

## Protecting informal settlements from fire hazard

SCBF – RG 02

Report Date: 2nd April 2026

### Project Summary

Grantee	<a href="#">Lumkani</a>	Project duration	Apr 2024 – Mar 2026
Country of implementation	South Africa	Product / Solution	Fire Insurance
Instrument type	Repayable Grant	Targeted outreach	28,000
		Targeted segment(s)	Informal Settlement Dwellers

### 1. Executive Summary

South Africa's informal settlements face a disproportionately high fire risk. These risks are compounded by financial exclusion, leaving low-income households vulnerable to repeated loss and poverty. This project scaled Lumkani's integrated model, which combines early-warning fire detection technology, affordable microinsurance, and financial education to reduce fire spread, improve preparedness, and enable faster recovery. Through SCBF support, Lumkani piloted expansion into 20 new regions, increasing sales to an additional 30,327 vulnerable households, and expanding the value of protected property to CHF 43.86 million (from CHF 21.38). Developing and trialling a scalable media strategy resulted in 1,259,349 individuals, 93% women, accessing financial literacy education. By addressing physical risk, financial vulnerability, and awareness together, the intervention strengthened community resilience and expanded access to appropriate protection for underserved households. Ultimately, it also enhanced Lumkani's operational and measurement capacity, positioning us to scale sustainably and contribute to a stronger, more inclusive microinsurance market for underserved communities.

### 2. Context

Low-income communities in South Africa, particularly in urban informal settlements, face a disproportionately high risk of fire due to dense, unplanned environments, flammable building materials, unsafe energy use, and limited access to emergency services. Fires occur frequently, spread rapidly, and often result in significant loss of homes, assets, and livelihoods. The scale of the challenge is significant, with an estimated 5 million people living in informal settlements in South Africa, representing a large underserved market for risk reduction and financial protection.

The impact of these events extends beyond immediate physical damage. Households are often unable to recover financially, perpetuating cycles of poverty and vulnerability, particularly in a context where a significant proportion of households survive on very low and irregular incomes. Women are particularly affected as primary caregivers and household managers and are more likely to be responsible for recovery and rebuilding following a disaster. At the same time, they face structural barriers to accessing formal financial services, further increasing their vulnerability.

A key systemic driver of this vulnerability is financial exclusion. Low-income households in informal settlements have limited access to formal insurance products, creating a significant "protection gap" in disaster risk financing. Traditional insurance models are often inaccessible due to high costs, complex documentation requirements, limited distribution into informal markets, and low levels of awareness and trust.

In the absence of formal insurance, communities rely on informal coping mechanisms such as borrowing from social networks, savings groups, community support, or rebuilding incrementally. These approaches are often insufficient, leading to prolonged recovery and increased vulnerability. Existing market solutions are limited, traditional insurance is typically unaffordable or unsuitable, and alternative fire protection interventions are often short-term, costly or difficult to scale. Insurance penetration in informal settlements remains low, with most households lacking access to appropriate disaster risk financing.



At the same time, South Africa's financial sector is evolving, with expanding access to inclusive financial services a key policy priority. This creates an opportunity for innovative models that are affordable, accessible, and better suited to the realities of low-income communities. However, from a provider perspective, this market presents challenges related to risk assessment, distribution costs, and servicing customers with irregular incomes and limited formal data. These constraints have historically limited the development of scalable insurance solutions for this segment. Despite some local attempts, Lumkani remains the only provider of a bundled product that has demonstrated scalability in this market.

Lumkani operates within South Africa's regulated financial services environment under the Financial Advisory and Intermediary Services Act (FAIS) and is licensed as a financial services provider. Our insurance offering is underwritten by licensed insurer Hollard, ensuring compliance with national regulatory requirements. While the regulatory framework enables the provision of microinsurance products, compliance requirements can present barriers to scale in low-income markets where customers may lack formal documentation.

At the time of the application, Lumkani had validated its core product and business model and was entering a critical scaling phase. However, there was limited internal capacity to invest in the experimentation, systems development, and market-building activities required for sustainable growth. SCBF proved fundamental aspects required for scaled growth, such as the need to gain access to larger groups for leaner distribution costs. In addition, it allowed experimentation to sharpen our understanding about the best marketing strategies to build trust with a market.

SCBF support was therefore crucial in enabling Lumkani to pilot expansion into new regions, test and refine marketing and distribution approaches, develop financial education tools, and build a formal MEAL framework. These combined interventions not only supported immediate growth but also helped Lumkani identify and validate the strategies required for more efficient, sustainable scaling going forward.

### 3. Intervention approach

Lumkani delivers a subscription-based service that combines early-warning fire detection technology, affordable microinsurance, and customer support services, integrating risk reduction and financial protection for low-income households in informal settlements. Our solution bundles a heat detector, a community-based early warning system, and insurance coverage for fire-related losses, enabling both early response and financial recovery.

