

Launch of a Micro-insurance Product In Egypt

PlaNet Finance, Egypt, Alexandria Businessmen Association, and Dakahlya Businessmen Association for Community Development

1. Development relevance

Economic and poverty context: Egypt has one of the largest populations in the MENA region (approximately 85 million inhabitants), with some 25% living under the poverty line. Youth unemployment is considered to be one of the main challenges in Egypt and constitutes the most dangerous type of exclusion of young people. About 90% of the unemployed are under 30. Their participation in the workforce is characterised by irregularity, informality and insecurity of employment. Reduced opportunities in the public sector have not yet been offset by employment growth in the private sector, and structural reforms initiated in 2014 further disadvantaged those outside social safety nets. While the government's economic reforms are intended to restore fiscal stability, drive growth and attract domestic and international investors across key sectors (with Saudi Arabia, the United Arab Emirates and Kuwait alone having committed around US\$20 billion to Egypt), structural impediments to youth employment remain entrenched.

Population and Economic indicators		Poverty indicators	
Population (2015, in million)	84,705,681	GDP per capita (2013, current USD\$)	272.0 billion
GDP (current US\$ (2013))	271,972,822,883	Gini Index (0= equality 100= inequality) (2008)	31
GDP growth (2014)	2.2 %	Population below income poverty line (%) , national poverty line (2008)	25.2%
Inflation (2014)	10.2 %	International (at 1,25 USD/day), national and rural poverty headcount ratio.	1.3%
Economic Freedom Index (2015)	55.2 / 185		

Financial sector context: Financial inclusion remains beyond the reach of the majority, with only 14% of all adults over the age of 15 having an account at a financial institution. This rate decreases further for youth aged 15-24 (7%) and rural populations (10%). Only some 4% and 6% of the population save and borrow from financial institutions. A total number of 1.5 million active clients (85% of whom are served by MFIs) and an outstanding portfolio of over two billion EGP in 2010 indicates a national average penetration rate of 7.7%. The Egyptian microfinance sector remains limited in its ability to increase outreach and diversify products in response to this clear need. The low income population of Egypt is currently only offered credit, remittance and saving schemes. Credit is offered mainly through microfinance institutions (MFIs) which regulated by the Egyptian Financial Supervisory Authority (EFSA), and the two prevailing credit mechanisms are individual loans to micro and small enterprises (MSEs) and solidarity group loans to women owning micro or home-based income generating activities. In addition, two public banks and two private banks (regulated by the Central Bank of Egypt) have a microcredit program that serves small enterprises. Only banks and the Egyptian National Postal Office (ENPO) (the latter operating under the Ministry of Communication and Information Technology) are allowed by law to offer remittances and saving. The ENPO is the only channel offering micro-saving and remittance schemes through a wide range of 3600 branches all over Egypt.

Insurance providers continue to exclude the un and underbanked. Some 29 insurance companies operate in Egypt, providing life and non-life insurance schemes. However, Egypt has an overall underserved insurance market with the total insurance premium representing only 1.12 percent of Egypt's GDP. Accordingly, the un-banked and poor segments of the Egyptian population do not benefit from affordable appropriate insurance. In order to fill this gap, progress has been made to ensure the Microfinance Companies' Law will allow microfinance institutions to offer new products such as micro-insurance. EFSA will include provisions for micro-insurance in the new insurance law being drafted, to simplify the selling of micro-insurance products and collection of premiums.

Partner Financial Institutions: The Dakahlya Business Association for Community Development (DBACD) and the Alexandria Business Association (ABA) are ranked in the top five MFIs in Egypt in terms of number of clients and outstanding portfolio. Both have a strong social commitment and potential demonstration effects. The Commercial International Life insurance company (CIL) is an Egyptian joint venture life insurance company that insures the lives of 21,000 individuals and provides retirement for more than 385,000 customers.

