

Please read the disclaimer at the base of the document

Wednesday 30 September 2009

### Panel IX

#### Insurance

The panel was moderated by **Richard Banks** (RB), Director Middle East, Euromoney Conferences, with panelists **Mahmoud Abdallah** (MA), Chairman, Insurance Holding Company; **Abd El Raouf Kotb** (ARK), Chairman, Insurance Federation of Egypt and Managing Director, Egyptian Saudi Insurance House; **Alaa El Zoheiry** (AZ), Managing Director, AMIG. Below are excerpts from the session.

**RB:** Can you give us an overview of the insurance industry?

**MA:** For a long time Egypt has been under insured, but the government and people have now recognized that. In the spring of 2006, we identified that growth, profitability, and the pool of qualified staff, all needed to grow. The insurance authority needs to be strong and protect people; insurance regulators and insurance companies need to become proper market players. The public sector was under pressure and was unable to meet customer needs, which is why the insurance industry was opened to the private sector. Regulations should allow insurance policies to grow and we have restructured public sector companies. All of the public companies were relying to the Ministry of Investment, but were not focusing on their own individual goals. We have now merged 3 public companies to become one super company that can compete with private companies.

**RB:** Insurance penetration has been mentioned by the private sector as being as high as 2.5%. Do you have a goal for the insurance market with regards to Egypt's GDP?

**MA:** Egypt has always been below 1%, but is now towards a figure between 1-2%. If we were to include pension insurance we would be doing what the consumer wants and if we were to include new health insurance plans like the government wants, we could reach 4% in a few years. If we organize ourselves we can reach 3%. The biggest problem is in the strength of staff working in the industry.

**RB:** Capacity building. The federation represents everyone in the market, in both the public and private sectors. What is needed, or can be done, to get this percentage to rise more quickly?

**AR:** We need to develop awareness of the insurance industry, to build a strong workforce and in the end, to concentrate on how to contribute to the growth of the insurance portfolio. We need to develop new areas like micro finance. We need to protect these classes. We need to enforce certain insurance covers that are already compulsory. Egypt has no more than four compulsory insurance covers, compared with other countries which have hundreds. We have already started working on insurance awareness by supporting public campaigns. We are coordinating with the supervisory authority. According to 2008 law amendments, all insurances companies must belong to the federation. With new companies, we are introducing new products. We are trying to ensure there is a proficient code of ethics.

**RB:** What goals do you have when it comes to dealing with regulators?

**AR:** We are concerned with regulating the industry, but also, with protecting the rights of the consumer. We are also trying to coordinate with the authority with regards to any new laws that will affect the industry, so that we can discuss what is needed in the industry. We need to have open communications to support and develop the overall market. The supervising authority is now integrated and supervises all industries other than banks. With one authority there is a chance to facilitate communications between industries for the development of all. Bank assurances have been stopped and this has created problems so we need to look at this.

**RB:** I know that people are of great concern to you. Can you elaborate?

**TRACCS Egypt:** 28 Wadi El Nil St., Mohandiseen, Cairo, Egypt / Tel: +202 3304 6808 - +202 3304 6870 - +202 3302 8867 / Mob: +20 12 295 2714 / email: [sarah.broberg@traccs.net](mailto:sarah.broberg@traccs.net)

Disclaimer: this material was created by live reportage of the actual session. Whilst every effort has been made to ensure accuracy, the material has been edited for clarity and brevity and Euromoney makes no undertaking as to the veracity of the content. It is intended as a indicative summary of the session only. It is for informational purposes for conference delegates and should not be distributed, quoted or used in any other fashion without express permission of Euromoney Conferences. [www.euromoneyconferences.com](http://www.euromoneyconferences.com)

**AZ:** We do have a lot of people trying to find jobs, but unfortunately the turnover of workers in the insurance industry is very high, as most of these workers are fresh graduates. We are also still trying to overcome the negative reputation we once had because of the low salaries that public insurance companies used to offer.

**RB:** Do you think more foreign insurance companies should be coming into the market? Should there be more companies or just better ones?

**AZ:** What we need are more strong companies. In recent years we have been focusing on attracting foreign companies. If we open the doors to new products and focus on the middle class; around 6-7 million people, we will find there is a lot of demand. We also have to consider the capital of insurance companies, as the amount of capital available to them is still not sufficient.

**RB:** Mahmoud can you address that?

**MA:** For niche companies the capital available is enough. What is more important is that the relationship between the broker and insurance companies needs to be changed. We need to address delays on policy payments. If companies have access to higher levels of capital, then I think they can offer better product services. The biggest challenge is in our ability to provide the products the consumer needs.

### Q&A

**Floor:** Are you considering fiscal policies to speed up the development of the insurance company market? Are there any policies in place regarding the banks?

**MA:** An industry will grow if it protects its customers. Like for examples with hospitals. We are talking about protecting our citizens. Customers should be protected from mal practice in hospitals. In any industry where the customer is a risk there should be protections.

**AR:** Since 2007 there have been problems regarding how bank assurance should be implemented through banks. The federation is trying to open negotiations with the Central Bank of Egypt to address this issue. We are using bank branches to have insurance contracts be issued. We will regulate these things as the industry won't flourish without this.

**Floor:** Is the market ready to accept the insurance industry, given the levels of public awareness and do you think given the culture, penetration will be successful?

**AZ:** Regarding culture, many changes have taken place and we are talking about a new generation now. It's about having the right product. Islamic insurance is already there.

**Floor:** Institutional brokers; how many are there, and what has their impact on the industry been so far? Regarding tax exemptions, employees are given a 15% exemption if this money goes towards a retirement pension or life insurance. What has government done to educate people on this? Can you elaborate on the Islamic insurance companies present in the market?

**AR:** There are at least 7 or at 8 companies in the market acting as intermediates, and we now have no less than eight or nine thousand brokers, but it is companies that will enhance the level of brokering. The mufti announced even conventional insurance does not contradict Shariah law, but the government has encouraged more Islamic companies to enter the market. We have 8 Islamic insurance companies now and they meet the needs of very conservative Muslims. Our campaign has concentrated on general awareness, the importance of insurance and how to access this. This was only the first stage but individually companies will focus in more depth on this issue.