenders, resulting in more opportunities for farmers.

CHALLENGES AND NEXT STEPS

The lack of data on historical exposure and crop yields has been the project's biggest challenge to date since it increases uncertainty surrounding product design and associated basis risk. Disseminating appropriate and highly technical information related to product design down the value chain to individual smallholder farmers can also be challenging.

The Government of Mozambique plans to expand the coverage of agricultural index insurance to increase the resilience of farmers to adverse weather events and aims to provide insurance coverage to 200,000 farmers by 2020. This project seeks to contribute to this mission by building the capacity of the private sector to offer innovative index-based insurance products that can help smallholder farmers in Mozambique better manage the risks they face.

PARTNER FOCUS

Partner Information	Hollard Mozambique (Companhia de Seguros S.A.) opened for business in Maputo in 2001. It provides a full range of corporate, commercial, and personal insurance products to meet the diverse needs of clients across the economic spectrum in Mozambique. It is committed to providing innovative insurance solutions and to developing products to meet the pressing need for asset risk protection that exists in the low-income, traditionally uninsured segments of the market. Under this project, Hollard Mozambique is collaborating with Risk Shield to design and implement new, affordable agricultural index-based insurance products.
Product available	Weather-index insurance for maize, cotton and sesame
Total Insurance Portfolio (Total Sums Insured)	Approximately US\$200,000
Average Cost of Insurance	10% of sum insured
Contact	Israel Muchena israelm@hollard.co.mz



About Global Index Insurance Facility

The Global Index Insurance Facility (GIIF) is a dedicated World Bank Group’s program that facilitates access to finance for smallholder farmers, micro-entrepreneurs, and microfinance institutions through the provisions of catastrophic risk transfer solutions and index-based insurance in developing countries. Funded by the European Union/ACP, the governments of Germany, Japan, and the Netherlands, GIIF has facilitated more than 1.5 million contracts, covering approximately 6 million people, primarily in Sub-Saharan Africa, Asia, and Latin America and the Caribbean. The facility is part of the World Bank Group’s Finance & Markets Global Practice.

For more information, please visit www.indexinsuranceforum.org.
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