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Proposed Development of the Insurance Sector in the Arab Republic of Egypt

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Abstract

This article is a commentary of the proposed development of the insurance sector in the Arab Republic of Egypt.

1. Introduction

Although the paramount importance of the insurance sector gained and has all over the Arab World and Foreign alike, it does not have or gained the same importance in Egypt. Currently, the Egyptian insurance sector's contribution in the Gross Domestic Product (GDP) does not exceed 1%, though this share reached 8% in the Kingdom of Saudi Arabia in 2011, and broke the barrier of 2.5% in the Kingdom of Bahrain. Recently, the number of the insurance companies in Egypt reached approximately 35. As Commercial Life, Commercial Non – Life Insurance Companies, Takaful Life and Takaful Non – Life Insurance Companies. In addition to 1 Cooperative Insurance Society, 1 Export Credit Guarantee Company, and 1 Cargo supervision and Surveying Office, together with 4 Insurance Governmental funds, and 4 Insurance Pools. Compared to the Saudi Arabia in which the number of insurance companies reached and may be passed 170 companies in 2010. May be the low Egyptian sector's contribution in the GDP is due to the total sector's poor conditions – mentioning for example but not limited to – the hard price competition between companies, together with the inability of innovating new insurance policies that can attracts as an important product needed by poor people as well as rich ones, in addition to the lack of insurance awareness between most classes of people.

2. Proposed ideas

That's why, out of trying to upgrade the sector's level and increasing the focus on its importance together with raising the level of insurance awareness in the country, we see that dome steps can be seriously taken urgently to promote it, for example but not limited to:

- On the country level, they must hurry in issuing the conflict of interest law, to prevent and stop existing conflicts of interests in different governmental departments and authorities.
- If we are going to talk about big insurance deals related to insurance policies on any governmental buildings like museums, public factories, public properties, or private properties like huge private companies or factories. The IFE must allot every deal separately to a company it

determines either it gives to a public or a private company, in order to eliminate the deals' grab from the companies' side by the tenders done by the party who needs to insure. This way leads to distribute equal opportunities between all companies working in the Egyptian market.

- To support the IFE by establishing a committee belonging to the Presidency of the Republic or the Presidency of the Council of Ministers, aiming to reinforce the committee the IFE will establish to work only in the allotment of the insurance deals to the companies.

Both above - mentioned committees will determine the company each time to take the deal, providing that the company presents the insurance policy to the IFE committee for discussion and acceptance before presenting it to EFSA to get the final approval and apply.

- Amendment of the IFE's indicative price list, which stopped to be applicable since the liberalization period at the beginning of the nineties, in order to activate it again, and amendment of the current insurance supervision law to include a chapter preventing the companies working in the market or new ones from decreasing the price than what is indicated in this list in every insurance branch, as a way to eliminate the price competition that led to the companies' deterioration and the huge losses companies face in some insurance branch like the Compulsory Auto Insurance.

- As travel insurance policies are imposed by other countries during trips, we must impose as obligatory the travel insurance policies for inside and outside trips all around the world, aiming to support and disseminate this kind of policies and not to be limited on pilgrims during pilgrimage period, which is always mostly taken by a public company specifically Misr Insurance Company.

- Activate the Financial Services Institute's role (FSI), by offering courses to all insurance sector employees all over the country, specially all EFSA's employees either regulators or non – regulators employees including the employees working in the financial department, the human resources department, the research department, the chairman office. In addition to offering courses to both brokers individuals and companies, different than EFSA's offered courses to register them or renew their licenses.

These courses must be along the year not seasonal related to register or renewal times. Also, the institute must cooperate with other national and international institutions and societies' experts like the Actuaries Society and the Brokers Society, to offer learning and training courses, and exchange experience in the training field in general.

- There must be a full cooperation between EFSA, the Egyptian Ministry of Education (MoE), the FSI, and the 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 the American, the British, or the French one.

- With regard to the insurance branches that cost the sector such huge losses like the auto insurance both compulsory and supplementary, there must be a pool for these branches which includes all the companies working in the market aiming to support and distribute the losses together with developing these branches performance in collaboration with the EFSA and the IFE.

- Permissions to open other cooperative insurance society in order to promote the role of the cooperative insurance which targets low income people.

- EFSA must hurry in issuing the Microinsurance separate law, and start new initiatives with business associations, the Social Fund for Development, different Microfinance funds, to raise the awareness about this important branch targeting poor and low income people, like simple workers, farmers, and peasants, imitating and renewing what did Dr. Fathy Ibrahim in the sixties when the National Insurance Company started to sell crops insurance policies and the insurance brokers were used to go the farmers and peasants in their lands to sell them this policy, but they stopped after a while because their commissions were low due to the low premiums of this kind of insurance.

Also, EFSA should start permitting to specialized microinsurance companies to open working in this area only without permitting it to work in commercial policies, for not repeating the mistake that led the only Cooperative Insurance Society in Egypt to suffer and face being stopped for a period of time.

- Promoting the Takaful insurance by issuing separate law that offer strict supervision on Takaful companies, in addition to permitting to open new Takaful companies.

- Strengthening the Bancassurance by reactivating it and issuing its separate rules or law.

- Increase the attention to individual brokers and companies, by stopping the high commissions and fixing the rates to make an end to the price competition, together with imitating other countries by permitting insurance agencies and differentiating between agents and brokers in the law.

- Issuing the Private health Insurance Law to supervise private health insurance companies and third party administrators, in cooperation with the Egyptian Ministry of Health, and controlling prices to ensure that the medium income people can enjoy this service, while low income people are covered by governmental medical care.

- Modifying Private Insurance Funds Law no. 54 for the year 1975 which was not modified since its issuance, and activate EFSA's efforts in forcing the unregistered funds to be registered in order to be able to supervise them and control contributors' money not to be lost.

- 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.

- Strengthening the 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.

- Standing an MoU between the 3 above – mentioned federations to build an insurance database that includes everything related to this field all over the world, in addition to building a Research Department from the 3 federations' employees who will be working on gathering data and making researches to be submitted on the federations websites.

And also, build a database between EFSA and these federations, aiming to submit updated decisions, rules, laws, and legislations, applied in the Egyptian market.

- Build 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 3 federations and the companies working in the market, under EFSA and the IFE's supervision.