

## COUNCIL OF MINISTERS

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### **Decree-Law no. 1/2010 of 31 December**

Since it is necessary to establish the legal framework for the insurance sector, under the provisions of subparagraph d) of paragraph 1 of the Constitution of the Republic, together with article 1 of Law 5/2010 of 7 of July, the Council of Ministers orders the following:

#### **ARTICLE 1 (Approval)**

The Legal Framework for the Insurance Sector attached to this Decree-Law, which it is an integral part of, has been approved.

#### **ARTICLE 2 (Scope)**

The legal framework for the insurance sector shall comprise institutional norms pertaining to the conditions of access to and pursuit of the insurance business and respective mediation, as well as material norms concerning the insurance contract.

#### **ARTICLE 3 (Definitions)**

The definitions of the terms that have been used in this Decree-Law are included in a glossary, which is also attached.

#### **ARTICLE 4 (Responsibility)**

The Minister in charge of the Finance area is responsible for the insurance, insurance mediation and supplementary pension fund management business, by setting directives and adopting any measures that he may deem appropriate.

#### **ARTICLE 5 (Supervisory body)**

1. The Mozambican Insurance Supervision Institute, or ISSM in short, has been established, under the supervision of the minister in charge of the Finance area.
2. The ISSM is a legal person under public law, which has legal personality, enjoys administrative and financial autonomy and has the following purpose:

- a) under the terms of this Decree-Law and respective regulatory provisions, the supervision and monitoring of entities entitled to the pursuit of the insurance, insurance and reinsurance mediation and supplementary pension fund management business; and
  - b) the additional supervision and monitoring of the implementation of the investment policy of mandatory social security managed by the National Social Security Institute (INSS) and Banco de Moçambique (BM) Employee Pension Fund.
3. When performing its duties, the ISSM shall issue, by notice published in the *Government Gazette*, the mandatory technical norms required in order to correctly implement all legal provisions applicable to the insurance and insurance mediation business.
  4. The ISSM shall be governed by this Decree-Law, by its own Organic Statute and additional applicable legislation.
  5. The ISSM shall be under the authority of a Board of Directors, with a Advisory Board and a Supervisory Board, whose powers, composition and mandate shall be laid down in its respective Articles of Association.
  6. The Chairman of the Board of Directors shall be appointed and removed by the Council of Ministers, following a proposal by the Minister in charge of the Finance area.
  7. The other members of the Board of Directors, as well as the members of the Supervisory Board, shall be appointed and removed by the Minister in charge of the Finance area.

#### ARTICLE 6 (Termination)

1. The General Insurance Inspection (IGS), established by Decree no. 42/99 of 20 July, ceases to exist.
2. The ISSM shall be the successor of the IGS and shall retain all the rights and obligations held by the latter on the date of entry into force of this Decree-Law.
3. The human and financial resources and assets allocated to the IGS are transferred to the ISSM, and the rights acquired in previous professional careers or occupational categories of State officials and agents who are absorbed into the ISSM workforce shall be preserved.
4. State officials and agents who are part of the ISSM workforce shall be governed by the Staff Regulations of State Officials and Agents.

#### ARTICLE 7 (Supervision fee)

1. Entities entitled to the pursuit of the insurance business, including micro-insurance operators, shall be subject to the payment of a supervision fee, under the terms of this Decree-Law, set according to the following percentages:
  - a) 1,5% (one comma half per cent) of the gross premiums written from direct insurance, net of reversals and cancellations from the respective financial year, in respect to Non-Life insurance; and
  - b) 0,35% (zero comma thirty five per cent) of the gross premiums written from direct insurance, net of reversals and cancellations from the respective financial year, in respect to Life insurance.
2. Insurance intermediaries shall be subject to the annual payment of the supervision fee, in the following amounts:
  - a) brokers – ten thousand meticaís;

- b) agents – three thousand meticaais; and
- c) advisers –one thousand meticaais.
- 3. Supplementary pension fund management companies shall be subject to the annual payment of the supervision fee of thirty thousand meticaais.
- 4. The methods of fee payment and collection, as well as the purpose of the fee provided for in this article, have been set out in the respective regulations.
- 5. Interest on arrears and a fine shall be levied for late and non-payment of the supervision fee, under terms to be regulated.
- 6. The supervision fee amounts provided for in paragraphs 2 and 3 of this article may be updated if they depreciate at least 25%.
- 7. Any fines arising from the implementation of this Decree-Law shall accrue to the State.

ARTICLE 8  
**(Subsidiary law)**

- 1. The provisions of the Commercial, Civil and Criminal Codes, as well as the Civil and Criminal Procedures Codes and respective additional legislation shall additionally be applicable to the insurance business.
- 2. To insurance contract matters not expressly provided for in this Decree-Law or in special legislation shall additionally be applied the corresponding commercial and civil law provisions.

ARTICLE 9  
**(Regulation)**

Matters contained in this Decree-Law shall be regulated within ninety days after its publication.

ARTICLE 10  
**(Cancellation)**

All legislation which is inconsistent with the provisions of this Decree-Law is hereby cancelled.

ARTICLE 11  
**(Temporary provisions)**

- 1. Existing insurance contracts that are periodically renewed need to be adapted to the legal framework of the insurance contract provided for herein, at the time of their first renewal which may occur after the entry into force of this Decree-Law.
- 2. Insurance contracts pertaining to individuals for a period longer than a year need to be adapted no later than six months after the entry into force of this Decree-Law.
- 3. The application of the legal framework of the insurance contract may not, under any circumstances, be referred to by the insurer for the termination or non-renewal of the contract.
- 4. Entities entitled to the pursuit of the insurance business shall maintain the financial guarantees currently in force until the publication of the regulation of this Decree-Law.

ARTICLE 12  
**(Entry into force)**



This Decree-Law comes into force ninety days after its publication.

Approved by the Council of Ministers on the 7<sup>th</sup> of December of 2010.

May it be published.

The President of the Republic, ARMANDO EMÍLIO GUEBUZA.

## **Legal Framework for the Insurance Sector**

### **BOOK ONE**

#### **Conditions of Access to and Pursuit of the Insurance Business and Respective Mediation**

##### **HEADING I**

##### **General Provisions**

###### **ARTICLE 1**

###### **(Purpose)**

1. The legal framework provided for in this book sets out the conditions of access to and pursuit of the insurance business in the Republic of Mozambique, and reinsurance and micro-insurance, as well as insurance mediation, are included in such business.
2. This legal framework also defines the conditions for setting up abroad any form of representation of insurers, micro-insurers and reinsurers with their head office located in the Republic of Mozambique.

###### **ARTICLE 2**

###### **(Entities entitled to the pursuit of the insurance business)**

Without prejudice to the provisions included in specific legislation on complementary pension funds, the insurance business, including the micro-insurance segment, in the Republic of Mozambique, may only be pursued by:

- a) public limited companies and mutual societies, with their head-office located in the Republic of Mozambique, established to pursue the direct insurance, reinsurance or micro-insurance business, respectively; and
- b) branches of foreign insurers, reinsurers and micro-insurers, set up in their home country as commercial companies.

###### **ARTICLE 3**

###### **(Name)**

1. In the company's name, according to its nature and purpose, shall be included any of the following expressions, "insurer", "insurance company", "reinsurer", "mutual insurance company", "mutual insurance", "micro-insurance company", "mutual micro-insurance", "mutual micro-insurance company", or another expression unequivocally conveying that its purpose is to pursue the insurance business, at the direct insurance, reinsurance or micro-insurance level.

2. Only the entities entitled to the pursuit of the insurance business, in accordance with this legal framework, shall be allowed to use and to include in their firms or names the expressions mentioned in the previous paragraph or others with a similar meaning.

**ARTICLE 4**  
**(Prior authorization)**

1. Without prejudice to the provisions of paragraph 3 of this article, access to and pursuit of the insurance, reinsurance and micro-insurance business in the Republic of Mozambique requires prior authorization to be granted, under the terms of this legal framework and additional applicable legislation, by the Minister in charge of the Finance area, following the recommendation from the supervisory body.
2. The establishment, in a foreign country, of branch offices or any other form of representation of insurers, reinsurers and micro-insurers with their head-office located in the Republic of Mozambique, shall also be dependant on the prior authorization of the Minister in charge of the Finance area.
3. The sale of insurance products falling into the micro-insurance segment by insurers that are already licensed to pursue this business in the Republic of Mozambique requires authorization, to be granted by the supervisory body.

**ARTICLE 5**  
**(Expiry of authorization)**

1. The authorization for the pursuit of the insurance, reinsurance and micro-insurance business shall expire if:
  - a) the applicants expressly renounce such authorization, the respective company is not incorporated within six months or the eligible entity does not commence its activities within twelve months, from the authorization date; and
  - b) the company is wound up.
2. Upon a duly substantiated request from the eligible entity, the Minister in charge of the Finance area may extend only once, for another six months, the time limit for commencing activities.
3. The provisions in the previous paragraphs shall apply, mutatis mutandis, to insurance mediation.

**ARTICLE 6**  
**(Ban on the accumulation of “Life” and “Non-Life” classes of insurance)**

1. Without prejudice to the provisions of paragraphs 2 and 3 below and of paragraph 1 of article 43 of this legal framework, the cumulative pursuit of “Life” direct insurance and reinsurance with the pursuit of the “Non-Life” direct insurance and reinsurance is not permitted in the Republic of Mozambique.
2. Insurers that, on the date of publication of this legal framework, are authorized to cumulatively operate “Life” and “Non-Life” insurance may continue with such cumulative operation, if:
  - a) they comply with the minimum equity capital or guarantee requirements provided for in sub-paragraph d) of paragraph 1 of article 15 of this legal framework;
  - b) in relation to each activity of such insurance classes they maintain their respective accounting separate; and

- c) they have a different management and retain an adequate solvency margin as required.

#### ARTICLE 7

##### **(Ban on pursuing unauthorized business)**

1. The pursuit of the insurance business in the context of direct insurance, reinsurance and micro-insurance, as well as insurance mediation by entities not authorized to do so in accordance with this legal framework, is not permitted.
2. Insurance agency, brokerage or any other kind of mediation is not permitted, as well as any attempt to take out insurance at insurers or companies not authorised to do so in accordance with this legal framework.
3. Fronting operations shall only be allowed when accepted and made by the respective insurer, taking into account the nature and dimension of the risk.

#### ARTICLE 8

##### **(Risks found in the Republic of Mozambique)**

1. Without prejudice to the provisions of paragraph 3 of this article, taking out insurance covering risks found in the Republic of Mozambique by foreign insurers which are not established in the country is not allowed.
2. The obligations arising from any insurance contracts that do not comply with the provisions of the previous paragraph are not enforced in court in the Republic of Mozambique.
3. The provisions of paragraph 1 of this article shall not apply whenever, at the request of the interested party, the supervisory body is not opposed to the conclusion of the contract abroad due to the submission of evidence of refusal to underwrite risks by insurers authorized to pursue the insurance business in Mozambique.
4. For purposes of the provisions of the previous paragraph, the interested party shall convey to the supervisory body, at least fifteen days in advance, its intent to enter into the insurance contract with an insurer that is not established on Mozambique. Should there be no grounds for such opposition, the supervisory body may set a validity period for such contract.

#### ARTICLE 9

##### **(Special registration requirement)**

1. Without prejudice to any other legally required registration obligations, entities entitled to the pursuit of the insurance business in the context of direct insurance, reinsurance and micro-insurance, as well as insurance mediators, shall also be subject to special registration at the supervisory body.
2. Matters subject to registration and the time limit for their implementation shall be laid down in the respective regulatory provisions.
3. Abridged registration certificates and respective amendments shall be issued to anyone who shows a legitimate interest in requesting them.

#### ARTICLE 10

##### **(Special registration refusal)**

1. In addition to other legally provided for cases, registration is refused when:
  - a) it becomes evident that the matter is not included from the documents that have been submitted;
  - b) the matter contained in the document is found to already be registered or not subject to registration;
  - c) the invalidity of the matter becomes evident; and
  - d) none of the conditions which the necessary authorization for the establishment of the company or for the pursuit of its respective business is dependent upon are met.
2. When the application or the submitted documentation display inadequacies or irregularities that may be remedied by the parties concerned, the latter shall be notified by the supervisory body to provide the required information within the requested time limit, or otherwise the registration or endorsement may be refused if they do not comply.

**ARTICLE 11**  
**(Use of official language)**

1. Any applications, respective preliminary inquiry documents, communications, insurance contracts, accounting processes and other official documents pertaining to the insurance business, issued by the entities entitled to the pursuit of the insurance and insurance mediation business, shall be submitted in Portuguese.
2. Whenever the nature and dimension of the risk justify such action, the Parties may agree to enter into the insurance contract in the language agreed upon between them, in addition to the written text in Portuguese, which shall prevail should there be any doubt as to its interpretation.

**ARTICLE 12**  
**(Supervision)**

1. While carrying out its duties, the Mozambique Insurance Supervision Institute shall be particularly responsible for:
  - a) monitoring and checking the compliance, by the entities entitled to pursue the insurance and insurance mediation business, with the norms regulating the respective business, and initiating all necessary procedures;
  - b) issuing directives in order that any irregularities that may have been found are remedied;
  - c) take extraordinary reorganisation measures; and
  - d) sanction any infringements, according to the delegated authority;
2. Under the terms of this legal framework, the supervision of financial conglomerates shall comply with the mechanisms provided for in the respective regulatory provisions.

**HEADING II**  
**Conditions of Access to and Pursuit of the Insurance Business**

**CHAPTER I**  
**Insurers and Reinsurers with their Head-Office in the Republic of Mozambique**

**SECTION I**  
**General Provisions**

ARTICLE 13  
**(Type of company)**

1. In the Republic of Mozambique, insurers are established either as a public limited company, under the terms provided for in the Commercial Code and other applicable legislation, or as a mutual insurance company, with the nature of a cooperative society.
2. Reinsurers shall take the form of a public limited company.

ARTICLE 14  
**(Corporate purpose)**

1. Insurers based in the Republic of Mozambique are financial institutions whose exclusive corporate purpose is to pursue the insurance business, except for the provisions of the following paragraph.
2. Insurers in the Republic of Mozambique, whilst respecting the scope of the licence that may have been granted to them, namely regarding insurance lines and classes to be pursued, may accept reinsurance contracts, as well as reinsure their own business at insurers or reinsurers duly authorised for this, even if transferee companies are not established or represented on Mozambican territory.
3. Insurers may also pursue any business that is related or complementary to the insurance or reinsurance business, namely pertaining to acts and contracts for salvage, building reconstruction and repairs, vehicle repairs, clinic maintenance and application of financial resources.
4. The provisions of the previous paragraphs shall apply to branch offices of foreign insurers regarding everything that may be related to their business in the Republic of Mozambique.
5. The exclusivity of the corporate purpose shall also apply to reinsurers, micro-insurers and insurance or reinsurance brokers.

SECTION II  
Public Limited Liability Companies

ARTICLE 15  
**(Equity capital)**

1. The minimum equity capital required to establish an insurance or reinsurance public limited liability company, in accordance with the existent legal framework and other complementary legislation, is as follows:
  - a) fifteen million meticaís, if pursuing only one of the following “Non-Life” lines: “Disease” or “Assistance”;
  - b) thirty three million meticaís, if pursuing the two lines mentioned in the previous subparagraph or any other or insurance “Non-Life” lines;
  - c) sixty seven million meticaís, if pursuing “Life” insurance lines;
  - d) one hundred million meticaís, if pursuing cumulatively “Life” insurance with one or more “Non-Life” lines.

2. The minimum equity capital amount mentioned in the previous paragraph shall always be paid up in cash, and the remainder, if applicable, shall be paid up in kind, in compliance with the requirements and formalities demanded by the Commercial Code.
3. On incorporation, at least fifty per cent of the minimum equity capital that paragraph 1 of this article refers to shall be paid up in cash and deposited into the company's account to be set up at a credit institution that is authorised to operate in the Republic of Mozambique, with an express declaration of the amount subscribed by each shareholder.
4. The remaining subscribed capital, even if exceeding the minimum amount provided for in paragraph 1 of this article, shall be paid up no later than one hundred and eighty days from the date of deed of incorporation, except regarding the part where it has been paid in kind, in which case there shall be no deferral.
5. Assets or rights to be transferred to the company in compliance with the requirement of paying up in kind, as well as their respective assessment and criteria used, shall be notified in advance to the supervisory body.
6. Shares representing the equity capital are registered shares or bearer shares and the former may be purely in book-entry form.
7. Any change to the equity capital shall require prior authorization from the supervisory body, even if, in the case of any increase, such change is brought about through the incorporation of reserves.
8. The minimum capital and establishment fund amounts provided for in the existent legal framework may be updated, in accordance with the regulations.

ARTICLE 16  
**(Shares and bonds)**

1. Insurers and reinsurers may only acquire own shares or undertake transactions on them, under the respective regulatory provisions.
2. The issuing of bonds to provide for liabilities of a technical nature is prohibited.

ARTICLE 17  
**(Conditions and criteria for granting an authorization)**

1. Without prejudice to the provisions of the following paragraph, an authorization to establish an insurer and reinsurer may only be granted provided it complies with expediency and convenience criteria, essentially related to the economic, financial and market interest that such establishment may have for the Republic of Mozambique, and that all founding shareholders of the company undertake to:
  - a) adopt the form of company provided for in article 13 of the existent legal framework, as appropriate; and
  - b) provide the company with an equity capital not less than the minimum legal amount.
2. The authorization concession shall also be dependent on the following requirements:
  - a) good repute of founding shareholders regarding whatever it may be liable to, directly or indirectly, have a significant influence over the business and the healthy and prudent management of the insurer;
  - b) good repute, professional qualifications and experience of the individuals who in effect are responsible for the management of the insurer;

- c) adequacy of the technical, financial and human resources to the objectives to be reached, which shall be included in the programme of activities;
  - d) compatibility between the insurer's prospects for development and the upholding of healthy market competition;
  - e) location of the insurer's or the re-insurer's central administration in the Republic of Mozambique;
  - f) absence of any kind of hindrance to exercising supervisory functions arising from the group relationship that the insurer and other natural or legal persons are in.
3. The provisions of this section shall apply, mutatis mutandi, to insurance mutual companies, micro-insurers and reinsurers.

**ARTICLE 18**  
**(Acquisition, increase or decrease of qualified stake)**

The acquisition, increase or decrease of a qualified stake at an insurer shall require an authorization from the Minister responsible for the Financial area, under the terms of regulatory provisions.

**SECTION III**  
**Mutual Insurance Companies**

**ARTICLE 19**  
**(Establishment)**

1. Mutual insurance companies are formed as companies with a cooperative nature and shall be governed, mutatis mutandi, and unless otherwise provided for, by the norms governing public limited liability companies, in accordance with the respective provisions of the Commercial Code and other applicable legislation.
2. The memorandum of association of the companies mentioned in this section shall also specify:
  - a) rules on the admission and exclusion of members;
  - b) the application method of revenue and percentages of administration expenses; and
  - c) the proportion according to which profits shall be divided up, according to the various types of contract, and any advantages that may specially be granted to guarantee capital subscribers.

**ARTICLE 20**  
**(Minimum guarantee capital)**

1. The minimum guarantee capital for setting up mutual insurance companies is as follows:
  - a) seven million five hundred thousand meticaís, if pursuing only one of the following "Non-Life" lines: "Disease" or "Assistance";
  - b) twelve million five hundred thousand meticaís, if pursuing the two lines mentioned in the previous sub-paragraph or any other or insurance "Non-Life" lines;
  - c) twenty five million meticaís, if pursuing "Life" insurance lines.
2. When the corporate purpose of the insurance mutual company includes the sale of insurance to policyholders who are not the members themselves, the minimum guarantee capital is the amount laid down in paragraph 1 of article 15 of the existing legal framework, in relation to the line to be pursued.

3. The paying-up of the guarantee capital mentioned in the previous paragraph shall comply, mutatis mutandis, with the provisions of paragraphs 2 to 5 of article 15 of the existing legal framework.
4. Guarantee capital securities shall be registered.
5. The provisions of paragraph 7 of article 15 of the existent legal framework shall apply to any guarantee capital change.

