



# Egypt Microinsurance Learning Sessions

## Paving the way for Financial Inclusion

### CONFERENCE REPORT

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# Introductory session



**Hayder Al-Bagdadi**  
Head of Programme,  
Promotion of the Microfinance  
Sector in the MENA Region  
(MFMR), GIZ

*This is a truly unique event to consider the lack of formal financial systems access of 190 million Arab citizens. Positive signs emerge from Morocco to Jordan, and now Egypt, all working towards improved financial inclusion. This event supports those advances, especially in Egypt.*



**Dirk Reinhard**  
Vice Chairman,  
Munich Re Foundation

*These Learning Sessions will help us to develop strategies to address the limited access to insurance among low income Egyptians. Now is the right time to accelerate our efforts. The knowledge sharing from this event should help to improve products and services, expand access, and benefit clients and insurers.*



**Thomas Wiechers**  
Advisor, Programme to Support  
the Partnership "Making Finance  
Work for Africa (MFW4A)", GIZ

*Strong stakeholder relationships are critical in microinsurance. In this room we have insurers, government agencies, regulators, distributors, and supporting partners. The role of insurance in stabilizing economic and social development cannot be underestimated. The key parties are here and can make progress, if we implement the lessons.*



**Abdel Raouf Kotb**  
Chairman of the Insurance  
Federation of Egypt (IFE)

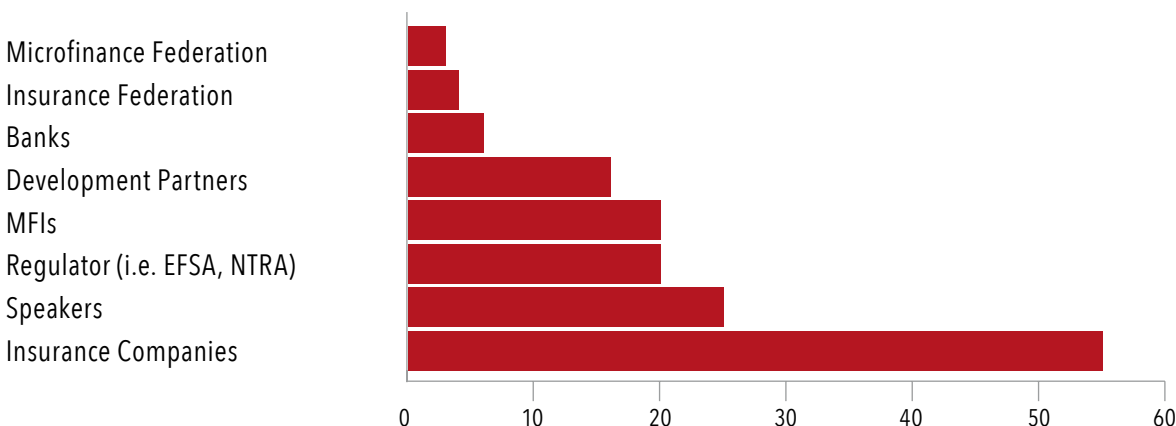
*Insurance is the next big promise of financial services for the poor in Egypt. There is no doubt that microinsurance plays a major role in improving the stability of a country. Thus, the IFE, with EFSA, is playing a key role to activate microinsurance in Egypt. We should all use the knowledge of these sessions.*



**Dr. Sherif Samy**  
Chairman of the Egyptian Financial  
Supervisory Authority (EFSA)

*EFSA, working closely with IFE, is preparing to issue a definition for microinsurance, expansion of distribution channels options, proportional disclosure, and reporting requirements. In July 2016, the details of these and further steps to facilitate the market development of microinsurance will be announced.*

## Number of Participants by Type (Total= 149)



# Session I

## Setting the stage

Success in microinsurance requires scale, innovations and value for clients.



**Michael J. McCord**  
Chairman of the Board of Directors,  
Microinsurance Network

Almost 62 million Africans (5.4%) had some form of microinsurance coverage in 2014, accounting for USD 756 million in premiums. With just 0.3% of the population covered, Egypt is on par with its North African neighbors, but lags far beyond the development of microinsurance seen elsewhere on the continent.

Data from the *Landscape of Microinsurance in Africa 2015* show that at least 2/3 of products were offered profitably (with combined ratios under 100%), some significantly so; expenses (administrative costs and commissions) are in many cases a bigger driver of losses than claims ratios. It is possible to operate microinsurance profitably, but only after a while. Thus, it should be approached with a clear "investment in future growth" mindset.

How can Egypt catch up? Scale is important for achieving profitability and distribution is key for achieving scale. The current focus on MFIs as distribution channels in Egypt limits growth potential, because MFIs only have a few hundreds of thousands of clients. Other distribution channels, such as MNOs and the ENPO, must be cultivated to enable a microinsurance market with scale.

Regulatory aspects are key considerations for enabling microinsurance market growth. Egyptian insurer responses to the landscape study indicated that more favorable regulations and more and better distribution channels were two of the top interventions needed to improve the microinsurance market.

