

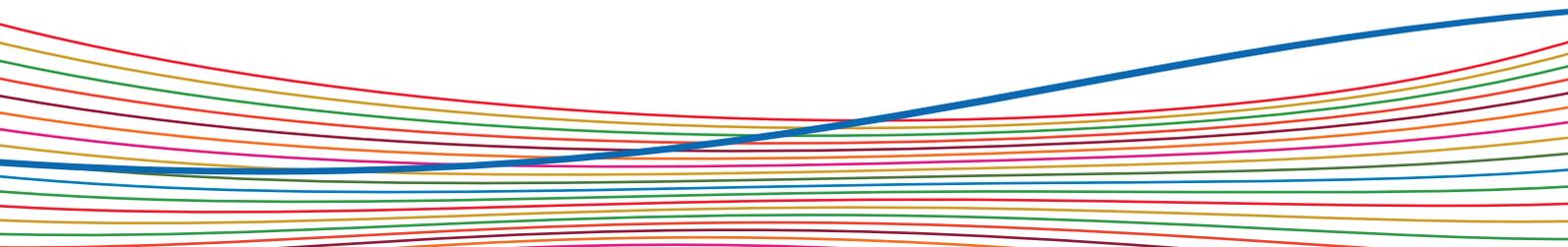


UNDP Insurance  
and Risk Finance  
Facility



# **Inclusive insurance and risk financing in Egypt**

## **Snapshot and way forward 2023**



# Why this report ?

This report summarizes the key findings of an inclusive insurance and disaster risk finance country diagnostic carried out by the UNDP's Insurance and Risk Finance Facility (IRFF) and UNDP Egypt. The objective of this summary report is to present a high-level overview of the following information for Egypt:



This summary is a starting point for discussion and collaborative action planning on inclusive insurance and disaster risk finance between UNDP and critical stakeholders, including the insurance sector, government agencies and other development sector actors.

## IRFF goals

**Impacts:** Reduced vulnerability, enhanced resilience of countries and communities and strengthened prospects for sustainable development.

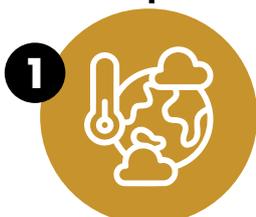
**Outcomes:** Country and community long-term resilience improved by development and delivery of integrated insurance, risk finance and investment solutions, from products, tools and services all the way leading to market transformation.

### Contact IRFF for questions:

If you wish to discuss the findings and recommendations of this report, reach out to:

[irff@undp.org](mailto:irff@undp.org)

# Key messages



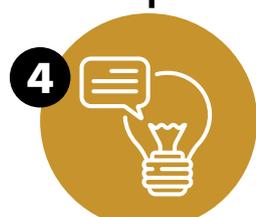
**Risks:** Egypt ranks 24th in the world in exposure and vulnerability to natural disaster risks. Key hazards include floods, storms (both convective and sandstorms), increasing temperatures, rising sea level, earthquakes and drought.



**Inclusive insurance:** Inclusive insurance in Egypt centres around microinsurance, with most progress to date seen in credit-life and personal accident policies. A new draft insurance law with provisions for microinsurance was introduced by the Financial Regulatory Authority (FRA) in October 2020, but its passage is still pending. Areas for growth include micro-takaful, with much unrealized potential, and agricultural insurance, which is largely absent from the market. To enhance outreach, particularly in rural areas, risk assessment studies should be prioritized and alternative distribution channels like post offices and insurtech should be explored. The Egyptian National Post Office and AXA are currently cooperating to examine the potential of establishing a microinsurance company.



**Disaster risk finance:** The Government of Egypt (GOE) is committed to a comprehensive approach to effectively manage disaster risk finance (DRF) through the National Strategy for Disaster Risk Reduction 2030 (NSDRR 2030). However, Egypt has yet to deliver a specific and comprehensive strategy for disaster risk financing and insurance. The primary sources of funding for disaster risk response and recovery are ex-post instruments: budget reallocations, international donor aid and post-disaster borrowing. Ex-ante instruments are almost non-existent, with limited funds available, of which none are used solely for disasters.



## Key recommendations include:

To support inclusive insurance development, the enabling environment should be strengthened through facilitative regulatory support, and opportunities should be created for product development and distribution, with a particular focus on the development of agriculture insurance. To improve market conditions for DRF, data collection and coordination should be improved, and a comprehensive strategy should be developed to enhance the use of ex-ante instruments like insurance and to introduce a layered and cost-effective approach to DRF.