CHAPTER II  
**Insurers and Reinsurers with their Head-Office Abroad**

ARTICLE 21  
**(Form of corporate representation)**

The business of insurers and reinsurers with their head-office located abroad which, according to the terms of the existing legal framework, have been authorised to be established in the Republic of Mozambique, shall be pursued through branch offices.

ARTICLE 22  
**(Establishment fund)**

1. Branches are forced to allocate to their operations in the Republic of Mozambique an establishment fund amounting to not less than the minimum equity capital set out in paragraph 1 of article 15.
2. The establishment fund amount shall be deposited at a credit institution operating in the Republic of Mozambique, before the special registration of the branch takes place, according to the existing legal framework.
3. Branches are forced to stand surety in favour of the supervisory body, under the regulations, for the amount of the corresponding minimum solvency margin required.

ARTICLE 23  
**(Application of foreign judgment)**

Any foreign judgment that declares the bankruptcy or liquidation of an insurer with its head-office abroad is only applicable to the branch office in the country if reviewed by the competent court of the Republic of Mozambique and after its obligations entered into therein have been met.

CHAPTER III  
**Prudential Guarantees**

SECTION I  
Financial Guarantees

ARTICLE 24  
**(Enumeration)**

1. As a condition for pursuing their business, entities mentioned in article 2 of the existing legal framework shall be provided with the following financial guarantees:
  - a) technical provisions;
  - b) solvency margin.
2. The financial guarantees provided for in the previous paragraph shall be subject to regulations, namely regarding the classification, characterization, methods, rules and principles of the respective calculation.

**ARTICLE 25**  
**(Other technical provisions)**

Following a proposal from the supervisory body, the Minister in charge of the Finance area may determine the creation of other technical provisions that may be necessary or the cancellation of some existing technical provisions, as well as decide to change the methods, rules and principles governing the calculation of technical provisions, as mentioned in paragraph 2 of the previous article.

**ARTICLE 26**  
**(Representation and guarantees of technical provisions)**

1. Technical provisions shall be wholly represented at any moment by movable or immovable and matching equivalent assets, located in the Republic of Mozambique, while respecting the principles of diversification and dispersion of such assets, according to the regulations; in relation to the branches of foreign insurers and micro-insurers, they shall also stand surety in favour of the supervisory body.
2. The Minister in charge of the Finance area may authorize, in duly substantiated cases and under pre-defined conditions, the use of assets located abroad or from abroad.
3. Assets representing technical provisions constitute special assets that guarantee, in particular, the credits arising from insurance contracts or operations, and may not be attached or seized, except for paying such credits.
4. The assets mentioned in the previous paragraph shall not, under any circumstances, be offered to any third parties for guarantee, whatever the legal form to be taken by such guarantee.
5. In case of liquidation, the credits mentioned in paragraph 3 take prior ranking over any movable or immovable assets representing technical provisions, and are ranked first.

**SECTION II**  
**Other Prudential Guarantees**

**ARTICLE 27**  
**(Organization and internal control)**

The entities mentioned in article 2 of the existing legal framework shall have sound administrative and accounting procedures, as well as adequate internal control procedures, and shall ensure high levels of professional competence, complying with minimum requirements to be laid down by the supervisory body.

**SECTION III**

## Intervention Mechanism

### ARTICLE 28

#### **(Recovery and reorganization measures)**

1. Wherever an entity entitled to the pursuit of the insurance, reinsurance or micro-insurance business does not provide, under the terms of this ruling and other applicable legislation, sufficient financial guarantees, the supervisory body, in order to protect the interests of insured persons and beneficiaries, as well as to safeguard the necessary normal conditions for the development of its business, may determine, within a time limit defined by itself, its involvement in their respective management, through the application, whether separately or cumulatively, of the following recovery and reorganization measures:
  - a) correction of technical provisions or submission of a financing or recovery plan;
  - b) restrictions on the pursuit of the business, namely on the operation of certain insurance lines or classes or types and operations;
  - c) restrictions on contracting credit and on the application of funds into certain kinds of assets;
  - d) prohibition or limitation of dividend distribution; and
  - e) subordination to its prior approval of certain operations or certain actions.
2. During the reorganization, the supervisory body may, at any time, call a General Meeting of Shareholders and intervene therein by submitting proposals it may consider relevant.

### ARTICLE 29

#### **(Other measures)**

1. In addition to the measures mentioned in the previous paragraph, the supervisory body may also propose to the Minister in charge of the Finance area the following extraordinary measures:
  - a) suspension or dismissal of members of governing bodies;
  - b) appointment of temporary directors;
  - c) appointment of a Supervisory Board.
2. Temporary directors appointed in accordance with the terms of sub-paragraph b) of paragraph 1 have the powers and duties granted by the law and the articles of association on members of the Board of Directors and also the following powers:
  - a) veto deliberations of the General Meeting;
  - b) call the General Meeting; and
  - c) draw up, as soon as possible, a report on the insurer's financial position and its causes and submit such report to the supervisory body.
3. The individuals appointed in accordance with sub-paragraph c) of paragraph 1 of this article for the Supervisory Board have the powers and duties granted by the law and the articles of association on members of this supervisory body.

### ARTICLE 30

#### **(Cancellation of authorization)**

1. In the case of a serious financial situation of the entity entitled to the pursuit of the insurance, reinsurance or micro-insurance business, notwithstanding the adoption of the measures

mentioned in paragraph 1 of the previous article, the Minister in charge of the Finance area may, by reasoned order notified to the entity concerned, decide on the cancellation of the authorization for pursuing the respective business, after hearing the supervisory body.

2. The authorization for pursuing the insurance or micro-insurance business may also be cancelled, without prejudice to any sanctions that may take place, when any of the following situations occurs:
  - a) express waiver by the insurer, reinsurer or micro-insurer, by substantiated application addressed to the Minister in charge of the Finance area;
  - b) the insurer, reinsurer or micro-insurer ceases or reduces the business in a significant way for over six months;
  - c) such authorization was obtained through false statements or other unlawful means;
  - d) if any of the access conditions and business pursuit, as required in the existing legal framework, ceases to occur;
  - e) serious irregularities in the administration, accounting organisation or internal supervision of the insurer, reinsurer or micro-insurer that endanger the interests of the insured persons and beneficiaries or the normal working conditions of the insurance market;
  - f) if the equity capital of the insurer, reinsurer or micro-insurer, in its entirety, is lower than half the amounts set for the minimum equity capital and guarantee figures and, at the same time, they do not cover the respective solvency margin required;
  - g) the communication is not made or the appointment of any member of the management or supervision team is refused; and
  - h) the authorization pertaining to the programme of activities, under the established provisions, has not been requested from the Minister in charge of the Finance area or has not been granted.
3. For purposes of sub-paragraph b) of the previous paragraph, a significant reduction of activity occurs whenever there is a decrease of at least 50% in the premium volume which has not been strategically programmed nor imposed by the competent authority, and which places the interests of insured and third parties at risk.
4. For purposes of the provisions of sub-paragraph f) of paragraph 2 of this article, and with reference to the branch offices of foreign insurers, reinsurers or micro-insurers, the establishment fund shall be equal to the minimum equity capital legally stipulated for insurers incorporated as public limited liability companies.
5. The facts provided for in sub-paragraph g) of paragraph 2 of this article shall not constitute grounds for cancellation if, within the time limit set by the supervisory body, the insurer, reinsurer or micro-insurer has announced or appointed another element to be part of the administration or supervisory body, who has been duly accepted.
6. For all insurers with their registered office located in the Republic of Mozambique, the cancellation of the authorization implies the company's dissolution and judicial liquidation, and for branch offices of foreign insurers, the termination of their activities in the country.
7. The provisions of this article shall apply, *mutatis mutandi*, to reinsurers, micro-insurers and to insurance and reinsurance brokers.

## CHAPTER IV **Bookkeeping**

### SECTION I

## Mandatory Books and Records

### ARTICLE 31 (Bookkeeping and financial year)

1. As a condition for pursuing their business, in addition to the books required from companies, any entities entitled to the pursuit of the insurance, reinsurance and micro-insurance business are required to have policy and claim records whose bookkeeping must be kept up-to-date.
2. Without prejudice to the provisions of the following paragraph, the financial year of the entities mentioned in the previous paragraph shall coincide with the calendar year.
3. In duly substantiated cases and at the request of the concerned entity, another date for the closing of the respective financial year may be authorized, under the applicable tax legislation.

### ARTICLE 32 (Retention period)

The retention periods for keeping on file the documents of the entities entitled to the pursuit of the insurance, reinsurance and micro-insurance business are as follows:

- a) ten years for main accounting supporting documents;
- b) five years for current account books, insurance proposals and insurance and claims procedures; and
- c) a year for any non-specified documentation mentioned in the previous paragraphs.

### ARTICLE 33 (Counting the retention periods)

1. The retention periods are counted from the date they are sent for filing.
2. If there is a pending case, these periods shall only be counted from the time the respective judgment has become final and conclusive.

### ARTICLE 34 (Retention by technological means)

1. Entities entitled to the pursuit of the insurance business shall be allowed to carry out microfilming or electronic filing of all documents which, under this legal framework and according to the retention periods therein established for their keeping, shall be kept on file, and for all intents and purposes such microfilms shall replace the original documents.
2. Photocopies and enlargements obtained from microfilm, as well as reproductions of documents on electronic file, shall have the same evidential value of the original documents, in or out of court, provided they contain the signature of the person responsible for microfilming or the certification of the person responsible for electronic filing, duly authenticated with the insurer's embossed seal.

### ARTICLE 35 (Redemption)



The provisions in this section shall be applicable, mutatis mutandi, to micro-insurers, insurance brokers and agents.

SECTION II  
Accounting of Operations

ARTICLE 36  
**(Reserves)**

1. Public limited liability companies and mutual insurance companies, as well as micro-insurers, with their head-office located in the Republic of Mozambique, must establish a legal reserve from net profits in each financial year, under the following terms:
  - a) twenty per cent until the accumulated reserve accounts for half of the minimum amount laid down in articles 15 and 20 of the existing legal framework; and
  - b) ten per cent from the moment when the amount mentioned in the previous subparagraph has been reached, until it reaches the equity or guarantee capital, as applicable.
2. The legal reserve may be used for integration into the equity or guarantee capital, or to absorb losses, either from the financial year or from previous financial years, that may not be covered by other reserves, with the prior authorization of the supervisory body.
3. In addition to the legal reserve, public limited liability companies and mutual insurance companies may freely establish other reserves, if they have been approved at a shareholders' general meeting, as an application of net results of the financial year.

ARTICLE 37  
**(Profit distribution limits)**

1. The entities mentioned in paragraph 1 of the previous article shall not distribute among shareholders or members, as a dividend or otherwise, any amounts that may in any way reduce the amount of the allocation to the legal reserve established in the previous article.
2. Any profit distribution shall also be prohibited while any losses exist, either from the financial year or from previous financial years.

CHAPTER IV  
**Transformation, External Audit and Liquidation**

ARTICLE 38  
**(Transformation)**

1. Any division, merger or any other form of transformation of an insurer, reinsurer, micro-insurer and insurance broker set up in the Republic of Mozambique, shall depend on the authorization of the Minister in charge of the Finance area.
2. The transformations mentioned in the previous paragraph shall comply with the terms provided for commercial companies in general, including the particularities of the relevant regulatory provisions.

ARTICLE 39



**(Audit of annual accounts)**

The verification of the annual financial statements of those entities mentioned in paragraph 1 of the previous article shall be made by an independent and professionally competent auditor previously licensed by the appropriate entity.

ARTICLE 40  
**(Liquidation)**

Any liquidation of the entities mentioned in article 38 shall be carried out under the terms provided for commercial companies in general, including the particularities of the relevant regulatory provisions.

CHAPTER VI  
**Micro-insurance**

SECTION I  
General Provisions

ARTICLE 41  
**(Scope)**

1. The provisions of this chapter shall govern the pursuit of micro-insurance in particular.
2. Without prejudice to other contractually agreed covers, in micro-insurance the scope of “Life” insurance, where related to the credit linked to it, granted by a micro-finance institution, shall coincide with the parameters characterizing such credit.

ARTICLE 42  
**(Pursuit of the insurance business in the micro-insurance segment)**

1. Micro-insurance is an integral part of the country’s insurance business and may be pursued by the following entities, provided the requirements laid down in this chapter have been complied with:
  - a) insurers authorized in advance by the supervisory body to pursue micro-insurance as a business segment; and
  - b) micro-insurers.
2. The incorporation and establishment of micro-insurers shall require the authorization of the Minister in charge of the Finance area, preceded by the opinion of the supervisory body.

SECTION II  
Access to the Pursuit of Micro-insurance

SUB-SECTION I  
Insurers

ARTICLE 43  
**(Application and authorization)**

1. Insurers pursuing their respective business in the Republic of Mozambique may also sell insurance products that fall into the micro-insurance segment, provided that they apply for the necessary authorization, to be granted by the supervisory body. The provisions of paragraph 3 of article 45 shall apply.
2. In relation to micro-insurance, insurers mentioned in the previous paragraph shall comply with the provisions of this chapter. However, in relation to the calculation methods of financial guarantees they may elect to apply the regulatory provisions for the business which they are already authorized for.
3. The cover for technical provisions of such insurers is carried out globally for all their business, including all amounts due in the context of the pursuit of the micro-insurance business.

SUB-SECTION II  
Micro-insurers

ARTICLE 44  
**(Type of company and prior authorization)**

1. Micro-insurers with their head-office located in the Republic of Mozambique have the nature of a public limited liability company or a mutual insurance company and their incorporation must be authorized by the Minister in charge of the Finance area, on the basis of an opinion from the supervisory body.
2. The firm or company name shall include unambiguous information that the company is engaged in micro-insurance.

ARTICLE 45  
**(Corporate purpose)**

1. The sole corporate purpose of micro-insurers is to pursue the micro-insurance business, except as provided for in the following paragraph.
2. Micro-insurers may pursue business that is related or complementary to the micro-insurance business, namely business pertaining to acts and contracts relating to salvage, building reconstruction and the application of financial resources.
3. Micro-insurers may pursue their business conducting cumulatively “Life” and “Non-Life” insurance classes, provided the conditions mentioned in sub-paragraphs b) and c) of paragraph 2 of article 6 of this legal framework regarding accounting, management and necessary solvency margin matters have been met.
4. Micro-insurers are prohibited from accepting any reinsurance business, although they may conclude the reinsurance of any contracts underwriting direct insurance, even if the corresponding insurers are not authorized to operate on Mozambican territory.

SUB-SECTION III  
Public limited liability companies

ARTICLE 46  
**(Equity capital)**

1. The minimum equity capital of any micro-insurer established as a public limited liability company shall be ten million meticaís.
2. The minimum equity capital amount mentioned in the previous paragraph shall always be paid up in cash, and the remainder, if applicable, shall be paid up in kind, in compliance with the requirements and formalities demanded by the Commercial Code.
3. On incorporation of the public limited liability company, at least fifty per cent of the minimum equity capital that paragraph 1 of this article refers to shall be paid up in cash and deposited into the company's account to be set up at a credit institution that is authorised to operate in the Republic of Mozambique, with an express declaration of the amount subscribed by each shareholder.
4. The remaining subscribed capital, even if exceeding the minimum amount provided for in paragraph 1 of this article, shall be paid up no later than one hundred and eighty days from the date of deed of incorporation, except regarding the part where it has been paid in kind, in which case there shall be no deferral.
5. Assets or rights to be transferred to the micro-insurer in compliance with the requirement of paying up in kind, as well as their respective assessment and any criteria used, shall be notified in advance to the supervisory body.
6. Shares representing the equity capital are registered shares or bearer shares and the former may be purely in book-entry form.
7. Any change to the equity capital shall require prior authorization from the supervisory body, even if, in the case of any increase, such change is brought about through the integration of reserves.

ARTICLE 47  
**(Commencement of business)**

It shall be the responsibility of the supervisory body to check the micro-insurer's formal incorporation and commencement of business within the time limits mentioned in sub-paragraph a) of paragraph 1 and in paragraph 2, both of article 5 of this legal framework for the insurance sector, and this entity shall carry out, as it thinks fit, the necessary inspection to check compliance with the conditions set out for commencement and normal development of the business.

ARTICLE 48  
**(Own shares and obtaining loans)**

Micro-insurers are prohibited from acquiring own shares or carrying out operations thereon, as well as from taking out loans, for whatever purpose, with and without issuing of bonds.

ARTICLE 49  
**(Qualifying shareholdings)**

Any acquisition and subsequent changes of qualifying shareholdings in the capital of micro-insurers shall abide by what article 18 of this legal framework provides for on the matter.

SUB-SECTION IV  
Mutual companies

ARTICLE 50  
**(Incorporation)**

1. The incorporation of mutual micro-insurance companies shall comply with the provisions of article 19 of this legal framework.
2. Mutual companies may not conclude micro-insurance contracts with policyholders who are not their members.

ARTICLE 51  
**(Guarantee capital)**

1. The minimum equity capital of any micro-insurer established as a mutual company shall be three million meticals.
2. Where the corporate purpose of the mutual micro-insurance company includes the sale of insurance to policyholders who are not its own members, the minimum guarantee capital shall be the one set out in paragraph 1 of article 46 of this legal framework.
3. The provisions of paragraphs 2, 3 and 7 of article 46, as well as of article 47 of this legal framework, shall apply to mutual micro-insurance companies.

SECTION III  
Classes of insurance within the micro-insurance context

ARTICLE 52  
**(Classes of insurance)**

1. The classes to be pursued within the micro-insurance context shall be those indicated in the respective regulatory provisions.
2. In relation to micro-insurance, insurance classes may be pursued on an individual basis or joined in policies covering several classes, including “Life”.
3. The supervisory body shall establish the limits for capital at risk, per insurance class, above which the operation shall be excluded from micro-insurance.
4. Insurers that are authorized to operate the micro-insurance segment may offer risk cover not included in their exclusive corporate purpose, provided they have previously concluded with an insurer within the same legal framework established in Mozambique an adequate cooperation agreement pertaining to the acceptance of such risks, outside the reinsurance mechanism.
5. In the situations mentioned in the previous paragraph, the documentation to be handed over to the client shall expressly mention which insurers are involved in the business, indicating the entities to be contacted in the case of a claim.
6. A copy of the agreement mentioned in paragraph 3 of this article shall be forwarded to the supervisory body for registration purposes.
7. The Minister in charge of the Finance area may, following a proposal from the supervisory body, change the list of classes to operate within the micro-insurance context mentioned in paragraph 1 of this article.

ARTICLE 53  
**(Insurance policies)**



The general and special conditions of insurance policies covering risks within the micro-insurance context shall be notified in advance to the supervisory body, which may determine, within the time limit provided for in the respective regulatory provisions, any changes considered necessary for the normal functioning of the market.

ARTICLE 54  
**(Profit application and distribution)**

1. Micro-insurers must establish a legal reserve from the net profits earned in each financial year, as follows:
  - a) twenty per cent until the accumulated reserve accounts for half of the minimum amount laid down in paragraph 1 of article 46 and in paragraph 1 of article 51 of this legal framework; and
  - b) ten per cent from the moment when the amount mentioned in the previous subparagraph has been reached, until it reaches the equity or guarantee capital, as applicable.
2. The legal reserve may be used under the terms and with the limitations provided for in the Commercial Code, with prior authorization from the supervisory body.
3. In addition to the legal reserve, micro-insurers may freely establish other reserves, if they have been approved at a shareholders' general meeting, for the application of net results of the financial year.
4. Micro-insurers shall not distribute among holders of their capital, as a dividend or otherwise, any amounts that may reduce in any way the amount of the allocation to the legal reserve established in paragraph 1 of this article, nor undertake any profit distribution while there are losses, whether from the financial year or from previous financial years.

