

# FIRST MUTUAL

HOLDINGS LIMITED

Go Beyond

IMARA EDWARDS

SIXTH ANNUAL INVESTOR CONFERENCE

## INVESTMENT OPPORTUNITIES IN THE NON-BANKING SECTOR

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First Mutual Holdings Limited



# Presentation Outline

- ❑ Global & Regional Economic Highlights
- ❑ Zimbabwe Economic Trends
- ❑ Overview of Sub-Saharan Africa Insurance Industry
- ❑ Overview of the Zimbabwe Insurance Industry
- ❑ Overview of First Mutual Holdings Limited
- ❑ Future prospects for the Insurance Industry
- ❑ Conclusion
- ❑ Q & A

# Global & Sub Saharan Africa Trends

	2012	2013	2014f	2015f	2016f
World	2.5%	2.4%	3.2%	3.4%	3.5%
High Income Countries	1.5%	1.3%	2.2%	2.4%	2.4%
Developing Countries	4.8%	4.8%	5.3%	5.5%	5.7%
Sub Saharan Africa	3.5%	4.7%	5.3%	5.4%	5.5%
Zimbabwe	4.4%	3.0%	4.2%	4.3%	4.5%
South Africa	2.5%	1.9%	2.7%	3.4%	3.5%
China	7.7%	7.7%	7.7%	7.5%	7.5%
Botswana	4.3%	4.6%	5.0%	5.2%	5.2%
Zambia	7.3%	6.0%	6.5%	6.0%	5.8%

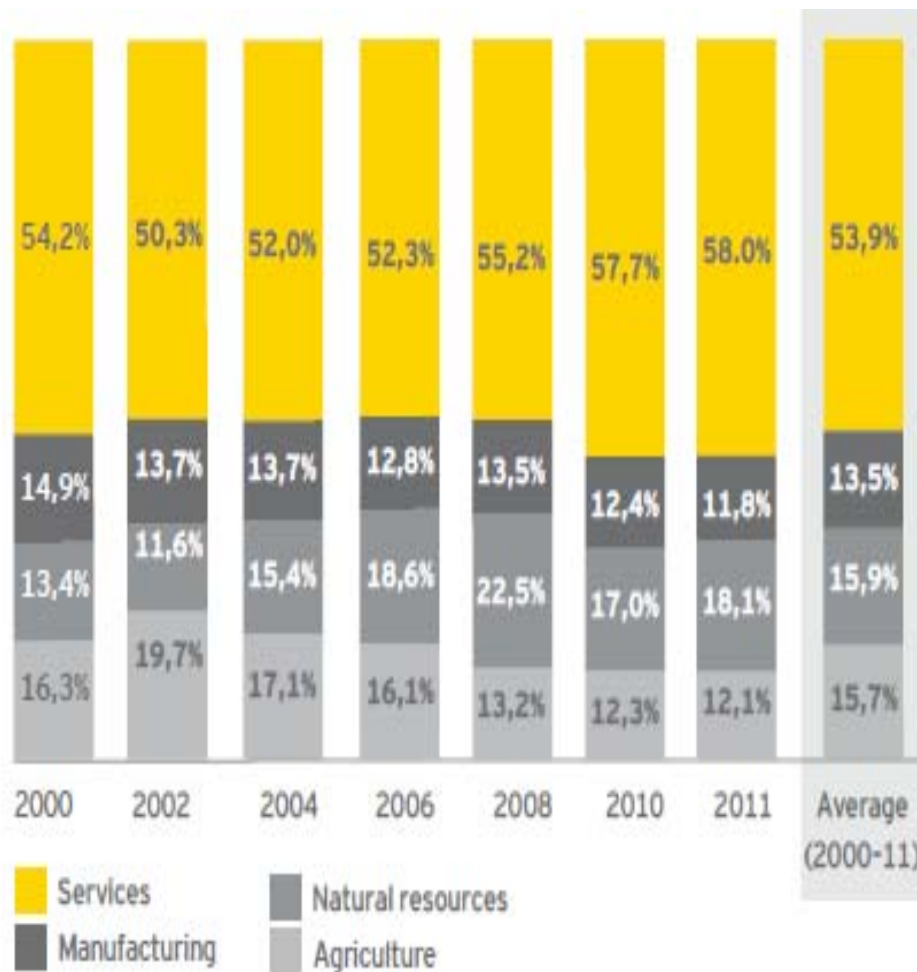
Source: World Bank

- Global economic growth is projected at 3.2% in 2014.
- Sub-Saharan Africa (SSA) projected growth of 5.4% in 2014.
- Zimbabwe projected to grow by 3.5% to 4.5% in 2014.