### KEY LESSONS

- Egypt is significantly behind other countries in Africa and globally in terms of microinsurance development
- Stimulating demand is not dependent on insurance education; rather, *SUAVE* products with rapid claims payments paid where due will create demand via a demonstration effect

Simple  
Understood  
Accessible  
Valuable  
Efficient

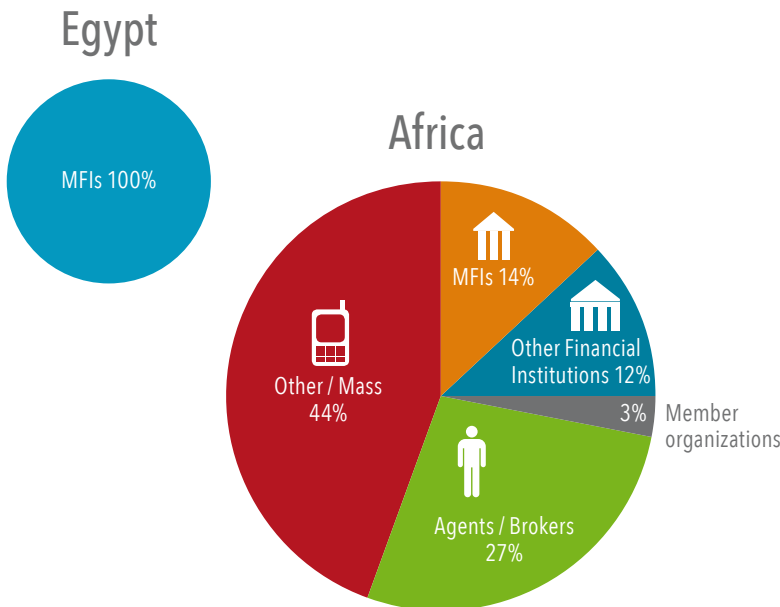
- Most microinsurance products are profitable; those that are not are smaller in scale and new to the market



### NEXT STEPS FOR EGYPT

- Develop *SUAVE* products
- For lower-income people, higher levels of interaction with distributors may be needed at first to build knowledge and awareness
- Implement actions to understand clients, and then design products accordingly

### Lives covered by distribution channel



**Fig 1. Distribution of microinsurance in Egypt and Africa.**  
Presentation MJ McCord (Source: Landscape of Microinsurance in Africa 2015)

## Session 2

### The role of regulation in supporting microinsurance market development

#### Facilitator



**Anke Green**

Advisor, Secretariat of the Access to Insurance Initiative (A2ii)

#### Speakers



**Osama Fathy**

Advisor, Egyptian Financial Supervisory Authority (EFSA)

*We need distribution channels that can collect premiums and make payouts.*

*The regulator too can play a much bigger role, especially in the field of education.*



**Michael Kofi Andoh**

Head of the Supervision Department, National Insurance Commission of Ghana (NIC)



**Dr. Antonis Malagardis**

Program Director, Regulatory Framework Promotion of Pro-Poor Insurance Markets in Asia (RFPI-Asia), GIZ Philippines

Favorable regulatory environments can have a big impact on the development of microinsurance markets with regulators taking on a number of key roles. According to the Access to Insurance Initiative (A2ii), to date 18 countries have implemented microinsurance regulation, while another 22 countries, including Egypt, are currently developing them. The role of government and regulation is to set the enabling environment without interfering directly in the market, and specific areas include establishing a microinsurance definition, facilitating distribution, supporting awareness and capacity building efforts, and engaging a variety of stakeholders.

The establishment of a clear definition of microinsurance is one of the first steps, identifying product characteristics such as simplicity. In Ghana there was a push for a jointly-agreed definition between the regulator and the industry. The microinsurance Executive Regulations

that are currently under development in Egypt will include a simple definition for microinsurance. A prototype product was provided by the Insurance Commission in the Philippines, which can complement the definition and provide guidance for the industry.

Facilitating distribution possibilities will help insurers reach down market. Flexible distribution regulation led the growth of MI in Ghana. The allowance of microinsurance-dedicated intermediaries, who then partner with insurers and key distribution channels such as MFIs and MNOs, has proven an effective distribution model. A variety of types of institutions and channels should be allowed to sell insurance, as is also the case in the Philippines. Mr. Fathy from EFSA indicated that the forthcoming microinsurance Executive Regulations will open the floor to many channels, including banks and postal offices. EFSA also recognized the challenges associated with premium

collections, and emphasized that effective distribution channels can help facilitate efficient premium collection, as well as claim payouts. As mobile insurance evolves in Egypt as it has in Ghana, EFSA will be able to apply some of the lessons of the Ghana experience.

Beyond specific regulatory instruments, which can take years to be fully implemented, regulatory authorities can still do much within existing regulatory structures to provide guidance to insurers.

Panelists agreed that market education and trust building efforts are essential, and include:

*Establishing a Roadmap for Financial Literacy*, as was done in the Philippines, which included strategies and measures for institutionalizing market education. Specific messages for a number of groups, including policymakers have to be shaped.

Awareness creation via *specific MI logos* (which confirm to the market that such products are MI), such as in Ghana and the Philippines, and general media campaigns, with the goal of making microinsurance recognizable. In Ghana this has helped to trigger demand.



