

Ethiopian Fintech Start-up, Kacha DFS, Introduces Innovative Insurance Loans at Customers' Fingertips

Kacha Digital Financial Service, a pioneering fintech company with less than two years of operation, is set to revolutionize the Ethiopian insurance market by introducing premium financing for motor vehicles and other insurance products. As Ethiopia's first privately owned mobile money operator, Kacha has partnered with Lucy Insurance S.C. and Global Bank of Ethiopia to offer digital insurance services. These organizations are currently fine-tuning product offerings, delivery systems, and risk underwriting for optimal customer experience.

The Insurance Landscape in Ethiopia

According to a 2022 UNDP report, Ethiopia's insurance market comprises 18 companies, with the state-owned Ethiopian Insurance Corporation dominating 40% of the market share, followed by Awash Insurance with 11%. The remaining companies hold less than 5.7% of the market share, with only about 800 branches serving a population of 123 million.

The National Bank of Ethiopia has set a high bar for entry into the market, requiring a minimum paid-up capital of 75 million birr (USD 750,000). This regulation is challenging for startups, particularly insurtech firms. A 2022 study by FSD Africa and CENFRI revealed an insurance penetration rate of just 0.8%. Segments like farmers and MSMEs remain underserved, highlighting the need for rapid innovation and development in Ethiopia's insurance sector.

Insurance remains a complex service for underserved populations. According to Mathewos Mogiso, Branch Operations Director at Lucy Insurance, Ethiopia's regulation of "no premium, no cover" requires customers to pay an entire annual premium upfront, which many cannot afford. For example, comprehensive motor vehicle insurance is too costly for many drivers, despite third-party insurance being mandatory. Kacha's partnership with Global Bank and Lucy Insurance aims to bridge this gap by offering customers digital loans to finance their premiums, making insurance more accessible.

The Digital Transformation in Ethiopia

Ethiopian banks, microfinance institutions, and insurance companies still rely heavily on manual service provision, which exacerbates the gap between the

financially included and excluded. Lucy Insurance currently operates manually, but through its partnership with Kacha, it aims to extend its services to underserved customers across Ethiopia through digital channels.

“We are here to improve access to finance and insurance services through simple, accessible technology. Our goal is for customers to access these services anytime, using only a mobile phone,” says Kacha CEO Abreham Tilahun. Kacha’s insurtech solution, like its digital banking services, has the potential to significantly enhance insurance accessibility across the country. “Customers should be able to purchase insurance products right from their phones,” adds Abreham.

The Impact of the BimaLab Accelerator Program

In 2023, Kacha was one of 23 ventures from 10 African countries selected to participate in FSD Africa’s BimaLab Insurtech Accelerator Program. This experience allowed Kacha to refine its business strategy and develop insurance technology with a sharper focus. “The training and mentorship we received during the program gave us the clarity we needed to question, analyze, and enhance our business approach,” says Mikiyas Fekadu, Kacha’s Partnership and Business Development Manager.

BimaLab’s venture-building support is designed to assist startups in developing products that cater to underserved and climate-vulnerable communities. Kacha, a fast-growing fintech, gained valuable insights into customer-centric product design, risk assessment, and best practices from across Africa. Mikiyas reflects, “The program provided peer-to-peer learning, networking opportunities, and critical collaborations that have been essential to our growth.”

After six months of mentorship, Kacha identified the potential in insurtech and began developing premium financing products and vehicle insurance solutions for the Ethiopian market. “Kacha is the first fintech in Ethiopia to offer digital insurance service financing, while Lucy will be the first insurer to provide such services digitally,” explains Mogiso.

Pioneering Digital Insurance Solutions

Kacha has already made significant strides in the fintech space, particularly with its digital lending and savings platform. For example, three-wheeled taxi owners in

Dire Dawa City have been able to access instant, automated digital loans to maintain their vehicles, helping to prevent income loss due to breakdowns or accidents. Kacha's digital lending solution allows customers to apply for weekly, bi-weekly, or monthly loans, stabilizing their finances.

With over 100,000 customers and billions of birr in transaction value, Kacha's existing products have had a transformative impact. Genot Mentesenot, a 26-year-old café owner in Addis Ababa, shared how Kacha's digital payment and money transfer services have improved her business. "Handling cash was inconvenient and risky due to theft. But Kacha changed that. The app is fast and works with almost all banks in Ethiopia, making transactions seamless," she says. By accepting Kacha as a payment option, Genot has also boosted her sales.

This success has inspired Kacha to expedite its insurtech product development, a move welcomed by Lucy Insurance. "Soon, our customers will be able to apply for premium financing through the Kacha app," Mogiso remarks. The technology will also streamline Lucy's payment collection processes and reduce costs for all stakeholders.

Building the Future of Insurtech

While Kacha has made impressive strides, the company acknowledges the need for continued support from BimaLab and other partners. "There are constant gaps emerging in the insurance industry, and we need ongoing capacity-building to develop our insurtech products," says Abreham.

Mikiyas echoes this sentiment, comparing Kacha to a child. "A child doesn't grow on its own. It needs food, water, education, and guidance. We are still in our infancy in this market. We need more technical and financial support, follow-ups, and marketing assistance from BimaLab," he adds.

Kacha is committed to collaborating with other traditional insurance companies to unlock the full potential of insurtech in Ethiopia. With a strong foundation built through partnerships, BimaLab's support, and its two years of experience in digital financial services, Kacha aims to revolutionize the insurance sector in the coming years.

Beyond insurance, Kacha's leadership is optimistic about the future. The name "Kacha" symbolizes speed in various Ethiopian languages, and its logo reflects the counting of money. "In two to three years, we hope our name will become synonymous with digital financial services, enabling over one million active customers each month," says Abreham. "We envision a future where Ethiopians will say, 'send me 2,000 Kacha,' as they would refer to money."