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## Insurance Awareness

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### Abstract

*The 28th of June, 2013 was the Insurance Awareness Day. This day exists to remind people that things can go wrong, and that generally, it's a good idea to have a backup plan.*

Keywords: Insurance awareness, Turkish, US, India, and Egypt Cases

### 1. Introduction

Insurance is the unique and most important financial instrument used in order to cover the risks in the society. Thus, insurance plays a crucial role in sustainable growth of an economy. Despite the importance of insurance for an economy, unfortunately, the insurance products are still not used widely. To solve this problem, the prior action to be taken is to improve the consumers' awareness and the quality of employment in the insurance sector, which might be termed as: Insurance education.

Insurance education can be defined as a process where;

- The knowledge of the consumers in relation to the insurance products and concepts, and the financial risks and protection is increased, so that the consumers can make the correct choices.
- The employees of the insurance sector are informed and their qualifications are developed, in order to improve the efficiency and the competitiveness of the sector, as well as promoting confidence towards it.

With this qualification, the insurance education is a process beyond provision of financial information and consultancy services, which are already under legal obligation. Insurance sector education can be analyzed under 2 headings:

- Consumers' Education
- Sector's Employees' Education

## **2. Consumers' Education**

- Plays a crucial role for the consumers in choosing the appropriate insurance products according to their needs.
- Educate consumers in relation to the financial topics to help them in assessing different risk-return combinations of various financial products offered by different intermediaries and thus help the development of market competition.
- In addition, by creating demand to the products which better meet their needs, the consumers urge suppliers to develop new products and services and thus improve competition in the financial markets.
- The most important point is; as the consumers are informed about the risks they are likely to face and the insurance products, which would cover such risks, the demand for insurance would rise and the insurance sector would grow.
- In addition to the above mentioned, the offered education provides important support for the consumers in planning their budgets and earnings, as well as managing the savings in an efficient manner.

## **3. Sector's Employees' Education**

- Education given to the employees would increase the sector efficiency and competitiveness.
- It would also give consumers the chance to have access on appropriate products, including the correct and sufficient information attached to the product, and thus would serve to increase the sector's reliability.
- The employees informed on the new products and techniques, would conduct the necessary studies in order to apply such products and techniques in their sector or companies.

## **4. Which bodies should be in charge of insurance education?**

- Public Authorities
- Insurance Companies
- Educational Establishments

### *4.1 Role of Public Authorities*

- Organize nation-wide campaigns in the society in order to improve awareness regarding financial risks, insurance and means of protection against the financial risks, and such events should be supported.
- Educate the individuals on financial issues at early ages. That's why necessary actions regarding financial education should be taken during education at school.
- Support the private enterprises in charge of improvement and coordination of financial education.
- Support the development of methods which would provide access to the current financial education programs.
- With the condition of meeting specific criteria, approve and recommend some of the financial education programs formally.

- Promote and support the projects on improving the insurance awareness.

#### 4.2 *Role of Insurance Companies*

- The companies should organize educational activities in order to raise awareness of both their employees and the consumers, and should cooperate with the bodies which organize educational activities.
- Conduct nation-wide projects in order to raise the consumers' awareness, and such projects should be supported.
- Cooperation with expert institutions should primarily start with conducting level tests in order to determine the educational needs.
- In addition, similar tests should be applied to examine the efficiency of the offered curricula.

#### 4.3 *Role of Educational Institutions*

- Development of the financial education programs for consumers in order to provide easy access to information on insurance products, helping them in learning advantages and disadvantages of those products as well as in understanding the risks of different products and services.
- Divide the consumers into sub-groups according to their similarities and conduct different financial education programs for these groups (teenagers, pensioners, business groups, etc.).
- Development of Projects increasing the awareness on insurance, as well as projects decreasing the claims of insurance sector.
- Collection and dissemination of the data needed by the insurance sector, while conducting relevant researches and studies.