# Egypt's development and risk profile

## Key macroeconomic and development indicators

**110 million** people live in Egypt, with **57%** residing in rural areas<sup>1</sup>, often facing persistent food insecurity. More than half of people living in poverty are in the upper Nile Valley rural areas, relying on informal jobs with limited non-farming opportunities.<sup>2</sup>



**Almost 30%** of Egyptians are offline and financial account ownership for adults (aged 15+) stands at just **26%**, indicating that both financial and digital inclusion remain low. Mobile money account ownership is even lower, at **3%**. Egypt's rates for financial and mobile money accounts are far lower than developing countries' averages of 71% and 33% respectively.<sup>7</sup>



**29.7%** of the population lived on less than \$4 per day in 2020, a proportion that is projected to increase by **0.8%** by 2030 due to climate change impacts.<sup>3</sup>

### **3.3% GDP growth**

was achieved in 2021<sup>4</sup> in spite of the COVID-19 pandemic, and the economy had fully recovered by 2022, with GDP of **US\$476.75 billion**.<sup>5</sup> Agriculture, tourism, cash remittances and oil exports account for most of GDP; however, high public debt, high headline inflation and large gross financing needs leave the economy extremely vulnerable to external perils.<sup>6</sup> As a result, the GOE is directing most of its resources towards rationalizing public expenditure.

**21.3%** of women in Egypt are unemployed, compared to **6.8%** of men,<sup>8</sup> and Egypt ranks **129** out of 146 countries in the Global Gender Gap Index.<sup>9</sup> Gender inequalities in the country are worsened by cultural and social norms (evident in early marriages and civil unions) that affect women's economic participation.

## Geographic context



Egypt is primarily located in the desert belt of North Africa, with the Western Desert region covering around two-thirds of the country's land area. Despite its arid location, Egypt thrives due to the vital Nile River. Also, the Sinai Peninsula has diverse landscapes, including mountains, plateaus, sand dunes and large salt lagoons.

## Hazard context

Egypt is among the countries most exposed and vulnerable to natural disaster risk, ranking 24 out of 192 countries in the 2022 World Risk Report.<sup>10</sup> Egypt's poorest and most vulnerable (~29.7%), particularly those in rural Upper Egypt, are most exposed to disaster risks and have little available or accessible social and financial protection.<sup>11</sup>



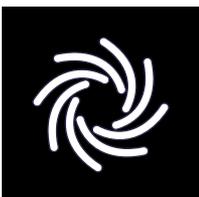
## Key risks and hazards<sup>12</sup>



### Floods

Between 1982 and 2022, flash and riverine floods are estimated to have caused more than **700 deaths**, impacted nearly **200,000 people** and caused an estimated **\$217 million** in damages.<sup>13</sup> On average, around 50,000 people are at risk of riverine flood displacement every year.<sup>14</sup>

The majority of rain falls along the coast, with the highest amount of rainfall received in Alexandria (approximately 200 mm per year). Extreme rainfall in Cairo increased in frequency by 17% between 2000 and 2020.<sup>15</sup> Governorates where higher mountains are located, such as those in the Sinai Peninsula, have also witnessed increased flooding.

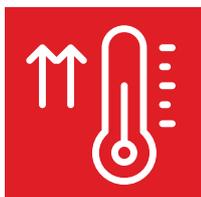


### Storms

Since 1982, an estimated **33,000 people** have been affected by convective storms, causing **\$126 million** in damages.<sup>16</sup>

Dust and sandstorms are also common in Egypt, frequently spanning hundreds of kilometres, causing serious impacts on major cities. Cairo experienced a blinding sandstorm at the end of 2021, seriously impacting visibility of vehicles on the roads and of people walking to and from work.<sup>17</sup> Sandstorms typically affect Cairo in the late winter and early spring, sometimes resulting in temporary closures of educational institutions.

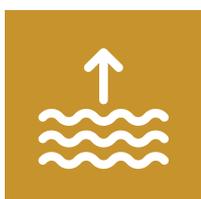
## Key risks and hazards (cont.)