Dakahlya Business Association for Community Development (DBACD) was founded as an NGO in March 1995 and extended its first individual loan in late 1998 and its first group loan in 2001. DBACD operates in Dakahlya governorate

2. Intervention approach

The overall objective of the project was to help reduce the impact of risk on entrepreneurs and their families through the provision of a savings-based micro-insurance product tailored to their needs. Planet Finance partnered with ABA and DBACD to provide them with technical assistance in developing a suitable micro-insurance product with CIL, and in particular to assist with the client and loan officer education required to ensure successful uptake of the new product.

Capacity Building Needs: Based on an evaluation of the needs for micro-insurance services in Egypt that was carried out by PlaNet Finance at the end of 2009, an insurance-savings scheme prototype was developed which addressed the challenges to delivering micro-insurance that include: a lack of clarity on the financial landscape around micro-insurance; a lack of available technical expertise to design and price suitable products; and a lack of awareness among MFI clients around the importance and benefits of insurance. In particular, the weak regulatory framework at the time and the belief amongst MFI clients that insurance is not compliant with religious teachings presented challenges. With the support of SCBF funding, Planet Finance provided technical assistance to overcome these challenges, assisted by the development of both national microfinance and insurance regulations during the project lifetime.

Main activity areas and outputs:

In order to meet the overall project objective, three main activities and their outcomes were defined:

Activity 1: Develop the microinsurance product
Market research was done with MFI clients to assess their needs & interest in the new product scenarios: 6 groups x 3 governorates
A study was done of the main insurance and savings offerings in Egypt and insurance companies were invited to tender
2-3 main scenarios were adapted to the conclusions of the market research: premiums, loadings, interests, benefit scenarios, policy wording, regulatory issues and external procedures
Support was provided to the MFIs to evaluate the cost, risk, opportunities, profit margin and fees of each offer
Selection of insurance company was done with the MFIs, the product prototype was finalised and agreements signed
Outcome: An insurance product is developed that responds to the needs of the MFI clients
Activity 2: Set up of internal mechanisms to prepare for the launch of the new product
Financial education and marketing material and trainings were designed by Planet Finance for the MFIs' staff and clients
Training was provided to the operational staff (loan officers, trainers) on savings, insurance and the new product, and training of trainers was carried out to prepare for the financial education of clients
Technical assistance was provided for the establishment of internal and external procedures for the management and administration of the insurance policies, premium flows, claims management and MIS integration
Outcomes: 1. The MFIs have the capacity to carry out an awareness campaign and trainings to sensitize their clients to savings, budgeting and insurance 2. The MFIs have put in place requisite internal processes for the launch of a new product
Activity 3: Pilot launch in selected branches
The new product was launched in selected branches of ABA
PF supported the launch of an awareness campaign for clients in selected branches of ABA, including financial education for clients
Outcomes: 1. 15,000 clients receive trainings on the topics of savings, budgeting and insurance, 2. 1,500 clients sign up for the new insurance product

3. Results achieved and not achieved

Results at the client level: A micro-insurance product was designed for both MFIs. It was successfully piloted by ABA in July 2014. It has not yet been piloted in DBACD due to delays in regulatory approval. Client financial education was carried out in both MFIs.

Activity 1: Develop the microinsurance product	Outcome: An insurance product is developed that responds to the needs of the MFI clients	Result: An insurance product was successfully designed for both MFIs
Activity 2: Set up of internal mechanisms to prepare for the launch of the new product	Outcome 1. The MFIs have the capacity to carry out an awareness campaign and trainings to sensitize their clients to savings, budgeting and insurance Outcome 2. The MFIs have put in place requisite internal processes for the launch of a new product	Result 1: Both MFIs' staff were trained to deliver financial education Result 2: ABA have prepared successfully for product launch. DBACD have received the regulatory approval and currently in the process of finalizing internal procedures and finance with CIL. DBACD is expected to launch the product by the end of August 2015.
Activity 3: Pilot launch in selected branches	Outcome 1. 15,000 clients receive trainings on the topics of savings, budgeting and insurance, including clients that have received financial education trainings Outcome 2. 1,500 clients sign up for the new insurance product	Results 1: A total of 16,394 beneficiaries have received financial education training (8,373 DBACD & 7,524 ABA).