### 5. **International case studies**

If we are going to talk about other countries, we can say that the insurance awareness is taken differently from a country to another. The following will consider the Turkish, US, and India cases and at the end we will try to propose some ideas for the Egyptian insurance sector, from a total optimistic point of view.

#### *Turkish Case:*

In Turkey there are 5 faculties and higher education schools with 4 educational years, and 35 vocational schools with 2 educational years, offering insurance education.

On average, 180 students from the schools which offer 4 educational years, and 1000 students from the ones offer 2 educational years get graduated annually.

Of the total employees of the insurance sector, the graduates of the schools which give 4 educational years constitute 1%, while graduates of the schools which give 2 educational years constitute 3%.

*US Case:*

To advertise for the insurance awareness day, the US companies talked about and mentioned the following: Insurance is often a necessary evil in the modern world and regardless of how ethical insurance may (or may not) be as an industry, we're all very relieved that we took out a policy when something unexpected and untoward occurs!

This year marks the 10th anniversary of Life Insurance Awareness Month (LIAM), an effort to raise awareness among consumers and producers about the need for life insurance.

With disposable income at an all-time low, families have to make difficult decisions to determine their financial priorities.

Unfortunately, life insurance is not at the top of the list.

Yet, many families say they could not last a month without the breadwinner's salary.

Now more than ever, due to political and/or other circumstances that are surrounding us and going all over the world, it is vital that consumers protect their financial security.

- Life insurance is providing this kind of protection.
- Life insurance can do some pretty amazing things for people.
- It can buy loved ones time to grieve.
- It can pay off debts and loans, providing surviving family members with the chance to move on with a clean slate.
- It can keep families in their homes and pre-fund a child's college education.
- It can keep a family business in the family.
- It can provide a stream of income for a family to live on for a period of time.

There's just one small catch. All people need to own life insurance.

There's a growing crisis of persons not having adequate life insurance protection.

According to the industry research group LIMRA, 30% of US households have no life insurance whatsoever.

Today, there are 11 million fewer American households covered by life insurance compared with 6 years ago.

Here's the bottom line: A majority of families either have no life insurance or not enough, leaving them 1 accident or terminal illness away from a financial catastrophe for their loved ones.

The following questions were proposed to be answered:

- What if you were suddenly gone and your family had to manage on their own?
- When was the last time you did the math to make sure your loved ones would be OK financially?

- Have you checked with your employer to find out what kind of life insurance benefit you have through work and whether you have the option to increase your coverage?
- When was the last time you had your life insurance needs reviewed by an insurance professional?

To make sure Americans are reminded of the need to include life insurance in their financial plans, the nonprofit LIFE Foundation coordinates Life Insurance Awareness Month.

Each September, LIFE is joined in this educational initiative by more than 100 of the nation's leading insurance companies and industry groups.

All what is mentioned above is going in the US. A country that we consider has much more insurance awareness than we have in Egypt.

The above mentioned words are mainly about life insurance awareness, but this fact doesn't exclude the importance the non-life insurance awareness, which is going equal to the life one in importance as well as in everything.

#### *India Case:*

In order to increase awareness of General Insurance Products across India, the General Insurance Industry had launched a nationwide awareness campaign through Radio, TV and Print media with the tagline "Kar lo Insurance, kar lo Rewind" and concept of "Kal... aaj aur Kal...".

The first burst of the PAN India Insurance Awareness Campaign has been completed in April-May 2013. The campaign was TV- led with emphasis of spends on Regional TV channels.

Thereafter, the post-track survey to measure effectiveness of the first burst of Campaign, in terms of content recall, message comprehension and likeability was commissioned in June 2013.

The 2 months campaign across TV channels had a satisfactory impact especially among rural areas.

So far the campaign has achieved its objective of making people think about insurance, having a positive impact on the minds of the target segment.

Second phase is planned for August - September 2013.