### Extreme temperatures

Rising temperatures due to climate change are increasing risks throughout Egypt: Egypt recorded **100 deaths** due to high temperatures in 2015 alone. Further, high temperatures are causing biological changes that have increased the spread of insect-borne diseases, such as malaria, dengue fever and West Nile virus.<sup>18</sup>

Frequent fluctuations in temperature have serious implications for the agricultural and farming sector, causing devastating problems in crop growth and impacting traditional harvest seasons.<sup>19</sup>



### Sea level rise

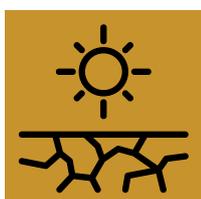
The World Bank considers the Mediterranean shoreline to be most vulnerable to sea level rise, due to its relatively low elevation.<sup>20</sup> Alexandria and the Nile Delta are among the most vulnerable areas in Egypt; the Intergovernmental Panel on Climate Change (IPCC) predicts that global sea levels could rise by as much as 68 cm by the year 2050, flooding parts of Alexandria and causing saltwater intrusion into groundwater.<sup>21</sup> Additionally, sea level rise is projected to lead to the loss of a sizeable portion of the northern part of the Nile Delta, which in turn could translate to consequential losses of agriculture land, infrastructure and urban areas.<sup>22</sup>



### Earthquakes

While earthquakes are not common in Egypt, the potential impact of those that do occur is significant, primarily in the north-eastern part of the country, in part due to weak infrastructure that is unlikely to withstand an earth-shattering event.

In 1992, an earthquake measuring 5.9 on the Richter scale and centred near the village of Dahshur (roughly 18 km south of Cairo) caused more than **500 deaths** and 6,500 injuries and left about **8,300 buildings** damaged or destroyed. Direct monetary losses were estimated at **\$300 million**<sup>23</sup> and total damages were estimated at **\$1.2 billion**.<sup>24</sup>



### Drought

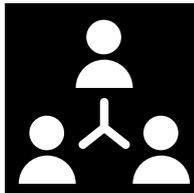
Historically, drought has not been a major issue in Egypt, given that most farming relies on irrigation rather than rainfall. However, water resources are coming under strain due to a rapidly growing population and expanding urbanization, and the additional impact of climate change means water needs are becoming more and more difficult to meet.<sup>25</sup> In May 2022, the Minister of Local Development announced that the country had entered a stage of “water poverty”, defined by the UN as annual water supplies that drop below 1,000 cubic metres per capita.<sup>26</sup>

Water scarcity is a particular threat to farmers with reclaimed desert lands, who must rely on wells as their only water source, as opposed to the irrigation provided by the Nile River. In addition, droughts and prolonged dry periods exacerbate land degradation and increase the risks posed by pests and fires.

# Inclusive insurance<sup>27</sup>: Status

## Enabling environment<sup>28</sup>

### Highlights from the enabling environment for inclusive insurance in Egypt



#### Stakeholders

#### Financial Regulatory Authority (FRA)

- The FRA was established in accordance with **Law No. 10 of 2009** and is the key entity and partner for microinsurance, with senior officials being quite supportive of the overall development of the insurance sector.
- The FRA is responsible for supervising and regulating non-banking financial markets and instruments and ensuring market stability and competitiveness. It is also tasked with limiting inconsistency risks and addressing issues among its various oversight entities, which is important in relation to microinsurance, where regulatory approaches frequently overlap.

#### Insurance Act

- Insurance in Egypt is governed by **Law No. 10 of 1981**, amended by **Law No. 118 of 2008**, which split life and non-life insurance business lines. The FRA is responsible for enforcing compliance with the law.
- In October 2020, the FRA announced a new **draft unified insurance law** aimed at modernizing the insurance sector and increasing transparency. The law includes a component for microinsurance. The date upon which the new draft law will come into force is unknown, though it has been through several rounds of review and draft phases.

#### Other government entities

- The **Central Bank of Egypt (CBE)** regulates the financial sector and helps to create an enabling environment for microinsurance by setting policies and regulations that encourage the development of the sector. For example, the CBE has introduced policies to promote financial inclusion and support the development of microfinance institutions (MFIs) acting as distribution channels for microinsurance.
- The **Ministry of Finance (MoF)** is responsible for the management of public finances and plays a key role in shaping policies and programmes that can support the development of microinsurance. For example, the MoF has introduced tax incentives for insurance companies that offer microinsurance products and has established a fund for micro, small and medium enterprises (MSMEs), potentially helping to increase demand for microinsurance products among this segment.

#### Insurance Federation of Egypt (IFE)

- The IFE is a consortium of insurance companies and associations licensed to operate in Egypt, with the aim of raising the level of the insurance industry and insurance professionals. Membership is mandatory by law.
- The organization has been supportive of microinsurance development, hosting annual regional microinsurance events, among other things.
- The IFE has formed a technical working committee on microinsurance, which IFE representatives say is one of the organization's most active technical committees. The microinsurance technical committee helps promote coverage for new insurance segments that contribute to the eradication of poverty, while supporting the development of Egypt's economy overall.
- However, progress in microinsurance reaching scale to date has been minimal and incentives among IFE member companies to provide and/or expand microinsurance coverage are low.