*Capacity-building* efforts for a variety of stakeholders. Capacity-building efforts for insurers would focus on making products available and suitable financial literacy efforts should include products, why to buy them, and how to make sure there is value. Actuaries and other groups will likely also require training, as Ghana has done with its link to a university in the USA.

*Building trust*, by making sure that any products on the market are responsive, and pay claims quickly. In case of difficulties, an accessible complaints mechanism should also be available, with the contacts and information being promoted by the regulator and the insurers.

The importance of a **multi-stakeholder approach**, with trust created amongst the various groups, was also emphasized. Dr. Malagardis stressed the need to get stakeholders involved from the very beginning. Regulators should collaborate with policymakers and legislators, relevant government ministries such as health and agriculture or other regulatory bodies such as the utilities commission.

**Understanding of the market** also arose during the discussion and can be an area of value for regulators. In Ghana, a 2008 diagnostic study led to major policy decisions. Diagnostics, demand studies and landscape studies can help to answer key questions such as what type of providers are necessary. What products currently exist and what products will be necessary? And what is the regulatory capacity and capacity of other stakeholders?

Mr. Fathy of EFSA noted that the forthcoming Executive Regulations mentioned by Dr. Samy will address a number of these issues, including definition, distribution and premium collection, accommodations for specialized MI companies establishing a complaints mechanism, and promoting simplicity as a key characteristic.

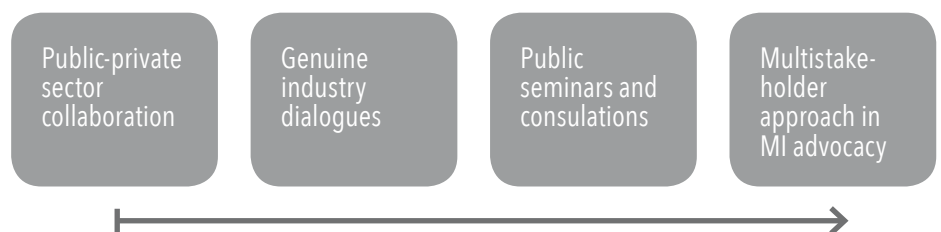
## KEY LESSONS

- There are things that can be done to promote MI before a Law is passed, including creation of trust among clients & stakeholders, building capacity, and providing regulatory guidance for insurers that is innovative yet within the Law
- Effective regulation requires a clear definition for microinsurance
- As mobile insurance evolves, this will likely be the next topic to be addressed by many jurisdictions who should take a careful, monitoring, proportionate approach as in Ghana
- Trust must be built by good service as an essential ingredient to market development



## NEXT STEPS FOR EGYPT

- Leverage Executive Regulations, when available, for improved market development
- Continue a process of capacity building for all stakeholders, including market education programming
- Enhance involvement of major players in dialogue, via the Microinsurance Platform hosted by the IFE to bring together all stakeholders



**Fig 2. Market development strategies.** Presentation A. Malagardis, RFPI-Asia

# Session 3

## Making a business case for microinsurance

### Facilitator



**Dirk Reinhard**  
Vice Chairman,  
Munich Re Foundation

### Speakers



**Gilles Renouil**  
Director - Microinsurance,  
Women's World Banking



**Hadil Abdelkader**  
Microinsurance and Public Affairs  
Manager, AXA Egypt



**Miguel Solana**  
Technical Officer, Impact Insurance  
Facility, International Labour  
Organization (ILO)



**Solveig Wanczeck**  
Advisor, Sector Project Financial Systems  
Approaches to Insurance, GIZ

*I will not touch something that is not sustainable. It has to make a profit, but a reasonable profit.*

*There is no magic formula for microinsurance success... the first challenge is to understand demand.*

*Microinsurance is a long term business case through growing with the customer.*

The majority- of microinsurance products are profitable, according to the data from the latest round of landscape studies in Asia (2012), LAC (2013), and Africa (2014). Nearly all products in LAC had combined ratios below 100%, and claims across product lines in Africa at or well below 50%. The importance of a business case came up throughout the event, emphasizing that while there is a role for subsidies and public-private partnerships, microinsurance is not CSR and should be commercially driven. At the end, speakers discussed some of the key success factors and challenges to the business case of their own microinsurance offerings.

All speakers agreed on the importance of understanding client needs and demand, and designing products and offering them in a way that fulfills those. By focusing on clients, not only will revenues increase, but the business case will be strengthened via intangible and indirect benefits such as building a client base, improving the brand, and leveraging microinsurance innovations into mainstream operations.

Specific examples include:

*CIL Egypt (now AXA)* developed the country's first voluntary, savings-based microinsurance product after an extensive nationwide demand study revealed that risks related to retirement costs were top of mind for their target population.

*Women's World Banking* defines their business case by ensuring 1) a client-centric product that meets needs of policyholder and family 2) an affordable, high-value product that is simple and easily understood and 3) a product that fills a market gap.

Distribution and technology were emphasized as playing key roles. WWB prioritizes forming good partnerships with distributors that believe in microinsurance – considering that it will improve their own service and meet needs of their client bases – and who are willing to take on part of the operations and administration.