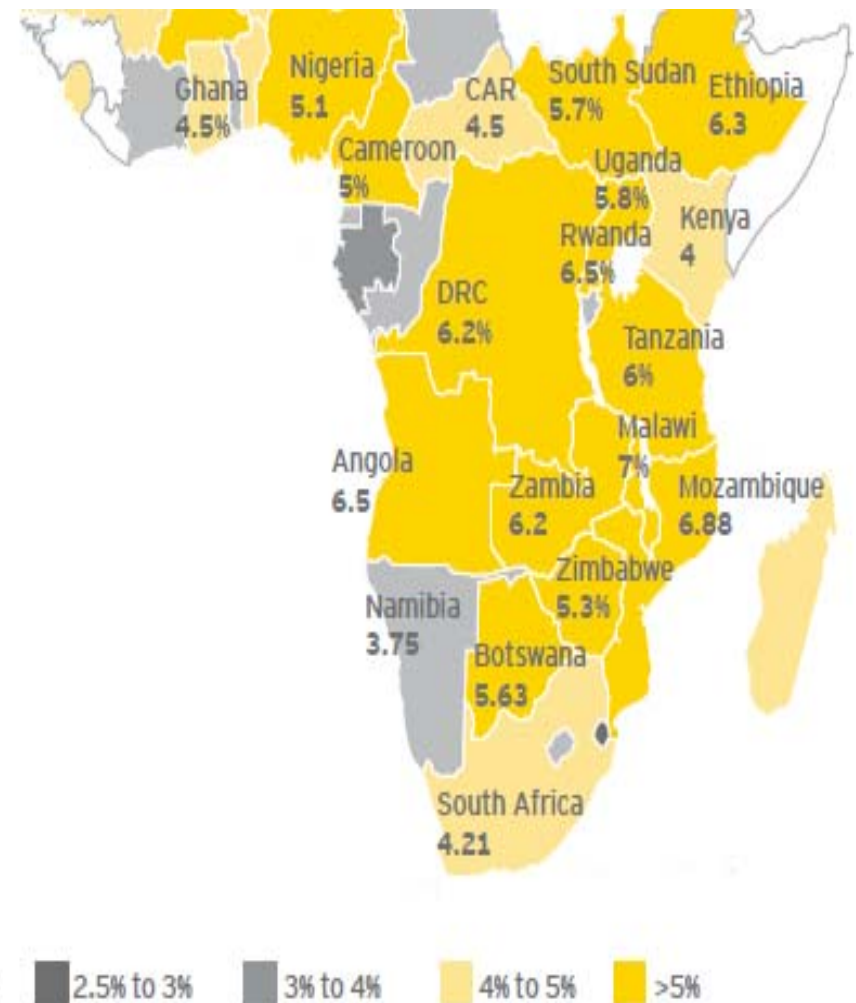
# Global & Sub Saharan Africa Trends

- ❑ SSA projected growth of 5.4% driven by rising demand.
- ❑ World Bank expects SSA to grow by >5% on average in 2013-2015.
- ❑ Strong consumer spend on continent coupled with low inflation.
- ❑ Improving world economy to offer further growth support.
- ❑ Strong Diaspora remittances (total of US\$31bn in 2011 & 2012).
- ❑ Net Private Capital Flows up 3.3% to \$54.5bn.
- ❑ Foreign Direct Investment up 5.5% to \$37.7bn in 2012.
- ❑ Africa is home to +1 billion people & over US\$2trn collective GDP.
- ❑ 7 African countries among the 10 fastest growing economies in the world 2010-15.