### Inclusive insurance-related regulations.

- Microinsurance was first defined by **Resolution No. 902 of 2016**, which also provided directives for electronic issuance and distribution of policies.
- The new **2020 draft insurance law**<sup>29</sup> includes a series of articles addressing issues relevant to development of the sector.
- **Key microinsurance articles:**
  - Article 38 defines microinsurance as "any insurance that targets low-income people in the areas of property and life insurance to protect them from the risks they face"<sup>30</sup> with a maximum coverage amount of 200,000 Egyptian pounds (EGP, \$6,485)<sup>31</sup>. In practice, this definition leads the market to define microinsurance simply as any policy with less than EGP 200,000 in coverage. This tends to severely distort the implementation of microinsurance.
  - Article 154 provides the basis for stand-alone microinsurance businesses to be allowed to operate as composite insurers.<sup>32</sup> Minimum capital of EGP 31 million (\$1 million) is required of stand-alone microinsurance companies, while life and property insurance companies require EGP 150 million (\$4.86 million).<sup>33</sup>
- **Key amendments relevant to microinsurance:**
  - Insurance distribution channels are to be expanded by allowing non-insurance entities, such as banks and e-commerce platforms, to sell policies.<sup>34</sup>
  - The category of insurance intermediaries and agents authorized to sell policies on behalf of insurance companies has been refined.
  - A national database for insurance policies is to be created and made accessible to the private sector, including information on potential clients.<sup>35</sup>
- **The Comprehensive Health Insurance Law No. 2 of 2018** creates mandatory health insurance aimed at covering all citizens (including workers' spouses, parents and children). Including coverage for work-related injuries, its application is to be gradual and will take place in six phases across Egypt's 27 governorates, relying on funding from a variety of sources.<sup>36</sup>



### National Financial Inclusion Strategies and/or measures

- **The FRA has recently launched a five-year strategic plan (2022–2026).** The plan includes provisions aimed at deepening the penetration of microinsurance and takaful through initiatives such as increasing awareness and understanding of insurance products among the low-income population, introducing regulations on the marketing of online products and setting up tax incentives for private insurance funds.<sup>37</sup>
- **The CBE has developed a comprehensive financial inclusion strategy (2022–2025)** aimed at promoting access to financial services and solutions for all segments of the population, including low-income and underserved communities. One key component relates to the promotion of microfinance and MSME financing through the establishment of a dedicated MSME Development Authority (MSMEDA).<sup>38</sup> Neither "microinsurance" nor "inclusive insurance" are mentioned in the strategy.

### Financial education initiatives

The GOE, in collaboration with international organizations such as the World Bank, the German Development Agency (GIZ) and UNDP, has been promoting financial education through various channels, including workshops, trainings and mass media campaigns, in order to equip individuals with the knowledge and skills they need to make informed financial decisions and access a range of financial services, including microinsurance. However, these efforts do not seem to have been evaluated against key performance indicators and objectives, and little information is available on their impact.<sup>39</sup>

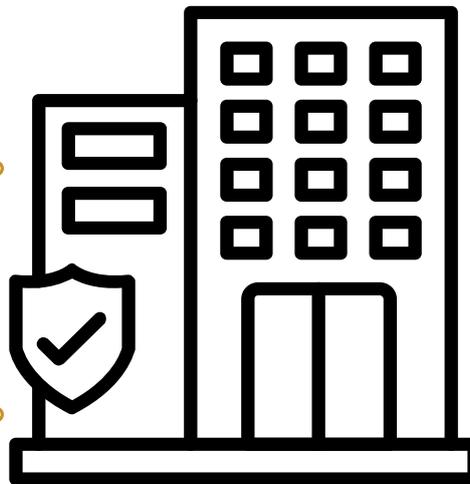
## Supply-side snapshot

### Overall insurance coverage (traditional and inclusive): Fast facts

#### 15 life and 25 non-life

insurance companies were licensed to operate in Egypt at the end of 2021, along with 94 brokerage companies.<sup>40</sup> There is no local reinsurer.

77% of total insurance market share is accounted for by the 10 largest insurers.<sup>41</sup>



\$2.98 billion was the total of gross written premiums (GWP) in 2022, split almost evenly between life and non-life insurance.