SECTION IV  
Transfer of Portfolio

ARTICLE 55  
**(Transfer of portfolio of contracts concluded within the micro-insurance context)**

1. Micro-insurers may transfer all or part of the contracts of their micro-insurance portfolio to an transferee authorized to operate in the Republic of Mozambique in the same insurance segment provided that they secure the necessary authorization from the supervisory body in advance.
2. The portfolio transfer shall only be authorized if, taking into account such transfer, the transferee has the required available solvency margin for such purpose, and is authorized to operate, within the micro-insurance context, the insurance classes included in the portfolio to be transferred.

ARTICLE 56  
**(Enforceability of transfer and termination of contracts)**

Portfolio transfers authorized under this chapter shall be binding on policyholders, insured persons and any other persons or entities having rights and obligations arising from the transferred contracts, without prejudice to the policyholders' right to terminate the contract within thirty days



from the date of publication of the transfer authorization in the *Government Gazette*, during which time the transfer shall not be binding on them.

SECTION V  
Intermediation when selling micro-insurance

ARTICLE 57  
**(Intermediation)**

1. The sale of insurance products within the micro-insurance context may be carried out by insurance brokers and agents who are authorized to pursue the business in the Republic of Mozambique.
2. By concluding a service agreement, the commercialization of the products mentioned in the previous paragraph may also be carried out by specific middlemen, notably other persons and entities not subject to licensing such as insurance intermediaries including, amongst others, banks, micro-finance institutions and Non-Governmental Organizations (NGOs) legally pursuing their business in the country.
3. The intermediaries mentioned in the previous paragraph may pursue their business:
  - a) for a single micro-insurance operator; or
  - b) for a micro-insurance “Life” operator and another operator for “Non-Life”.
4. Micro-insurance operators may require that the intermediaries mentioned in paragraph 2 present a bank guarantee or a public liability insurance, in accordance with the respective regulatory provisions.
5. The micro-insurance operator shall:
  - a) provide technical training to the respective intermediaries in order for them to develop the necessary skills to pursue the business; and
  - b) within the time limit set in the respective regulatory provisions, notify the supervisory body of the intermediaries that it may have appointed, with an indication of the class(es) of insurance where it may have provided training.
6. Micro-insurance operator(s) shall be held civilly liable for any acts carried out by the intermediaries mentioned in paragraph 2 of this article appointed by the former, without prejudice to the right of recourse.

ARTICLE 58  
**(Duties of specific intermediaries)**

The scope of the business to be developed by the specific intermediaries mentioned in paragraph 2 of the previous article shall be clarified in the respective service agreement and shall include the following:

- a) promoting micro-insurance to the low-income population, collecting any proposals that may eventually be subscribed by candidate policyholders;
- b) collecting information on the state of health of people, in insurance classes where such information is of vital importance;
- c) collecting the premium, including the premium corresponding to voucher policies, handing it over to the micro-insurance operator, respecting the time limits and conditions expressed in the service agreement;

- d) organizing and keeping a record of all contracts concluded through them within the micro-insurance context, with details regarding the policyholder's name, sex, age and address; and
- e) settling and paying claims, paying special attention to any fraud, if so charged by the operator underwriting the risk.

## CHAPTER VII **Insurance mediation**

### ARTICLE 59 **(Scope of mediation)**

1. Insurance mediation may be carried out in relation to direct insurance contracts covering risks located in the Republic of Mozambique, including, mutatis mutandi, "Life" insurance operations, in particular capitalization and pension fund operations.
2. The insurance mediation business shall not affect the right of policyholders or of pension fund associates from dispensing with the intervention of an insurance intermediary in their insurance contracts or operations or from freely choosing an intermediary.
3. Insurance mediation carried out by an insurance broker may also cover reinsurance operations, only when, and under the terms, requested by the respective insurer.
4. The provisions of this chapter shall apply, mutatis mutandi, to reinsurance brokers,
5. Insurance commercialization activities by banks, as well as commercialization of products in the micro-insurance segment by the intermediaries mentioned in paragraph 2 of article 57, whose conditions shall be set out in regulatory provisions, shall not be covered by the general system applicable to insurance mediation.

### ARTICLE 60 **(Access to the mediation business)**

1. Except as provided in the following paragraph, only resident nationals and commercial companies with their head-office located in the Republic of Mozambique that meet the requirements in this legal framework and complementary legislation may have access to the insurance mediation business.
2. Insurance brokerage shall be pursued by entities in the form of a commercial company, in accordance with this legal framework and other applicable legislation, and non-resident entities may participate therein, within the context of foreign direct investment.
3. To the company designation provided for in the previous paragraph shall be added the expression "insurance broker", "reinsurance broker" or any other from which it is unequivocally clear that its purpose is the pursuit of insurance or reinsurance brokerage, as applicable; the provisions of paragraph 2 of article 3 of this legal framework shall apply, mutatis mutandis.
4. The minimum equity capital required to establish the brokerage company shall be:
  - a) four hundred and fifty thousand meticaís in the case of an insurance broker; and
  - b) six hundred thousand meticaís in the case of a reinsurance broker.
5. Insurance broker companies that, on the date this legal framework comes into force, are authorized to pursue their business in the Republic of Mozambique shall have a maximum of



three years to conform to the provisions of sub-paragraph a) of the previous paragraph, under penalty of withdrawal of the authorization.

**ARTICLE 61**  
**(Insurance intermediary categories)**

Insurance intermediaries include the following categories:

- a) insurance or reinsurance broker;
- b) insurance agent; and
- c) insurance advisor.

**ARTICLE 61**  
**(Incompatibilities)**

1. Without prejudice to other cases provided for in the law, the pursuit of the insurance mediation business, either directly or through an intermediary, shall not be allowed, and neither shall holding the position of director or manager of a mediation company, by the following individuals:
  - a) Current employees of insurers;
  - b) Directors or managers of companies dedicated to expert assessment activities, as well as any individuals pursuing such activities; and
  - c) Current employees of the supervisory body.
2. Insurers are prohibited from directly or indirectly carrying out insurance mediation business or from holding shares in companies authorized to pursue the insurance broking business and vice-versa.
3. The people mentioned in sub-paragraphs a), b) and c) of paragraph 1 of this article, as well as the companies whose corporate purpose may include expert assessment activities, shall also not hold shares in the equity capital of mediation companies and vice-versa.

**ARTICLE 63**  
**(Rules of conduct)**

1. Intermediaries shall be required to comply with the rules of conduct specially laid down in their respective regulatory provisions.
2. Intermediaries that are authorized to collect insurance premiums shall:
  - a) channel to their respective insurer the amounts of the premiums collected by it, within the stipulated time limit; and
  - b) refrain from any action aimed at transferring an insurance portfolio from an insurer to another if the outstanding premiums, on the date of the transfer of such portfolio, have not been paid.

**ARTICLE 64**  
**(Public liability of intermediaries)**

1. The insurer or insurance broker shall be liable for any acts carried out by insurance agents and advisors in the course of insurance mediation, without prejudice to the right of recourse.

2. As a condition for pursuing the business, the insurance broker and agent authorized to collect premiums by the respective insurer shall be covered by a professional indemnity insurance to guarantee the liabilities arising from the performance of such activity; the minimum amounts set in their respective regulatory provisions shall be complied with.

CHAPTER VIII  
**Offences**

SECTION I  
Penal Provisions

ARTICLE 65  
**(Unlawful pursuit of the insurance business)**

1. Any individual who undertakes any acts or operations inherent to the pursuit of the insurance and insurance mediation business, on their own behalf or on the behalf of others, without having the required authorization, shall be punished with a prison sentence of one to two years and a fine of between three hundred thousand meticaís and three million meticaís.
2. Where the economic benefit obtained by the offender is higher than the maximum limit set out in paragraph 1 of this article, the fine shall be increased to double such benefit.

ARTICLE 66  
**(Attempt to commit a crime and foiled crime)**

Any attempt to commit a crime and any foiled crime shall be punishable with a prison sentence, whose maximum limit shall be half the sentence laid down for any committed crime, under this legal framework.

SECTION II  
Contraventions and Respective Proceedings

ARTICLE 67  
**(Contraventions)**

1. Failure to comply with the norms of this legal framework, of any regulatory provisions, directives, notices or circulars from the supervisory body and all acts or omissions that disturb or distort normal operating conditions of the insurance and insurance mediation business shall constitute contraventions that are punishable in accordance with the following articles.
2. In general the following shall constitute contraventions:
  - a) improper use of the designations provided for in article 3, and of any of the intermediary categories mentioned in sub-paragraphs a), b) and c) of article 61 of this legal framework;
  - b) non-compliance with special registration obligations;
  - c) lack of information and communication due to the supervisory body;
  - d) delay in providing information or in forwarding mandatory submission particulars to the supervisory body;
  - e) failure to comply with applicable bookkeeping norms; and

- f) failure to comply with the insurance portfolio transfers system.
3. The offences set out below shall be deemed particularly serious offences:
- a) the use of services, by an insurer or reinsurer, of any unauthorized insurance intermediaries;
  - b) paying-up any equity or guarantee capital, and respective increase or decrease, as applicable, in terms that are different from those that were authorized;
  - c) failure to establish technical provisions, their representation and guarantees under this legal framework and regulatory provisions or the reinforcement of the respective assets allocated to such representation and guarantee, within the time limits stipulated by the supervisory body;
  - d) concealment of the insurer's financial deficit situation;
  - e) deliberate mismanagement acts carried out by members of governing bodies or by general representatives, with detrimental effect on policyholders, insured persons and beneficiaries of insurance policies, associates, participants and other creditors;
  - f) acts preventing or obstructing the sound and prudent management of the subsidiary company by holders of qualified stakes;
  - g) pursuit of activities that are not included in the respective corporate purpose;
  - h) unauthorized pursuit of the insurance or reinsurance mediation business and not meeting the provision of this legal framework;
  - i) pursuit of insurance or reinsurance brokerage, as well as insurance mediation, without the insurance provided for in paragraph 2 of article 64 of this legal framework;
  - j) failure to deliver to the respective insurer, within the scheduled timeframe, the insurance premiums collected by the intermediary; and
  - k) non-compliance with the rules of conduct specially laid down for intermediaries.

#### ARTICLE 68 (Fines)

1. Without prejudice to the provisions of the following article, contraventions provided for in the previous article shall be punishable with:
  - a) a five thousand to fifty thousand meticaís fine or a twenty thousand to two hundred thousand meticaís fine, depending on whether the fine is applied to an individual or a legal person, in relation to the offences mentioned in paragraph 2 of the previous article; and
  - b) a ten thousand to one hundred thousand meticaís fine or a fifty thousand to five hundred thousand meticaís fine for offences mentioned in paragraph 3 of the previous article, depending on whether they are applied to individuals or legal persons.
2. In the case of a repeat infringement, the minimum and maximum time limits of the fine shall be doubled.
3. Where the economic benefit obtained by the offender is higher than the maximum limit set out in paragraph 1 of this article, the fine shall be increased to double such benefit.

#### ARTICLE 69 (Ancillary sanctions)

1. Together with the fines provided for in the previous article, the following ancillary sanctions may be applied to offenders:

- a) seizure and confiscation in favour of the State of the object of the offence and of the economic benefit gained by the offender who committed such offence;
  - b) publication of any sanctions, on two consecutive days, in one of the widest circulation newspapers;
  - c) suspension of the Board or any other body with similar functions, for a six-month to five-year period;
  - d) temporary partial or full suspension of the authorization to pursue the business for a one-year period; and
  - e) withdrawal of the authorization to pursue the insurance or insurance mediation business.
2. The sanction set out in sub-paragraph c) of the previous paragraph shall apply in the cases provided for in sub-paragraphs a), b), c), d), e), g) and h) of paragraph 3 of article 67.
  3. The sanction set out in sub-paragraph d) of paragraph 1 of this article shall apply in the cases provided for in sub-paragraphs a), e), f), g), h), j) and k) of paragraph 3 of article 67.
  4. The sanction set out in sub-paragraph e) of paragraph 1 of this article shall apply in the cases provided for in sub-paragraphs b), c) and d) of paragraph 3 of article 67, as well as in the case on non-compliance with the provisions of paragraph 2 of article 7 of this legal framework.

#### ARTICLE 70 (Scale of fines)

1. Fines shall be scaled according to the objective and subjective seriousness of their respective offence.
2. The objective seriousness of the offence shall be determined, namely, according to the following circumstances:
  - a) risk of damage to the insurance or mediation business, to the country's economy or to policyholders; and
  - b) occasional and repeated nature of the offence.
3. When appreciating the subjective seriousness of the offence, the following circumstances, among others, shall be taken into account:
  - a) level of offender's responsibility at the entity entitled to the pursuit of its respective business;
  - b) offender's previous conduct;
  - c) amount of economic benefit gained or desired by the offender;
  - d) adoption of any behaviour that may hinder the discovery of the truth; and
  - c) adoption of any behaviour that remedies the damage caused.

#### ARTICLE 71 (Responsibility for committing offences)

1. Individuals and companies, the latter even if they have not been properly established, and associations without legal personality, whether jointly or not, may be held liable for the commission of offences provided for in this chapter.
2. The companies and associations mentioned in the paragraph above shall be liable for any offences committed by members of their respective governing bodies whilst performing their duties, as well as for any offences committed by their representatives during any acts carried out on behalf and in the interest of the collective entity.

3. The responsibility provided for in the previous paragraph shall remain even if the establishment of the representation relationship is invalid or has no effect.
4. The responsibility of the collective entity shall not exclude the individual responsibility of the persons mentioned in paragraph 2 of this article.
5. The responsibility of individuals representing someone else shall not be affected by the fact that the legal type of offence requires certain personal details that only exist in the represented person or requires that the agent commits the offence in his interest, and the representative has acted in the interest of the represented person.

#### ARTICLE 72

##### **(Joint responsibility for payment)**

1. The directors, general representatives or persons responsible for the establishment of insurers, or any other entities liable for the offence, under article 71, shall be jointly responsible, as applicable, for the payment of any fine applied to them, even if at the time of the punitive order such persons have been dissolved or are in liquidation.
2. The entities on whose behalf and benefit the offence may have been committed shall be jointly liable for the payment of any fines applied to individuals.
3. The responsibility provided for in the previous paragraphs may not be attributed to those that have expressly opposed or disagreed with the acts that constitute the offence.

#### ARTICLE 73

##### **(Punitive purview)**

1. The application of the sanctions provided for in this section shall be the responsibility of the Minister in charge of the Finance area.
2. The authority set in the previous paragraph, with the exception of the application of the ancillary sanctions provided for in sub-paragraphs c) and d) and the withdrawal of the authorization to pursue the insurance business mentioned in sub-paragraph e), all of these included in paragraph 1 of article 69, may be fully or partially delegated on the head of the supervisory body, by order published in the *Government Gazette*.

#### ARTICLE 74

##### **(Proceedings)**

1. The authority to institute and investigate the offence cases provided for in this section shall rest with the supervisory body.
2. After the investigation or inquiry has been concluded, the head of the supervisory body shall decide on the dismissal of the case, if no evidence of offence results from the procedures carried out to investigate the facts.
3. If from the inquiry there is evidence of an offence, an indictment shall be drawn up where the offender, the unlawful acts that may be attributable to him and the respective time and location, as well as the legislation providing for and punishing such acts, shall be indicated.
4. The indictment shall be notified to the offender and to the entities that, under article 70 of this legal framework, may be held liable for the payment of the fine, giving them a twenty-day period from the respective notification to submit, should they so wish, their defence in writing

and to offer the respective evidence. They may not call more than five witnesses for each offence he has been charged for.

5. The notification shall be made by registered mail and with acknowledgement of receipt, or by thirty-day notices published on two consecutive days in one of the widest circulation newspapers in the town where the accused's head-office or permanent establishment is located, or, in the case of an individual, in the town where he resides, depending on whether the offender is found or not, refuses to receive such notification or his address is unknown.
6. After the required procedures have been carried out as a result of the submission of defence, the case shall be submitted to the Minister in charge of the Finance area for a decision, after the person responsible for the inquiry has delivered an opinion in respect to the offences that must be considered as established and any sanctions that may be applicable in relation therein.
7. Whenever the assessment of the individual responsibility of the persons mentioned in paragraph 2 of article 70 of this legal framework is at stake, the head of the supervisory body may decide the preventive suspension of their duties, for a period not exceeding thirty days, whenever this is necessary for the investigation of the case or for the protection of the interests of the insurance business,

#### ARTICLE 75 (Appeal)

1. The decision that has been taken may be appealed against at the Administrative Court, and such appeal shall be filed within fifteen days from the time it is known by the accused.
2. The appeal has a suspensive effect when the accused deposits, in advance, the amount of the applied fine at a banking institution into a demand deposit available to the investigative body, except if the seized amounts are sufficient for such purpose.

#### ARTICLE 76 (Fulfilment of an omitted duty)

Whenever the offence proceeds from the omission of a duty, the application of the sanction shall not exempt the offender from fulfilling it, should it still be possible.

#### ARTICLE 77 (Prescription)

1. The time limit for instituting proceedings provided for in this section shall prescribe three years after the date when the offence may have been committed.
2. The application of the sanctions provided for in this section shall prescribe also three years after the date the punitive order becomes final.

#### ARTICLE 78 (Application in space)

The provisions of this section shall apply to any acts committed in the Republic of Mozambique and to any acts committed abroad which any entities entitled to the pursuit of the insurance business, under this legal framework, as well as their directors, managers and general representatives, may be responsible for.

BOOK TWO  
**Insurance Contract Legal Framework**

HEADING I  
**General Provisions**

CHAPTER I  
**Preliminary Provisions**

SECTION I  
Insurance Contract

ARTICLE 79  
**(Objects of the insurance contract)**

1. The contracting parties shall be the insurer and the policyholder.
2. In addition to the parties mentioned in the previous paragraphs, the insured and the beneficiary are interested parties who shall exercise the rights and fulfil the obligations arising from the respective insurance contract and which are described therein.

ARTICLE 80  
**(Regulation)**

The insurance contract shall be governed by the provisions of this legal framework, whose rules are of a binding nature, except as otherwise provided for.

SECTION II  
Insurance Contract Framework

ARTICLE 81  
**(Types of insurance)**

1. In view of the nature of the covered risk, the insurance shall be classified according to one of the following types:
  - a) non-life insurance – where the claim arises when material damages occur, and is compensated under the terms and limits agreed upon in the insurance contract; and
  - b) personal insurance – where the risk is associated to human life, and the claim is a result of personal accidents, sickness or death of the insured person, and the insurer shall pay the contractually stipulated fixed agreed or compensatory benefits.
2. The types of insurance based on risk mentioned above shall not affect the existence of other classifications set out by law or regulation based on insurance classes and on the normal duration of contracts, namely the duration provided for in the access and operating conditions of the insurance business in the Republic of Mozambique.

CHAPTER II



## Creation of Insurance Contract

### SECTION I Contracting Parties

#### SUB-SECTION I Insurer

#### ARTICLE 82 (Requirements)

1. The insurer shall be duly authorized to pursue its business in the Republic of Mozambique, in accordance with the legislation regulating the access to and operating conditions of the insurance business.
2. The insurer can only accept to cover any risks that may be included in the insurance lines for whose pursuit it has secured the required authorization.
3. The insurer shall promptly comply with the contractually undertaken obligations, and act in accordance with the highest care and diligence standards.

#### ARTICLE 83 (Unauthorized entities)

1. The pursuit of the insurance business by any entities not authorized to do so is forbidden, failing which such acts shall become null and void.
2. Notwithstanding the above and without prejudice to any applicable sanctions, any entities that conclude any contracts, under the conditions mentioned above, that may be objectively quantifiable as insurance contracts shall be bound to comply any obligations arising therefrom if the business were valid, unless there is bad faith from the other party.
3. The obligations arising from insurance contracts concluded with foreign insurers that are not authorized to operate in the country, covering risks in Mozambican territory without the policyholder having obtained the required prior authorization, under the legally defined terms, shall not be enforced in court.

#### SUB-SECTION II Policyholder

#### ARTICLE 84 (Requirements)

1. The policyholder shall have the required capacity for such act and if necessary may be duly represented.
2. The insurance may be taken out for his own account or for the account of others.
3. The same person may be policyholder and insured.
4. Should the parties be silent on this matter, the policyholder shall be the insured himself.
5. If the contract does not require otherwise, the insurance is deemed to be taken out for his own account.



