

Why Ugandans shun insurance

By Reagan Ssemplija

With Uganda's 0.8% insurance penetration, compared to 6%, 9% and 15% of Kenya, Rwanda and Tanzania, respectively, the country has the lowest insurance penetration rate in the region, according to the Insurance Regulatory Authority. This is worrying, but true.

Bruce Musinguzi, a resident of Kalagi in Mukono district, is the owner of Musi Auto Garage. He says when his business developed subsidiary units, such as a washing bay and parking lot, people advised him to insure his business. However, he was hesitant.

"I did not see the need to invest in insurance because I was not educated enough about it. Also, I feared losing money in case nothing happened to my business," Musinguzi says.

Why the low penetration

Musinguzi is not the only Ugandan who gets second thoughts when it comes to embracing insurance. According to Joseph Kiwanuka, an insurance specialist, Ugandans shunning insurance dates back to the 1960s and 1970s, when the concept was introduced.

"When Indians started insurance companies here, few Ugandans got educated on how insurance works,



so from the beginning, the majority were clueless about the concept. The few who had an idea about insurance were always disgruntled over discrimination when claiming their payments," Kiwanuka says.

He adds that this discouraged many from embracing insurance, but the situation did not get any better.

Lately, Kiwanuka says Ugandans shun insurance because the majority cannot afford to buy a premium, let alone sustain it.

Majority look at insurance as a

WHEN ONE INSURES AGAINST A RISK AND IT DOES NOT OCCUR, THEY EXPECT PAYMENT. WHEN THIS DOES NOT HAPPEN, THEY FEEL CHEATED BY THE INSURER

luxury. The situation is too bad to the extent that insurance covers, such as motor 3rd party, which is mandatory, is evaded by many.

Maurice Amogola, an insurance expert and consultant, attributes the low insurance penetration in Uganda to misconceptions.

He says the majority of Ugandans think insurance works like banking, where one deposits their money and one is sure of getting it the way it is and when they need it, which is wrong.

"Insurance works with risks. You pay your premium against a potential risk. The risk may occur or may not. So, the challenge is that when the risk does not occur and no payment is made, many Ugandans feel cheated by the insurance company," Amogola says.

Faith Ekudu, the public relations officer for the Uganda Insurers Association (UIA), says there are many factors that contribute to the low level of insurance penetration in Uganda. She attributes it to low levels of financial literacy, a poor savings culture and a low understanding of insurance and its products. She adds that the perception that insurance is expensive and its limited reach to the informal sector are also to blame for the low penetration.

Way forward

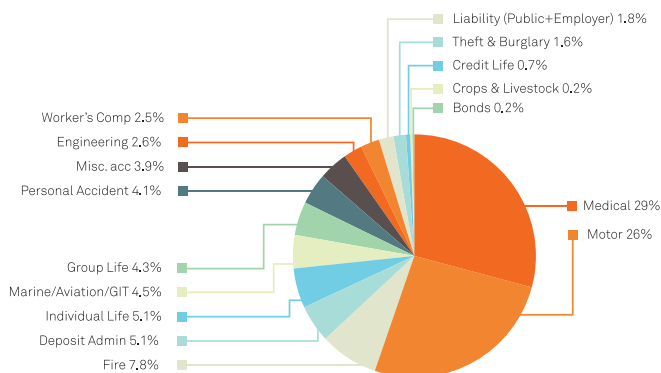
"As UIA, we are approaching this from an inclusive financial literacy perspective. We are doing this by ensuring that people understand money and get the skills to use it, to improve their lives and their families and communities," Ekudu says.

She adds that in addition to pushing the financial literacy agenda, insurers should work towards increasing the understanding and appreciation of insurance through awareness and sensitisation campaign. She says this can be done by using various mass media channels, as well as one-on-one engagements.

UIA Uganda Insurers Association

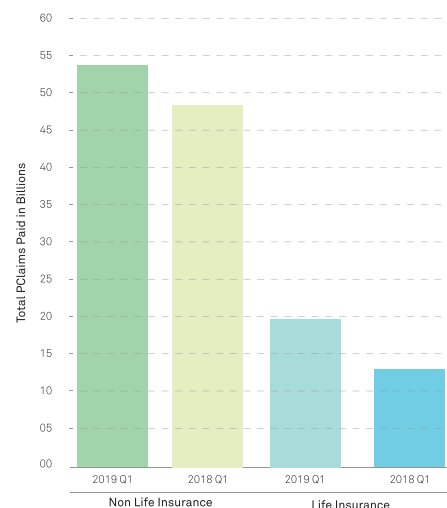
INSURERS PAY CLAIMS

GROSS CLAIMS PAID 2018



OVER UGX 248Bn Paid in Gross claims

GROSS CLAIMS PAID Q1 2019



OVER UGX 73Bn Paid in Q1 alone

For more information on claims please contact

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