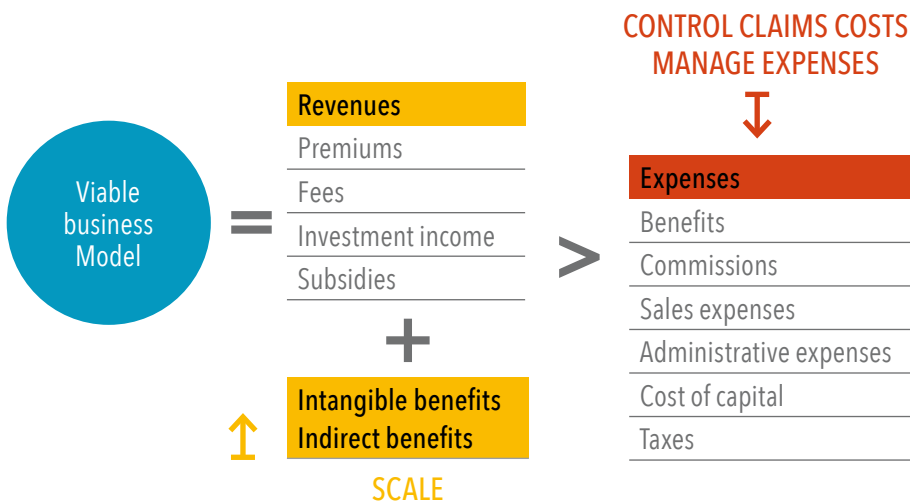


Fig 3. Viable business model. Presentation M. Solana, Impact Insurance Facility

Several panelists indicated the basic need to first understand microinsurance costs and recommended disciplined performance monitoring, including internal cost tracking, on an ongoing basis. Understanding the costs to both insurer and distribution channel is essential and can help to determine the best structure for incentives to sales agents. In the case of CIL/AXA, it was a challenge to motivate loan officers, who did not always prioritize selling insurance in their jobs.

Technology can facilitate more efficient linkages between insurer and distributor, help to manage costs, and also provide great value to clients. For example, IFFCO-Tokio's use of RFID tags for a livestock insurance product significantly reduced fraud, bringing claims to a manageable level, while at the same time allowing much faster payment of claims and reducing the farmers' (clients') transaction costs.

While the importance of a case for microinsurance profitability is clear, panelists agreed that providers should take a long-term perspective to the business case as well as realistic expectations. It may take as many as 5 to 7 years to reach breakeven. Pilot testing is also an essential component to the business case approach, and both CIL and AXA emphasized the time and significance of the pilot testing to their products.

Other issues and challenges raised include the need for regulation that supports innovation and opens up distribution channels, and the need for more and better data, particularly actuarial data and market data. In addition, market education is a key challenge that influences the ability to scale. Client education is necessary even for mandatory products, and should focus on simple clear messaging and shifting the mindset of people towards insurance, emphasizing its importance as a risk management tool.

### KEY LESSONS

- Microinsurance requires a long-term approach to the business case
- A vital component to the business case is a focus on clients: understanding their needs and designing products that meet those needs will help build scale as well as produce intangible and indirect positive benefits for insurers and distributors
- Expenses can be managed by partnering with a good distribution channel and using the right technology



### NEXT STEPS FOR EGYPT

- Understand the needs and demand of the potential low-income clients
- Seek partnerships to overcome challenges
- Develop efficient business processes



# Session 4

## Innovations in microinsurance distribution

### Facilitator



**Motaz El Tabaa**  
Director, Alexandria Businessmen Association (ABA)

### Speakers



**Amr Abou Elazm**  
Chairman & CEO, TANMEYAH  
Micro Enterprise Services



**Ahmed Said**  
Director of Economic Affairs, The  
National Telecommunications  
Regulatory Authority

Microinsurance needs new distribution channels to reach more and more people and support profitability. Using a partnership model, each party will bring unique strengths to help improve the product and process, ultimately better serving the client, while at the same time providing gains to the business as well. The MFI Tenmeyah partners with an insurer to offer micro-insurance services as part of a portfolio of products for clients. Its existing regular interactions with clients translate to better understanding of demand and thus better product design. Its regular touch points with clients also allow for more streamlined sales and servicing, thus reducing the costs to insurers.

Ensuring value to all parties and clearly agreeing on roles and responsibilities for each party are essential to success. Particularly in a multi-party chain, clarification of roles and responsibilities is critical to ensuring efficiency. Intermediaries such as MicroEnsure can bring an additional layer of value by taking on back office and development operations, increasing efficiencies and reducing costs, and facilitating the relationship between a risk-taker and a distribution channel, such as an MNO.

On one end of the chain, the ultimate distribution channel benefits from increased client retention, i.e. the case of an MNO lower churn and increased revenue per user. On the other end, the insurer leverages the good reputation of the channel, reaches further client segments, and lowers costs of distribution.

*With insurance, my distributors can differentiate themselves from their competitors.*



**Rehan Butt**  
Country Manager - Pakistan & Head  
of Business Development - Asia,  
MicroEnsure

Currently in Egypt, MFIs are a proven distribution channel for microinsurance, with one of the main advantages seen as being its 'high touch' nature. Financial education and insurance awareness are seen as big challenges that need to be addressed,

and a channel that has more contact with clients (higher 'touch') and can do so more easily. However, limiting distribution to MFIs will not be sufficient for significant expansion of microinsurance, and thus new channels will also have to be explored.