6. The policyholder shall act loyally, providing the legally or contractually required information and not maliciously increasing the risk taken on by the insurer.

ARTICLE 85  
**(Policyholder's representation)**

1. Where the insurance contract is concluded by a representative of the policyholder, his own knowledge, but also the knowledge of his representative, shall not be relied upon as against the former.
2. If the contract is concluded by a representative without powers, the policyholder may ratify it even after the occurrence of a claim, unless there is wilful deception on the part of the policyholder, his representative, the insured or the beneficiary, or when the deadline for ratification of no less than fifteen days, set by the insurer before the claim has been verified, has already elapsed.
3. When the insurer is unaware of the lack of powers of representation, the representative shall be obliged to pay a premium calculated proportionally to the time that may have elapsed until the time when the insurer receives, or is aware of, the refusal of ratification.

SECTION II  
Guiding Principles of the Insurance Contract

ARTICLE 86  
**(Good faith)**

In all stages of the contract, whether at the preparation, conclusion, performance or termination stage, the contracting parties, as well as the insured, the beneficiary, the insured person and any other individuals who, directly or indirectly, are related with the contract, shall act within the principles of good faith.

ARTICLE 87  
**(Private autonomy)**

1. The clauses of the insurance contract, as well as the relationships thus created, shall be submitted to the private autonomy principle, subject to the limitations provided for in the following paragraphs.
2. All general or special mandatory rules shall be safeguarded.
3. The mandatory rules of this ruling may only be removed by clauses that, specifically and taking into account the whole contract, are more favourable for the policyholder or for the insured.

ARTICLE 88  
**(Interest in the insured item)**

1. The conclusion of the insurance contract shall correspond to an interest worthy of legal protection in relation to the covered risk, failing which the contract shall be deemed null and void, without prejudice to the provisions of the following paragraph.



2. Unless otherwise provided for by law or contract, if the interest of the policyholder is limited to a portion of the insured item and the contract is concluded for his own account for its total value or for the entitlement related to it, the insurance shall be deemed to have been done for the account of all interested parties, and the policyholder shall be entitled to receive a proportional share of the premium.
3. In non-life insurance, such interest pertains to the preservation or integrity of the insured item, asset, right or property.
4. In life insurance, the insured person who is not the beneficiary shall give his consent for the risk cover, except where the contract results from complying with a legal provision or from a collective labour regulation instrument.

#### ARTICLE 89

##### **(Consumer protection and prohibition of any discriminatory practices)**

1. The rules provided for in the Commercial Code for contract clauses and for membership contracts, as well as for any consumer protection rules, which are not contrary to the provisions of this ruling, shall apply to the insurance contract.
2. When concluding, executing and terminating the insurance contract, any discriminatory practices in breach of the principle of equality, under the terms mentioned in article 35 of the Constitution of the Republic, shall be forbidden.
3. Any wilful or negligent acts or omissions which, because of any handicap, are in breach of the principle of equality, as set out in article 37 of the Constitution of the Republic, implying a less favourable treatment for disabled people than that given to another person in a similar situation, shall be particularly considered to be discriminatory practices.
4. For purposes of concluding, executing and terminating the insurance contract, any practices and techniques pertaining to the assessment, selection and acceptance of risks specific to the insurer that are objectively justified based on accurate statistical and actuarial data that are considered pertinent according to the principles of the insurance techniques, shall not, however, be forbidden.

#### SECTION II

##### Pre-contractual Information

#### SUB- SECTION I

##### General Rule

#### ARTICLE 90

##### **(Duty to inform)**

1. When preparing the contract, the parties shall provide all information and explanations demanded by circumstances.
2. The provisions of this ruling regarding pre-contractual information do not affect the duty to communicate and to inform, if applicable, provided for in other legal rulings, namely those establishing the protection of consumers.

#### SUB- SECTION II

##### Insurer's Duty to Inform

ARTICLE 91  
**(Common system)**

In the pre-contractual stage and without prejudice to the provisions of article 231, the policyholder shall be informed by the insurers of the conditions of the contract that it intends to underwrite, namely:

- a) name or firm and legal status of insurer;
- b) nature and extent of risk that it intends to insure;
- c) cover limitations;
- d) premium amount per cover period or, if this is not possible, rules to be used in such calculation;
- e) methods of premium payment and consequences of non-payment;
- f) system of increases and bonus that may be applied to the contract;
- g) amount of the minimum capital to be insured in mandatory insurance;
- h) duration, renewal and termination rules of contract;
- i) contract assignment system;
- j) examination of claims submitted in the context of the contract, including the reference to the possible intervention of the insurance business supervisory body, without prejudice to the recourse to the courts; and
- k) autonomy of the parties in order to choose, under the terms of this ruling, the legislation that is applicable to the contract, with an indication of the one that the insurer intends to choose, with the exception of mandatory insurance where Mozambican legislation is always applicable.

ARTICLE 92  
**(Branch of a foreign insurer)**

1. Without prejudice to the provisions of the previous article, any policyholder wishing to conclude an insurance contract with a branch of an insurer with its head-office located outside the Mozambican territory shall be informed by such branch, before taking on any obligation or commitment, of the country where its registered seat is located and respective domicile.
2. Such information shall also be included in all the documentation that may be provided to the policyholder, which is relevant to the contract to be concluded.

ARTICLE 93  
**(Presentation of information)**

1. The information mentioned in articles 91 and 92 shall be provided in writing, clearly and in Portuguese, before the policyholder becomes bound, taking into account the provisions of article 71.
2. The insurance business supervisory body may set rules pertaining to the media carrying the information to be provided to the policyholder.
3. The insurance proposal must include a corroborative reference that the information which the insurer must provide have been given to the policyholder.

ARTICLE 94



**(Non-compliance with the duty to inform)**

1. Non-compliance with the duty to inform provided for in this sub-section shall bestow on the policyholder the right to terminate the contract, except when such failure cannot reasonably be considered likely to affect the decision to contract from the same counterparty or the cover has been enabled by a third party.
2. The right to termination mentioned in the previous paragraph must be exercised within thirty days from receipt of the insurance policy. The termination shall apply retroactively and the policyholder shall be entitled to the return of the whole paid premium.
3. The provisions of the previous paragraphs shall apply when the policy conditions are not in line with the information provided before the conclusion of the contract.

SUB- SECTION III

Policyholder's or Insured's Duty to Inform

ARTICLE 95

**(Initial risk declaration)**

1. In addition to the information pertaining to its identification and to the compliance with the provisions of paragraph 7 of article 84, it is up to the policyholder or to the insured, in particular, before concluding the contract, to accurately declare all circumstances he is aware of and that he reasonably considers to be important for risk assessment by the insurer.
2. The duty to inform provided for in the previous paragraph goes beyond the filling, even if in full, of the questionnaire on a form possibly provided by the insurer.
3. Unless there is bad faith from the policyholder or the insured, any insurer that has accepted the contract cannot allege, in its defence, the circumstances indicated below:
  - a) non-response to a question included in the questionnaire;
  - b) inaccurate answer to the question formulated in the questionnaire in general terms;
  - c) inconsistency or contradiction that becomes evident in the responses to the questionnaire; and
  - d) any fact that their representative, when the contract is concluded, knows that it is inaccurate or, if it is omitted, he is aware of.
4. The policyholder or the insured are responsible for providing the burden of proof concerning the accuracy and completeness of the information provided.

ARTICLE 96

**(Wilful non-compliance with the duty to inform)**

The wilful non-compliance with the duty to inform provided for in paragraph 1 of the previous article renders the contract null and void, and the insurer shall be entitled to the corresponding insurance premium.

ARTICLE 97

**(Non-compliance due to negligence with the duty to inform)**

1. If the non-compliance with the duty to inform that paragraph 1 of article 95 refers to is due to negligence, the insurer may, within sixty days from the date it becomes aware of such occurrence:
  - a) propose to the policyholder a change to the contract, setting out a period not less than thirty days for forwarding its acceptance or, should this be provided for, its counter-proposal;
  - b) have the contract terminated, by demonstrating that under no circumstances would it conclude contracts to cover risks related to the fact that was omitted or inaccurately declared.
2. The contract shall cease to have effect fifteen days after the deadline mentioned in sub-paragraph a) of the previous paragraph has ended without a reply from the policyholder, or within a similar deadline as from the forwarding of the termination notification provided for in sub-paragraph b) of the previous paragraph.
3. In the situation mentioned in the previous paragraph, the insurance premium is returned to the policyholder proportionally to the unexpired period of risk cover.
4. Should there be a claim before the contract change or termination, under the terms indicated in the previous paragraphs, the following rules must be considered:
  - a) the insurer shall determine the premium that it would set at the time of conclusion of the contract should it be aware of the omitted or inaccurate fact, and establish a proportion between such premium and the premium that was paid;
  - b) the insurer is bound to pay the compensation corresponding to the claim, in the same proportion as the one calculated according to the previous sub-paragraph, except as provided in the following sub-paragraph; and
  - c) the insurer, showing that under no circumstances would it have concluded the contract if it was aware of the omitted or inaccurate fact, shall not be bound to pay the benefit, and shall return the full premium that may have been paid corresponding to the annuity where the claim may have occurred.

SUB- SECTION IV  
Conclusion of the Contract

ARTICLE 98  
**(Policyholder's proposal)**

1. The proposal made by the policyholder shall contain all necessary information for a correct assessment of the risk to be insured and which may influence the contractual conditions or the very existence of the contract, under the terms mentioned in paragraphs 1 and 2 of article 95, under pain of articles 96 and 97 being applied.
2. The form with a questionnaire attached supplied by the insurer, if it exists and is filled in, shall be an integral part of the insurance proposal.

ARTICLE 99  
**(Additional information)**

Upon receiving the proposal from the policyholder, the insurer may, if it deems necessary, request the proposer to forward new elements and provide additional information, within the period of time determined by the latter but not earlier than ten days.

ARTICLE 100  
**(Silence of parties)**

1. Failure to forward the elements requested by the insurer or to provide the additional information, as mentioned in the previous article, within the time limit set, shall correspond to the withdrawal of the proposal.
2. The proposal is considered to have been accepted and the contract concluded under the proposed terms, if the insurer does not come back within fifteen days from the date of receipt of the proposal or, where applicable, of the additional elements and information which the previous article refers to.

ARTICLE 101  
**(Effective date)**

Without prejudice to the provisions of paragraph 2 of the previous article and of article 131, and unless otherwise provided for in a clause, the insurance contract shall take effect from 00:00 of the day following the date of the acceptance, by the insurer, of the policyholder's proposal.

SECTION V  
Form and Content of the Insurance Contract

ARTICLE 102  
**(Form)**

The insurance contract shall be set down in writing and be included in a formal instrument called insurance policy.

ARTICLE 103  
**(Insurance policy)**

1. The insurance policy shall be dated and signed by the insurer and written clearly and in a perfectly intelligible manner, with legible characters and in Portuguese, taking into account the provisions of article 167.
2. The following are part of the insurance policy:
  - a) general conditions comprised by the set of clauses that basically define the type of insurance that has been agreed upon and which are valid for all contracts of the same nature;
  - b) special conditions that give concrete expression to the general conditions by limiting the type of insurance, namely by excluding certain aspects of the risk taken on by the insurer;
  - c) specific conditions identifying the risk transferred to the insurer, as well as other contract identifying elements.
3. Special and specific conditions cannot change the nature of the risks covered in accordance with the general conditions to which they apply, taking into account the classification according to classes of insurance laid down by law or regulation.
4. Specific conditions shall mention the following:

- a) identification of the residence of the contracting parties, as well as of the insured and or of the beneficiary, if applicable;
- b) nature of insurance;
- c) the insured interest;
- d) covered risks;
- e) insured sum;
- f) insurance premium for each contractual period or rules to be followed for the respective calculation;
- g) commencement of contract, with an indication of the respective day and time, and its duration;
- h) benefit from the insurer in the event of a claim or how to determine such benefit;
- i) legislation that may be applicable to the contract and arbitration conditions, if applicable.

ARTICLE 104  
**(Highlighted clauses)**

1. Any insurance policy clauses that establish causes for invalidity or for contract termination at the initiative of any of the parties or that allow for any exclusions or reductions in cover, shall be drafted by using highlighted characters, in order to be promptly identified.
2. Any clauses included in a policy in breach of the previous paragraph shall be deemed not communicated and not known by the policyholder.
3. The time from which the insurance contract shall enter into force shall also be included in highlighted clauses.

ARTICLE 105  
**(Named policy, policy to order and bearer policy)**

1. The insurance policy may be a named policy, a policy to order or a bearer policy, depending on how it may be transferred.
2. The insurance policy is a named policy if the parties fail to stipulate otherwise.
3. The endorsement of the policy to order shall transfer the contractual rights of the policyholder or insured endorser, without prejudice to the fact that the contract may authorize a partial endorsement.
4. The delivery of the bearer policy shall transfer the contractual rights of the policyholder or of the insured, unless agreed otherwise.
5. The named policy shall be delivered by the policyholder to whoever succeeds him in the event of assignment of a contractual position or, if there is assignment of credit, the policyholder shall hand over a copy of the policy.

ARTICLE 106  
**(Delivery of insurance policy)**

1. The insurance policy shall be delivered to the policyholder on the date of the conclusion of the contract or forwarded to him within thirty days.



2. After the time limit mentioned in the previous paragraph has lapsed and whilst the policy is not delivered, the policyholder may terminate the contract and is entitled to the return of the whole premium paid.

ARTICLE 107  
**(Interpretation of contractual clauses)**

The clauses of any contract drafted by the insurer without individual negotiation, if they are ambiguous or conflicting clauses, shall be construed in a manner that is the most favourable to the policyholder or the insured.

CHAPTER III  
**Execution of Insurance Contract**

SECTION I  
Insured Risk

ARTICLE 108  
**(Purpose of contract)**

The risk is the decisive element of the purpose of the insurance contract and must be random, real and legal.

ARTICLE 109  
**(Non-existence of risk)**

1. The initial non-existence of risk shall determine the invalidity of the contract, and the following rules pertaining to the premium that may have been paid by the policyholder shall apply:
  - a) if there is good faith from the contracting parties, the insurer shall return the premium amount, after deducting any expenses required for concluding the contract that have not demonstrably been recovered; and
  - b) if there is bad faith from the policyholder or the insured, the insurer, in good faith, shall be entitled to the premium.
2. The termination of the risk during the term of the contract shall automatically and immediately lead to the termination of the contract, due to expiry, and the reversal of the premium shall take place under the terms and conditions of article 156.
3. It is understood that there is termination of risk namely in the event of death of the insured person, total loss of the insured assets or termination of the insured activity.

ARTICLE 110  
**(Exclusions)**

The insurance contract may exclude the cover of, amongst others, the risks arising from war, uprising or terrorism.

ARTICLE 111  
**(Risk increase)**

1. The policyholder or, where applicable, the insured, shall disclose to the insurer all facts and circumstances likely to result in a risk increase, during the term of the contract and the eight days after they become known.
2. Once such increase has occurred, the insurer may, within fifteen days, opt for the proportional reduction of the guarantee or for submitting new conditions.
3. In turn, the policyholder, within the same time limit of fifteen days after having received the disclosure mentioned in the previous paragraph, may oppose the submission of new conditions, the proportional reduction of the guarantee or, in any case, the termination of the contract.

#### ARTICLE 112

##### **(Non-compliance due to omission or inaccuracy of disclosure)**

1. The omission or inaccuracy of the disclosure provided for in paragraph 1 of the previous article shall provide the insurer with the option to terminate the contract or, alternatively, to apply the provisions of paragraph 2 of that same article.
2. The policyholder, if acting in good faith, may avoid the termination provided for in the previous article, by requesting the insurer that new conditions be proposed. Should he accept these, he shall also take on the payment of all expenses incurred by his action.

#### ARTICLE 113

##### **(Claim and risk increase)**

1. Should a risk increase occur without such situation being conveyed to the insurer by the policyholder or by the insured and should there be a claim, the insurer shall not be required to pay the corresponding compensation, if the policyholder or the insured have acted in bad faith.
2. If there is no bad faith, the insurer shall make its payment, proportionally reducing it to the difference between the premium agreed on in the contract and the premium that would have been applied if the insurer were aware of the true size and nature of the risk.
3. If the risk increase has been reported correctly and in due time and should a claim occur during the period when the procedure to amend or terminate the contract is underway, under the terms mentioned in paragraphs 2 and 3 of article 111, the insurer shall make the payment provided for in the contract.
4. If the risk increase has been reported incorrectly and late and should a claim occur, the provisions of paragraphs 1 and 2 of this article shall apply.

#### ARTICLE 114

##### **(Risk reduction)**

1. The policyholder may, at any time, notify the insurer of all the facts or circumstances likely to determine a risk reduction.
2. In view of the notification mentioned in the previous paragraph, the insurer has fifteen days to submit to the policyholder new contractual conditions. It is understood that, after such period has expired and should the policyholder be silent, it accepts the circumstances pointed out by the policyholder, reflecting this in the contract premium with immediate effect.



3. The policyholder, for his part, also has fifteen days, in view of the insurer's response, to opt for the new conditions that may be proposed to him, for the continuation of the contract under the pre-existing conditions or for its termination.
4. After the period indicated in the previous paragraph has expired, the policyholder's silence shall imply the acceptance of the new conditions proposed by the insurer or, in view of its refusal to acknowledge the risk reduction, the continuation of the contract in accordance with the terms it contained before the notification of the risk reduction.

## SECTION II

### Duration of the Insurance Contract

#### ARTICLE 115

##### **(Duration)**

In the absence of any provision by the parties, the insurance contract shall be in force for a one-year period.

#### ARTICLE 116

##### **(Automatic renewal)**

1. Unless agreed otherwise, the insurance contract concluded for an initial one-year period shall be successively renewed, at the end of the stipulated period, by new one-year periods.
2. Unless agreed otherwise, should the insurance contract be concluded for an initial period other than a one-year period, it shall expire at the end of the stipulated period.
3. Any contract that is renewable shall be considered as a single contract.

## SECTION III

### Transfer of the Insurance Contract

#### ARTICLE 117

##### **(Transfer)**

1. Without prejudice to the provisions relating to life insurance, the policyholder shall have the right to transfer its contractual position in general terms, without the need for the insured's consent.
2. Except as otherwise provided or agreed, if there is a transfer of the insured item and if the policyholder and the insured are the same, the insurance contract shall be transferred to the new holder, although such transfer shall only take effect after it has been notified to the insurer.
3. Except as otherwise provided or agreed, in the event of a transfer of the insured item by the duly identified insured, the position shall be transferred to the new insured.
4. The transfer of the company or the business shall imply the transfer to the acquirer of the insurance associated with such economic unit, under the terms in paragraphs 2 and 3 of this article.
5. Unless agreed otherwise, the insurance shall stand after the insolvency declaration of the policyholder or of the insured. The abovementioned insolvency declaration shall determine the application of the risk increase system.

ARTICLE 118  
**(Death of policyholder)**

1. The contract may lay down that, in the event of the death of the policyholder, the contractual position shall be transferred to the insured or an interested third party.
2. The provisions of the previous paragraph shall not apply to contracts headed by policies to order or bearer policies nor to any contracts concluded due to the person of the policyholder.

ARTICLE 119  
**(Insurance as collateral)**

1. If the insurance has been set as collateral, the policyholder may conclude another insurance contract with another insurer, maintaining the same collateral, without the creditor's consent.
2. When there is a in rem guarantee over the insured item, the transfer of the insurance as a result of the transfer of the item shall not be dependent on the creditor's consent, but shall be notified to it by the insurer, provided it is duly identified on the policy.

CHAPTER IV  
**Insurance Premium**

SUB-SECTION I  
Common Provisions

ARTICLE 120  
**(Determining and payment of premium)**

1. Unless agreed otherwise, the premium amount and the rules on its calculation and determination shall be laid down in the insurance contract, under the contractual freedom, and in compliance with the provisions in the following paragraph.
2. The rules on the calculation and determination of the insurance premium must comply with the principles of insurance techniques.
3. The insurance premium shall be paid in the manner and in the place set out in the insurance contract or, should nothing be said about this, at the premises of the insurer where the contract has been concluded.
4. The payment of the insurance contract by cheque shall be conditional to its being cashed in and, after this, payment is deemed to have been made on the date of the cheque.
5. The fact that the cheque is not cashed in, due to a failure that is not attributable to the insurer upon its presentation at the bank, shall be equal to non-payment of the insurance premium.