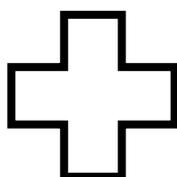
0.6% was the estimated rate of insurance penetration (GWP/GDP) in 2022 – extremely low by global standards.<sup>42</sup>

### Inclusive insurance: Fast facts



- Inclusive insurance in Egypt is mainly discussed in the context of microinsurance; however, data on microinsurance in terms of growth, trends and outreach is rarely officially collected, and when it is, it is not made publicly available.<sup>43</sup>
- The Microinsurance Network provides some indication of microinsurance volumes in 2021, based on selected insurers' self-reported data:
  - **4.3 million** lives covered by (mostly compulsory) microinsurance
  - **\$10.3 million** in (identified) GWPs (mostly from life and credit-life microinsurance).<sup>44</sup>

## Product types



**Health insurance:** Though some companies offer health care solutions targeting MSMEs, health microinsurance is still in its early stages.

- In 2019, Egypt launched a universal health insurance scheme, **Haya Karima**, with the aim of expanding health care solutions to all Egyptian families. Over **5 million** people have enrolled as beneficiaries since 2020. Funding for the programme comes from employee and employer contributions, government funds and earmarked taxation.<sup>45</sup>
- *Key challenges:* Data gaps are persistent and it can be difficult to reach underserved (rural) areas.<sup>46</sup>

**Insurance for MSMEs:** MSME insurance is available in Egypt,<sup>47</sup> with companies such as **AXA** already providing life and health care benefits to workers. However, policies for MSMEs in the agribusiness value chain are non-existent.

- *Key challenges:* MSME insurance products for agribusinesses, which are perceived to have high losses, are less attractive to insurers.<sup>48</sup>



**Agriculture insurance:** Egypt has had limited experience with market-wide agricultural insurance: in 2018, a policy was set up to provide coverage for crop damage caused by disasters (e.g., floods), but it is no longer active. No agricultural policies currently exist, despite increased government spending on initiatives (at \$146 million in 2019).<sup>49</sup>

- *Key challenges:* Raw data (collected at the ministerial level) is not shared or leveraged for greater sector alignment, and insurers rely too much on development projects and government subsidies in rolling out agriculture products.

**Takaful:** At least three family takaful and five general takaful operators are active in Egypt (comprising **8.5%** of total GWPs in 2022);<sup>50</sup> however, the potential of takaful remains unrealized.

- *Key challenges:* In recent years, at least two takaful providers have shifted licences from takaful to conventional operations due to profitability concerns.



## Distribution

The FRA hopes to expand insurance distribution channels using the new draft law, allowing companies like online retailers and telcos to sell policies directly to their customer bases.

### Common channels:

- **Financial institutions (including MFIs), community-based organizations and associations and brokers** are among the top distribution channels for microinsurance in Egypt.
  - While MFIs are a major source of finance for low-income segments, reaching an estimated **3.4 million** borrowers in 2021,<sup>51</sup> the potential of microinsurance is far greater, estimated at over **27 million** Egyptians.

### Potential channels:

- **The Egyptian National Post Office (ENPO)** has massive reach throughout Egypt, with over 4,000 post offices and around **25 million** customer savings accounts. It has launched a mobile application (Yalla App) to facilitate online payments.<sup>52</sup> The IFE has signed a protocol with the ENPO aimed at supporting insurance inclusiveness, and in July 2022, AXA Egypt signed a protocol with ENPO on exploring the feasibility of a stand-alone microinsurance company.<sup>53</sup>

- **Tech companies** have been working with MSMEs to enhance their business in recent years, especially with regard to agribusiness development.
- **Insurtech** has been gaining ground in the country, especially since GIZ launched the InsurTech Egypt platform, initiating the country's first insurance technology hackathon to tackle challenges facing the industry.<sup>54</sup> For example, Amenli provides an online platform integrated with both human connections and digital services for insurance distribution, targeting Egypt's untapped middle-income population.



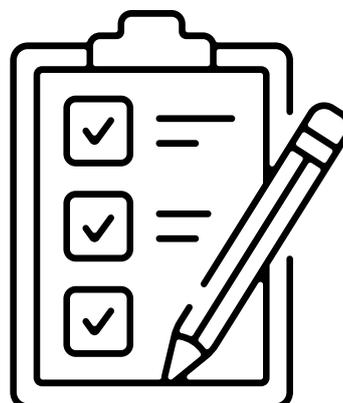
## Demand

Egypt has an emerging microinsurance market of **27 million people**, which represents an estimated **39%** of the working population, who earn on average \$5–\$15 per day and are typically unbanked and unfamiliar with insurance products.<sup>55</sup> Risk assessment studies are almost non-existent, which poses a challenge for private sector stakeholders in understanding, pricing and designing financial solutions. A 2018 study<sup>56</sup> found that top risks among low-income segments include diseases and health concerns; housing and property damage; and loss, injury or death of the breadwinner.

