

Emerging Trends

Shaping the African Insurance Market

by Bernard Akyin-Arkoh

The African insurance market is experiencing significant transformation driven by various trends that present both opportunities and challenges. Insurers that can navigate the complexities of Africa's diverse markets while leveraging technology, partnerships, and tailored solutions will be well-positioned to capitalize on the continent's vast growth potential.





The African insurance market is a dynamic and rapidly evolving sector that plays a crucial role in enhancing economic stability, promoting financial inclusion, and boosting social resilience across the continent. However, it faces significant challenges.¹

Although the industry is marked by a unique mix of mature and emerging markets, with countries like South Africa, Morocco, and Kenya leading the way in terms of market sophistication and penetration, A vast portion of the continent remains untapped, with large segments of the population either uninsured or underinsured. This gap not only highlights the industry's existing challenges but also underscores the tremendous potential that lies within the sector.



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Several emerging trends promise to have a major impact on the African insurance market—providing potential threats and opportunities for industry players.



Digital Transformation

Digital transformation in the African insurance market is reshaping the way products are marketed, sold, and serviced, making insurance more accessible and efficient.

Insurers across the continent are adopting digital technologies to enhance the customer experience and streamline operations. Examples include online policy purchases, mobile-based insurance and claims processing, telematics and usage-based insurance, AI-powered chatbots for customer service, blockchain and smart contracts, digital partnerships with fintech companies, the Internet of Things (IoT) and connected devices, and e-wallets and mobile payments for premium collection.

Star Assurance Limited, an insurer in Ghana where I work, has introduced an advanced WhatsApp-enabled insurance distribution platform intended to improve the customer experience. And the U.S.-based insurer Lemonade has introduced blockchain-powered claims processing technology in the Nigerian insurance market. Using smart contracts, the system enables automatic claims approval and processing for specific cases. It aims to enhance transparency, accelerate payouts, and lower the risk of fraud for customers.



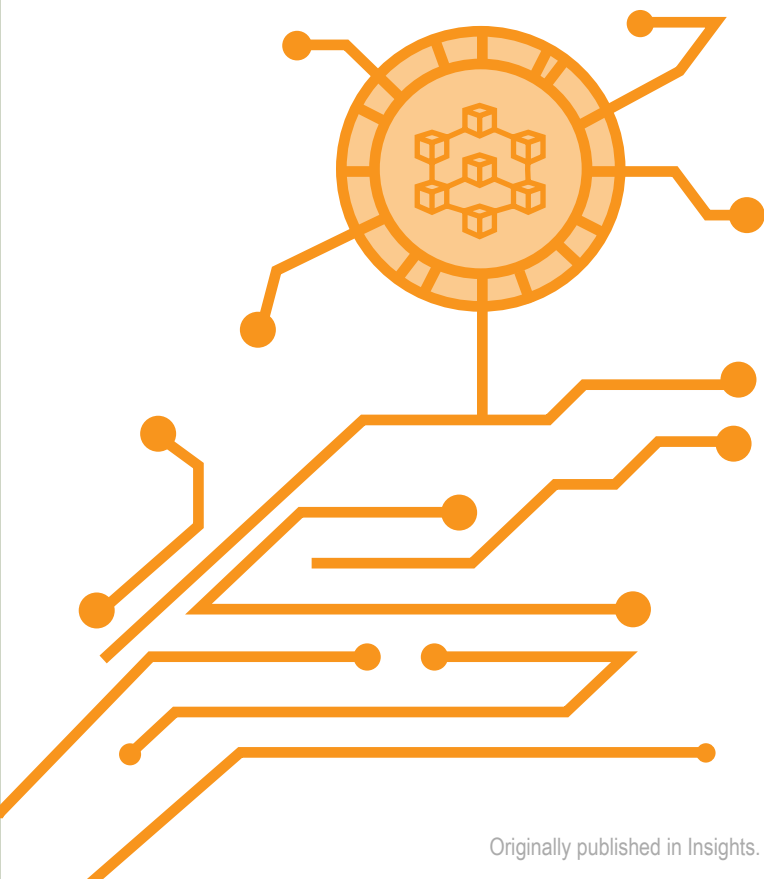
Climate Change and Environmental Risk

The African insurance market is increasingly grappling with heightened risks posed by climate change, particularly in vulnerable sectors such as agriculture and infrastructure. As extreme weather events like droughts, floods, and storms become more frequent and severe, insurers are responding with innovative climate risk insurance products. These solutions are aimed at promoting sustainability and resilience, aligning with global efforts to tackle the growing challenges of climate change.

In recent years, the impact of climate change on Africa has increased, with a marked rise in the occurrence and intensity of natural disasters. This has led to a surge in insurance claims, as insurers are required to provide substantial payouts to cover the widespread damage caused by these events. The financial strain on the insurance sector has underscored the urgent need for targeted climate risk solutions.

One such initiative is the African Risk Capacity (ARC), a pan-African institution that helps countries better prepare for climate-related disasters. As part of this initiative, Senegal has received critical financial payouts to mitigate the effects of droughts and other climate crises. These funds allow the government to swiftly mobilize resources and provide assistance to vulnerable communities, helping to alleviate the economic and social impact of these disasters and strengthen the resilience of local communities.

The success of programs like ARC demonstrates the vital role that climate risk insurance can play in managing the financial fallout from climate change while promoting sustainable development across Africa.



Cyber Insurance and Digital Risk Coverage

The cyber insurance market continues to evolve and mature, with an increasing emphasis on meeting rising demand and managing cyber risk exposures.² In Africa, this trend is gaining significance as rapid technological advancements, such as generative AI and cloud computing, drive the digital transformation of industries.

