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What is Rural Insurance and why do Most People in Africa Need this Kind of Insurance

It is a known fact that insurance is still an under-grown sector in Africa as the insurance providers mostly fail to penetrate into the rural Africa. The lack of adequate actuarial studies is one reason for the under-development of insurance sector in such developing countries and when it comes to rural Africa, there are many socio-cultural factors too contributing towards it.

Rural insurance

The people in the rural countryside of Africa find farming as well as cheap labour as their ways for a living. When it comes to rural insurance, they may want to protect their crops from any natural disasters as well as be keen on protecting their assets and valuables against the common case of theft and robbery in this region.

The young population of Tanzania

If is a known fact that more than about 50% of the total population of Africa are under 25 years of age. Tanzania is noted to be one such place with the youngest population age, which surely puts forth a huge opportunity for the insurance sector to target this sector as they all can be future prospective customers of insurance products on getting a proper orientation.

Sensitization of insurance

To penetrate into the rural Africa with insurance products, first they have to make the rural people trust the insurers and understand why they need to invest their hard-earned money into insurance products. They may be reluctant to find it not an opportunity for investment or savings, but a non-tangible commodity only to offer protection. In these areas, the cultural differences and the emotional trust are so crucial, especially at places like Tanzania where there is a huge diversity of languages and culture.

The natural resources of Tanzania

Even though an underdeveloped country, Tanzania has huge resources in terms of tourism, mining, and agricultural, which can surely drive up its economic growth. As this happens on the go, the insurance infrastructure also should grow to support and complement it with a greater capacity to introduce new products and effective underwrite. As the GDP per capital will rise based on the expected growth in economy, insurance penetration will also rise until is saturates overtime.

Micro-insurance

Tanzania is a country which has a solid Micro-Insurance Act, which provides an effective framework for growth of insurance in the country. Basically, the micro-insurance practiced in Tanzania and other similar African nations is a low-cost insurance that has low levels of covers for the mass market.

The actual challenge for micro insurance is the fair balance of pursuit of the new market and the growth vs. risk of understanding the customer rightly, avoiding the non-payment of genuine claims etc. The key to success is to strike the right balance by making it simple and introducing jargon-free policies for the common people to easily understand.

The insurance providers need to innovate the huge rural African population in villages, not just with the micro-insurance policies but also with more customized products to meet the needs. Bank assurance for an example is a considerable strategy as a strategic alliance where a bank-owned insurer or a joint venture can be introduced.