ARTICLE 121  
**(Unitary nature of the insurance premium)**

The premium corresponding to each insurance contract period shall be due in full, unless the contract is cancelled or terminated under the laws or regulations in force, without prejudice to being split for payment purposes, as provided for in the policy.

ARTICLE 122

**(Insurance premium reversal)**

Where there is a premium reversal, it shall be calculated on a *pro rata temporis* basis, that is, the insurer shall return the proportional part of the premium corresponding to the unexpired risk period to the policyholder, unless laid down in the policy otherwise.

ARTICLE 123

**(Taxes and other charges)**

1. Together with the premium, the policyholder shall pay any taxes and other charges that may be applicable at the time.
2. Any premium additions that may be due in accordance with the previous paragraph shall always be duly listed on the corresponding receipt.

ARTICLE 124

**(Due date of initial premium or instalment)**

1. The initial premium, or the first instalment of the premium, shall be due on the date the contract is concluded.
2. Should it be impossible for a receipt to be issued at the time of the payment mentioned in the previous paragraph, the insurer shall issue a provisional receipt and issue the definitive receipt no later than thirty days.

ARTICLE 125

**(Due date of subsequent premium or instalments)**

1. The following instalments of the initial premium, the subsequent annuity premium and the successive instalments of such annuity premium shall be due on the dates set out in the respective policy, without prejudice to the provisions of the following paragraphs.
2. In variable premium contracts, namely pertaining to workmen's compensation, marine insurance and goods in transit insurance, subsequent premiums or instalments shall be due on the date their respective receipt is issued.
3. In contracts pertaining to open policies, premiums or instalments relative to successive applications shall be due on the date their respective receipt is issued.

ARTICLE 126

**(Who can make the payment)**

1. The insurance premium shall be promptly paid by the policyholder or by whoever represents it or acts on his behalf.
2. Without prejudice to the liability mentioned in paragraph 1 of article 84, the insurance premium may also be paid, as provided by the law, by any third party interested in complying with the obligation, without the insurer being able to refuse payment.

SUB-SECTION II

Special Framework

ARTICLE 127  
**(Scope of application)**

The provisions of this sub-section shall apply to all insurance contracts, except those pertaining to life, to temporary insurance concluded for periods equal to or less than ninety days and to insurance that falls within micro-insurance.

ARTICLE 128  
**(Contract validity)**

1. The actual risk cover shall only occur from the moment the insurance premium or instalment is paid, and then the insurance contract shall be fully valid.
2. The parties may agree that the commencement of the coming into force of the contract shall be set at a date subsequent or prior to its conclusion. However, such date may not be prior to the date of receipt of the insurance proposal by the insurer.
3. The commencement of the risk cover shall be expressly included in the insurance policy schedule and, where it is dependent on the payment of the premium or instalment, it shall be corroborated by the respective receipt or by the provisional receipt mentioned in paragraph 2 of article 14, if applicable.
4. The insurer shall make the policyholder aware of the content of this article, either before the payment of the premium or instalment or in the policy general or special conditions.

ARTICLE 129  
**(Payment advice notice)**

1. The insurer is bound, at least thirty days prior to the date when the subsequent premiums or instalments are due, to notify in writing the policyholder, indicating the date the payment is due, the amount to be paid and the place for payment.
2. In the situations mentioned in paragraphs 2 and 3 of article 125, the insurer shall notify in writing the policyholder, indicating the amount of the premium due, at least thirty days in advance in relation to the date of issue of the receipt thereon mentioned.
3. The advice notices mentioned in the previous paragraphs must include the consequences of non-payment of the premium or instalment and, specifically, the date from which the contract shall be considered terminated.
4. In insurance contracts whose premium payment is split for a period equal to or less than a quarter, and where the dates of expiry and amounts to be paid, as well as the consequences of non-payment of the premium or instalment, are identified in a contractual document, the insurer may elect not to forward the advice notice provided for in paragraph 1 of this article, and the burden of proof of the timely issue and of the acceptance by the policyholder of such contractual document shall rest upon the insurer.

ARTICLE 130  
**(Lack of payment advice)**

1. The onus of proof of the timely dispatch of the notices that paragraphs 1 and 2 of the previous article refer to the agreed address or, should this not be provided, to the policyholder's

domicile, shall rest with the insurer. With the proof of dispatch the notices are assumed to have been received in due course.

2. The non-presentation or non-acceptance of the proof mentioned in the previous paragraph implies, for the insurer, the impossibility to invoke the exception of non-payment of premium, for purposes of acceptance and settlement of any possible claim.

#### ARTICLE 131

##### **(Non-payment of insurance premium or instalment)**

1. Non-payment of the subsequent annuity premium or the first instalment of such premium shall prevent the renewal of the contract, which shall not take effect because of such fact. Non-payment of any premium instalment during an annuity shall lead to the automatic and immediate termination of the contract, on the date the payment of such instalment was due.
2. Non-payment of the premiums or instalments mentioned in paragraphs 2 and 3 of article 125 on the date indicated in the respective advice shall lead to the immediate termination of the contract, without the possibility of bringing it into force again.
3. Non payment, by the expiry date, of an additional premium resulting from an amendment to the contract that is not based on a further risk increase shall lead to such amendment becoming void. The contract shall remain with the scope and under the conditions that prevailed before the intended amendment.
4. Where collection is made through intermediaries, the latter shall be required to return to the insurer any non-collected receipts within eight days after the time limit laid down in the advice notices mentioned in paragraphs 1 and 2 of article 129, on pain of incurring the penalties laid down by law.

#### ARTICLE 132

##### **(Obligation to pay the outstanding premium in the event of termination)**

The resolution of the contract, in accordance with paragraph 2 of the previous article, does not relieve the policyholder of the obligation to pay the outstanding premiums or instalments corresponding to the period when the contract was in force, plus any contractually established sanctions and the respective interest on arrears, at the legally laid down rate.

#### ARTICLE 133

##### **(Consequence of debt on the conclusion of new contracts)**

1. The insurer, even in the case of mandatory insurance, may refuse the acceptance of an insurance proposal, if the risk that one intends to insure has been covered, in full or in part, by an insurance contract in relation to which there are any outstanding amounts, under the terms of the previous articles, unless the policyholder invokes exception of non-compliance with the contract.
2. For purposes of the previous paragraph, when submitting the insurance proposal, the policyholder shall state whether the risk that he intends to insure has been covered or not, in full or in part, by any contract in relation to which there are any outstanding amounts, under the terms of the previous articles.
3. The provisions of articles 95 to 97 shall apply to any misrepresentation when complying with the previous paragraph.

ARTICLE 134  
**(Premium payment by third parties)**

1. In bond insurance contracts, should there be no unenforceability clause, and in other classes in the cases where, arising from the contract, there is an interested third party holding any rights safeguarded in the contract, the beneficiary shall be notified, by registered mail, whenever there is non-payment of the premium on the date it was due, so that, if he wishes to avoid termination, he can pay, within fifteen days, the premium or instalment on the policyholder's behalf.
2. In case of payment duplication, the insurer shall return the amount paid by the beneficiary within fifteen days after the premium or instalment due by the policyholder.
3. For purposes of paragraph 1, unenforceability clause is understood to mean the contractual clause that prevents the insurer, over a certain period, to set against the insured or contract beneficiaries, any nullity, annulment or grounds for termination.

SUB-SECTION III  
Collection by Insurance Intermediaries

ARTICLE 135  
**(Relation between insurers and insurance intermediaries)**

Relations between insurers and insurance intermediaries with collection powers, namely pertaining to reporting deadlines, shall be governed by the specific rules in force, without prejudice to paragraph 4 of article 131.

SECTION V  
Claim

SUB-SECTION I  
Reporting

ARTICLE 136  
**(Reporting the claim to the insurer)**

1. For purposes of reporting to the insurer, the knowledge of a reasonable probability of the occurrence of a claim is considered to be equivalent to the claim.
2. The claim shall be reported to the insurer within the time limit specified in the contract or, should the contract be silent regarding this, within the eight days of its occurrence or which it becomes aware of.
3. Such report shall be made by the policyholder or by the insured, when the latter is aware of the contract and of the claim.
4. The report shall clearly explain the circumstances of the claim and its consequences.
5. Within fifteen days after receiving the report, the insurer shall inform the policyholder and the insured of its position regarding the acceptance of the claim, regardless of what happens later, namely the provisions of paragraph 2 of article 142.

ARTICLE 137  
**(Delay in reporting to the insurer)**

Any delay in reporting to the insurer shall imply, for the person who is responsible for the non-compliance, the obligation to compensate the insurer for the damage and other expenses caused by such behaviour.

SUB-SECTION II  
Non-Escalation of Damages

ARTICLE 138  
**(Attitude towards the claim)**

1. Before a claim that is under way or an established claim, the policyholder and the insured shall take all reasonable steps to reduce the damage or to avoid such damage from becoming bigger.
2. The provisions of paragraph 1 shall apply to whoever is aware of the insurance in their capacity as beneficiary.

ARTICLE 139  
**(Extent of obligation to reduce damages)**

1. The obligation to reduce damages may imply that immediate steps must be taken on site, namely notification to the relevant public authority or the call for rescue equipment.
2. In any case, the obligation to reduce or avoid damages from getting bigger does not preclude the need to protect life and the physical or moral integrity of the persons involved and/or the need to avoid damages which, although not insured, must specifically prevail over any insurer's interests.

ARTICLE 140  
**(Reimbursement of expenses)**

1. The insurer shall reimburse the policyholder, the insured or the beneficiary for the expenses that they demonstrably have incurred in when complying with the obligation to reduce the damages that article 138 refers to, provided they are reasonable expenses and regardless of their effectiveness.
2. The amount owed by the insurer according to the previous paragraph shall be deducted from the amount of the available insured sum, unless it corresponds to expenses incurred when complying with the insurer's stipulations or unless their autonomous cover results from the contract.
3. In the case of an insurance for an amount lower than the capital at risk at the time of the claim, the insurer shall pay the expenses incurred when complying with the obligation laid down in article 138, proportionally to the covered interest and the interest at risk, unless they arise from the compliance with the insurer's stipulations or result from the contract.

ARTICLE 141  
**(Non-compliance with the obligation to reduce damages)**

The intentional non-compliance with the obligation mentioned in article 138 shall trigger, for those responsible for such non-compliance, the obligation to compensate the insurer for the damages and other expenses that may have been caused by their behaviour.

SUB-SECTION III  
Cause of Claim

ARTICLE 142  
**(General rule)**

1. In the absence of any reference in the contract on the matter, the insurance shall cover the risk provided for therein, regardless of the cause of the claim, without prejudice to the provisions of the following article.
2. When the parties do not agree on determining the causes, circumstances and consequences of the claim, such assessment may be undertaken by experts appointed by the parties, as contractually provided for.
3. Unless agreed otherwise, the assessment made in accordance with the previous paragraph is binding on the insurer, on the policyholder and on the insured.

ARTICLE 143  
**(Wrongful acts)**

1. The insurance shall not cover a claim intentionally caused by the policyholder himself, by the insured or by a person whom they are publicly liable for.
2. Any beneficiary who has intentionally caused the claim shall not be entitled to the respective benefit from the insurer.

SUB-SECTION IV  
Payment of Compensation

ARTICLE 144  
**(General rule)**

1. After the claim has been confirmed and its causes, circumstances and consequences have been defined and accepted, the insurer shall pay the contractually established benefit to whoever it is due, within the period and under the conditions provided for in article 146.
2. In the absence of any reference in the contract on this matter, compensation shall be payable in cash.

ARTICLE 145  
**(Amount of compensation)**

1. In any insurance for damages, in accordance with its compensatory function, the amount of the benefit from the insurer shall equal the damage actually sustained.
2. Where the insurance has a value that is different from the actual value, the provisions of articles 17 and 18 shall apply.

3. In any insurance relating to people, where the benefit from the insurer does not have a compensatory function, the amount payable shall correspond to the amount previously laid down in the insurance contract.

ARTICLE 146  
**(Payment of compensation)**

1. The compensation must be paid at the insurer's place of business where the contract was concluded, within thirty days from the date the respective amount becomes net.
2. The amount payable is considered to become net when the claim process is finished and the amount to be compensated has been determined.
3. After the ninety day period from the claim reporting date has elapsed and after its consequences have been duly set out, the beneficiary may request partial payments on account of the compensation due, up to a maximum of fifty per cent of the amount estimated by the insurer, taking into account the overall compensation amount in his favour.

ARTICLE 147  
**(Payment delay)**

1. The insurer's delay is not dependent on any questioning.
2. The insurer shall be liable for interest on arrears at the legal rate, plus 2%, unless the insured proves that, because of such delay, he sustained higher losses.

CHAPTER IV  
**Group Insurance**

ARTICLE 148  
**(Types of insurance)**

1. The group insurance contract shall cover risks of a group of people to one another and to the policyholder by a common bond or interest, which is not the interest to insure.
2. Group insurance may be contributory or non-contributory.

ARTICLE 149  
**(Duty to inform)**

1. Without prejudice to articles 91 to 93, mutatis mutandi, the policyholder shall inform the insured of the contracted covers, rights and obligations in the event of a claim and changes in the contract, in accordance with the information provided.
2. In any insurance relating to people, the policyholder shall also inform the insured of the system for beneficiary naming and changing.
3. The insurer must provide, at the request of the insured, all the necessary information for a proper understanding of the contract.
4. The contract may provide that the obligation to inform mentioned in paragraphs 1 and 2 of this article shall be taken on by the insurer.

ARTICLE 150



### **(Non-compliance with the duty to inform)**

In general terms, non-compliance with the duty to inform shall hold liable the policyholder or the insurer, as the case may be.

#### ARTICLE 151

##### **(Termination by the insured)**

1. After reporting amendments to the group insurance contract, any insured may terminate the membership link, except in the case of mandatory membership due to a relationship established with the policyholder.
2. The termination provided for in the previous paragraph shall be made through a written declaration forwarded to the policyholder no later than thirty days or, where the contract so determines, to the insurer and shall not affect the validity or the contract nor the cover of the remaining insured.

#### ARTICLE 152

##### **(Exclusion of insured)**

1. The insured may be excluded from the group insurance contract should his link with the policyholder be terminated or, in the case of contributory insurance, when he does not deliver the payment of his share of the premium on time.
2. The insured may also be excluded where either he or the beneficiary, with his knowledge, commits fraudulent acts to the detriment of the policyholder or of the insurer.

#### ARTICLE 153

##### **(Termination of contract)**

1. In general terms, the policyholder may terminate the contract through cancellation, termination and rescission, and he must inform the insured, at least thirty days in advance, of the discontinuation of cover arising from termination.
2. The policyholder shall be liable for any damage he may cause should the advance period mentioned in the previous paragraph not be complied due to a cause attributable to him.

#### ARTICLE 154

##### **(Continuation of cover)**

In case of exclusion of the insured or of termination of the group insurance contract, the insured shall be entitled to the continuation of cover that he enjoyed before, when and under the conditions provided for in the contract.

### CHAPTER V

#### **Termination and Lapse of Insurance Contract**

##### SUB-SECTION I

##### Termination of Insurance Contract

ARTICLE 155  
**(Forms of termination of the insurance contract)**

1. The insurance contract shall terminate in general terms, namely, due to expiry, cancellation, rescission and termination.
2. The termination of the insurance contract shall not prejudice the acquired rights of any third parties, nor will it prejudice the insurer's obligation to pay the benefit arising from the risk cover, provided that the claim has occurred on a date prior to the date of termination of the contractual link.
3. In insurance with mathematical provisions, in relation to which surrender is allowed, the termination of a contract which does not result in payment of the benefit shall place an obligation on the insurer to provide the amount of such provision, including the right to profit sharing calculated on a *pro rata temporis* basis, and deducting the acquisition costs not yet written off.

ARTICLE 156  
**(Insurance premium reversal due to early termination of contract)**

1. Unless agreed otherwise or if, following the payment of a benefit arising from a claim, and whenever the contract is terminated before the expiry of a specific time limit, there is an insurance premium reversal.
2. The premium reversal that the previous paragraph refers to shall be calculated in accordance with article 122.
3. The provisions of this article shall not apply to life insurance contracts.

ARTICLE 157  
**(Expiry of insurance contract)**

The insurance contract shall expire according to the general terms, namely at the end of the stipulated period.

ARTICLE 158  
**(Specific expiry causes)**

The following are specific causes for the expiry of the insurance contract:

- a) subsequent loss of interest in the insured item;
- b) when, subsequent to a claim, the insurer is required to pay the entire sum insured and the replacement of such sum has not been provided for;
- c) when the insured risk becomes non-existent, under paragraph 2 of article 109; and
- d) the situations provided for in paragraph 3 of article 109.

ARTICLE 159  
**(Cancellation of insurance contract)**

1. The insurance contract may be cancelled at any time by common agreement of the parties. The consent of the insured, if required, shall be given in writing.

2. With the exception of group insurance and subject to the specific features of “Life” insurance, the cancellation shall require the insured’s consent where the latter and the policyholder are two different persons.

ARTICLE 160  
**(Rescission and termination of contract)**

1. The rescission of the insurance contract, its termination and resulting non-renewal or renewal proposal under conditions that differ from those that have been contracted, must be notified, in writing, by one of the parties to the other no later than sixty days from the date of rescission o of expiry.
2. The provisions of the previous paragraph shall not be applicable to the amendments that have been introduced pursuant to the law, provided that they have specifically been provided for thereon.
3. The reporting deadline mentioned in paragraph 1 shall be applicable to the exclusion of the insured.
4. In case of fraud by the policyholder, the insured or the beneficiary, with the complicity of the policyholder, the insurer may rescind the contract and, without prejudice to the applicable criminal provisions, it is entitled to a claim for damages.
5. In group insurance, the provisions of the previous paragraph shall apply to the portion pertaining to the cover of the insured, when the fraud has been committed by the latter or by a beneficiary with his collusion.

SUB-SECTION II  
Lapse

ARTICLE 161  
**(Deadlines)**

1. The right of the insurer to receive the premiums shall lapse within two years from the date they are due.
2. The remaining rights arising from the insurance contract shall lapse within five years from the date the rightsholder becomes aware of such right, without prejudice to the ordinary limitation period from the event giving rise thereto.

CHAPTER VI  
**Law Applicable to the Insurance Contract**

ARTICLE 162  
**(General rule)**

General rules of international law in respect of contractual obligations, particularly those resulting from international conventions or treaties that the Republic of Mozambique may have joined, shall apply to the insurance contract, together with the specific characteristics laid in the following articles.

ARTICLE 163

**(Freedom of choice)**

1. Without prejudice to the provisions in the following articles and to general contractual freedom arrangements, the contracting parties may choose the law applicable to the insurance contract covering risks located in Mozambican territory or where the policyholder, when it comes to personal insurance, normally resides in Mozambique or therein has the premises that the contract relates to, depending on whether we are talking about a natural or legal person.
2. The choice of applicable law mentioned in the previous paragraph may only apply to laws whose applicability corresponds to a serious interest from the parties or that are connected to any of the elements of the insurance contract taken in consideration in private international law.
3. The choice of the applicable law shall be expressed in or demonstrated unequivocally by the terms of the contract.
4. The contracting parties may change at any time the applicable law, by subjecting the contract to a different law.

ARTICLE 164

**(Additional connections)**

1. If the contracting parties have not chosen the applicable law or if such choice is ineffective, under the terms of the previous article, the insurance contracts shall be governed by the law of the State which it has a closer connection to.
2. In the absence of choice of another law by the parties, the insurance contract covering risks located in Mozambican territory or where the policyholder, when it comes to personal insurance, normally resides in Mozambique or therein has the premises that the contract relates to, shall be governed by Mozambican law.
3. The insurance contract is assumed to have a closer connection to the law system of the State where the risk is located, whilst in personal insurance the closer connection arises from the policyholder's normal residence or therein has the premises that the contract related to, depending on whether we are talking about a natural or legal person.