### Potential target segments:

- **MSMEs, of which 3.7 million** were recorded in 2017, accounting for 15% of Egypt's total workforce<sup>57</sup>
- **Around 5 million smallholder** farmers, who own an average of >0.42 hectares of land.<sup>58</sup>
- **Low-income women, 1.8 million** of whom work in the informal sector, and who face many gender inequalities impacting financial inclusion. Existing efforts to address these issues include women-focused village savings and loan associations (VSLAs) that pool money into "emergency pots" to help overcome financial burdens.<sup>59</sup>

# Disaster risk financing<sup>60</sup>: Status



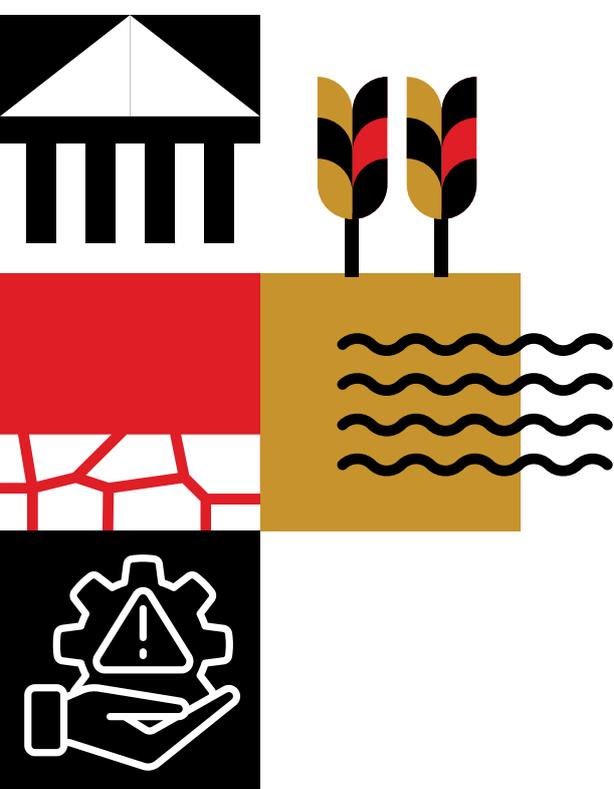
## Disaster risk data, information and assessments<sup>61</sup>

Several ministries collect raw data, but coordination and access to data is limited, mainly due to ineffective lines of communication and data sharing protocols.

### Key assessments include:

- **The national disaster damage and loss database**, hosted by the Cabinet's Information and Decision Support Centre (IDSC), contained data on disasters from 1980 to 2010; however, data recording stopped in 2010, partly due to difficulties accessing data on the cost of disasters.<sup>62</sup>
- **The Egyptian Meteorological Agency (EMA)**, with 200 years of weather and climate data and 120 ground weather stations and satellites across the country, has become a central repository of relevant weather and meteorological data, to the extent that insurers frequently request this data for claims validations. The Ministry of Environment is working to develop an interactive map from EMA data, including climate change projections and their potential impact on different sectors up to the year 2200.<sup>63</sup>
- **Early warning systems** are provided by several agencies, such as the EMA, the IDSC and the Ministry of Water Resources and Irrigation, through rapid communication platforms like WhatsApp, which connects with each of the 27 governorates. The Ministry of Agriculture and Land Reclamation, in collaboration with the World Food Programme, is working to build up early warning systems for Egypt's agriculture sector, aiming to create systems that connect with multiple weather stations (including other global models) and provide 5- to 10-day weather forecasting for 10,000 farmers.<sup>64</sup>

## Existing institutional, legal and policy frameworks



### Legal:

**The Prime Minister's Decree No. 1537 of 2009** is the principal legal document setting out the composition of the National Committee for Crisis Management and Disaster Risk Reduction (NCCMDRR), chaired by the IDSC.