# GDP Growth & Drivers for SSA

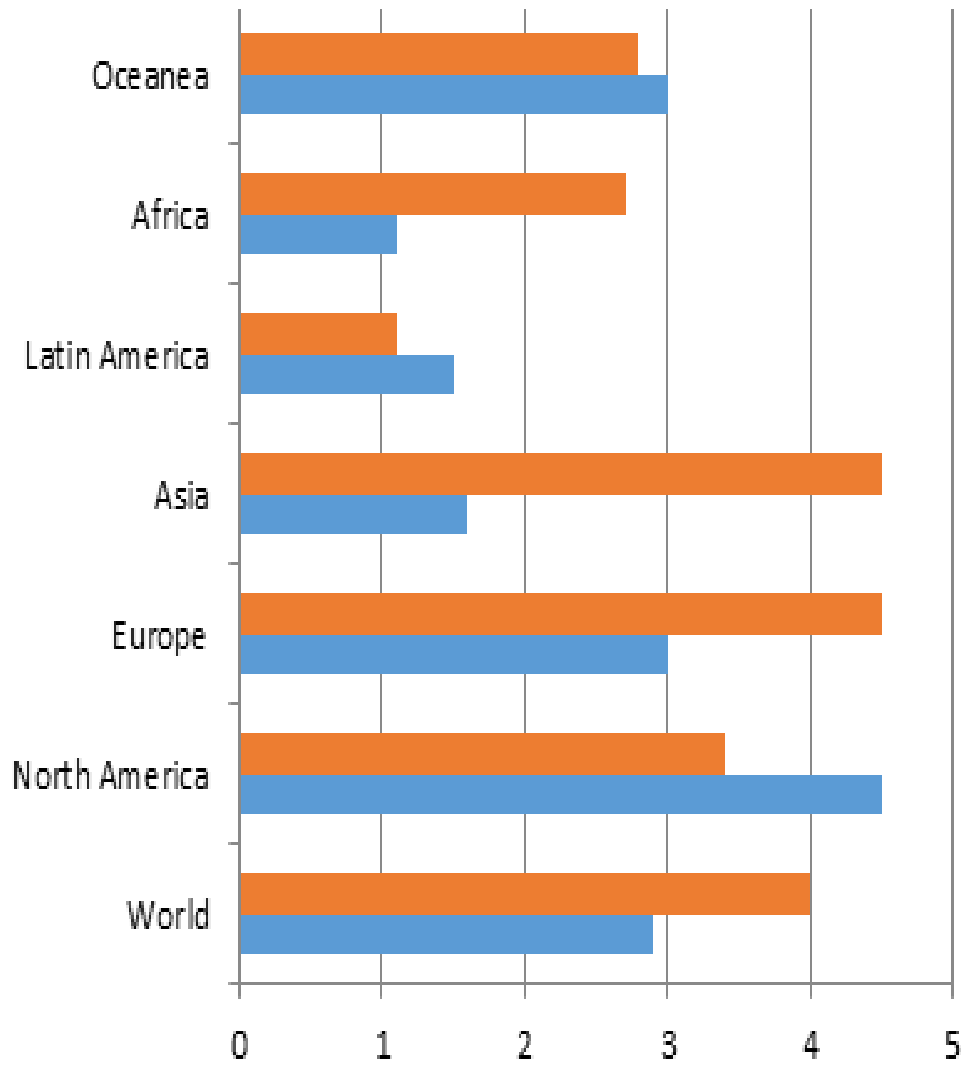


Source: The World Development Indicators, World Bank, 6 Feb 2013.



Source: Oxford Economics; Ernst & Young Growing Beyond Borders™.

# Overview of SSA Insurance Industry



- ❑ Average world insurance penetration ratio at 2.9%.
- ❑ African insurance penetration ratio excluding S. Africa <2.5%.
- ❑ Namibia's insurance industry benefits from the presence of large S. African companies.
- ❑ KPMG reported that African countries where the insurance penetration rate is above the average were:-
  - Namibia, Kenya, Zimbabwe, Mauritius and Morocco.