The product is offered at a fixed monthly premium of CHF 4,49/month, which provides property coverage for structure and contents damaged in a fire with underwriting from Hollard Insurance up to CHF 1872. The microinsurance is fully funded by monthly premiums and is designed to be affordable for low-income households. Lumkani's flexible payment model offers 2–6 payment grace periods and penalty-free reinstatement, accommodating irregular and seasonal incomes in informal settlements, reducing lapses and enabling scalable, inclusive access to financial resilience. The pricing structure is standardised across regions.

The product is primarily distributed through a network of locally recruited agents, who conduct door-to-door sales, onboarding, and education within the communities they serve. This approach supports trust-building and ensures accessibility in low-income markets.

Key innovations and systems improvements supported by SCBF enabled Lumkani to invest in activities critical for scaling the business model sustainably. These activities focused on strengthening both demand and supply-side aspects of the model, while building internal systems to support long-term growth:

- **Programmatic and operational expansion technical assistance:** Pilot services in high fire-risk metros to identify best-fit communities for scale, recruiting women from informal settlements as sales agents to build local capacity and trust. A key output was to validate which communities would best fit for scaling. Our community selection process involved prioritising high-risk areas with the greatest operational efficiency and scale, using



opportunity (community size, historical fire risk, safety, ease of access etc), sales performance metrics and community sentiment as key factors.

- **Pilot brand-building marketing solutions for scale:** Run comparative trials of landmark branding, radio advertising, and a direct activation model to determine the most effective, scalable channels for awareness and lead generation.
- **Build scalable financial service education for customers:** Create short, accessible video content to increase financial product understanding, boost adoption and improve customer retention at scale.
- **Lumkani operational and technical capacity development (MEAL):** Engage technical assistance to design and implement a formal MEAL framework that standardises impact measurement, informs learning, and strengthens appeals to funders and partners

Gender inclusion is embedded in Lumkani’s model. One hundred percent of our sales distribution agents are women. The strategic decision to hire only women was informed through early-stage experiences that identified women perform better and have stronger community networks. In addition, our primary target market, women, demonstrated more trust and comfort allowing female agents into their homes.

The product is designed to be accessible to low-income households, including women managing irregular incomes, through a low monthly premium and simple onboarding process. Women are explicitly targeted as primary users through community-based outreach and location-specific marketing activities and have historically made up 68-70% of clients. Our approach supports both financial inclusions, by improving access to appropriate insurance, and economic participation, through the employment of women agents within the communities served.

#### 4. Results, outcomes and impact

Key KPIs	Achieved results (by end of the project – specify date)
Total number of people reached	41,228
- Number of women	28,735
- Number of people under the age of 35 years	12,042
Total number of people trained in financial literacy	1,259,349
- Number of women trained in financial literacy	1,171,194

When the project began, Lumkani was active in 106 communities across South Africa’s major metros with just under 11,000 customers in high fire-risk informal settlements. During the project, we exceeded our target of expansion into 125 communities, deepening presence to 126 communities. Over the two-year period we signed 41,228 clients onto our bundled product and, after normal attrition, closed with nearly 24,000 in-force customers in our total book, demonstrating significant growth. Reflecting strong uptake among the intended female market in urban informal settlements, 69.7% of customers are women, while youths under 35 years old comprised 29%. Early-warning fire system installations rose sharply, from 62,000 to 106,741, driven by higher policy uptake and partner-sponsored humanitarian installations in high-risk households.

This growth translated into measurable financial protection and increased operational performance. Covered property value climbed from CHF 21.38 million to CHF 43.86 million; and total claims value paid through March 2026 is over CHF 2.05 million (from project baseline of CHF 992,651). We saw trial success in specific areas produce rapid, concentrated growth (one new area saw 135% growth in a single quarter). We scaled debit-order adoption and reduced payment friction, contributing to reduced attrition. While not an activity included in this project, we also spent considerable time improving operations related to increased efficiency in paying out claims. Timely payouts enable families to cover immediate expenses, avoid negative coping strategies, and begin the rebuilding process, fostering long-term stability and resilience. It also contributes to increased community trust in our product. During the period, we reduced by half the average time required to process claims payments.

Our marketing and distribution experiments revealed the most effective way to reach people in informal settlements. Lumkani developed and distributed a scalable financial education programme, *Funda Nathi* (“Learn

with Us”), consisting of short-animated videos designed for informal settlement audiences. The content focuses on practical, everyday topics such as saving, budgeting, and understanding insurance, and is delivered in local languages using simple, relatable storytelling. The videos were distributed through targeted digital campaigns in key areas, reaching over 1,259,349 people, through social media platforms and on [YouTube](#). Reach was measured primarily through unique views, with additional indicators such as average watch time and audience retention used to assess engagement quality. When the new marketing initiatives launched in 2025, we saw a business-wide 30% overperformance on applications per agent targets.