		Results 2: Over 5,000 ABA clients have already signed up for the micro-insurance product, and more clients subscribe on monthly basis up until today.
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The key features of saving-based micro-insurance product are:

- It is a product with three services within (insurance, savings and investment)
- It is offered to existing and new MFI clients
- A monthly premium of 25 EGP provides 1000 EGP against natural death and 5000 EGP against accidents; with 2 EGP per month for each premium and the remaining 23 EGP deposited in the clients' savings accounts
- Clients get a refund of 1700 – 1900 EGP after 5 years
- The maximum period of time that the client can save their money is 10 years
- Client can have more than one policy with a maximum of 10 policies
- Policy term of two to three years with a maximum of five years
- Integration of life insurance claimed in case of client's death
- Saving return at the maturity of policy is none <2 years, 50% between 2-3 years, 75% between 3-4 years and 100% >5 years

Outreach for ABA product	2014	May 2015
Number of policy holders	2080	3082
Number of non-clients policy holders	0	150
Number of policies issued	2080	3082
% female policy holders	23%	27%
% rural	72%	86%
% longer term contingent savings (x>1yr)	0%	10%
% retention or renewal	70%	60%
Expected total claims frequency (<5%, 5%-10%, >10%)	0	<10%
Claim aging data (submitted to paid)	0	<5%

An evaluation was carried out of the financial education trainings provided to both staff and clients of the MFIs. This showed clearly that the training contributed to a positive change in attitudes of clients towards life insurance. Post training, clients demonstrated greater familiarity with the terminology of insurance products and were able to identify risk and protection measures. In particular, vulnerable groups such as women, youth and the elderly were better able to identify the risks of borrowing and advantages of saving. However, these groups also showed confusion over some elements of the trainings, particularly women.

Note: Planet Finance will continue to work with DBACD to implement the new micro-insurance product beyond the submission of the final report. We then will produce separate reports of such activities for SCBF.

Results at partner financial institutions level:

Alexandria Business Association (ABA): The project has increased the capacity of the MFI by expanding its 'pro poor' financial services, including outreach projections and intended positioning as a Financial Service Provider for poor clients. Since the end of the pilot phase ABA have extended the financial education activities to 55 of their 62 branches. In addition to that, 22% of the total clients for ABA have access to the micro-insurance product and it is estimated this will increase to 50% by the end of 2015. ABA delivers financial education throughout the six governorates where it works. The training activities are already sustainable and integrated in their budget. ABA is progressing in another agreement with another insurance company, GIZ, and will launch health insurance products to clients and SMEs by the end of this year. They intend to use group funding (meaning that clients will group together to subscribe to one medical insurance policy).



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Dakahlya Businessmen's Association for Community Development (DBACD): Financial education has been sustainably grounded in DBACD, where a pool of trained staff can easily carry on delivering the financial education training sessions.

Results at the financial sector level:

The micro-insurance product was designed using a model favored by the MFIs, which meets the needs of the clients. Therefore it is expected to have a high replication potential and other insurance companies and MFIs have expressed their interest to provide services cooperatively in the near future. The insurance product has reached some 60,000 clients through ABA and this number will continue to rise rapidly according to MFI projections. The pilot also enabled EFG to become familiar with the micro-insurance product and this is expected to positively impact the ability of other organizations to launch similar products and increase financial inclusion and micro-insurance delivery. Also positively impacting financial inclusion is the sustainability of financial education training within both organizations, with both MFIs rolling this out in the majority of their branches.



