

Insurance Penetration in Africa—A Systematic Literature Review

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Abstract

Insurance in developing countries is not regarded as a main driver for economic growth as compared to other sectors such as infrastructure development and technology. However, insurance contributes to the national economies of many countries in a lot of ways such as employment creation, tax payment, investment, savings, and risk stabilisation amongst others. Insurance further alleviates government efforts in the provision of some amenities such as pension, improving lives of people, economic diversification, mitigating against risks and attracting Direct Foreign Investment (FDI) through risk stabilisation. The rate of insurance penetration in Africa is directly rated to the development and economic growth of a particular country. The systematic review aims to determine why there is a low uptake of insurance products in the Sub-Saharan Region using available, accessed, and published literature. The researcher conducted a systematic review in line with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) reporting guidelines. The Google search engine, Google Scholar, the Cochrane Library and Scopus were searched for literature published. The evidence found, was arranged in a table format and thematic analysis. The findings indicate that poverty, lack of product knowledge, inadequate sensitization by the regulator and the low-income levels, were the main contributors to the low uptake of insurance products in Sub-Saharan Africa.

Keywords

Low Insurance Uptake, Insurance Products, Sub-Saharan Africa

1. Introduction

According to (<https://www.researchandmarkets.com/>) the African insurance market in 2021, reached US \$75.3 billion and it is expected to increase to reach

US \$115.9 billion by 2027 thus attracting a Compound annual growth rate (CAGR) of 7.45% during the period 2021-2027. This increase is anticipated despite the uncertainties of COVID-19 (<https://www.researchandmarkets.com/>).

According to IISA (2022), there are two (2) many types of insurance namely long-term insurance or life insurance and short-term or non-life insurance.

Long-term insurance is concerned about insurance of a person and is long-term in nature such as whole life insurance, term insurance, pensions, and related insurance while short-term insurance as the name implies, is insurance of property such as vehicles, buildings, and related liability insurances (IISA, 2022). It is short-term in nature and usually arranged on an annual basis and renewed for a further period of twelve months (12) months thereafter (IISA, 2022).

The IISA (2022) list some of the long-term insurance products as whole life, Term Insurance, Life and Pensions, Annuities, Funeral covers, Mortgage Protection, Critical Illness Cover, Health Insurance, and Disability Covers while Short term insurance products include but are not limited to Motor, Fire, Combined Insurance cover, Fidelity Guarantee, Liability cover, Workmen Compensation, Machinery Breakdown.

This paper is divided into introduction, methodology, search strategy, study selection and eligibility, data extraction, details of literature review, findings and conclusions and recommendations.

2. Methodology

The researcher used the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) reporting guidelines in this study.

About 2,320,000 journals using the Google search engine were found and this figure was reduced to 732 results using the Boolean Google scholar search, The researcher further narrowed the search to 411 by sorting the articles from 2018 to 2022.

Out of the 411, only 10 which were relevant were used by the researcher.

3. Search Strategy

Google Scholar, Google search engine the Cochrane Library and Scopus were searched for literature published between 2018 and 2022.

The above period was considered because this is the period prior and post COVID pandemic era as the research will have focused on the past, present, and future COVID period thus presenting a balanced and credible period for the research.

4. Study Selection and Eligibility

The study focused on the Google scholar database by reviewing journal articles, the cost implications and resource constraints. The most targeted journal publications were those in Sub-Saharan Africa being the areas of focus in this research.

The researcher extensively reviewed the abstracts and title of journals articles

under review so as to come up with credible and reliable findings.

Any articles that were focusing on a particular area of short-term insurance only, were not considered as only comprehensive and accessible were considered.

5. Data Extraction

The summary data table of data was tabulated using the format w: author(s), year, title, key words, and methodology and key findings. Mainly Peer reviewed articles, non- and conference papers written in English, were considered. The researcher summarized the methodology and key findings on each of the journal articles accessed (see [Table 1](#)).

5.1. Low Penetration of Insurance in Africa

Increased insurance product knowledge and education and other awareness initiatives in Africa have assisted in increasing insurance penetration.

However, despite these initiatives, [Signé \(2021\)](#) is of the view that the aggregate insurance penetration of 2.78 in 2019 in Africa is still very low compared to the global average insurance penetration rate of 7.23%.

However, it is believed that with the uncertain environment in which we live, coupled with climate change, natural disasters, technological advancement, and other new entrants into the market such as microfinance institutions, the average penetration of insurance in Africa, is bound to increase.