### Mobile Payment stakeholders in Egypt

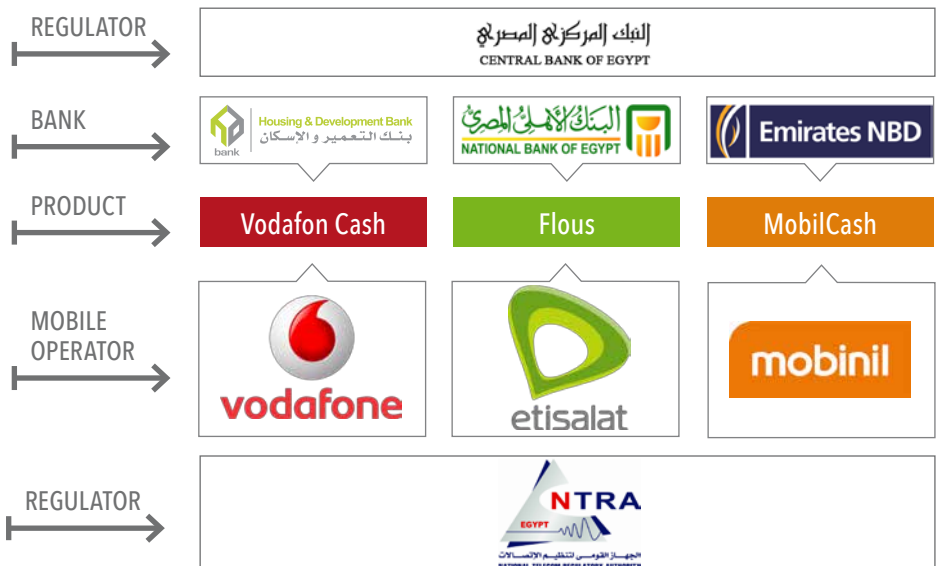


Fig. 4: Mobile payment stakeholders in Egypt. Presentation A. Said, NTRA





Mobile Network Operators are a channel of big interest for Egypt, with 3 providers reaching 100 million subscribers. Since April 2013, four different mobile wallet solutions have been launched with a total of 4 million users. **Use of mobile technology provides a number of opportunities, including:**

Insurance providers can leverage strong telco brands in order to help clients build trust; fast and visible claims payment mechanisms also contribute to this.

Technology can process large numbers of small value policies, reduce the need for cumbersome paper-based processes, and *reduce overall administration costs*. While MNOs offer great potential, panelists caution that the use of mobile money, ICT, and mobile generally for insurance purposes is not a panacea. **Many factors need to be accounted for in order to effectively leverage mobile.**

The roll-out of mobile financial services requires confidence and awareness building measures with clients. Subscribers expect mobile insurance to function more like other mobile products not like other insurance products. Products purchased through this channel must be radically simple and explainable in less than two minutes, according to MicroEnsure.

Regulatory issues regarding mobile payments are also a barrier, said Mr. Said of the NRTA. For example, currently no credit can be offered through the existing mobile wallet programs, and each payment solution has to have a bank involved.

NTRA wants to see the signing of MOUs between parties to ensure clarity and wants data to help in understanding the markets better for potential regulatory adjustments.

Mobile financial services need to be made more convenient for clients, and meet a variety of needs. There is currently no interoperability between MNOs, making the market inefficient and cumbersome for clients. ICT providers do not have MI experiences yet, and capacity building will be required in order for them to understand the types of services needed by clients and how to make them accessible.

## KEY LESSONS

- To improve efficiency of distribution, need to define clear roles and responsibilities of each partner in the relationship
- Cross-selling increases viability and retention for distribution channels
- Financial education and awareness are a pre-requisite for building a market; mass channels, such as mobile, alone will not create a market
- Mobile financial services offer a significant opportunity to facilitate microinsurance distribution, but products and processes must be convenient and address client needs



## NEXT STEPS FOR EGYPT

- MFIs help to start microinsurance moving, but Egypt needs to look beyond to other distribution channels
- Regulators should respond to client needs and allow broad distribution
- Design products knowing the needs of Egyptians

## Session 5

### Agriculture insurance

#### Facilitator



**Dr. Sandra Schuster**  
Advisor, Integrated Climate Risk Management (ICRM), GIZ

#### Speakers



**Gehane El Sokkary**  
Principal Socio-Economist, African Development Bank – Egypt Field Office



**Dr. Ibrahim Siddik**  
Professor of Agricultural Economics, Faculty of Agriculture, Menoufia University



**Hatim Kamal**  
Agro-SMEs Development Department Manager, Social Fund for Development

Agriculture is a major factor in the Egyptian economy, accounting for 14% of GDP and 30% of employment. Rural farmers face a number of risks to their crops, including price fluctuations, pests and diseases, post-harvest losses, and weather risks such as water scarcity, increasing temperatures, and rising sea levels (all exacerbated by climate change). Panelists agreed that there is a demand for agriculture insurance to cover some of these risks, weather risks in particular.

