

Disrupting short-term insurance in SA



By [Evan-Lee Courie](#)

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Short-term insurance brands are among South Africa's most successful businesses and have changed consumer perceptions of what used to begrudge purchase with smart branding and ongoing product innovation. Nonetheless, short-term insurance remains a slippery transaction. Consumers often pay premiums for years on end, without claiming or receiving anything in return for their purchase.



Mutoda Mahamba, CEO and co-founder of Solvency

We chat to Mutoda Mahamba, CEO and co-founder of Solvency to find out more about the company behind a new product ...

■ ***Can you tell us a bit about Solvency?***

Solvency is an insurtech that links a client's motor and household insurance premiums to an Insurance Savings Account (ISA), in their name, and allows complete control of what percentage of the premium goes into direct savings, with interest earned.

■ ***When, how and why did you get started?***

I started working on Solvency in May 2018.

Most consumers will acknowledge that being insured appropriately for a catastrophic event remains more crucial than ever, but for the vast majority who never or seldom claim, it remains a grudge purchase that could be delivering better returns in an alternative and innovative financial model.

Given that up to nine out of every 10 insured clients will claim less than the premiums they will ever pay, our solution will help consumers to use their insurance premiums to create an investment - rather than letting their hard-earned cash go to subsidise multi-claimants and insurer profits, without consumers receiving any return for their investment.

As a country, South Africa's net-savings-ratio is negative, meaning that we do not put away money into savings because we spend more than we earn. In a tough economy such as we are experiencing, Solvency provides a seamless way for the consumers to use their insurance premiums to create an investment. The money spent on insurance premiums will work much harder for the consumer's direct benefit.

Solvency was launched to empower consumers to have more control over their hard-earned cash. The Insurance Savings Account enables consumers to use the motor and household premiums to save and invest.

■ ***What is the core function of Solvency?***

We are a fintech business. The onboarding process is fully digital and customer-centric. Clients onboarding is available to 24/7.

■ ***How does it work?***

Using innovative algorithms, we personalise quotations tailored for customer's needs i.e. the client decides how much they want to allocate to contribute to the Insurance Savings Account (ISA).

We have significantly reduced the time it takes to go through the process. On average it takes 2 minutes to get a quote.

The web application portal provides a seamless post-sale customer experience. Customers will be able to:

- View their policy and cover details
- Add/Change/Remove new insurable
- Submit a first notification of loss
- Withdraw their savings from the Insurance Savings Account (ISA)

■ ***What is covered?***

Our solutions include insurance for Car, building, contents, all risk, caravan, trailer

■ ***What are some of the obstacles you've had to overcome since starting out?***

Unlike life and health insurance, insurers offering short-term insurance are not permitted to allow their clients to use their premiums for investment. It had been a big challenge to secure a partner for the savings portion of our product.

▣ ***What advice would you give to other aspiring entrepreneurs?***

Everyone is guessing, so don't be afraid to try out something new. As a consumer of goods and services, now and again you come across a pain point that requires a solution. Don't doubt yourself and fail to act; you may just be the solution.

▣ ***What has been your proudest achievement thus far?***

Selling the first Solvency policy. It's a culmination of lots of hard work. When a member of the public buys a policy, it validates the value proposition.

▣ ***What does the future of entrepreneurship look like to you?***

Technology, technology and more technology. Not as the solution in and of itself, but as an enabler. If your operating model does not have technology as an enabler, you will not be in business for long.

▣ ***What do you think is the importance of startup accelerator/incubator programmes?***

In 2017, Solvency was one of four startups that took home R1m in business support from AlphaCode, a Rand Merchant Investment's fintech accelerator, Merrill Lynch South Africa and Royal Bafokeng Holdings.

Incubator programme are instrumental in getting startups in front of the right audience – investors, channel and fellow entrepreneurs.

▣ ***What would you like to see changed in the South African startup landscape?***

I would like to see the Short-Term Insurance Act having an investment sub-category. It is long overdue.

I would also like to see more seed/angel investors coming to the party and helping out entrepreneurs. Bootstrapping is just close to impossible for many aspiring African entrepreneurs. Whereas bootstrapping requires family and friends to help out a startup, "Black Tax" makes this a near-impossibility in the African community.

▣ ***What do you believe are the traits an entrepreneur needs in order to succeed?***

Be bold – which I simply define as being content with being wrong. It's okay to be wrong; at least you've tried.

Build long-lasting and sustainable relationships. It's been amazing to see how people that I met in the workplace over 12 years of a corporate career, have been instrumental in helping Solvency to get started.

Values system – always remain true to your set of values, otherwise, you'll find yourself second-guessing every decision you make.

▣ ***Tell us about your biggest struggles as an entrepreneur, as well as some major highlights.***

I've had to forego a corporate salary. You can imagine that as one from an actuarial profession, and having assumed senior leadership roles, the dent is quite significant.

The major highlight was on 17 January 2020 when we sold our first policies. It was an amazing experience for the team.

▣ ***Why would you encourage someone to become an entrepreneur?***

Would I?? ...*laughs*.... On the real, it is a fulfilling experience of personal growth. You get challenged in so many ways that you could have never imagined, yet you build resilience.

Furthermore, entrepreneurship is about solving a problem in the world. It's about changing and impacting lives positively and making the world a better place. That sounds like fun – it is fun.

▣ **Where would you like to see Solvency in the next 5 years?**

I would like to see Solvency offering a full suite of financial service products – life insurance, health insurance, investments and banking. I would like to see a financial services industry that puts customers in control of their financial outcomes

I believe Solvency will help those who take out any form of financial services product, to use their hard-earned cash to create an investment.

**Note: Solvency is a product underwritten by GENRIC Insurance Company.*

ABOUT EVAN-LEE COURIE

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