4. Recommendations for similar interventions

Areas of improvement to better inform product development	Recommendations
Product Development & Subscription	
A. There has been a major delay in launching the DBACD insurance product due to internal issues with CIL over the terms of the policies to suit their internal process and also their clients. Additionally, EFSA approval took more than 3 months of the project life.	<ul style="list-style-type: none"> • Involve EFSA in the events and projects of Planet Finance and MFIs to ensure they are familiar with our work. • Plan delays into project timeline (such as 3 months of EFSA approval). • Include an M&E process for the piloting phase to better adapt the product to the needs of targeted groups. • Consider reissuing calls for tender if responses are limited to ensure involvement of other insurance companies for competition and better offers for the clients and MFIs.
B. There is an irregularity in paying the premium from some clients for different reasons: <ol style="list-style-type: none"> a. ABA long distance between clients and the nearest branch (especially the non-clients who don't have to go to the branch to pay the loan's premiums). b. The non-convenience of some people with the product (which is the loan officer's responsibility) 	<ul style="list-style-type: none"> • ABA is considering extending the number of branches providing the product. • The MFIs could invest more in training their staff on the characteristics of the micro-insurance product to better enable them to explain the product and advise clients. • After a slow uptake by clients, ABA launched an incentive scheme to reward sales of policies, which encouraged staff to understand and market the micro-insurance product better
C. Some branches have a small uptake of the new product because clients see a 5 year policy as longer term than they want.	<ul style="list-style-type: none"> • We have to give more training sessions for the clients to enhance their insurance and savings knowledge. • Suggest modifying the product so the shortest policy is 3 years instead of 5 years as per client preference.
D. Increase micro-insurance marketing competition for the benefit of the final beneficiaries. Planet Finance and SCBF have expressed their interest in duplicating the project in Egypt to improve micro-insurance services and enhance competition for the good of the clients.	<ul style="list-style-type: none"> • It is recommended to duplicate the project with other MFIs and other insurance companies in Egypt to increase market competition. • Other insurance companies have expressed interest in the product, i.e. ALICO and Alliance. • It is also recommended to consider that both MFIs consider duplicating the services with different product features in agreement with another life insurance companies for service diversity.
Trainings	
A. The training that took place at ABA branches was of a lower quality than the one that took place at DBACD branches.	<ul style="list-style-type: none"> • ABA's trainers didn't have much time to commit to these trainings. Financial Education trainings should be very much integrated in the MFIs budget and existing processes (e.g. DBACD integrated trainings in the process of loan disbursement) and the training embedded in the trainers (if they are also operational staff) job description trainers. • When ABA branches are too small to host more than 10 clients, it is advised to either break down the groups as per the room size, or to use a partner's training room. • A better organisation on the field and more time for preparation. • It would have been more effective to split targeted groups according to ages not just gender. • It would have been more effective to reach a smaller target than 15,000 clients, particularly given that the insurance product was new and still not launched in one MFI. • It would have been more effective for trainers that insurance product information was integrated in the FE ToT training and then ready before starting the FE training.
B. At ABA, some of the branches were not fully equipped for delivering such types of trainings to more than 10 clients per sessions.	
C. Clients mentioned that they could have benefitted from more information and more time to plan their participation.	
D. The financial education assessment revealed that men and women did not understand some elements of the trainings to the same level, with women particularly confused by definitions of life insurance and understanding how pooled funds worked.	<ul style="list-style-type: none"> • It is recommended to include more female staff in the trainers in order to deliver appropriate trainings to female beneficiaries. • It is also suggested that educated women beneficiaries not involved in income generating activities could participate in a ToT and train other female beneficiaries. • Another effective recommendation would be developing the illustration materials for the financial education and risk management with insurance into a series of videos to simplify the information delivered.