With a highly engaged panel with comprehensive presentations, participants were treated to thorough and detailed discussion around improving the access to and quality of agricultural microinsurance.

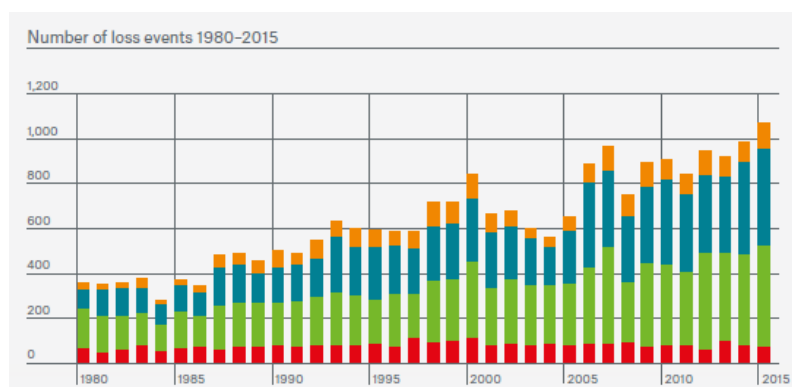
Index insurance may offer a cost effective solution to providing agriculture coverage at the micro level, and a feasibility study and pilot preparation have already been conducted for a product that covers tomato and potato farmers against losses related to extreme temperatures.

Panelists recommended a number of enabling factors that need to be addressed for index insurance to be successful, including:

Appropriate, coherent, and comprehensive *regulations* for parametric insurance are necessary, and the existing laws should be amended to address this type of insurance. Capacity building for regulators is needed, particularly regarding how parametric insurance works and how it should be supervised.

Access to good *data* for product design. For the pilot index product, the necessary history of weather data was not made available nationally, and thus the product used World Meteorological program daily temperature data, which was not as suitable.

*Government support*, including subsidies, can help get programs off the ground, particularly in Egypt where it is a new field. The WTO allows subsidies for agriculture insurance, and indeed many countries do provide them, not just for public companies. Egypt could learn from successfully scaled models in India and Mexico.



**Fig 5: Extreme weather events are increasing in their frequency and intensity, globally.** Presentation, S. Schuster (Source: © 2016 Munich Re, Geo Risks Research, NatCatSERVICE. As of March 2016)



## Session 6

### The need for a multi stakeholder approach to support microinsurance market development

*I am inviting you to join us at the microinsurance platform.*

Abdel Raouf Kotb

#### Facilitator

#### Speakers



**Thomas Wiechers**

Advisor, Programme to Support the Partnership "Making Finance Work for Africa (MFW4A)", GIZ



**Abdel Raouf Kotb**

Chairman of the Insurance Federation of Egypt



**Anke Green**

Advisor, Secretariat of the Access to Insurance Initiative (A2ii)



**Henk van Oosterhout**

Executive Director, Microinsurance Network



**Magdy Moussa**

Deputy Executive Director, Alexandria Business Association



**Arnaud Floris**

Senior Consultant, African Development Bank (AfDB), Making Finance Work for Africa (MFW4A)

Egypt's Microinsurance Platform was established in 2015 with the objective of consolidating all the efforts of stakeholders concerned with microinsurance market development. The Platform is comprised of representatives of each relevant stakeholder group, including the regulator (EFSA), insurance companies, Social Fund for Development, the Microfinance Federation and other development partners. The members have considered the platform strategy and agreed on certain tasks and activities to be coordinated by the platform, mainly covering three pillars:

1. Capacity development of insurance companies and relevant stakeholders
2. Spreading microinsurance awareness, and
3. Identifying and exploring micro-insurance products as well as innovative ways for distribution

The Egypt Microinsurance Platform could further benefit from lessons learned in other countries, such as Zambia, where a similar platform was established. Part of their success came from taking a holistic approach to MI, mapping all barriers and coming up with a roadmap, and building confidence among a variety of stakeholders.

Donor partners can also play a vital role in bringing stakeholders together and in facilitating dialogue. The Making Finance Work for Africa (MFW4A) initiative works with stakeholders to understand the entire ecosystem and the various needs. Once understood, it is vital to plan, prioritize, and coordinate efforts towards a clear and consistent vision.

Regulatory bodies play a vital role that requires a delicate balance between supporting market development – or reducing barriers – and ensuring good market conduct at the same time.

Some key areas for microinsurance regulation include: ensuring rapid claims processing, ensuring products meet the need of customers, establishing transparency requirements that have sufficient disclosures without being complex, and establishing and MI monitoring and evaluation system.

Jurisdictions such as Ghana, the Philippines, and Peru can provide good examples, which in all cases were successful because of their constant engagement and dialogue with the private sector in order to understand the key market barriers – a direct example of a successful multi-stakeholder approach to microinsurance development.



Distribution channels are another vital stakeholder group for microinsurance development. Microfinance institutions, well-represented on the Microinsurance Platform, will make their voices heard, calling for themselves to be seen as full agents of insurance companies, and being given a supportive regulatory environment. MFIs are concerned with clients' welfare and are in a position to carefully design relevant products.