5.2. Poverty, Low Income, and Lack of Sensitization

According to ([Malambo, 2022](#)), the main objective of this paper was to evaluate the uptake of insurance products in Sub-Sahara Africa and then develop a framework that would increase its uptake amongst consumers in Sub-Saharan Africa using Botswana as a case study.

The researcher used a survey design approach by administering sample questionnaires to various respondents which included amongst others, insurance practitioners, insurance students and consumers ([Malambo, 2022](#)).

[Malambo \(2022\)](#) and collaborated by [Haamukwanza \(2021\)](#), is of view that the main contributor to low insurance uptake in the Sub-Saharan Africa was poverty, lack of income and product knowledge in addition to inadequate sensitization by the regulators in Africa.

Lack of product knowledge by consumers and sensitization by the regulator in Botswana (The Non-Bank Financial Institutions Regulatory Authority, NBFIRA), was also cited as the other contributors ([Malambo, 2022](#)).

The above was collaborated by ([Shewamene et al., 2021](#)) who concluded that lack of awareness about Health Insurance was a contributing factor to low insurance penetration in Africa.

Mistrust among insurers, superiority complex, inexperienced staff and rigid regulations.

Table 1. Details of articles literature reviewed.

Author(s)	Year	Title	Key Words	Methodology	Key Findings
Malambo, M.	2022	The Empirical Evaluation of the Uptake of Insurance Products in the Sub-Saharan Africa	Insurance Products, Low Insurance Uptake, Botswana, Insurance Framework, Insurance and Economy	The researcher used a survey design approach by administering sample questionnaires to various respondents.	The main contributor to low insurance uptake in the Sub Sharan Africa was poverty, lack of income and product knowledge in addition to inadequate sensitization by the regulator, the Non-Bank Financial Regulatory Authority in Botswana
Shewamene, Z. et al.	2021	Barriers to uptake of community-based health insurance in Sub-Saharan Africa: a systematic review	Community-based health insurance; enrolment; renewal; Sub-Saharan Africa	Systematic Literature review	The major finding was lack of awareness about the importance of health insurance, socio-economic factors, health beliefs, lack of trust towards scheme management, poor quality of health services, perceived health status and limited health benefit entitlements were reported as barriers that affect enrolments into CBHI and membership renewals
Ben Kajwang	2020	Factors influencing the low penetration of insurance services in Africa	Penetration of Insurance Services, Insurance, Economic Expansion	A systematic literature review was used a methodology	Lack of funds, mistrust amongst insurers, superiority complex by multinational insurers which do not want to invest firms to invest in Africa, lack of reliable information, poor legal and judicial systems, lack of qualified and experienced personnel, are some of the reasons for low insurance penetration in Africa
Musonda, M., & Chowa, T.	2022	The Barriers and Facilitators of Life Insurance Uptake—A Study of Kalumbila Mining Community	Life Insurance, Awareness, Employee Benefits, Education	Mixed method was used but mostly a survey suing a question as a data collection method	26.3% of the population of Kalumbila mines obtained insurance through insurance agents, media and internet and other factors such as religion and level of education, did not have any influence on the uptake of life insurance within the community

Continued

Haamukwanza, L. C.	2021	To insure or not to insure—the role that government and insurance practice should play: a thematic comparison of the urban poor and the workers in the pensions and insurance industry	Insurance purchase decision-making Urban poor Themes Workers in the pensions and insurance industry Government Insurance practice	A mixed research paradigm using a semi structured questionnaire, were used for data collection	Financial literacy levels, Poor quality of service and stringent regulatory requirements, were the main contributing factors to the low level of insurance uptake of insurance products in Zambia
	2021	Capturing Africa's insurance potential for shared prosperity. <i>Focus in Africa</i> , 2 July	Insurance, penetration, micro insurance	Systematic literature review	Insurance penetration is influenced by financial stability, mobilization of resources and encouraging trade
Hafiz, A. U., Salleh, F., & Garba, M.	2021	A Theoretical Basis for Innovation, Institutions and Insurance Penetration Nexus	Insurance, innovation, Penetration, Economies	A systematic literature review was used as a method for data collection	interaction between institutions and innovation could likely trigger insurance uptake
Kayula, M., Odoyo, O. C., & Sichinsambwe, C.	2022	Effects of Crop Insurance and Finance on Small-Scale Maize Productivity in Zambia	crop finance, crop insurance, maize, productivity	A survey was conducted using a structured questionnaire	No correlation between crop insurance, loan, and maize productivity
Ajayi, E.	2015	The need to further imbibe the culture of insurance in Africa	Insurance, apathy, vicissitude, mitigation, law and policy, government, Africa	A systematic literature review	Lack of insuring culture by Africans, is a contributing factor to low insurance penetration in Africa
Bah., M., & Abila, N.	2022	Institutional determinants of insurance penetration in Africa	Insurance, Life insurancee, non-life insurance Institutional quality Africa GMM Introduction	A systemic literature review	regulatory quality, rule of law, control of corruption, political stability and absence of violence, and government effectiveness

