

Microinsurance in Egypt: Challenges and Opportunities

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Brief on EFSA

The Egyptian Financial Supervisory Authority (EFSA) is a Public Authority established in July 2009 to supervise all non-bank financial markets and instruments, including the Capital Market, Insurance, Mortgage Finance, Financial Leasing, Factoring, Securitization and Microfinance.

EFSA's Mission is: “To regulate and supervise non-bank financial services markets to ensure their safety, stability, and Soundness, protect consumers, and to further develop these markets in order to improve access to finance”

EFSA's Strategic Goals

1. Maximize the value of a single regulator
2. Reform legal and regulatory framework to meet international best practices
3. Protect consumers
4. Foster market development
5. Upgrade professional capacity
6. Improve Egypt's competitiveness and regional role

Insurance Sector Reform in Egypt

- Phase I: 2005-2008
 - State-Owned Insurance Companies Restructured
 - Legislative Structure of Insurance Strengthened
 - Sector's Contribution to Economic Activity Increased
- Phase II: 2009-2012
 - To promote SMEs, insurance and microinsurance
 - To encourage innovation and new product development
 - To develop the current supervision and performance standards

Market in Egypt

Egypt's Profile

- Pop. 80 million, 20% poverty, 30% illiteracy, and 80% of SMEs operate informally

Insurance Indicators (2008/2009):

- Total direct premiums: \$1.4 billion
- Net Investment: \$5.26 billion
- Insurance Premium to GDP: 1.12%
- Insurance Investment to GDP: 5.4%
- (29) Insurance companies represented in the Egyptian Insurance Federation (2 public, 18 private, one cooperative, one export guarantee, 7 Takaful)

Microfinance Industry (Dec. 2009):

- 1.5 million active borrowers and outstanding portfolio of \$0.52 billion
- 71% of the active borrowers are in the trade sector, 20% in service sector and 9% in manufacturing sector.

EFSA's Approach to Promote MI

1. Education and Awareness Raising:

- In Dec'08 and '09, EFSA organized two international conferences on Microinsurance to promote MI, and disseminate information and international practices.
- In Mar'10, EFSA organized a seminar with the Federation where a study on the needs of MF clients by PlaNet Finance was shared and discussed.

2. Support Product and Sector Development:

- Federation's technical committees (11) are currently preparing micro insurance policies to ensure poor consumer protection in coordination with EFSA

3. Cooperation with international bodies (IAIS – All – Bafin - ...)

Current MI Initiatives In Egypt

Model 1

- Life and Disability to NGO-MFI in cooperation with Insurance Company: insurance of loan amount.

Model 2

- Service company distributes microinsurance policies on behalf of an Insurance Company to low and limited income people (not necessarily microcredit clients). One time premium for death, health and disability insurance policy

MI Challenges in Egypt

- Technical challenge:
 - Product development
 - Contract/Insurance policy development
 - Limited number of actuaries and large number of unqualified intermediaries
- Marketing challenge:
 - Lack of data on clients
 - Lack of relevant products
- Lack of awareness
 - Among the target clients regarding the importance of insurance
 - Among the industry on business potentials
- Costing of microinsurance
 - Overhead cost, some stamp duties and other fees required from companies
 - Limited use of Third Parties as distribution channels.

Way Forward For Egypt

- A **Country Diagnostic study** is crucially and urgently needed to identify market needs and policy recommendations (a prerequisite to developing a microinsurance strategy).
- Develop a **Microinsurance Strategy** for higher penetration rate of microinsurance products to serve low-income people and MSEs with a detailed action plan including the following components:
 - Technical and capacity building component
 - Legal/Policy revision component
 - Public awareness building component

Thank You