It was emphasized by the MFIs that microinsurance is a market-based venture that expects a sustainable profit in the longer term. To help with costs, other players that should be at the table include MNOs, who while not yet a legal distribution channel in Egypt, may provide technology to reduce administrative costs in other partnerships.

Panelists agreed that a coordinated multi-stakeholder approach is necessary to take MI to the next level of development. Speakers highlighted specific insights regarding the enhancement of the potential for effective microinsurance expansion:

Platforms need a clear work plan and structure for implementation otherwise they disintegrate due to lack of a common focus.

Ownership by all stakeholders is critical for sustainability. This only comes through inclusion and participation.

Mechanisms for regular dialogue keep momentum and communication going. These may include peer to peer dialogue within a core group, fostering institutional dialogue and sharing, building capacity of members.

Regulation that is flexible and grows with the market can ensure that development happens, is monitored, and interventions taken where necessary. This approach requires ongoing dialogue with the industry.

A neutral, external third party stakeholder can help to facilitate discussions and ensure interests of all parties are represented.

## KEY LESSONS

- We are stronger in developing MI when we all work together
- Egypt has an MI "platform," which plays an important role for coordination



## NEXT STEPS FOR EGYPT

- Strengthen and grow the MI Platform
- Access other MI platforms to gain lessons, knowledge, and dialogue

*If there are no companies entering this market (because of overly burdensome consumer protection requirements), there will be no clients to protect!*

Anke Green

# Session 7

## The Way Forward

### Facilitator

**Michael J. McCord**  
Board Chairman, Microinsurance Network

**Thomas Wiechers**  
Advisor, Programme to Support the Partnership "Making Finance Work for Africa (MFW4A)", GIZ



### Speakers



**Mona Zulficar**  
Board Chair, Microfinance Federation



**Hamed Mabrouk**  
MD Gras Savoye Egypt

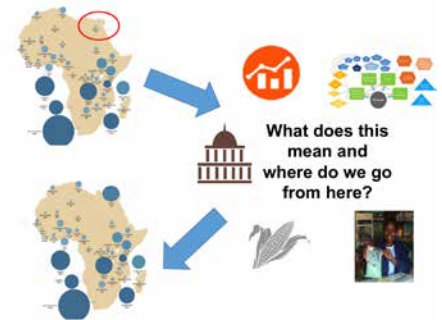


**Abdel Raouf Kotb**  
Chairman, IFE



**Hayder Al-Bagdadi**  
Head of Programme, MFMR

With the objective of bringing together the key actionable lessons and knowledge from the various sessions, a multi-stakeholder panel reflected on the key learnings of each of the sessions and to discuss some concrete actions for the way forward in Egypt. It was noted that value from this learning event would only be achieved if participants applied the learnings in their own operations, whether regulator, insurer, distributor, or other stakeholders.



### SUAVE

Recognizing that Egypt is far behind the region in microinsurance coverage the sessions were designed to address through discussion and sharing the core issues that make microinsurance successful: regulation, supply, distribution, and a multi-stakeholder approach to market development, as well as the specific issues of agricultural insurance.

### (1) DO WHAT YOU CAN NOW AND (2) BUILD CAPACITY FOR ALL

With regulation we learned that many countries have rigid regulatory environments, but even then, it is usually possible to make some adjustments to facilitate some advancement of microinsurance. Indeed, as a case in point, in Egypt, where the civil law structure makes adjustments to the regulatory framework rather challenging, EFSA has found ways within the Law to facilitate microinsurance development in Egypt. Participants were informed that these would be announced in July 2016. Capacity building across the range of stakeholders to effectively implement MI within the new structure was recommended.

### UNDERSTAND CLIENTS, CONTROL ADMIN COSTS, EFFECTIVE OPERATIONAL STRUCTURE

To incite a supply of SUAVE microinsurance it is clear that insurers must see the potential for at least some profits over time. Using global examples, speakers showed that insurers need a long term perspective, regulation that allows innovation, and without doubt, the use of the right technology. What insurers need to work on is creating an effective organizational set-up that balances innovation and cost. Controlling claims costs is critical for all insurance. However, speakers showed that in microinsurance it is often the admin costs that are the problem, and these must be controlled with efficient and proportional processes as well as appropriate technology. Finally, insurers must understand their clients better so that products and services can be effectively designed and managed for those clients, resulting in an improved insurance culture.

Many microinsurers would say that the most important component of the value chain is the distributor. No matter how good the regulations are, or how SUAVE a product is, if an insurer cannot get the product to the market, all is lost.

### LOOK BEYOND MFIs, ALLOW BROAD DISTRIBUTION, AND SUAVE DESIGN FOR EGYPTIANS

Speakers told of lessons in cross selling (it can increase viability and client retention), product design (SUAVE products are a must for success), and financial education (which is necessary once you have SUAVE products designed for low income Egyptians, and when the objectives of the education are closely monitored). The common introduction to microinsurance through MFIs was acknowledged, but speakers noted that MFIs are not enough and microinsurers must look beyond MFIs to other potential distributors that are focal points for low income people. In order to achieve broad distribution in Egypt there must be an expansion of the allowed channels.