#### *Egypt Case:*

Egypt finalized steps towards insurance awareness:

First of all, we must admit that insurance awareness level is very poor in Egypt and needs uncountable continuous efforts to get the minimum required level. In the Macrotheme Review, January 2013 Volume 2 Issue 1, we have mentioned some steps, some of them are resolved and finalized, others are not.

It was proposed to "Strengthen the bancassurance by reactivating it and issuing its separate rules or law, to avoid repeating the conflict that happened with the Central bank of Egypt (CBE) after its decision to stop banks from working with bancassurance policies".

Finally, this was resolved in May 2013, when the CBE allowed the return of the bancassurance by issuing the rules controlling the banks practice for this activity.

Also, the EFSA issued its own rules for the same matter in the same month, a week after the CBE.

The CBE decree no. 1010/2013, with the "Regulatory framework for the banks practicing bancassurance" has been issued on 21st of May 2013, reactivating the banks practice of this activity, in order to stimulate the market and the liquidity.

Followed on May 27, 2013 by the EFSA decree no. 36/2013, regarding "Marketing of insurance products through banks registered with the CBE". (The Macrotheme Review 2(5), Fall 2013)

It was also mentioned that "Because of the insurance importance in the African countries, EFSA must reactivate its previous cooperation with the African Insurance organization (AIO) alike the one settled with The International Association of Insurance Supervisors (IAIS), via memorandum of understanding (MoU), conferences, and meetings".

This was also partially passed by the fact that With the end of the closing ceremony for the "40th AIO Conference and General Assembly" held in Egypt 26 - 29 May 2013, Egypt became the AIO President, for the current session 2013-2014, represented by Mr. Abdel Raouf Kotb, Chairman of the Insurance Federation of Egypt (IFE), for the second time since the end of the nineties, succeeding Sudan. (The Macrotheme Review 2(5), Fall 2013)

## **6. Other required and / or proposed steps:**

I remember a mentioned word by EFSA's EX. Vice Chairman, when he said in a course I attended that "insurance lives and grow depending on catastrophes", this is really true, as wherever and whenever a catastrophe happens you must find insurance, whatever the kind of the catastrophe, political, social, etc....

Again, it was mentioned before in The Macrotheme Review, January 2013 Volume 2 Issue 1, that "There must be a full cooperation between EFSA, the Egyptian Ministry of Education (MoE), the Financial Services Institute (FSI), and the Insurance Federation of Egypt (IFE), powered by the Egyptian Government, to invent school educational programs about insurance and different non-banking financial sectors in the country due to its importance.

These programs will be only informative, the tests results will not be included in the students' exam grades.

Also, these programs will be chained from grade one till reaching the economics' program in grade 12.

In addition, these programs must be circulated to be applied in all country's schools either governmental or private, or even the ones that apply different foreign educational systems like American, British, or French one".

But unfortunately, still the IFE is trying to study this matter, as it needs lots of efforts and understanding leaders in the Egyptian Ministry of Education.

"Strengthening the EFSA cooperation with the Federation of Afro-Asian Insurers and Reinsurers (FAIR), the General Arab Insurance Federation (GAIF), and the IFE, not only in the fields of national and international conferences and meetings, but also in the fields of studies, researches, information and data gathering related to the national and international insurance markets".

But also, the previous proposed idea is still under estimated, but the current political situation in Egypt can strengthen this matter.

"Establish a satellite channel for the non-banking financial sector, presenting informative programs targeting every class of people interested in this field, even children.

This channel is to be financed by the three federations and the companies working in the market, under EFSA and the IFE supervision".

Personally, the previous chairman of the EISA (before it's merging to become EFSA), told me that this is a dream that will not be realized, because it needs a lot of money and effort, and that the ministry of investment thought it is not worthy.

But with all respect to him, I still have my point of view that this step can be realized if a real understanding leader in the insurance field adopts the idea.

First of all, I think we must reopen the market for new companies.

