

Microinsurance ready to reach new heights

By [Marius Botha](#)

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Africa is one of the most under-insured continents in the world. Over half of the countries in Sub-Saharan Africa have [an insurance penetration rate of less than 1%](#), and [the picture isn't much different across the rest of the continent](#).



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There are several reasons for this. Traditional insurance premiums are financially out of reach for most people, and financial literacy levels remain relatively low. But this is slowly changing, as microinsurance starts taking off in some of Africa's biggest countries.

In simple terms, microinsurance allows people with low incomes and in the informal sector to protect themselves for specific events – like hospital cover for accidents, for example - quickly and cheaply.

The key to microinsurance is that it's all about improving the quality of life for the consumer. People with low incomes need insurance even more than people with high incomes, because they have a smaller cushion of resources to draw upon in times of need. Microinsurance is truly driving financial inclusion across Africa, and making a tangible and positive difference to people's lives.

So, what can we expect from the microinsurance industry in Africa for 2021, and beyond?

1. Microinsurance starts moving up the value chain

Covid-19 was a huge economic disruptor for millions of Africans. This will have a couple of effects. One, value for money will become more important than ever for new and existing clients; and two, we're already seeing people with mid-range incomes 'buying down' into the microinsurance space to cover their specific risks.

2. More choice for consumers

Until recently, microinsurance was largely an 'opt in or opt out' model. That's changing, as consumers start to demand more flexibility and choices in what they insure, and how they pay for it. One of the major changes we can expect is an increased choice in collection mechanisms as clients become more financially and digitally savvy.

3. A better customer experience

During the pandemic, we saw a shift from voice to data across the continent, with WhatsApp and other instant messaging platforms enabling people to stay connected at relatively low costs. This has opened up the opportunity for microinsurers to use these platforms to interact with their customers, providing a richer, simpler and more engaging experience in the process. This will also drive a change in existing content marketing strategies, as the industry will be able to share more content with its target market, driving greater financial awareness and education in the process.

4. More control and consistency in cover

For people with low incomes, it's vital that they have as much control as possible over their cover and how they pay for it. aYo for example already has a 'pay as you go' approach that allows users to manage their costs and cover according to their needs. What we can expect from the industry going forward is greater continuity and consistency in how cover is bought providing greater peace of mind and protection.

5. Health value-added services

The emergence of new technologies and services is starting to enable a range of value-added services for microinsurance users. These services can be linked to their cover, but will be able to stand separately as well. One example of this is hospital cash plans and preventative health strategies, which are commonplace in mainstream insurance, but have largely excluded people at the bottom of the economic pyramid until now.

6. Greater efficiency in data management

When it comes to data management, microinsurers face two issues. One is the growing cost of storing and managing data from a compliance and regulatory perspective. The second is the trend towards greater automation in how they process claims, and where possible, remove the need for customers to provide documents. While they are distinctly different, both issues are driving ongoing improvements in data management and analysis within the industry.

In depth knowledge of clients as well as access to third-party data is critical in 'tomorrow's' microinsurance service environment. We shouldn't be asking for ID documents and evidence of hospital stays if we can access those through automated third-party data – and preferably, without having to store them later. The better we know our clients, the more we can predict; the more we can predict, the less admin and onerous processing they need to endure.

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