The completion of our organisational Monitoring, Evaluation, Accountability and Learning framework strengthened our ability to monitor, measure and attribute key metrics related to our organisational mission to protect vulnerable people living in informal settlements from loss of life and property due to fire. We’ve used this to better articulate our organisational impact and strengthen our organisational proposition to enhance grant proposals and partnerships. The global grant funding environment has been severely impacted since the end of 2024, and this impacted Lumkani’s ability to leverage our new data to directly influence grant sourcing, with CHF 46,120 secured in grant funding during the project period (less than the targets communicated in our project projections). Nonetheless, the quality of feedback we are receiving is an indication that our new impact data is relevant to targeted audiences.

The client testimonials are available in the following two videos as well as on their [facebook](#) page, capturing the human impact of these results.



[Lumkani Changing lives](#)



[Lumkani Fire Stories: Covered from 1st payment](#)

## 5. Way ahead: Future scaling and sustainability plans

Lumkani’s pathway to sustainability is built on a commercially viable bundled early-warning fire detector combined with a monthly microinsurance product, underwritten by Hollard. This recurring-revenue model is complemented by add-on product sales (notably funeral cover), improving lifetime value and diversifying income streams. To bridge the remaining funding “pioneer gap” and scale efficiently, Lumkani will pursue a blend of grant support and impact investment. The reduction in expected grant sources over the current period has loaded equity investment capital sources to maintain business growth. In this context, there is still a strong drive to pursue grant capital sources to support bridging the “pioneer gap” to a more scaled revenue position that is aligned with later stage impact investment capital.

Our scaling plans focus on a combination of leveraging our improved agent model, distribution partnerships and digital pipelines. The partnerships and digital pipelines are new concepts that are seen as valuable for wider reaching scale. We seek to deepen government engagements to sponsor installations in highest-risk households and integrate community risk data into planning, building on existing relationships and projects with the City of Cape Town and Stellenbosch Municipality. Alliances with NGOs and corporate partners will be utilised to access additional distribution networks beyond agent model sales. Furthermore, we will continue to seek funds through humanitarian organisations to sponsor the installation of our fire detection technology into high risk homes in informal settlements. Geographically, we will concentrate on a focused, deep rollout across South African metros,



in an attempt to reach the 5 million people living in informal settlements, while exploring international opportunities after the next 2 years of local focus.

## 6. Lessons learnt and recommendations

**Geographic expansion.** Deepening penetration into urban areas with existing Lumkani presence was determined more effective and less risky than rapid geographic diversification. This more organic growth approach, leverages higher proof markets to build more early adopters before spreading into new markets. Concentrating effort in metros where demand and market readiness are building increases policy uptake, produces beneficial neighbourhood spillover effects, and de-risks further expansion more reliably than spreading resources across many new regions.

This was also applied with regard to the number of communities receiving free early fire warning technology installations. Rather than installing in more communities, our results highlighted the importance of densifying their penetration in existing high-risk areas. This densification provides existing customers with additional protection and de-risks the insurance model.

As part of the new region launches, we ran a small pilot of a roving agent team to support the new area launches. This roving team proved an effective way to launch into new areas without the high cost and delay of recruiting, training and managing a permanent local sales force. By deploying our highest-performing agents to run short, intensive launches, we reduced recruitment overhead, lowered exposure to agent attrition, and accelerated time-to-impact while capitalising on proven sales talent and local credibility. This small-scale pilot requires further testing to prove viability at a larger scale.

**Achieving operational efficiencies.** Increasing operational efficiency through a variety of strategies, including those trialled within this project, was an important step towards being sustainable. Our ability to identify successful distribution strategies that maximise existing resources and effectively target marketing activities, among other strategies, resulted in an 18% reduction in Customer Acquisition Costs (CAC). While the focus on operational efficiency resulted in slower growth in inforce customers, pivoting to adjust to learnings was critical to achieve a leaner delivery model better suited to becoming sustainable in the long term.

Reducing payment friction through stronger debit-order adoption has been a pivotal operational improvement. By investing in customer education, responsive support and incentive mechanisms such as cashback rewards, we have increased trust in recurring payments among informal-settlement customers, resulting in improved retention rates without the administrative burden of manual collections.

**Marketing and education.** Our marketing experiments demonstrated that fewer, larger-scale activations deliver superior results to many small, dispersed efforts. High-attendance activations, for example, larger “imbizo” community events we trialled during this project, produced higher applications per event, confirming that access to pre-existing crowds and community gatherings is a highly efficient route to scale. This finding highlights the need to prioritise partnerships and channels that provide concentrated reach rather than diffuse, low-yield touchpoints.

Our trials of short-form edutainment content and boosted social posts revealed a cost-effective method of customer education and outreach. These digital formats delivered substantially higher reach than anticipated and were particularly effective at improving product understanding among low-literacy, mobile-first audiences. The results underscored which platforms and boosting strategies offer the best cost-per-reach and engagement for financial education efforts.

Strategic partnerships that enhance the product’s immediate value proposition, such as the rewards programme with a financial institution for groceries, travel, education and clothing, have proven powerful for improving leads, conversions and retention. These alliances make the product more tangible and affordable to low-income customers, and they represent an important lever to scale both customer acquisition and long-term engagement.