### Institutional:

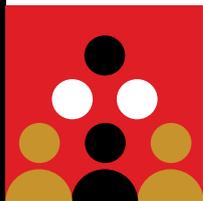
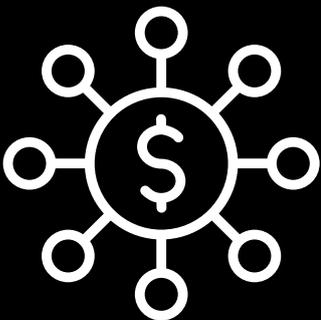
- **The IDSC**, through its Crisis and Disaster Management Unit, is the focal point for risk reduction, and it collects and maintains relevant data and information.<sup>65</sup> It does not have a financing mandate, but under the National Strategy for Disaster Risk Reduction 2030 (NSDRR), IDSC is incorporating finance, investment and insurance into its own strategy.
- **The NCCMDRR** is a multi-stakeholder mechanism that coordinates and facilitates the integration of disaster management and risk reduction into national policies, planning and programmes, and sets longer term visions. It serves as the Egyptian National Platform for Disaster Risk Reduction under the priorities of the Hyogo Framework for Action.
- **The MoF** manages fund allocations and budgets, and, as such, is inherently responsible for DRF.
- **Crisis management committees** exist in all governorates, ministries, agencies and institutions.

### Policy:

- **The NSDRR 2030** was developed in 2017 by the IDSC, with support from UNDP and in alignment with the Sendai Framework for Disaster Risk Reduction, the Sustainable Development Goals (SDGs), and the Paris Climate Agreement. The plan aims to prioritize disaster risk financing and insurance through the provision of funds for disaster risk reduction.
- **Risk-specific plans** are developed at the national level, in addition to the NSDRR, for nuclear and radiological emergencies, earthquakes, marine disasters, Nile disasters, communicable diseases and epidemics, environmental disasters, extreme weather events, floods, metro accidents, railway accidents and major fires.<sup>66</sup>

Other strategies and plans do not specifically address DRF, and there is currently no comprehensive DRF strategy, despite the acknowledgement of both DRF and insurance in the NSDRR 2030.

# Disaster risk finance mechanisms and instruments<sup>67</sup>



No dedicated ex-ante disaster risk financing instruments are available in Egypt; ex-post instruments are the primary source for disaster relief, response and recovery.

## Potential ex-ante instruments:

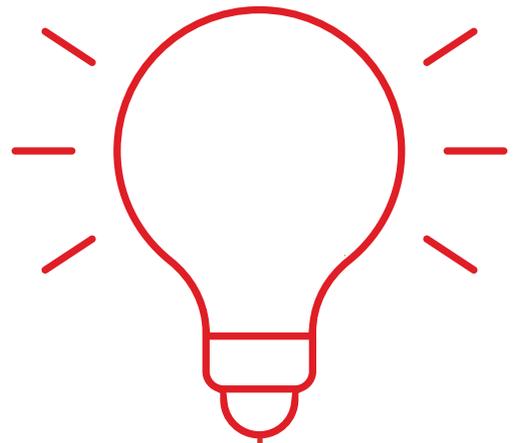
- **Government reserves:** The GOE provides for an overall national contingency fund calculated from the annual budget of 5%–10% of the total amount budgeted in the prior year. Managed by the Ministry of Planning and Economic Development, it is not disbursed solely for disasters.
- **Reinsurance:** Individual insurers use reinsurance to protect their own portfolios, but these agreements mostly exclude catastrophic losses.
- **Contingent credit:** There is a mechanism to obtain contingent credit from the World Bank through their Contingency Emergency Response Component (CERC)<sup>68</sup>, but it is seen as a more costly option.

## Existing ex-post instruments:

- **Budget reallocations:** The primary DRF mechanism used is reallocation or shifting of government budget as needed, though funds are not provided immediately, which can cause delays in disaster response.
- **International donor assistance:** Donors provide significant funding to the GOE for both major and small disaster events.<sup>69</sup>
- **Post-disaster borrowing:** The CBE plays the primary role in post-disaster borrowing, managing relationships with global financial institutions when cash infusions are needed. Historically, the MoF has paid for some crises through private sector loans.

Other potential disaster risk financing instruments are currently under discussion in Egypt, including sovereign insurance through the African Risk Capacity (ARC), insurance for public assets and natural catastrophe (NatCat) pools.

# Way forward for inclusive insurance and disaster risk financing



The following recommendations are provided for supporting the development of inclusive insurance and disaster risk financing in Egypt.

## 1

### Recommendations for the development of inclusive insurance

#### 1.1

**Demand.** The target population lacks awareness and understanding of insurance. Moreover, insurers of the target market have limited understanding of inclusive insurance, which leads to limited development and use of products in this market.

**Improve availability of demand-side data through research and strengthen the demand side through a comprehensive education strategy.**

- Existing research on this market should be updated.
- Regular data collection should be promoted across different sectors, including the private sector; for example, workshops and/or trainings should be organized on various data collection methods, especially on collecting data in rural communities.
- The impact of existing financial education efforts should be evaluated, and based on the results, a comprehensive financial education strategy should be created to target low-income communities.

