

# MARKET PROFILE – EGYPT



## InsurTechs focus on SMEs and uninsured

With InsurTech gaining ground in Egypt, **Democrance's Mr Michele Grosso** looks at emerging trends in the sector and offers some tips for companies aiming to tap into the growth opportunities.

By Cynthia Ang

Egypt's life and non-life insurance segments are likely to grow over the next five years at a CAGR of 10%, said Democrance CEO Michele Grosso. Whilst insurance premiums as a percentage of GDP are 0.91%, Egypt's Financial Regulatory Authority's (FRA) shift towards greater insurance penetration and wider financial inclusion will galvanise greater innovations in InsurTech, he said.



Mr Michele Grosso

"We are witnessing positive momentum on all fronts. Starting with Insur;Hack, Egypt's first InsurTech hackathon focused on innovative solutions for low-income segments in SMEs in 2019, we see an InsurTech ecosystem emerging gradually with regulators, incumbent insurance carriers and start-ups

coming together. We expect this to drive greater investor interest in the region as well," said Mr Grosso.

### Objectives of Insur;Hack

Insur;Hack was the first event of the InsurTech Egypt initiative. The event included the FRA, the Insurance Federation of Egypt and the Promotion of Access to Financial Services for Small and Medium Enterprises (PAFSMA) at GIZ Egypt.

Insur;Hack, which took place in November 2019, was designed to provide competing teams with sector-specific training and mentorship. It also provided the opportunity for participants to win financial and physical resources that would enable them to ideate, prototype and build digital products to disrupt the insurance industry.

The event was held to pioneer innovation in Egypt's

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insurance sector by addressing the domestic insurance sector's main barriers to inclusive insurance. The initiative aimed to solve challenges for providers as identified through industry engagement and research. This included a multi-country review of inclusive insurance.

### Nascent industry and legacy issues

While InsurTech offers many benefits, there are also challenges.

InsurTechs in Egypt face three challenges today, said Mr Grosso. Firstly, Egypt currently lacks a well-defined regulatory sandbox to enable them to test, pilot and refine new innovative solutions.

"InsurTech successes in the UK, the US and Germany underscore the importance of such sandboxes in providing resources and a supportive environment. We expect the FRA in Egypt to move in a similar direction," he said.

The second challenge is a very nascent InsurTech ecosystem that brings regulators, incumbent insurers and reinsurers, distribution partners, start-ups and investors together.

The third challenge is legacy, he said, adding that constraints in insurance include technology, culture, governance and talent.

Mr Grosso believes that there are ways to turn challenges into opportunities. He said, "The COVID-19 pandemic has exposed some of these fundamental challenges and served as a lightning rod to drive InsurTech innovation in Egypt. We are witnessing greater impetus from incumbent insurance companies to work with InsurTech in Egypt. For instance, Democrance has partnered with GIG Egypt to provide SMEs access to new and innovative microinsurance products."

Democrance was launched in 2015. The UAE-based InsurTech company is a B2B data-enabled, white-label software-as-a-service (SaaS). It has a plug-and-play technology platform that digitises insurance sales and distribution verticals.

### Growth areas

As regulators seek to promote the development of InsurTech in Egypt and make it a driver of change in the insurance industry, there is potential for growth on multiple fronts.

Product offerings for personal insurance for the uninsured, unbanked and society's vulnerable individuals and businesses have a huge opportunity in Egypt, said Mr Grosso.

"Insurers that can offer easy access and create a seamless experience are the ones that will continue to experience growth. This includes simple pre-underwritten and trigger-driven products such as term life, hospital cash, personal accident, short-term disability or unemployment and critical illness," he said.

Secondly, SMEs are the life and blood of the Egyptian economy, he said. "Simple SME products aimed at comprehensive insurance and working capital needs of SMEs through bundled business-owner policies that can be tailored and customised at point of sale will drive significant growth."

Lastly, distribution of personal lines, as well as commercial lines, mostly SME, insurance through direct as well as affinity channels, will have significant growth, said Mr Grosso.

He noted that "the ability to deliver insurance cover at moments of truth in a channel-agnostic manner" will drive greater partnerships with banks, retailers, service providers and travel companies.

### Technology enablement is necessary

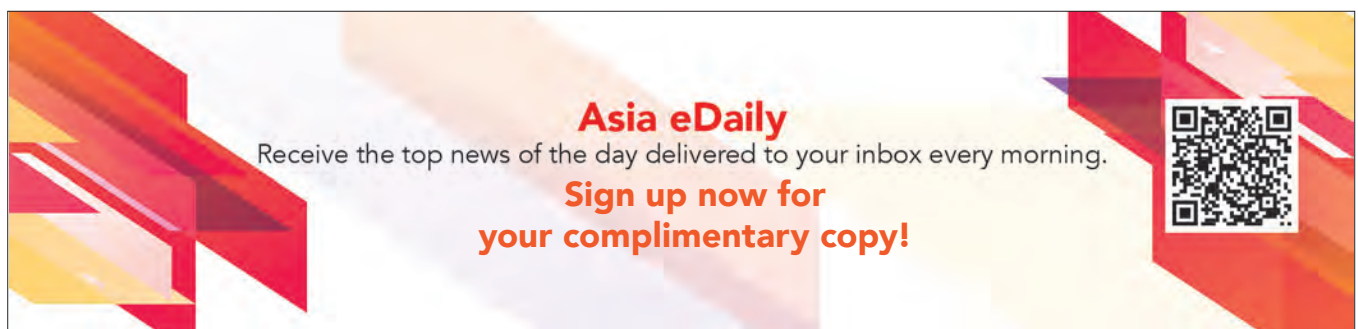
Mr Grosso said technology enablement is needed in three areas:

1. Providing seamless access across direct, intermediated and affinity channels to customers in ways that enable customer education, acquisition, renewal and cross-selling.
2. Overcoming legacy technology constraints through SaaS solutions that can leverage a common and configurable backend, product, underwriting and rating, to multiple front-end channels.
3. Enabling customers through internal and external API connectivity as well as data intelligence.

He offered some tips for companies seeking opportunities in InsurTech. He suggested that they "focus on solving one to two pain points for a very targeted and niche segment in the market in ways that are scalable efficiently and effectively".

In addition to technology, he said, "Embed yourself into the insurance ecosystem and understand how value flows in the market. Whilst disruption is important, finding ways to work within the ecosystem is critically important.

"Simple automation will not be a sustainable competitive advantage; continue adding 'ecosystem connectivity' and 'data intelligence' capabilities to your technology solutions." ❏



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