5. Lessons learnt

Project implementation:

1. The main lesson learnt is to consider external factors which can affect the implementation plan of the activities, in particular the time taken by external stakeholders (the involvement of whom is crucial to the launch of the product), namely: the regulator (in the case of this project the Egyptian Financial Supervisory Authority). It is important to include in future project designs increased time to accommodate regulator’s approval processes.
2. It took a tremendous time and efforts from both partner MFIs to prepare and approve their staff as product brokers as required by CIL. Eventually CIL sent their own brokers to DBACD to do the job after DBACD staff could not pass the EFSA exam. ABA invested more heavily in training loans officers in the new product and after a weak initial uptake provided staff incentives on policy sales to increase volume of sales. To date, DBACD has not invested so much in the training of loans officers in the new product. There are pros and cons to the use of insurance company brokers selling policies in the field and in the future a blended sales team could be considered.
3. In the competitive bidding process between the three insurance companies the internal procedures of the company were not considered as a criteria. Subsequent to signing with CIL, it became apparent that the lengthy internal bureaucracy involved in CIL decision-making processes was slowing down delivery of the new micro-insurance product. Subsequent agreements should take this into account.
4. It is important to have all field activities proceed in sequence before product launch. This means Financial Education, Risk Management, Product awareness and Marketing would be introduced to clients before selling them the policies, as our field results showed that it is after the trainings that people started buying the insurance policies.
5. A final point which was difficult to predict was the major and unexpected challenge Planet Finance faced with its registration in Egypt, which impacted on the ability of its staff and experts to deliver the project and resulted in high staff turnover. Future projects would benefit from emergency contingency plans for volatile political landscapes so that projects are not jeopardized.

Enhancement of the monitoring & evaluation for financial education component of the project:

All participants of trainings completed a pre and post training assessment, which provided a snapshot of their learning. While this tool was useful, a number of recommendations have been suggested for improving this for subsequent projects:

1. Consider enhancing questions in the survey to have a more representative sample.
2. Questions in the survey could have been broader, more holistic, and not only focused on the learnings of the training but taking the global picture of the clients into consideration.
3. Questions in the survey could more clearly address if their purpose is to assess a change in knowledge, attitude, skills or behaviors.
4. A greater depth of analysis could have been achieved by combining the data captured in the M&E surveys with more qualitative information and information available from the MIS systems of the MFIs.



ANNEX 1 – Client Testimonials

Maha Mohamed Abd El Galiel, 51 years old

She is a widow with two daughters and two sons and runs a small home-based shop in her home village, Sidi Salem in the Kafer El Shek region. She has been an ABA client for over four years. After her husband passed away, she says that “it was hard to save money and I needed a strong motivation to do so for the future of my two sons” (her two daughters were already married). She says that the insurance policy she bought from ABA is a good motivation for her to save for the future and it makes her feel secure to know that there is cover in case of an emergency. Maha lives in an area where people have don't have access to insurance services.



Wafa Talet Abbas Ibrahim, 42 years old

She lives in Salem village with her two sons and daughter. Wafa was divorced and left to raise her children alone. Her sons are now married but her daughter is still at school. She sells vegetables and fruit from home. Wafa bought the insurance policy for her daughter's marriage. She mentioned that after she is gone she is not sure that her sons will be able to support their sister, therefore she wants to secure some money for her daughter after her marriage. She has also stated that “the trainings were enjoyable for me to learn with other women about the different ways we can deal with a crisis and that budgeting can help reduce a lot of our financial problems”.



Abd El Naser Lotfy Ali Ghazy, 53 years old (ABA client since 2004 - 2015)

He lives in El Mahmoudiah village and is married with three sons. Abd El Naser used to live with his family in his parents' home, but in 2013 he managed to get his own house. His father died in 2013, and they had a hard time covering his funeral expenses. He works in the woodwork trade but became less productive because of fear of death or accident as he drives a lot between villages. He did not know that ABA provides life insurance but is now reassured to know that it is not forbidden from a religious point of view. He said he is now more secure about his family's future and is better able to save money for them and their future, as well covering their basic needs if anything happened to him. He has bought two insurance policies and is planning to buy more for his children.