## 1.2

**Supply and distribution.** No agricultural insurance products are available, and women's financial inclusion and access to insurance is limited. The pricing of microinsurance products is challenging and potential distribution partners are unrealized.

**Enhance the supply and distribution of microinsurance, in particular to customers living in rural areas.**

- Working with the FRA, educational activities should be provided to insurers on leveraging new regulatory opportunities for insurance distribution, which could potentially be facilitated by other training organizations such as the Financial Services Institute and the Insurance Institute of Egypt (IIE), adding training and diploma programmes.
- A strategy should be developed to expand risk management options for smallholder farmers: for example, an event could be organized to understand farmers' risks, and a design sprint workshop could help to kick off product development. Other elements could include investigating the possibility of linking insurance to the farmers' ID card and conducting a feasibility study on index insurance.
- With UN Women, potential microinsurance segments among women should be identified and ways to target them should be explored (potentially through women-focused VSLAs), including the business case for doing so.
- Actuaries should be engaged to improve risk quantification and modelling, to create better pricing estimates and to minimize exclusions that impact affordability.
- The IFE's microinsurance committee could also help by developing microinsurance solutions that target various low-income segments. Insurance companies need to be encouraged to partner with technological providers for greater efficiencies and cost savings. A feasibility study is needed, followed by a workshop to generate partnership ideas, leading to improved administrative costs and more affordable microinsurance products in Egypt.

## 1.3

**Enabling environment.** The new insurance law remains in draft version, causing uncertainty around the enabling environment.

**Strengthen the enabling environment for a thriving insurance market.**

- Implementation of the new regulations should be supported, for example, by collaborating on a regulatory protocol to outline expectations, objectives, training, dialogue with insurers, feedback processes and monitoring.
- A regulatory sandbox specifically for microinsurance should be created; alternatively, microinsurance could be integrated into the upcoming FinTech sandbox regulations, potentially with the incorporation of insights from relevant sandboxes in other countries.

# 2

## Recommendations for the development of disaster risk finance

### 2.1

**Measuring and understanding risk.** Data collection and aggregation is fragmented throughout the government, and capacity needs to be enhanced for analysing aggregated data to support sovereign-level decision making.

**Support the GOE in creating and managing a comprehensive collection of agency-level data.**

- A specialized unit/hub should be created and housed at the IDSC (potentially leveraging existing international initiatives as partners).
- An open-source data platform should be developed within the EMA as the designated data hub for weather-related data (which could be leveraged and integrated within the IDSC following implementation).
- Analytical capacity should be developed through extensive trainings and continuous support to effectively integrate data from various agencies for data analysis related to early warning systems.
- A standardized and formal procedure of assessments should be created for climate-smart infrastructure (including their risk reduction value) to be used in calculations of contingent liabilities.

### 2.2

**Governance of risk finance.** Limited management and coordination of risk financing, with unclear roles and responsibilities, leads to inefficiencies and unnecessary costs.

**Strengthen improved decision-making abilities for risk financing.**

- A comprehensive review and mapping of existing governance and institutional arrangements should be facilitated to identify finance gaps and interventions needed (including a plan for their implementation).
- The MoF should be supported to create a dedicated unit, equipped with process maps, legislation and formal documentation, to handle DRF, to explore DRF options, including an assessment of their costs, and to develop a layered approach to DRF.
- Trainings and regular follow-ups should be conducted to enhance the capacity of a broad range of stakeholders (including supervisors, ministerial climate leads and others).

## 2.3

**Public policy and financial management.** DRF regulations on the use and payout of funds are limited and current financial accountability systems are inadequate.

**Support the development of a legal framework for DRF instruments with a clear accountability system.**

- Regulators should be assisted in conducting a legal assessment of existing regulations, policies and legislation related to DRF in order to develop and establish an effective legal pathway that is flexible enough to adapt to rapid needs from disasters.
- A clear system of accountability for DRF funds should be developed and mandated by law.

## 2.4

**Financial strategy and construction.** No comprehensive risk financing strategy exists, and there is no dedicated body for implementation. No ex-ante mechanisms are dedicated to disasters and DRF options are not properly priced.

**Support the GOE to develop and implement a comprehensive DRF strategy.**

- A comprehensive DRF strategy should be developed, leveraging regional or global experiences, lessons and achievements. The capacity of the MoF as the potential focal point of the DRF strategy should be assessed, especially for conducting cost-benefit analyses to develop and enhance the use of risk layering.
- Ex-ante financing mechanisms should be developed, including a comprehensive plan for insurance of public assets. The Insurance Development Forum should be considered as a key partner, and the private sector should also be included.

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