Source: Author's compilation.

Kajwang (2020) is of the view that most multinational insurers in Africa feel they are superior to the local insiders thus creating a hostile environment in terms of sharing critical information for prudent underwriting and risk assessment.

Lack of qualified and experienced staff together with rigid regulatory requirements are some of the reasons for low coinsurance penetration in Africa (Kajwang, 2020).

Kayula, Odoyo, & Sichinsambwe (2022) also agreed with the fact that insurers do not collate a lot of critical information on vital underlying information for

risk assessment.

Hafiz, Salleh, & Garba (2021) also emphasized that to trigger the uptake of insurance products in Africa thus increasing the penetration levels of insurance, there is a need for insurance companies to be innovative and interact amongst themselves.

5.3. Political Interference, Instability and Corruption

Bah and Abila (2022), have cited corruption and political interference as major contributing factors to low insurance penetration in Africa.

Most insurers in Africa do not pay much attention to the quality delivery of products let alone to sensitive customers and the general public on the importance and need of insurance as these companies are politically connected (Bah & Abila, 2022).

Some African countries are unstable for insurers to set up operations and this deprives the consumers of having a pool of insurers where they would shop around for insurance products (Bah & Abila, 2022).

According to Ajayi (2015), insurance is a new concept to Africans as such most Africans do not fully understand the reason for insurance.

The lack of insuring culture by most Africans, is a major contributing factor to low insurance penetration in Africa, as such, education, and sensitization, are needed in this area for people to change their negative attitude towards insurance.

Haamukwanza (2021) is also of the view that Africans do not insurer because of low insurance literacy levels hence the need for the introduction of deliberate educational policies in this area.

5.4. Use of Effective Distribution Channels and Internet

According to IISA (2022), insurance products can be purchased directly from insurers or through intermediaries such as agent and insurance brokers. The choice of distribution channel has a great impact on insurance penetration in Africa.

According to Musonda & Chowa (2022), about 26.3% of the population of Kalumbila mines in Zambia, purchased insurance products through various insurance intermediaries via internet or in person and these intermediates are a contributing factor in the uptake of life insurance within this community.

6. Findings

There are a lot of factors contributing to the low penetration of insurance in Africa and these range from government interference, Political and economic instability, low income, illiteracy, strict regulatory requirements and prohibitive capital adequacy requirements, lack of collaborations among insurers for various reasons, to mention but just a few.

However, despite these challenges, it should be noted that insurance contributes greatly to the economy of any country hence the need to sensitize consumers on the benefits of insurance to both the economy of a country and indi-

viduals (IISA, 2022).

To increase the update of insurance in Africa and penetration levels there is a lot that needs to be done by all stakeholders in the insurance industry in Africa as such, this topic needs further probing.

7. Conclusion and Recommendations

The conclusion and recommendations of this research are as follows:

- 1) The researcher is of the view that education and sensitizing people on the need for insurance would increase the penetration level of insurance in Africa.
- 2) The regulators in the African Insurance markets should also remove or relax a lot of impediments on market entrant requirements such as capital adequacy.
- 3) The use of technology as a means of tapping the African Insurance market should be enhanced and supported by all stakeholders.
- 4) International companies should collaborate with local companies in light of globalization.
- 5) Local companies in Africa should merge, collaborate or form alliances if they want to be competitive and not work against each other.
- 6) Use of intermediaries, especially professional brokers, would enhance the penetration of insurance products in Africa.
- 7) Africa insurance companies, regulators and governments should take a leading role in research on this topic.

A lot of researchers have conducted research on this topic, but the insurance penetration levels still remain low in Africa hence the need for others to probe this topic further.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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