Although Egypt is among the oldest agricultural civilizations, there is much to improve production. Insurance is an important component of that improvement. Speakers confirmed strong demand for agricultural insurance – as index and otherwise. However, there are major inputs required to effectively address the demand.

#### **DATA ACCESS, COMPLEMENTARITY, AND REVISITING THE LAW**

All speakers noted the challenges in operating within the current agriculture regulations and it was made clear that these must be addressed before much can be done. However, taking from the regulations session, it is important to do what one can within the Law, but in innovative ways of applying it, until a new law can be developed. Access to data is another major issue that reflects conflict between different government agencies, and reinforces the need for a comprehensive multi-stakeholder platform to help coordinate the various ministries and agencies towards a common goal. This was discussed extensively in the subsequent session. Speakers also noted the need for insurance covers to be complementary to proper farming practice. Insurance should not be a substitute for good practice.

#### **EXPAND THE “PLATFORM”, LINK THE PLATFORM TO OTHERS GLOBALLY, AND DEVELOP A COMMON VISION AND PLAN**

Egypt has recognized the importance of a multi-stakeholder platform in advancing microinsurance, and has already had the first meetings of the “Microinsurance Platform” which includes insurers, distributors, associations, regulators, donors, and others. This is a tremendous step in implementing a structure for coordination and sharing. Such a group helps in the efficient evolution of the market.

Speakers noted the importance of having a clear vision and priorities based on the microinsurance ecosystem, and developing a strategy around that. Such an approach helps stakeholders by forcing them to: understand the market, have a clear and agreed approach, and understand all the components of the value chain. This effort strengthens the stakeholders’ relationships, while making all better able to address the issues.

In Egypt, the MI Platform should grow to include representatives of all stakeholder groups. Indeed, Mr. Abdel Raouf Kotb, who leads the Platform, noted that he is “inviting you all to join us at the microinsurance platform”. This openness is an important step. Additionally, the Egypt MI Platform should connect with other such platforms to share lessons.

## Closing remarks

*In July 2016, ...  
steps to facilitate the market  
development of  
microinsurance will be  
announced.*



**Dr. Sherif Samy**

Chairman of the Egyptian Financial Supervisory Authority (EFSA)

There is no owner in the government for insurance or financial inclusion. Thus, it is up to EFSA address needs of market development from the regulatory perspective. The process of altering law does not end with EFSA and the rest of the process is not as fast as one wishes. However, as discussed in the regulatory session, there are things that a regulator can do under their own authority, and EFSA has been analyzing the Insurance Act as well as international precedents and lessons to identify areas of possible intervention, even under the current regulations.

EFSA sees the regulatory conditions for market development as being developed and implemented in two phases:

Phase1 is under EFSA's control. This phase does not require legal changes and the law will not be changed. However, EFSA is working with the federation to make the insurance regulations more to work on time for claims and they should get it done in summer.



Phase 2 is under the control of Parliament. In this phase, EFSA will introduce legal changes, allowing certain aspects to be changed, such as: reserves, distribution, brokers licenses for MI or medical covers that currently are not allowed by the law. The board of EFSA will present a draft law to the government, which must submit it to the parliament, if and when it sees fit.

Microinsurance will probably not be marketed with the label of "microinsurance" to the public, but perhaps as "popular", or "simple" insurance. This is an issue for the commercial insurers to decide without the intervention of EFSA.

The Law is expected to include regulation of cooperatives for Agriculture, allowing them some limited level of risk pooling, and will add loose oversight by EFSA. Additionally, incentives will be introduced to get smaller NGOs to comply.

The lessons from these Learning Sessions will lead to greater efforts from all stakeholders to further develop the micro-insurance market, and better serve low income, rural, and MSME populations.



## Abbreviations

A2ii	Access to Insurance Initiative
ABA	Alexandria Business Association
AfDB	African Development Bank
ARC	African Risk Capacity
CIL	Commercial International Life
EFSA	Egyptian Financial Supervisory Authority
Fig.	Figure
GDP	Gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICRM	Integrated Climate Risk Management
ICT	Information and communication technology
IFE	Insurance Federation of Egypt
LAC	Latin America and the Caribbean
MENA	Middle East and North Africa
MFI	Microfinance Institution
MFMR	Promotion of the Microfinance Sector in the MENA Region
MF4A	Making Finance Work for Africa
MI	Microinsurance
MIN	Microinsurance Network
MNO	Mobile network operator
MRF	Munich Re Foundation
NGO	Non-governmental organization
NIC	National Insurance Commission (of Ghana)
NTRA	National Telecom Regulatory Authority
RFPI	Regulatory Framework Promotion of Pro-poor Insurance Markets
SME	Small and medium-sized enterprise
SUAVE	Simple, Understood, Accessible, Valuable, Efficient
USD	United States Dollar
WTO	World Trade Organization

Conference Website and Presentations:  
[www.munichre-foundation.org/home/Microinsurance/Learning\\_Sessions.html](http://www.munichre-foundation.org/home/Microinsurance/Learning_Sessions.html)

Further information and contact at GIZ: [www.microfinance-mena.org](http://www.microfinance-mena.org)

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