# Overview of SSA Insurance Industry

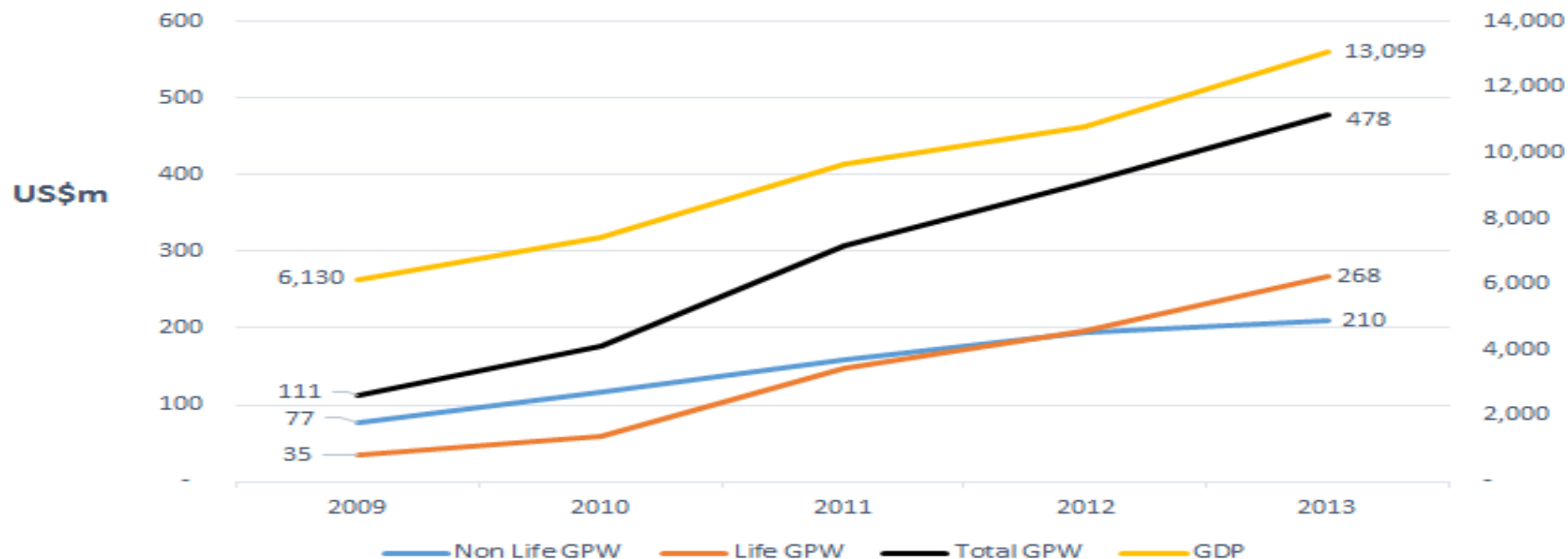
- ❑ KPMG reported that African countries where the insurance penetration rate is above the average were:-
  - *Namibia, Kenya, Zimbabwe, Mauritius and Morocco,*
- ❑ All these countries have – or used to have in the case of Zimbabwe – well-developed financial markets.
- ❑ Kenya and Zimbabwe, in particular, perform very well, with insurance penetration rates of above 3% despite very low GDP per capita.
- ❑ Most Africans are still too poor to afford insurance.
- ❑ Growth prospects are however substantial due to:-
  - rising incomes,
  - increased participation by foreign companies, and
  - more innovative insurance products.

# Zimbabwe Insurance Industry

- ❑ Relatively developed industry represented in all forms of insurance:
  - General, Life, Employee Benefits, Medical & Funeral.
  - 10 Life Offices dominated by First Mutual Life & Old Mutual 2 Life Re-assurers.
  - 29 Short term insurers & 9 Active Short term reinsurers.
  - 30 Brokers dominated by Minerva (formerly Aon) & Marsh.
- ❑ Zimbabwe Insurance penetration at 3.65%.
  - Below the 6% penetration rate recorded a decade ago.
- ❑ Zimbabwe insurance industry growing slightly faster than GDP.
- ❑ Catch-up potential for insurance clearly visible leading to expected high insurance premium growth in the medium term.



# Zimbabwe Insurance Industry



		2009	2010	2011	2012	2013
		US\$m	US\$m	US\$m	US\$m	US\$m
<b>GPW:</b>	Non Life GPW	77	117	159	194	210
	Life GPW	35	59	148	196	268
	Total GPW	111	176	307	390	478
<b>GDP</b>	GDP	6,130	7,430	9,650	10,800	13,099
<b>Penetration ratio</b>		1.8%	2.4%	3.2%	3.6%	3.65%

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# Overview of First Mutual Holdings Limited

- ❑ **Second largest insurance group in the country excluding funeral assurance**
  
- ❑ **Public company listed on the Zimbabwe Stock Exchange**
  
- ❑ **Major shareholders are:**
  - National Social Security Authority
  - Pension Funds
  - Nominees & Individuals



# Overview of First Mutual Holdings Business Model

## Risk Management

Direct Insurance (Life & General)  
Reinsurance (Life & General)  
Health Insurance  
Funeral Assurance

## Wealth Management

Unit Trusts/Mutual Funds  
Private Asset Portfolios

## Wealth Creation

Pension Contributions  
Voluntary Savings  
Low Cost Housing

- ❑ 360° Insurance coverage.
- ❑ Integration of the 3 strategic pillars.
- ❑ Micro-insurance for low income and unbanked sector.
- ❑ Smoothen consumption by customers as they walk through the journey of life.