ARTICLE 165

**(International law system)**

1. The law applicable to insurance contracts, under the terms of articles 163 and 164, may not go against the fundamental rights of the international law system of the Mozambican State.
2. All insurance contracts which involve any of the risks below are deemed to be contrary to the law system and as such are forbidden:
  - a) criminal and disciplinary liability or liability arising from any misdemeanour ;
  - b) kidnapping, hijacking and other crimes against personal freedom;
  - c) possession or transportation of narcotics and drugs whose use is prohibited; and
  - d) death of children under fourteen years old or of those individuals who, due to a psychological anomaly or for another reason, are unable to take care of themselves.
3. The prohibition mentioned in sub-paragraphs b) and d) of the previous paragraph shall not include the payment of any strictly compensatory benefits.
4. Cover of accidental death of children under fourteen years old, provided that it is taken out by schools and sports institutions or those with a similar nature that are not beneficiaries therefrom shall not be prohibited.

ARTICLE 165  
**(Mandatory insurance)**

All mandatory insurance contracts in the Mozambican law system shall be governed by Mozambican law.

ARTICLE 166  
**(Language of contractual documents)**

Should the law of a foreign country be chosen by the parties to govern the contractual relationship, under article 163, the insurance policy and other contractual and pre-contractual documents shall be written in a language other than Portuguese, at the express request of the policyholder, without prejudice to the written text in Portuguese, which shall prevail in case of any conflict in interpretation.

CHAPTER VII  
**Secrecy and Arbitration**

ARTICLE 168  
**(Duty of professional secrecy)**

1. The insurer shall keep in confidence all information it may have become aware of when concluding or executing an insurance contract, including, in personal insurance, any information pertaining to the insured person and respective family, even if the contract has not been concluded, is invalid or has been terminated.
2. The elements making up the insurer's governing bodies, as well as its employees and insurance intermediaries, shall observe the duty of professional secrecy under the precise terms of the previous paragraph.

ARTICLE 169  
**(Arbitration)**

1. Any disputes arising from the validity, interpretation, execution and non-compliance with the insurance contract may be settled by arbitration, even if the issue concerns mandatory insurance or the application of mandatory rules of the current legal system.
2. The arbitration mentioned in the previous paragraph shall be governed by Mozambican law.

CHAPTER VIII  
**Distribution of Insured Risk**

ARTICLE 170  
**(Methods of risk distribution)**

The risk taken by an insurer may be distributed by the latter among other insurers or reinsurers, through co-insurance or reinsurance, respectively.

SECTION I  
Co-insurance

ARTICLE 171  
(Scope)

1. Co-insurance is accepted in all insurance classes or lines in relation to contracts which, due to their nature and importance, justify the intervention of various insurers.
2. The contract concluded under a co-insurance system shall be represented by a single policy, issued by the leading insurer, where a share of the risk or the percentage of the capital taken on by each co-insurer must appear, and this shall be the limit of the corresponding individual responsibilities.

ARTICLE 172  
(Duties of leading co-insurer)

1. To the leader of the contract concluded under a co-insurance system shall be assigned the duties mentioned below, which need to be exercised by such leader both in its own name or in the name and on behalf of the remaining co-insurers:
  - a) to receive from the policyholder the declaration on the risk to be insured, as well as subsequent declarations on the increase or even reduction of such risk;
  - b) to undertake a risk analysis and establish the conditions of insurance and respective pricing;
  - c) to issue the policy insurance corresponding to the entire risk or capital;
  - d) to collect the premiums and issue the respective receipts;
  - e) to develop, if applicable, all actions that may be legally permitted in view of non-payment of a premium receipt;
  - f) to receive the claim notifications and to settle such claims; and
  - g) to accept or to propose the termination of the contract.
2. The insurance policy that sub-paragraph c) of the previous paragraph refers to must be signed by all co-insurers, although such document may be signed only by the lead co-insurer, on behalf of all, if:
  - a) it is stipulated that the leader shall make full payment, in its name and on behalf of the remaining co-insurers, of the value of the claims that have occurred; and
  - b) if agreed among all co-insurers, a situation that shall be expressly mentioned in the policy.
3. In addition to the duties of the leader mentioned in paragraph 1 of this article, other tasks may also be assigned to it, by agreement of all co-insurers.

ARTICLE 173  
(Agreement among co-insurers)

For every contract concluded under the co-insurance system an agreement shall be established among the respective insurers defining the relations amongst all of them and between each other



and the leader, which shall include at least the following aspects, without prejudice to the provisions of paragraph 1 of the previous article:

- a) management fee amount, if the duties of the leader are remunerated;
- b) manner of conveying the information and the reporting by the leader to each of the co-insurers; and
- c) claims payment system.

ARTICLE 174  
**(Public liability of leader)**

The leading co-insurer shall be publicly liable before the remaining co-insurers for any loss and damages arising from non-compliance with the duties that were assigned to them.

ARTICLE 175  
**(Claims payment)**

Any claims to be settled within the context of a contract concluded under a co-insurance system may be paid using any of the methods indicated below, to be expressly included in the respective insurance policy:

- a) the leader shall pay, in its name and in the name and on behalf of the remaining co-insurers, the overall claim value; and
- b) each of the co-insurers shall pay part of the claim proportionally to the share of the risk that it insured or the percentage share of the capital that it accepted.

ARTICLE 176  
**(Legal actions arising from a contract concluded under the co-insurance system)**

All legal actions arising from a contract concluded under a co-insurance system shall be brought against all co-insurers, unless the dispute is related to the payment of a claim and the method mentioned in sub-paragraph b) of the previous article has been included in the respective policy.

ARTICLE 177  
**(Abandonment of contract by a co-insurer)**

If one of the co-insurers wishes to abandon the contract concluded under a co-insurance system, it must notify the leader of such fact, no later than thirty days in relation to the date it may wish to do so. The leader shall then inform the policyholder and the remaining co-insurers in order for a decision to be taken on the form of cover of the share concerned.

SECTION II  
Reinsurance

ARTICLE 178  
**(Type of reinsurance contract and change to the risk of direct insurance)**

1. The reinsurance contract shall be concluded in writing, and the insured risks identified.



2. Any changes or modifications to the insured sum and generally to the conditions of the direct insurance contract that may be related to a given reinsurance contract must be reported to the reinsurer in the manner and within the deadlines set out in the respective reinsurance contract.

ARTICLE 179  
**(Effects in relation to third parties)**

1. Except where there is a legal provision or stipulation in the reinsurance contract, no relations arise in direct insurance between the policyholder and the reinsurer.
2. The provisions of the previous paragraph do not prevent the effectiveness of the allocation of the ownership or the exercise of any rights under the reinsurance contract, by the insurer, to any third parties, where permitted by the general law.

ARTICLE 180  
**(Subsidiary law)**

The relationship between the reinsurer and the ceding company shall be governed by the corresponding insurance contract, and the rules of this legal framework that are compatible with such contract shall additionally apply.

HEADING II  
**Special Part**  
Damage Insurance, Personal Insurance and Capitalization Operations

CHAPTER I  
**Damage Insurance**

SECTION I  
Common Provisions

ARTICLE 181  
**(Purpose of damage insurance)**

Damage insurance may relate to things, to credits, to any rights over intangible property or any other legal property situations.

ARTICLE 182  
**(Non-speculation principle)**

The insurance contract regulated by this chapter shall not be aimed at the enrichment of the insured, nor may it provide such enrichment.

ARTICLE 183  
**(Inherent vice of insured item)**

1. Unless otherwise agreed or specified, in case of damage due to inherent vice of the insured item existing at the time of the contract, that the policyholder should have been aware of and that may have not been declared to the insurer, the system laid down in this decree for the initial declaration or increase of risk, as applicable, shall apply.
2. If the inherent vice of the insured item has made the damage worse, the limitations arising from the previous paragraph shall apply only to the portion of the damage resulting from such vice.

ARTICLE 184  
**(Compensation limit in the event of a claim)**

1. The benefit that the insurer is responsible for shall be limited to the loss suffered by the insured up to the amount of the insured sum.
2. Regarding the insurance of items, the loss to be taken into account in order to determine the benefit due by the insurer is the one pertaining to the value of the insured item at the time of the claim.
3. Regarding the insurance of items, the insurer is only liable for business interruption or for the deprivation of the use of a property, in any event due to a claim, if so agreed in the contract.

ARTICLE 185  
**(Salvage)**

Any salvage from a claim may only be abandoned by the insured in favour of the insurer if the latter expressly accepts such salvage or if the contract provides for it.

ARTICLE 186  
**(Conventional system for calculating the compensation in case of an incident)**

1. Without prejudice to articles 182 and 184, the parties may, by mutual agreement, set in the policy or in an endorsement on a date subsequent to the contract date, the amount of the insured interest to be taken into account for the calculation of the compensation in the case of a claim; however, such amount must not be clearly unfounded.
2. The agreement mentioned in the previous paragraph shall not prejudice the arrangements provided for in this ruling regarding insured risk change.

ARTICLE 187  
**(Insurance for less than their actual value)**

If the insured sum is less than the actual value of the insured item or right, the policyholder shall account, in the event of a claim and unless agreed otherwise, for the proportional part corresponding to the non-insured amount.

ARTICLE 188  
**(Insurance for more than their actual value)**

1. If the insured sum on the date of the claim is more than the actual value of the insured item or right, the provisions of paragraph 1 of article 184 shall apply, with a contract reduction in order to adjust the insured sum to the amount of the interest at risk.



2. If the policyholder or the insured are acting in good faith, the insurer must reverse the premium that was overpaid from the inception of the annuity where the claim occurred, after deducting the proportionally calculated acquisition costs.

ARTICLE 189  
**(Nullity of insurance)**

1. In addition to the situations provided for in articles 88, 96 and paragraph 1 of article 109, the insurance becomes null and void if, when the contract was concluded, the policyholder or the insured were aware that a claim existed.
2. In the situation mentioned in the second part of the previous paragraph, the insurer shall not pay the compensation corresponding to such claim, although it is entitled to the premium.

ARTICLE 190  
**(Multiple insurance policies)**

1. The policyholder or the insured shall notify all involved insurers of any eventual existence of two or more insurance contracts pertaining to the same risk, even if they have been concluded by different policyholders; the provisions of articles 171 and 172 shall apply to the overall amount of the capital at risk, if applicable.
2. Any claim shall be notified to the involved insurers, each one shall be liable for the indemnity, up to the limit of the damage sustained, proportionally to the insured sums.
3. In view of the rule included in the previous paragraph, any insurer that compensates in excess of its share shall have a right of recourse against the other insurers.
4. The fraudulent omission of information provided for in paragraph 1 of this article shall relieve insurers from paying the respective compensation in the case of a claim.

ARTICLE 191  
**(Subrogation by the insurer)**

1. By paying the indemnity, the insurer shall be subrogated to the rights the insured has against the liable third parties and up to the limit equal to the paid amount, and the insured shall answer for any act that may prevent the exercise of such rights.
2. If the compensation falls just on part of the damage or loss, the insurer and the insured shall contribute to enforce the rights mentioned in the previous paragraph, on the pro-rata basis that is due to each one.
3. The provisions of paragraph 1 of this article shall not apply:
  - a) against the insured if he is civilly liable for the liable third party, in accordance with the law; and
  - b) against the insured's spouse, ascendants and descendants living together with him, unless the liability of these third parties is deliberate or if it is covered by an insurance contract.

ARTICLE 192  
**(Real guarantees)**



The termination of the insurance shall only be binding on any creditor who has a real guarantee over the insured item and is duly identified on the policy thirty days after it has been notified to them.

SECTION II  
Insurance Policy

ARTICLE 193  
**(Policy wording)**

The general and special conditions of the insurance policies of contracts covered by this chapter should contain the following minimum information:

- a) definition of the concepts required for clarification of contractual conditions;
- b) scope of contract;
- c) rights and obligations of contracting parties;
- d) duty to inform in the event of increased risk;
- e) conditions for the renewal, suspension, expiry, termination and nullity of the contract;
- f) conditions, deadlines and frequency of payment of premiums;
- g) method of determining the insurance value or the way it is calculated;
- h) conditions for recourse to arbitration and indication of the appropriate forum to settle disputes in court.

SECTION III  
Insurance Classes in Particular

SUB-SECTION I  
Public Liability Insurance

ARTICLE 194  
**(Scope of cover)**

1. Public liability insurance shall guarantee the obligation to compensate, as agreed, up to the amount of the insured sum per claim, per aggrieved party or per contract period, except where stated otherwise in paragraph 3.
2. Unless otherwise agreed, the loss to be taken into account for purposes of the compensatory principle is the one indicated in the general legislation.
3. In mandatory insurance the law shall set out the minimum insured sum level and respective method, among those mentioned in paragraph 1, where it operates in the event of a claim.

ARTICLE 195  
**(Legal defence)**

Subsequent to the underwriting of public liability risk, the insurer may intervene in any administrative or legal proceedings where the obligation to compensate by reference to such risk, and bearing the costs that this entails, may be discussed.

ARTICLE 196

**(Duty of cooperation)**

1. The policyholder or the insured shall cooperate with the insurer, by providing all required information and abstaining, in any circumstances, from aggravating the insurer's substantive or procedural position.
2. Neither the recognition, by the insured, of the right of the aggrieved party nor the payment of the compensation that may have been paid to the latter shall be enforceable on an insurer who has not given its consent thereto.

ARTICLE 197

**(Conflict of interest)**

1. Where the insured and the aggrieved party refer to insurance contracts concluded with the same insurer or should there be another conflict of interest, the insurer shall bring to the notice of the interested parties such circumstance.
2. If the situation mentioned in the previous paragraph occurs, the insured, if the settlement of the dispute by agreement is unsuccessful, may entrust his defence to an entity other than the insurer. Unless agreed otherwise, the insured shall bear the resultant costs, in proportion to the difference between the amount advanced by the insurer and the one that the insured may obtain.

ARTICLE 198

**(Multiple aggrieved parties)**

1. Should there be several aggrieved parties and the total value of compensation exceed the insured sum, the compensation shall be proportionally reduced until it reaches such sum.
2. Any insurer that, in good faith and due to their lack of knowledge of other claims, pays any compensations whose amount is higher than the amount resulting from the application of the previous paragraph, shall be released with regard to the other aggrieved parties for whatever exceeds the insured sum.

ARTICLE 199

**(Right of recourse)**

Without prejudice to a different system laid down in special legislation, the insurer, after paying the compensation, has right of recourse against the policyholder or the insured who may have deliberately caused the damage or who may have otherwise intentionally harmed the insurer, subsequent to the claim.

SUB-SECTION II

Fire Insurance

ARTICLE 200

**(Scope of cover)**

1. The insurance cover encompasses the items described in the policy and includes damage caused by fire, even if there has been negligence by the insured or any individual for whom he may be responsible for.
2. The following information is included, in particular, in the cover:
  - a) damage arising from the fire;
  - b) damage arising from heat, smoke, steam, water and other means used to extinguish or fight against the fire or to prevent its spread, including furniture removal, demolitions or firewalls carried out on instruction of the competent authority;
  - c) unless otherwise agreed, damage caused by lightning, explosion and other similar accidents, whether accompanied by fire or not.
3. In the case of inherent vice of the insured item, article 183 shall apply.

ARTICLE 201  
**(Policy wording)**

In addition to the provisions of paragraph 4 of article 103 and of article 193, fire insurance policies shall also need the following:

- a) the name, quality, location and boundaries of any insured buildings, explicitly or by reference to the appropriate property descriptions;
- b) their aim and effective use;
- c) the nature and use of adjacent buildings, whenever relevant for risk assessment and for contract content; and
- d) the location where the insured furniture is kept or stored.

ARTICLE 202  
**(Burden of proof)**

In the event of a claim and unless otherwise agreed, the insured shall just be responsible for submitting the evidence of the sustained loss and the demonstration of the existence of insured items at the time the claim occurs, after meeting contractual conditions.

SUB-SECTION III  
Theft Insurance

ARTICLE 203  
**(Amount to be compensated in the event of a claim)**

1. Depending on the situations and bearing in mind article 184, the compensation to be paid by the insured shall correspond to:
  - a) the amount of the insured interest when the insured item is stolen and is not found within the period stipulated in the contract;
  - b) the amount of the damage caused to the insured item, as a result of the theft or attempted theft.
2. For the purposes of this subsection, theft has been treated as equivalent to robbery.

ARTICLE 204  
**(Exclusion from the duty to indemnify)**



Unless otherwise agreed, the insurer shall not remedy the consequences of the claim when the latter has been caused by one of the following causes:

- a) due to the failing of the policyholder, of the insured or of the people who live with them or depend on them;
- b) when the insured item is stolen outside the site indicated on the policy or when it is being transported, unless these situations have been expressly allowed by the insurer; and
- c) when the theft has occurred during events of a different nature.

**ARTICLE 205**  
**(Recovery of stolen item)**

If, after the theft, the insured item is recovered, the following rules shall be observed:

- a) if the insured item is recovered before the end of the period provided for in the insurance policy and the insurer, simultaneously, has not paid the compensation, the item shall be handed over to the insured, without prejudice to the insurer bearing the burden corresponding to any eventual damage that such item may have sustained; and
- b) if the item is recovered after the end of period indicated in the previous sub-paragraph and the compensation has been paid, the insured may, alternatively, withhold the compensation that has been received, surrendering the item to the insurer or getting the item back, in which case the amount it may have received as compensation shall be returned to the insurer.

**SUB-SECTION IV**  
**Crop and Livestock Insurance**

**ARTICLE 206**  
**(Amount of compensation)**

1. Compensation shall be determined on the basis of the average value of regular production, if there had been no claim, deducted from any costs that the insured has not incurred in and other savings and advantages on account of the claim.
2. Unless otherwise agreed, if livestock insurance covers the risk of disease or death of the calves of a certain type of animals, the compensation calculated in the previous paragraph shall be calculated on the basis of the value that the animals would have at the time when they would presumably be sold or slaughtered if the claim had not occurred, deducted from any costs that the insured has not incurred in and other savings and advantages, on account of the claim.

**ARTICLE 207**  
**(Policy wording)**

1. In addition to what is required for most contracts under paragraph 4 of article 103 and article 193, crop insurance policy shall need the following:
  - a) the name, location and boundaries of the building whose production is being insured;
  - b) the nature of such production and the normal harvest season;
  - c) the eventual existence of sowing or planting on the date of conclusion of the contract;

- d) the location of the warehousing or storage, if the insurance covers products that have already been harvested; and
  - e) the average value of the expected harvest.
2. In addition to the provisions of paragraph 4 of article 103 and of article 193, livestock insurance policy shall also include the following:
- a) the identification of the building where the cattle farm is located or of the building where the animals are usually found or where they stay overnight;
  - b) the type of animal, including their breed, the number of insured animals and the aim of the farm; and
  - c) the value of the insured animals.

SUB-SECTION V  
Transport Insurance

ARTICLE 208  
**(Insured sum)**

1. Transport insurance shall cover the value of the transported item, plus the cost of the transportation itself to the place of destination, if expressly mentioned in the policy.
2. Expected profits shall also be covered, provided they are expressly mentioned and separately quantified on the insurance policy.
3. The provisions of this sub-section shall not apply to postal delivery insurance nor to maritime transport insurance, and the latter shall be covered by article 225.

ARTICLE 209  
**(Policyholder)**

Transport insurance may be contracted by the owner of the means of transport, by the owner of the transported items and by all those who are interested in the preservation of insured items. The capacity of whoever contracts such insurance shall be indicated in the policy.

ARTICLE 210  
**(Inception of cover and insured risk)**

1. Unless otherwise agreed, risk begins with the receipt by the transporter and ends with the delivery, made by the transporter, of all insured items at the place of destination, provided such delivery is made within the deadline specified on the insurance policy.
2. The contract may establish the inception of cover for transport risks with the departure of goods from the shipper's warehouse or residence up until their delivery at the recipient's warehouse or residence.
3. The insurer shall not be held liable for any damages arising from the inherent nature or inherent vice of the transported item.