We can propose also that the interested parties in Egypt from the IFE to the Companies operating in the market with the EFSA cooperation are to set a national day for the insurance awareness in which every year for example, they advertise for a new product, they make a free newspaper or magazine issue to be distributed with daily newspapers this day.

The EFSA must get back its previous taken role of publishing regularly handbooks, books, flyers, and informative documents about insurance branches and products, in cooperation with the IFE, and other federations, to be bought as well as distributed freely to interested persons, organizations, and also simple people.

The Federations together with the Companies can think about participating with the Government in constructing and/or developing schools in Egypt, especially in the poor needing areas, rural ones, as well as developing these areas itself.

They can also cooperate together in developing slums areas to ensure people there a better life in a better place than where they are living, and / or in buying lands and make housing projects, helping low and medium income people to have their own houses, considering the fact that it should not be bought by people as a way of saving, but only to be sold to people in need, like newly married couples for example.

To collaborate with the Ministry of Education and the Ministry of Social Affairs and choose distinct elements of healthy / disabled orphans, and those with special needs to take care of them scientifically on a lifetime basis.

The IFE and the EFSA can collaborate with the Ministry of Education in establishing a 2 years institute for the insurance brokers, where they can apply after finishing the preparatory school or even the secondary school and didn't get an enough score to apply in universities. After finishing the 2 years with suitable scores they can apply in the faculty of commerce, this way we can provide more education places enabling the humble uneducated brokers to get the right certificate with their work field, after that they can apply to get the brokers certificate offered by the FSI and the EFSA.

Personally, I have met lately, a broker who was having her test, in order to get her renewal license. The lady face approved me before she mentioned that she is an old broker in the Egyptian market. This information was confirmed also to me when she told me that she is a broker in the biggest national company in Egypt. Meeting the lady made me sure that the insurance lack of awareness is not on the insurance level only, but it is also, on the general information level, as she was really astonished when she saw a board that contains the 4 pictures of the insurance regulatory authority chairmen, and suddenly she asked me who are these people? After being shocked for a while, I asked her if she is seriously talking, and her reply made me smile while telling her that these people are the regulatory authority chairmen from its establishment till now. My shock came really from the fact that one of them is currently the vice chairman of the company in which she is working.

This incident made me sure that the general information knowledge is an urgent and important requirement all over the sector. And that the brokers level of education is a must.

Establishing nursing houses suitable for disabled orphans and / or non-orphans, and those with special needs, to live and be educated.

Establish cultural competitions for school and college students.

Choose outstanding students in universities and scientific institutes to care about them and send them for educational missions.

Provide treatment of chronic conditions through collaboration with hospitals such as the Children's Cancer Hospital, Heart Institute, Magdi Yacoub Foundation for the heart, the kidney center, and the liver center.

They can provide also help and assistance for elderly particularly those with special needs, by providing them better places to live.

On the social level, with regard to the current political situation in Egypt, the insurance companies can take the responsibility of offering a monthly pension to the humble soldiers' families, who were dead while defending their country; this can be deducted from the yearly benefits of the company in order to help these families who lost their parent.



The companies can also take the burden of providing them a pension related to a specific aim, like educating the soldiers' small kids.

They can provide jobs for the mothers in need.

The companies operating in Egypt must have not only good indoor and/or outdoor sales' teams, but also, they must hire good research teams capable to go down to streets, walk to study and register simple and poor people needs as well as well educated ones, so that decision makers can be able to offer new products.

These steps require, beside the effort, a team work that knows well the insurance importance, and is ready to cooperate in order to push the insurance awareness in Egypt.

Finally, we can say that promoting insurance awareness needs insurance interested minds able to think, renovate, and create new ideas in everything related to insurance, as it also needs companies' leaders able to accept investing in long term assured investments.

As investment in insurance doesn't mean money investment in order to gain more money, in insurance we can invest everything, even companies' logos, this way we can assure good insurance awareness