African businesses are increasingly dependent on IT, IoT (Internet of Things), OT (operational technology), and digital services, all of which are critical components in various sectors' supply chains. Moreover, the growing sophistication of cybercriminals and geopolitical instability are intensifying the cyberthreat landscape, posing serious risks to economies and societies across the continent.

These emerging threats were first amplified during the COVID-19 pandemic, as remote work became more widespread; however, they have continued to grow, increasing the likelihood of cyberattacks across Africa. Consequently, the need for comprehensive cyber insurance coverage has become more urgent than ever.



Demographic Shifts and Changing Consumer Behaviors

The African insurance market, like its global counterparts, has long had to adapt to changing demographic trends. Historically, these changes unfolded gradually, allowing insurers time to adjust. However, the rapid advancement of technology has changed this dynamic. Insurers in Africa must now act swiftly to meet the demands of an evolving and increasingly diverse client base.

As demographics shift, insurers will need to redefine their target consumers and adjust their product offerings. For example, an aging population in some African countries will increase the pressure on state pensions and public healthcare services, prompting a demand for health, life, and retirement insurance products. Simultaneously, a shrinking middle class due to median incomes not keeping pace with rising living costs has produced younger generations that delay major life events like buying homes, getting married, and starting families. Insurers must provide flexible and affordable solutions that cater to these changing life patterns.³

Additionally, the growing urban population across Africa brings heightened health risks related to pollution, poor sanitation, and lifestyle factors, requiring more tailored health insurance products. Plus, with consumers becoming increasingly reliant on digital platforms to research and purchase products, African insurers must invest in seamless digital experiences. Failure to meet these expectations could result in a loss of market share to more digitally agile competitors.

Overall, then, the demographic changes underway in Africa will require insurers to be innovative, embrace digital transformation, and gain a deep understanding of the shifting needs of the modern African consumer.



Growth of Takaful Insurance

The concept of takaful, rooted in shared responsibility and communal support, is witnessing growing acceptance in African markets, particularly in areas with significant Muslim demographics. This model, designed to align insurance practices with Islamic principles, is attracting interest not only in the MENA (Middle East and North Africa) region and Southeast Asia but also in Sub-Saharan Africa.

Among the countries that have entered the takaful insurance market is Kenya, where approximately 15 percent of the 40 million population are Muslims and where Islamic finance constitutes 2 percent of the banking sector.⁴ Takaful Insurance Company of Africa (TIA), founded in 2011, became the first takaful operator in Kenya. Over the past five years, it has experienced substantial growth within the Kenyan insurance market.

In May 2015, Kenya introduced new regulations allowing conventional insurers to enter this specialized market. However, the law mandates that companies establish distinct takaful units, which must be overseen by a committee approved by a council of religious scholars.

In Nigeria, despite a low insurance penetration rate, the insurance market holds potential due to the growing middle class. Accordingly, the National Insurance Commission (NAICOM) issued guidelines in 2013 for takaful operations.

Several composite insurers, including African Alliance Insurance, Niger Insurance, and Cornerstone Insurance, have since entered the takaful market, offering both life and non-life products, as well as Sharia-compliant savings and investment options. This activity allows insurers to cater to a niche audience by offering insurance solutions that resonate with cultural sensitivities.



Microinsurance Expansion in Africa

African nations have developed microinsurance initiatives that cater to the needs of low-income families, especially in rural regions. Insurers can take advantage of this opportunity to develop tailor-made insurance policies that help protect against risks such as health issues and crop failures, thereby boosting financial resilience for vulnerable populations.

For example, in Ghana, funeral insurance is one of the most common microinsurance products, reflecting the cultural importance of funerals and the high costs associated with them. Companies like MicroEnsure and MTN Ghana have collaborated to offer affordable funeral insurance policies to low-income individuals, ensuring that families can cover these expenses without falling into debt.

Rwanda's community-based health insurance, Mutuelle de Santé, has successfully provided basic health coverage to millions of low-income individuals. It covers essential health services at a low cost, making healthcare more accessible to the poor. Similarly, in Kenya, the National Hospital Insurance Fund (NHIF) offers micro health insurance products that target low-income earners, providing coverage for both inpatient and outpatient services.

Regulatory Reforms Focused on Harmonization

Through harmonious insurance regulations, African regulatory bodies are striving to create a more supportive environment for business.



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Reforms aim to increase transparency, reinforce market stability, and offer better consumer protections. For example, the integration of insurance markets under the AfCFTA (African Continental Free Trade Area) agreement aims to facilitate cross-border services, enhance competitiveness, attract foreign capital, and stimulate innovation across the continent.

Several African regulatory bodies have reformed their systems to ensure more effective supervision of the insurance sector. The goal is to enhance market stability, improve consumer protection, and promote growth of the insurance industry.

For instance, Ghana's parliament passed the Insurance Act of 2021, replacing the previous legislation from 2006. The updated law is designed to drive development of the insurance market by encouraging the growth of microinsurance and health insurance offerings. It also introduces more stringent licensing requirements and strengthens consumer protection through stricter oversight. As a result, it has significantly contributed to the expansion of microinsurance products, improving access to insurance for low-income individuals and boosting overall confidence in the market.⁵

Similarly, Uganda amended its Financial Institutions Act in 2016 to allow banks to sell insurance products, a practice known as “bancassurance.” By integrating insurance products into traditional banking services, bancassurance has made it easier and more convenient for consumers to access insurance. This particularly benefits rural areas, where insurance penetration has been historically low. It’s also played a key role in the growth of Uganda’s insurance market overall.

Regulatory reforms support the broader trend across Africa: namely, to strengthen the oversight of the insurance industry and ensure its long-term development and penetration. ■

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 3. Global Data, *Demographic Profiles in Insurance—Thematic Research*, July 30, 2021.
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