ARTICLE 211  
**(Policy wording)**



In addition to what is required for most contracts under paragraph 4 of article 103 and article 193, transport insurance policy shall need the following:

- a) insurance line taken out;
- b) type of transport and route to be followed;
- c) date of receipt of the item and expected delivery date;
- d) identification of transporter or transporters or, alternatively, the body responsible for such determination; and
- e) locations where the insured items must be received and delivered.

#### SUB-SECTION VI

#### Credit Insurance and Bond Insurance

#### ARTICLE 212

#### **(Obligation of insurer)**

1. Due to the effect of credit insurance, the insurer undertakes to indemnify the insured, in the conditions and with the limits laid down by the law and the insurance contract, namely in the event of:
  - a) losses caused by non-compliance with monetary obligations;
  - b) political risks that hinder the compliance with such laws;
  - c) non-amortization of any expenses borne with a view to constituting such credits;
  - d) exchange rate changes of benchmark currencies during payment; and
  - e) abnormal change of production costs.
2. In bond insurance the insurer, in the event of non-compliance or late payment by the policyholder, shall undertake to indemnify the insured by way of compensation for material damages suffered, in obligations whose compliance may be secured by a personal guarantee.

#### ARTICLE 213

#### **(Reimbursement to insurer)**

1. In credit insurance, the insurer shall be subrogated until the limit of the amount paid, as provided for in article 191; however, in the event of partial subrogation, the insurer and the insured shall contribute to the exercise of their respective rights in the proportion that is due to each.
2. In bond insurance, in addition to the subrogation included in the previous paragraph, the contract may provide for the insurer's right of recourse against the policyholder; however, in the overall amount of both claims, the insurer may not demand more than the total amount spent.

#### SUB-SECTION VII

#### Legal Expenses Insurance

#### ARTICLE 214

#### **(Obligation of insurer)**

In legal expenses insurance, the insurer undertakes, within the limits set by the law and in the contract, to cover the expenses arising from legal proceedings and also from rendering any legal services, namely, for the defence of the interests of the insured.

ARTICLE 215  
**(Exclusions)**

Legal expenses insurance shall not cover the payment of any fines or penalties, as well as the value of any penalties imposed on the insured by any administrative or judicial authorities.

ARTICLE 216  
**(Special information on the insurance policy)**

In addition to what is required for most contracts under paragraph 4 of article 103 and article 193, the legal expenses protection insurance policy shall expressly indicate that the insured is entitled to:

- a) freely choose an attorney to defend him and to represent him at any legal or administrative proceedings, as well as in the case of a conflict of interest between the parties to the contract; and
- b) submit to arbitration any dispute that may arise between himself and the insurer, regarding the insurance contract.

SUB-SECTION VIII  
Special Legislation

ARTICLE 217  
**(Marine insurance)**

Marine insurance shall be governed by specific legislation, namely the provisions pertaining to maritime trade, included in the Third Book of the Commercial Code, not repealed by paragraph 1 of article 2 of Decree-Law 2/2005 of 27 December, approving the Commercial Code in force, and by the provisions included in the General Part of Heading I of the current legal framework of the insurance contract, not incompatible with their nature.

ARTICLE 218  
**(Mandatory insurance)**

Mandatory insurance in the Mozambican law system shall be regulated by the legislation establishing them, and additionally, by the provisions of the current legal framework.

CHAPTER II  
**Personal Insurance**

SECTION I  
Common Provisions

ARTICLE 219



**(Cover)**

The personal insurance contract may guarantee preset value benefits that do not depend on the actual damage amount and also benefits with a compensatory nature.

ARTICLE 220

**(Individual insurance and group insurance)**

1. Individual insurance relates to one person and may include the household or a group of people who live together, or to one or more people, jointly.
2. Group insurance relates to a group of people in compliance with paragraph 1 of article 148.

ARTICLE 221

**(Multiple insurance)**

1. Unless otherwise agreed, preset value benefits may be accumulated with others of the same nature or with benefits with a compensatory nature, even if they are dependent on the occurrence of one single event.
2. The common damage insurance rules provided for in article 190 shall apply to personal insurance, when it ensures compensatory benefits pertaining to the same risks and only in relation to them.
3. The policyholder or the insured shall notify the insurer of the existence of other insurance relating to the same risk, even if ensuring only preset value benefits.

ARTICLE 222

**(Medical exams)**

1. In insurance whose acceptance is dependent on a medical exam, the insurer shall provide the candidate, before this medical exam, the following information:
  - a) comprehensive identification of any exams and tests to be done;
  - b) medical institutions where the clinical exams mentioned in the above sub-paragraph may or should be carried out;
  - c) whether the expenses incurred with such exams are for the insurer's account or not and the manner in which, where appropriate, they shall subsequently be reimbursed;
  - d) the circumstances in which the insurer, where appropriate, reserves the right to be reimbursed for any incurred expenses or to refuse to reimburse the candidate; and
  - e) body to which results and/or medical reports mentioned in sub-paragraph a) shall be forwarded.
2. The burden of proof that the information mentioned in the previous paragraph has been provided lies with the insurer.

ARTICLE 223

**(Medical exam results)**

1. If the results of the medical exam that the previous article refers to justify the refusal to conclude the contract by the insurer or its acceptance as an increased risk, based on circumstances inherent to the candidate's health, the motives for such decision by a doctor may



be conveyed to the candidate, unless it may be reasonably assumed that the candidate was aware of such circumstances.

2. Under no circumstance may the insurer refuse to provide the candidate the information it has available regarding his health; however, it must provide such information by the most ethically appropriate means.

ARTICLE 224  
**(Non-subrogation)**

Unless otherwise agreed, any insurer that has included preset value benefits in the contract shall not, after these have been met, be subrogated to the rights of the policyholder or the beneficiary against a third party giving rise to the claim.

ARTICLE 225  
**(Nominal policy)**

The personal insurance policy must be nominal and not a to order or bearer policy.

SECTION II  
Life Insurance

SUB-SECTION I  
General Provisions

ARTICLE 226  
**(Life insurance types)**

1. Life insurance comprises all combinations that may be made, on payment of a single premium or premiums paid with the regularity stipulated in the contract, in exchange for establishing a life annuity or from a certain age, or on payment of a certain amount due the death of the insured person and other similar combinations.
2. Under the previous paragraph, the insurer may insure the risk of death of the insured person within a certain time or the risk of prolonging his/her life beyond a date set in advance.
3. Supplementary insurance underwritten in addition to life insurance, pertaining to personal injury, may be contracted, including incapacity to work and accidental death or death due to disability as a result of an accident or illness.

ARTICLE 227  
**(Payment of insurance premium)**

1. The policyholder shall pay the insurance premium on the dates and under the conditions stipulated in the contract.
2. The insurer shall notify the policyholder, no later than thirty days before the date the premium, or a part thereof, is due, of the amount to be paid and the method and place of payment.

ARTICLE 228  
**(Non-payment of insurance premium)**

1. Non-payment of the premium by the due date shall confer on the insurer, depending on the situation and on what has been agreed upon in the contract, the right to terminate the contract with consequent mandatory surrender or the right to reduce the contract.
2. The maximum period in which the policyholder may exercise his prerogative to reinstate the reduced or terminated insurance contract, in its original conditions and without a new medical exam, shall be included in the insurance policy conditions and be defined as from the reduction or termination date.
3. If the contract sets up an unalterable benefit in favour of a third party, and in case of non-payment of the premium by the due date, the insurer shall call upon the beneficiary, within thirty days of the notification to, if it so wishes, replace the policyholder regarding said payment.
4. An insurer who has not called upon the beneficiary under the preceding paragraph may not object against the consequences agreed upon for non-payment of the premium.

#### ARTICLE 229

##### **(Assignment or encumbrance of rights)**

The right to surrender or any other right held by the policyholder, the insured or the beneficiary may be assigned or encumbered in general terms, and such fact shall be notified to the insurer.

#### ARTICLE 230

##### **(Assignment of contractual position)**

1. Unless otherwise agreed, the policyholder, if he is not the insured person, may convey his contractual position to a third party, who shall be invested with all rights and obligations of the former before the insurer.
2. The assignment of the contractual position shall require the consent of the insurer, in general terms, and be conveyed to the insured person and be included in the endorsement to the policy.

#### SUB-SECTION II

##### Contractual Transparency

#### ARTICLE 231

##### **(Pre-contractual duty to inform)**

1. In addition to the obligations arising from articles 91 and 92, any insurer which proposes to conclude life insurance contracts shall, before the conclusion of the contract, clearly provide the policyholder, in writing and in Portuguese, the information that may be pertinent for the type of contract to be concluded from among the following information:
  - a) definition of each guarantee and option;
  - b) manner of profit sharing calculation and allocation;
  - c) indication of surrender and reduction values and nature of respective guarantees;
  - d) premiums corresponding to each main or supplementary guarantee, where appropriate;
  - e) listing of reference values used in variable capital contracts, indicating the nature of the respective representative assets;
  - f) penalty in case of contract surrender, reduction or transfer;

- g) general indications relating to the tax system applicable to the type of contract; and
  - h) minimum guaranteed income, where appropriate, including information relating to the minimum guaranteed exchange rate and duration of such guarantee.
2. The proposal shall contain an indication showing that the policyholder became aware of the information mentioned in the previous paragraph; it is assumed that, in the absence of such information, the policyholder did not become aware of them, and in this case shall be entitled to terminate the insurance contract, under the terms and within the period mentioned in paragraph 1 of article 236 and to be reimbursed in full for the amounts paid.

#### ARTICLE 232

##### **(Duty to inform during the term of the contract)**

1. During the term of the contract, in addition to general, special and specific conditions included in the insurance policy, the insurer shall also transmit the following:
- a) all the changes that have occurred in the information mentioned in sub-paragraphs a) to e) of paragraph 1 of the previous article;
  - b) annually, the information pertaining to profit sharing allocation; the amount allocated and the increased guarantees resulting from this sharing shall be included in such information; and
  - c) in profit sharing contracts, in contracts with single successive premiums and in contracts where the main cover is integrated or complemented by a financial operation, the insurer, in case of alteration of the information that was initially provided, shall inform the policyholder of the surrender and reduction values, as well as the dates they refer to.
2. In the event of non-compliance with the provisions of the previous paragraph, and without prejudice to the right of terminating the contract of the policyholder, the insurer shall be liable for loss and damages.

#### ARTICLE 233

##### **(Additional information)**

1. In addition to the information mentioned in articles 231 and 232, the insurer shall provide the policyholder all additional information that the latter may request from it and that may be necessary for the actual understanding of the contract.
2. In case of failure to comply with the previous paragraph, the provisions of paragraph 2 of article 231 or of paragraph 2 of article 232 shall apply, depending on whether it is additional information in relation to the information that should be provided before the conclusion of the contract or during its term.

#### ARTICLE 234

##### **(Publicity)**

In those documents intended for the general public, whenever a profit sharing rate is mentioned, the indication of the basis of assessment of such rate shall be compulsory for policyholders or insurance intermediaries.

#### SUB-SECTION III

## Insurance Policy

### ARTICLE 235 (Policy wording)

1. In addition to the provisions of paragraph 4 of article 103, the insurance policy, in its specific conditions, shall mention the age, occupation and state of health of the person whose life is being insured.
2. The following information, where applicable, shall be included in the general and/or special conditions of Life insurance contracts:
  - a) definition of the concepts that are required for the proper clarification of contractual conditions;
  - b) scope of contract;
  - c) rights and obligations of the policyholder, the insured, the beneficiary and the insurer;
  - d) date of taking effect and contract period;
  - e) conditions for the renewal, suspension, expiry, termination and invalidity of the contract;
  - f) conditions, term and frequency of premium payment;
  - g) rights and obligations of the parties in the event of a claim;
  - h) definition of the options;
  - i) incontestability clause;
  - j) rights and obligations of the policyholder in the event of increased risk;
  - k) conditions under which the beneficiary acquires the right to occupy the place of the policyholder;
  - l) conditions for the revalidation, surrender, reduction, advance and transformation of the policy;
  - m) conditions of payment of insured amounts;
  - n) clause indicating whether the contract leads to profit sharing or not and, in the first case, what is the method of calculation and distributions of such profits;
  - o) clause indicating whether the type of insurance that the contract falls into leads to an independent investment of assets held to cover mathematical provisions or not and, in the first case, indication of the nature and rules for the establishment of an investment portfolio of such assets;
  - p) clause pertaining to the right to withdraw;
  - q) law applicable to the contract, conditions of arbitration and competent court to settle any possible disputes in court;
  - r) quantification of costs, their incidence and when they are charged; and
  - s) minimum guaranteed income, including information pertaining to the minimum guaranteed exchange rate and duration of such guarantee,
3. The insurer shall attach to the policy a table of surrender and reduction values, calculated on the policy anniversary dates, whenever there are minimum guaranteed values.
4. In addition to the information mentioned in paragraph 1 of this article, the general and/or special conditions of group insurance contracts shall contain:
  - a) obligations and rights of insured persons;
  - b) transfer of the right to the surrender value to the insured person, at least regarding the part corresponding to their contribution to the premium, in the case of contributory insurance;

- c) entry into force of covers for each insured person;
  - d) eligibility conditions, setting out the requirements for the applicant to be an insured person to become a member of the group.
5. The provisions of paragraph 1 of this article, mutatis mutandis, shall apply to the general and/or special conditions of marriage and birth insurance.
6. Without prejudice to paragraph 1 of this article, the conditions of insurance contracts linked to collective investment funds shall also establish the following:
  - a) establishment of the reference value;
  - b) the rights of the policyholder, upon the possible liquidation of an investment fund, before the end of the contract;
  - c) information on the progress of the reference value, as well as the regularity of such information;
  - d) conditions for the settlement of the surrender value and insured sums; and
  - e) frequency of the information to be provided to the policyholder on the investment portfolio composition.

SUB-SECTION IV  
Right of Renunciation

ARTICLE 236  
**(Renunciation)**

1. Without prejudice to article 238, the policyholder of a Life insurance contract shall have thirty days, from the date of receipt of the insurance policy, to send a letter renouncing the effects of the contract, by complying with the formalities mentioned in paragraph 3.
2. The policyholder may also exercise the right of renunciation under the previous paragraph whenever the contract conditions are not in line with the information mentioned in articles 231 and 232.
3. Under penalty of ineffectiveness, the communication about the renunciation mentioned in the previous paragraphs shall be notified by registered letter forwarded to the address of the head-office or branch of the insurer that concluded the contract.

ARTICLE 237  
**(Renunciation effects)**

1. The exercise of the right of renunciation shall determine the termination of the contract, and all obligations arising therefrom shall come to an end with effect from the moment the contract is concluded, and there is scope for returning the premium that has already been paid, without prejudice to the following paragraphs.
2. In any insurance in case or death and also in supplementary insurance, the insurer shall be entitled to the premium calculated in a *pro rata temporis* and to the policy cost.
3. In contracts not covered by the previous paragraph, the insurer shall be entitled to the disinvestment costs that confirmedly it may have borne, as well as the policy cost, where appropriate.
4. The exercise of the right of renunciation shall not give rise to any compensation beyond what has been laid down in the previous paragraphs.

ARTICLE 238  
**(Limitations on the exercise of the right of renunciation)**

The right of renunciation provided for in this sub-section may not be exercised if the policyholder is a legal person nor shall it apply to contracts of six month's duration or less and to group insurance.

SUB-SECTION V  
Beneficiary

ARTICLE 239  
**(Naming of beneficiary)**

1. The beneficiary shall be named by the policyholder, on the contract itself or a subsequent statement, addressed to the insurer.
2. In group insurance and unless otherwise agreed, the insured person shall name the beneficiary.
3. The policyholder or, where appropriate, the insured person may just indicate criteria to determine the beneficiary.
4. Unless agreed otherwise, upon the death of the insured person, the insured sum shall be paid:
  - a) should the beneficiary not be named, to the heirs of the insured person;
  - b) should the beneficiary die before the insured person, to the heirs of the latter;
  - c) should the beneficiary die before the insured person, and if there has been renunciation to the cancellation of the naming of the beneficiary, to the heirs of the former;
  - d) should the insured person and the beneficiary die simultaneously, to the heirs of the latter.
5. Unless otherwise agreed, survivor's insurance shall be paid to the insured person, either should the beneficiary not be named or in the case of death of the beneficiary.

ARTICLE 240  
**(Supplementary criteria applicable to group insurance)**

In group insurance:

- a) should the beneficiary not be named and in the absence of criteria for such naming or should the beneficiary die before the insured person, the legal heirs of the insured person shall be beneficiaries; and
- b) should there be a named beneficiary in the policy and should the beneficiary and the insured person die simultaneously, the legal heirs of the named beneficiary shall be beneficiaries.

ARTICLE 241  
**(Interpretation of the beneficiary clause)**

1. The naming of the insured's spouse as beneficiary shall pertain to the person who is married to the insured at the time of his death, unless such spouse is identified by name.
2. Unless otherwise agreed, the naming of beneficiary in favour of several persons, simultaneously, shall lead to the sharing of the compensation to be paid by the insurer, among all parties and into equal parts, except:

- a) if the beneficiaries are all heirs of the insured person, where the principles established for the lawful succession shall be observed; and
  - b) in the case of early death of any of the beneficiaries, where his part shall belong to his respective descendants.
3. Upon the conclusion of the contract, the insurer shall clarify the rules set out in the previous paragraphs to the policyholder.

#### ARTICLE 242

##### **(Repeal of naming of beneficiary)**

1. The author may freely repeal, in writing, the naming of the beneficiary, unless it has previously waived that option, also in writing or, in relation to in survivor's insurance, the beneficiary has become a member.
2. In case of a waiver of the repeal option or, in survivor's insurance, if the beneficiary has become a member, the policyholder, unless agreed otherwise, shall not have surrender, reduction or advance rights over the policy.
3. The repeal may not be carried out by the heirs of the author of the naming.
4. The policyholder shall be duly informed of the rules set out in the previous paragraphs.

#### ARTICLE 243

##### **(Acquisition and loss of benefit)**

1. With the materialization of the risk provided for in the contract, and if such contract is binding, the beneficiary shall acquire a right inherent to the insurer's benefit.
2. The right provided for in the previous paragraph shall be suspended if the beneficiary has been indicted for the crime of murder of the person of the insured, and that same right shall cease with his conviction.
3. Once the benefits under the previous paragraph have ceased, the system of naming of beneficiary included in sub-paragraph a) of paragraph 4 of article 239 or the supplementary criteria referred to in sub-paragraph a) of article 240, depending on whether it is an individual or group insurance, respectively, shall apply, unless otherwise agreed.

#### SUB-SECTION VI

##### Insured Person and Risk

#### ARTICLE 244

##### **(Insured person different from the policyholder)**

1. If the insured person and the policyholder are different persons, the written consent of the former for taking out insurance shall be included in the contract, unless the contract is included as a guarantee for a policyholder liability in relation to the insured person in case of the occurrence of the risks covered by the insured contract.
2. For transferring the position of beneficiary, in any form whatsoever, the written agreement of the insured person is required.

#### ARTICLE 245

##### **(Inaccurate declaration of age of insured person)**



1. An error regarding the age of the insured person shall be grounds for annulling the contract if the true age differs from the minimum and maximum limits set by the insurer for concluding this type of contract.
2. Should this not be grounds for annulment, if the inaccurate declaration may result in a lower premium than the one due, the insured sum shall be proportionally reduced and, if the opposite occurs, the insurer shall return, interest-free, the part of the premium that was received in excess.

ARTICLE 246  
**(Increased risk)**

The increased risk rules provided for in articles 111 and 113 shall not apply to life insurance, nor, in the event of the deterioration of the state of health of the insured person, to covers for accident and disability resulting from an accident or sickness supplementary to Life insurance.