# Overview of First Mutual Holdings

- ❑ **Delivery Channels:**
  - First Mutual Life (Employee Benefits, Group Life Assurance & Funeral Assurance)
  - FMRE Property & Casualty (Reinsurance)
  - TristarInsurance (Short term insurance)
  - First Mutual Healthcare (Health Insurance)
  - Pearl Properties (Properties Development & Management)
  - Asset Management (FML Asset Management Company)

# Overview of First Mutual Holdings

- ❑ **Nature of target market**
  - Mass market:
    - ✓ Micro insurance products with low sums assured & premiums
    - Micro Savings products (unit trusts).
    - ✓ Informal sector penetration.
    - ✓ Distribution costs managed via e-channels delivery of products and payment solutions.
- ❑ Develop products that resonate with culture aspirations and lifelong connectivity.
- ❑ High net-worth clients.
- ❑ Corporate Clients across entire product portfolio.
- ❑ Customised product offering : a **‘one-size-fits-all’** approach will no longer suffice.

# Weaknesses facing the business and industry

- ❑ Lack of Confidence (Fear Of Z\$ Return).
- ❑ Weakening Premiums (due to company closures & arrears).
- ❑ Rate undercutting.
- ❑ Shallow financial markets affecting Capital Raising for optimal capitalisation of general insurance companies.
- ❑ Underdeveloped life insurance outside of S. Africa.
- ❑ Decimation of middle class.
- ❑ Falling Insurance density.
- ❑ Inadequate (mortality) data complicates risk pricing.
- ❑ Fragmented market limits risk pools & economies of scale benefits.
- ❑ Frequent uneven weather patterns limit product development.

# Prospects for the industry & First Mutual

- ❑ Low penetration ratio presents growth opportunity.
- ❑ Emergence of the middle class (*commonly known as black diamonds*) over time.
- ❑ Insurance companies traditionally target only the richest 5% of the adult population, with most poor people having no insurance.
  - Scope for growth in low income group using low value premiums and high volumes.
- ❑ Lower & Middle class to be primary drivers of pensions and life insurance segments.



# Prospects for the industry & First Mutual

- ❑ Technical & Equity partners can boost balance sheet & capacity to write more business.
- ❑ IPEC expects a marked increase from 3% to double digit penetration on back of innovative solutions.
- ❑ Increased co-operation between insurers and banks via cross-selling are expected to encourage growth.
- ❑ Informal sector products and services.
- ❑ Adoption of sound economic policies to stimulate economic recovery.
- ❑ Re-industrialisation & economic transformation to create more formal jobs.

# Prospects for the industry & First Mutual

- ❑ **Leveraging on technologies to drive penetration ratios**
  - Riding on e-channels to lower costs of revenue collection (premium payments) and claims pay-outs.
  - According to the York Times, writing tiny policies is only feasible if the process of signing people up, verifying claims and making pay-outs is nearly free.
  - e-channels can make it sufficiently cheap for Africa & Zimbabwe.
  - Lesotho has EcoSure, Zim has EcoFarmer & e-FML, Kenya has Kilima Salama (certainly the most robust of all e-channels).

# Prospects for the industry & First Mutual

- ❑ **Leveraging on technologies to drive penetration ratios ...**
  - Business Monitor International (BMI) noted that Kenyan companies seem to be more innovative than those in other African countries.
  - Kenyans can pay premiums via their mobile phones through platforms like M-PESA and Airtel Money.
  - Zimbabwe is driving towards the same ICT leverage over Mobile Network Operators (MNOs).
  - Technical partnerships with MNOs key for rapid implementation.

# Way forward for Industry

- ❑ Re-designing existing products to make them simpler and creating relevant, innovative new ones;
- ❑ Customer education on the importance and necessity of insurance cover/ savings accumulation;
- ❑ A more educated consumer base will demand services and products that serve its needs;
- ❑ Using social media and technology to reach the untapped lower end of the market;
- ❑ Promoting the image of insurers (currently, there is a lack of trust in insurers);
- ❑ Improving the functioning of member companies; and
- ❑ Improved regulatory oversight to curb against rate undercutting and other such practices that destabilises the sector.

# Way forward for Industry

- ❑ Products for low income earners & promoting micro-insurance and or micro-finance.
- ❑ **We believe that :-**
  - there is substantial scope for future growth,
  - there are **profitable opportunities** for those willing to take on some risks and are innovative enough,
  - success inherently will depend on ability to design new and relevant products,
  - as the economy recovers so will GDP per capita and insurance density,
  - Now is the time to go into the Zimbabwean Insurance market.

# What is First Mutual Holdings looking for?

- ❑ Technical partnerships for expertise in underwriting specialist risks,
- ❑ Technical partnerships for e-delivery channels to lower marketing & distribution costs especially on micro insurance/savings,
- ❑ Equity partnerships for balance sheet capacitation (JVs, and or private placements),
- ❑ **We are on the ground; let us be your partner for entering Zimbabwe insurance market.**

# Questions!

