

RG-02 | Protecting informal settlements from fire hazard, South Africa

Company name	Lumkani	SCBF Contribution:	CHF 150'000
Country	South Africa	Instrument:	Repayable Grant
Sector:	Housing	Target group:	Informal settlement dwellers
Duration:	Apr 2024 – Mar 2026	Product:	Fire Insurance
Potential Outreach:	28,000	Theme:	Financial Resilience

CONTEXT

In South Africa, more than 60% of households live on less than CHF 350 per month (around CHF 9 per day) in highly vulnerable communities. These are characterized by unsafe living conditions, little/no infrastructure, poorly built homes, and inadequate access to basic services. Low-income communities also face increased financial risks and burdens which both contribute to - are exacerbated by - a lack of physical resilience to disasters. Given the unsafe, high-risk conditions of urban informal settlements, there is a keen need for access to financial products to help mitigate the effects of disaster and recover faster. However, informal communities face broad financial and economic exclusion. Various factors make conventional insurance products inaccessible to low-income and informal communities or deter them from seeking coverage. For insurers, it is a difficult market to penetrate with conventional products.

A key example of a type of disaster that is exacerbated by - and contributes to - the lack of resilience and financial inclusion of low-income communities is that of informal settlement fires. Here, fires occur frequently, spread quickly, and result in catastrophic loss. Response systems are under-resourced, non-existent, or simply ineffective: with little to no space between homes, fire trucks can't get through to the source. This means that small fires regularly spread to create vast destruction. Between 2008 and 2018, over CHF 71 million was lost to fires by the informal homeowners.

THE ORGANISATION AND SOLUTION

Lumkani – a South African social enterprise is seeking to address the challenge of fires in urban informal settlements and townships in South Africa and across the globe. Lumkani uses innovative early-warning systems with low-cost inclusive insurance products to provide safety and financial security to their clients. It offers a bundled fire insurance with a fire detection system directly to informal homeowners and businesses. Hollard is the bundled insurance provider. The insurance covers structure and contents up to the value of CHF 1'944 (on a first-loss basis) for CHF 4.10 per month. This product covers shacks (informal dwellings), RDPs (government-funded, low-income) houses, small businesses and containers. This solution is a unique offering that both reduces the risk of disaster and provides the finances to rebuild in the aftermath.

OBJECTIVES AND MAIN ACTIVITIES

SCBF grant will support in testing new regional markets for the product offering and help in trial innovative marketing campaigns to build awareness. This will maximize the impact of the available capital, enabling Lumkani to reach more target markets and improve lead generation and conversion. The grant also will support in promoting financial education which is a core barrier to the expansion of microinsurance in low-income markets.

Lumkani intends to develop social media-relevant financial education content, to develop an understanding of financial products in their target consumer base. The main objectives and targets set for this project are:

- Expand service provision to 125 communities (currently present in 94 communities)
- Reach 28'000 additional paying clients by mid-2026
- Reach 150'000 consumers with financial education content by 2026