ARTICLE 247  
**(Suicide)**

1. Unless agreed otherwise, the suicide of the insured person shall not exclude the benefit, provided it has occurred after a year following the date the contract was concluded.
2. The provisions of the previous paragraph shall apply in the event of an increase of the insured sum due to death, and also in the event the contract was reinstated, but in any case, the exclusion shall concern only the increased cover related with such circumstances.
3. Should the one-year period mentioned in paragraph 1 not be completed, paragraph 3 of article 155 shall apply.

SUB-SECTION VII  
Insurance Policy Reduction, Surrender and Advance

ARTICLE 248  
**(Policy reduction and surrender)**

1. Without prejudice to paragraph 2 of article 242, the policyholder shall have the right to policy reduction and surrender, under the contractual terms.
2. In group insurance, the policyholder may renounce, by express statement, to such rights, which shall then revert to the insured person.

ARTICLE 249  
**(Advance payment on the insurance policy)**

1. Under the contractual terms, the insurer may grant advance payments to the policyholder, up to the value of the respective mathematical provision, except as provided in paragraph 2 of article 242.

SECTION III  
Personal Accident and Health Insurance



## SUB-SECTION I

### Personal Accident

#### ARTICLE 250

##### **(Scope of insured risk)**

1. Personal accident insurance policies shall indicate, in prominent characters, the type of accidents that, depending on their nature or cause, are not covered by the insurer.
2. All risks not excluded under the terms of the previous paragraph shall be considered to be covered.

#### ARTICLE 251

##### **(Group insurance policy wording)**

In the case of personal accident group insurance, in addition to the provisions of article 193, the following information shall also be included in the general and/or special conditions:

- a) rights and obligations of insured persons;
- b) entry into force of covers for each insured person; and
- c) eligibility conditions, setting out the requirements for the applicant to be an insured person to become a member of the group.

#### ARTICLE 252

##### **(Redemption)**

Articles 138, 140, 142 and 239 to 243 shall apply, mutatis mutandis, to personal accident insurance.

## SUB-SECTION II

### Health Insurance

#### ARTICLE 253

##### **(Contractual clauses)**

The annual and renewable health insurance contract shall include, in a visible and prominent manner, the following:

- a) the insurer shall only cover the payment of agreed benefits or expenditure incurred in each contract year; and
- b) the indemnity conditions in case of contract non-renewal or of cover of the insured person shall pertain to the risk covered in the contract, in accordance with article 257.

#### ARTICLE 254

##### **(Scope of insured risk)**

1. Policies shall indicate, in prominent characters, the types of disease which, due to their nature or cause, are not covered by the insurer.



2. The exclusions shall be explained to the insured person and, with their authorization, to the policyholder, by qualified medical staff.
3. All diseases not excluded under paragraph 1 shall be considered to be covered.

ARTICLE 255  
**(Pre-existing conditions)**

Any pre-existing conditions in relation to the date the contract is concluded shall be handled in accordance with the provisions of the previous article.

ARTICLE 256  
**(Non-applicable system)**

The following shall not apply to health insurance:

- a) the increased risk system provided for in articles 111 and 113, in relation to any changes in the state of health of the insured person; and
- b) the obligation to inform of the existence of multiple insurance provided for in paragraphs 2 and 3 of article 221.s

ARTICLE 257  
**(Termination of contract)**

1. The insurer may only have the health insurance terminated, or exclude the insured person therefrom, upon the contract expiry date or, outside such contract, on grounds laid down by law.
2. In case of non-renewal of the contract, and for a one-year period, the insurer may not, until the annually insured sum is depleted, refuse to pay any benefits, resulting from any diseases that came to light during the period of validity of the policy or other causes of compensation that occurred over the same period, provided they are covered by the policy and have been notified within thirty days after its termination, except due to force majeure.
3. The provisions of the previous paragraph shall apply to non-renewal of cover, in group insurance, in relation to an insured person.

CHAPTER III  
**Capitalization Operations**

ARTICLE 258  
**(Extension)**

The general part of the Legal Framework of the insurance contract and the special framework of Life insurance shall subsidiarily apply to capitalization operations, provided they are compatible with their respective nature.

ARTICLE 259  
**(Written document)**



1. The following information shall be included in the general and special conditions for capitalization operations:
  - a) identification of the parties;
  - b) guaranteed capital and respective surrender values on the contract anniversary dates;
  - c) benefits to be met by the underwriter or titleholder;
  - d) charges, respective scope and the time they are levied;
  - e) profit sharing calculation and distribution method, if the contract confers such right;
  - f) inception and duration of contract;
  - g) conditions of surrender;
  - h) manner of security transfer;
  - i) conditions of termination of contract at the initiative of one of the parties; and
  - j) law applicable to the contract and arbitration conditions.
2. In the case of bearer certificates, contract general and/or special conditions shall require that their legitimate holder, in the event of loss, immediately notify the insurer.
3. In the special conditions, the securities shall mention:
  - a) their respective number;
  - b) the contracted capital;
  - c) contract inception and termination dates;
  - d) amount of benefits and dates they are required, when they occur periodically;
  - e) technical guaranteed rate of interest;
  - f) profit sharing, where appropriate; and
  - g) underwriter and titleholder, in the case of registered securities.
4. The general and special conditions of capitalization contracts shall be identified on the security issued when each contract is concluded.

ARTICLE 260  
(Continuation of contract)

The position of the underwriter in the contract shall be transferred, in the event of death, to his successors, and the contract shall remain in force until the contract expiry date.

ANNEXURE

**Glossary**

For purposes of this legal framework:

1. **Endorsement** – document representing a change to a specific policy.
2. **Insurance business** – the regular pursuit of those acts pertaining to the acceptance and upholding of insurance, reinsurance, micro-insurance and insurance operations contracts, as well as the practice of any acts and contracts that may be related or supplementary to the former, namely those pertaining to salvage, rebuilding and repair of buildings and vehicles, maintenance of clinics and application of provisions, reserves and capital.
3. **Insurance agent** – intermediary, a natural person or a commercial company that, in the name and on behalf of the insurer or of the broker that appointed him, is authorized, under this legal framework and other supplementary provisions, to canvass and develop all activities pertaining to the taking out insurance, and providing assistance to the insured person regarding everything

related to the concluded insurance contract, and may also collect premiums, by agreement with the insurer.

4. **Scope of insurance contract** – definition of guarantees, covered risks and excluded risks.
5. **Insurance policy** – document representing the contract concluded between the policyholder and the insurer, where the respective general, special (where applicable) and specific conditions agreed upon are included. Depending on the conditions to be observed at the time of their transfer, insurance policies may be:
  - (i) registered, if the creditor of the insurer's benefit is named on the certificate and they are not issued to order;
  - (ii) to order, if the creditor is named on the certificate and it contains the clause to order; and
  - (iii) bearer policy, if the benefit is due to the bearer of the certificate.
6. **Beneficiary** – natural or legal person in whose favour the insurer's benefit is intended, arising from an insurance contract.
7. **Good faith** – rule for evaluating the conduct of the parties, as honest, fair and loyal. The ideas of faithfulness, loyalty, honesty and trust in the fulfilment and execution of legal transactions are connected to this concept.
8. **Financial conglomerates** – groups of commercial companies under the same control, whose exclusive or main activities are the provision of essentially financial services in at least two different financial sectors.
9. **Insurance contract** – agreement whereby the insurer or micro-insurer undertakes to compensate, in return for the payment of a premium and in case the event whose occurrence is being covered occurs, under the agreed terms and within the agreed limits, the damage caused to the insured or to meet a capital, an income or other benefits provided for therein.
10. **Reinsurance brokerage** – placement of reinsurance business by a broker in the name and on behalf of the ceding insurer, to the respective reinsurer.
11. **Insurance brokerage** – insurance mediation which consists of establishing a link among policyholders, insured and insurers, where the respective intermediary has freedom of choice and preparation of the respective contracts, provides assistance to those contracts, and conducts studies and consultancy work or gives technical opinions on insurance.
12. **Reinsurance broker** – an intermediary, operating as a commercial company, which, under this legal framework and other additional provisions, is duly authorized for reinsurance brokerage activities, and develops its activity independently in the name and in the interest of the respective ceding insurer.
13. **Insurance broker** - an intermediary, operating as a commercial company, which, under this legal framework and other additional provisions, is duly authorized for insurance brokerage activities, and develops its activity independently in the name and in the legitimate interest of the respective policyholders and insured. This intermediary freely offers its recommendations to the policyholder, in accordance with convenience criteria of the latter, the contracts to be concluded and the insurance companies which they may be better placed in.
14. **Co-insurance** – direct insurance business which consists of the joint acceptance of a risk by several insurers, named as co-insurers, amongst which one is the leader, without joint liability amongst them, through a single insurance contract, with the same guarantees and duration and with an overall premium.
15. **Delegation** – additional facilities with no legal personality intended to service the public which, belonging to an insurer, micro-insurer or reinsurer with its head-office located in the Republic of Mozambique or to an insurer with its head-office abroad but which operates in the

country as a branch office, directly performs, in whole or in part, operations inherent to the business of such companies.

16. **Supervisory body** – the Mozambican Insurance Supervision Institute.
17. **Return** – return to the policyholder of a portion of the previously paid insurance premium.
18. ***Ad probationem* formality** – method required in a non-absolute manner to corroborate the business.
19. ***Ad substantiam*** – method legally required for the existence of the declaration or the business, whose absence results in their non-existence.
20. **Ruinous management** – management that disturbs the entity’s financial balance, by not complying with the prudence and conduct rules that a healthy and prudent management would advise; the condemnation of a ruinous management is aimed at protecting legal and property interests of the insurer itself, as well as the interests of the policyholders, insured persons, beneficiaries and entity creditors.
21. **Gross loss ratio** – relationship between gross indemnity and gross written premiums in the same financial year, and including claims provisions in the former.
22. **Solvency margin** – doubly defined:
  - a) **available solvency margin** – corresponds (i) to the insurer’s property free from any foreseeable obligation, less any intangible items, in the case of insurers with their head-office in the Republic of Mozambique; and (ii) to assets, free from any obligation, less any intangible items, in the case of branches of insurers with their head-offices located abroad; and
  - b) **required solvency margin** – corresponds to the financial guarantee which must be observed by the insurer, taking into account the dimension of the liabilities taken by insurance contracts, calculated in accordance with legal and regulatory definitions.
23. **Insurance brokerage or brokerage in short** – professional activity that consists in the regular pursuit of market research or of any acts necessary for the conclusion of insurance contracts and operations, as well as in providing assistance to those contracts that have already been concluded.
24. **Micro-insurer** – entity whose exclusive corporate purpose is the pursuit of the restricted insurance business, operating in the micro-insurance area.
25. **Micro-insurance** – activity that consists in the acceptance of risks, essentially in small and medium sized operations, aimed at protecting the low-income population against specific risks, in exchange for regular payments of premiums that are proportional to the probability and cost of the risk involved.
26. **Mutual insurance, mutual insurance company or mutual company** – entity consisting of natural and/or legal persons who wish to guarantee the cover of common risks, according to insurance techniques.
27. **Fronting operation** – business accepted by a (ceding) entity empowered to pursue the insurance business with the prior intention of transferring such business, fully or substantially, to another insurer or reinsurer (transferee).
28. **Micro-insurance operator** – micro-insurer and any insurer operating in the micro-insurance market.
29. **Insurance operations** – any operations that, although not showing the characteristics of an insurance contract, are run according to capitalization principles and may be managed by an insurer, namely the capitalization operations and the management of pension funds; in general, they are linked to the Life business.

- 30. Profit sharing** – contractually defined law where the policyholder or the insured benefits from part of the technical and/or financial results generated by insurance contracts or capitalization operations, in general in the Life business.
- 31. Qualified shareholdings** – direct or indirect holdings representing a percentage not less than 10% of the equity capital or the voting rights of the invested insurer or, in any other form, the possibility of exercising a significant influence on its management; the following shall be equivalent to the voting rights held by the investor:
- a) those held by a spouse who is not under any legal separation system, those held by minor children and those held by companies controlled by the investor or controlled by the persons mentioned above;
  - b) those held by other people or entities, in their own name or in the name of someone else, but on behalf of the investor:
    - i. those held by a third party pursuant to an agreement concluded with the investor or with one of companies controlled by it, through which:
    - ii. The third party is required to adopt, through the concerted exercise of their respective voting rights, a common policy in relation to the management of the insurer; or
    - iii. A temporary transfer of voting rights is envisaged.
  - c) those that are inherent to the investor's actions handed over as guarantee, except when the creditor holds such rights and declares its intention to exercise them, in which case the above-mentioned voting rights shall be considered as the creditor's;
  - d) those that are inherent to any actions that the investor makes use of;
  - e) those that, by virtue of an agreement, the investor or one of the other persons or entities mentioned in the previous sub-paragraphs have the right to acquire, on their own initiative; and
  - f) those that are inherent to the actions lodged with the investor and that the latter may exercise at its discretion in the absence of specific instructions from their respective holders.
- 32. Low-income population** – group of people whose *per capita* income does not exceed the minimum national salary and who live in rural areas with a high rate of poverty.
- 33. Insurance premium or simply premium** – monetary payment, unless provided otherwise, made by the policyholder to the insurer towards the covers or benefits or repairs guaranteed in a policy, in return for the risk accepted by such insurer.
- 34. Gross premium** – direct premium before the ceded premium has been deducted or reinsurance premium before the retroceded premium.
- 35. Ceded premium** – portion of the premium that the insurer transfers to a reinsurer.
- 36. Net premium** – direct premium after the ceded premium has been deducted or reinsurance after the retroceded premium.
- 37. Retroceded premium** – premium that a reinsurer cedes to another reinsurer.
- 38. Insurance adviser** – individual who, acting solely on behalf of one or several insurers subject to a single dominant influence, and under their exclusive guidance and responsibility, promotes the conclusion of contracts and insurance operations for such insurer(s).
- 39. Technical provisions** – amounts that, in accordance with the law, entities qualified to pursue the insurance business must prudently and appropriately calculate and maintain at any moment, to ensure the fulfilment of the commitments arising from their respective insurance contracts.
- 40. Class of insurance** - any class, group or groups of classes defined in the insurance class table, under the terms of the respective regulatory act of this legal framework.

- 41. Controlling or dominant relationship** – relationship between a natural or legal person and a company when the person concerned is in one of the following situations:
- a) the person holds the majority of voting rights; the rights of any other company that is in a group relationship with the investor company shall be equivalent to the voting rights held by the later;
  - b) the person is a member of the company and is entitled to appoint or remove more than half of the members of the Board of Directors and of the Supervisory Body;
  - c) the person may exert influence on the company, on the basis of a contract or of a clause in the articles of association of the company;
  - d) the person is a member of the company and controls alone, on the basis of an agreement concluded with other members of the company, the majority of voting rights; and
  - e) the person holds not less than 20% of the company's capital, provided that it effectively exercises a dominant influence over the company or that they both are under single management.
- 42. Group relationship** – relationship between two or more natural or legal persons that constitute a single entity from the point of view of the accepted risk, due to the fact that they are so interconnected that, in the event one has financial problems, the other or all the others shall probably find it difficult to comply with all their obligations. With the exception of state-owned public companies or companies of another nature, this group relationship is considered to exist when:
- a) there is a dominant relationship of one over the other or over the others;
  - b) there are common shareholders or associates, who exert their influence on the companies concerned;
  - c) there are common directors; and
  - d) there is a direct commercial interdependence that may not be replaced in the short-term.
- 43. Reinsurer** – entity, whether a public limited liability company with its head-office located in the Republic of Mozambique or a branch office, that is authorized to underwrite reinsurance contracts.
- 44. Reinsurance** – contract by which an insurer insures, in its turn, a portion of the risks that it has accepted.
- 45. Risk** – detrimental, future, uncertain event not dependent upon the insured's will, an occurrence one wishes to cover against.
- 46. Insured** – a natural or collective person in whose interest the contract is concluded or the person (insured person) whose life, health or physical integrity is being insured.
- 47. Insurer** - entity incorporated as a public limited liability company or a mutual company or a branch office of a foreign company which, as it is authorized to pursue the insurance business in the Republic of Mozambique, accepts the risk transferred from a policyholder; it includes the pursuit of the reinsurance business.
- 48. Insurance** – advantage and benefit arising from an agreement by virtue of which a party (insurer) undertakes to provide the other party (insured) a payment or remuneration or any other benefit, in the event of destruction or loss, or damage to a specified person or item which the other has an interest in.
- 49. Personal accident insurance** – insurance covering the risk of occurrence of bodily injury, temporary incapacity, total or partial permanent disability or death of the insured person, due to a sudden, external and unpredictable cause.

- 50. Guarantee insurance or bond insurance** – insurance covering, directly or indirectly, the risk of failure to comply, or delay in complying, with the obligations which, by law or convention, may entail a bond, guarantee or surety.
- 51. Crop insurance** – insurance that guarantees a compensation calculated on the amount of damage to crops.
- 52. Credit insurance** – insurance that guarantees the payment to the creditor of the remaining amount of the borrower's debt in case of death or occurrence of unusual circumstances that hinder compliance with the respective pecuniary obligation, under the terms agreed upon in the corresponding policy.
- 53. Health insurance** – insurance where the insurer covers the risks associated to health or the prevention of disease of the insured person, paying the contractually agreed consideration.
- 54. Group insurance** – insurance of a group of people connected to the policyholder by a common bond or interest.
- 55. Contributory group insurance** - group insurance where the insured persons contribute, in whole or in part, towards the payment of the insurance premium.
- 56. Non-contributory group insurance** – group insurance where the policyholder contributes fully towards the payment of the insurance premium.
- 57. Individual insurance:**
  - a) insurance taken out in relation to one person; in the scope of cover the contract may include the household or a group of people who share bed and board; and
  - b) insurance taken out jointly over two or more people.
- 58. Fire insurance** – insurance where the insurer undertakes, within the limits established by law and by contract, to compensate the damage caused by fire to the insured item.
- 59. Personal insurance** – insurance pertaining to the life, health and physical integrity of a person or a group of persons, identified in the contract.
- 60. Life insurance** – insurance covering a risk related with death or survival of the insured person.
- 61. Direct insurance** –contracted insurance between the insurer or micro-insurer and the policyholder.
- 62. Livestock insurance** – insurance that guarantees compensation calculated on the total damage which occurred in a certain type of animals.
- 63. Public liability insurance** – insurance where the insurer undertakes, within the limits established by law and by contract, to compensate the risk of establishing, in the insured's assets, the obligation to indemnify third parties, with reference to damage produced by an event provided for in the contract and whose consequences the insured is civilly liable for.
- 64. Theft insurance** – insurance where the insurer undertakes, within the limits established by law and by contract, to compensate the damage resulting from the unlawful appropriation, or simple attempt at unlawful appropriation, by any third parties, of the insured items.
- 65. Transport of goods insurance** – covering risks pertaining to the transport of goods by land, river, lake or air, under the terms provided for in the contract.
- 66. Abnormal accident rate** – where:
  - a) in general insurance lines the gross loss ratio of any insurer is at least 50% higher than the gross loss ratio of the insurers operating in such classes; and
  - b) in life insurance there are substantial deviations from the actuarial table values adopted by any insurer that is pursuing such line.
- 67. Claim** – the materialization, in whole or in part, of the risk provided for in the insurance contract, that is, any event likely to make the covers of a policy work.



- 68. Branch** – main place of business, in the Republic of Mozambique, of an insurer with its head-office located abroad or incorporation abroad of an insurer or reinsurer with its head-office located in the Republic of Mozambique which, with no legal personality, directly performs operations inherent to the activity of the head-office.
- 69. Policyholder** – natural or legal person who, on his behalf or on behalf of one or more people, concludes the insurance contract with the insurer and is responsible for paying the premium.
- 70. Reduction value** – insured amounts or sums redefined on the basis of a contractually foreseen situation, in Life insurance for instance, suspension of payment or non-payment of the insurance premium, without a policy termination or surrender, redefining a new level of insured sum.
- 71. Reference value** – value on the basis of which the insured amounts, at any given moment of the contract, are defined, namely in Life insurance, and insurance line where the capital value is linked to an investment fund.
- 72. Surrender value** – amount handed over to the policyholder in case of early termination of the Life contract or operation, under the terms and conditions where this has been contractually provided for.