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Microinsurers urged to adopt digital solutions to overcome penetration hurdles

The microinsurance market in the Middle East continues to struggle with low penetration, regulatory barriers, and limited product diversity. *Middle East Insurance Review* spoke to **Democrance's Mr Michele Grosso**, who said that embracing digitalisation and innovative distribution models could unlock growth and expand coverage to underserved populations.

By Jake Dellosa

Across industries, digitalisation is no longer optional but a defining factor of competitiveness. Insurers understand this, and some have already started adapting to the new reality, recognising that technological advancement is critical to reaching new customer segments and delivering affordable, scalable solutions.

Democrance CEO Michele Grosso said digitalisation was important in the early stages of his firm and will continue to be vital in growing the microinsurance industry in the Middle East.

Established in 2015 and headquartered in Dubai, and operating across the Middle East and Africa, Southeast Asia and Latin America, Democrance works with insurers, mobile operators and other industries to offer insurance and protection to the underinsured and uninsured population of emerging markets.

Mr Grosso said, "Ten years ago,

when I founded Democrance, I firmly asserted that technology is the cornerstone for insurers seeking to scale both traditional insurance and microinsurance. To achieve scalability and profitability in microinsurance, technology and digital distribution are essential in reducing the costs associated with policy sales and servicing."

This approach, said Mr Grosso, is also crucial in growing the microinsurance industry. He added, "Consequently, making microinsurance a profitable client segment for insurers to invest in is paramount. Only when insurers are convinced of this potential will we witness genuine growth in the sector and an increase in the number of individuals covered by microinsurance products."

He continued, "Markets such as Iraq, which adopt a digital-first approach, have the potential to surpass places like Egypt, where traditional microinsurance still

heavily relies on brick-and-mortar networks."

Traditional microinsurance channels

Speaking on the evolving distribution landscape for microinsurance in the Middle East, Mr Grosso highlighted the structural limitations of traditional channels and the growth potential unlocked by digital-first models.

He said, "Microinsurance in the Middle East is predominantly distributed through microfinance institutions (MFIs), integrating insurance into their credit offerings and managing processes offline. This approach hinders awareness of insurance itself and, consequently, market growth. In contrast, emerging digital distribution partners are distributing insurance through digital wallets, e-retailers, and telecommunications companies."

He said traditional distribution channels, including agents and

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brokers, are often not well suited to microinsurance. He added that requirements for paper-based policy issuance and wet signatures have limited scalability, making it difficult to reach mass markets efficiently.

Regional snapshot

Mr Grosso said Egypt has historically been the largest microinsurance market in the region, both in terms of overall size and the scale of programmes implemented.

He noted that new opportunities are now emerging across the Middle East. In Saudi Arabia, for example, the Insurance Authority's growth and digitalisation agenda under Vision 2030 has encouraged insurers and distributors to explore embedded insurance models as a faster and more efficient way to expand access and accelerate market development.

Mr Grosso added that as insurance markets such as Iraq and Syria gradually take shape, there is significant potential to extend microinsurance solutions to vulnerable and underserved segments of the population, helping to address protection gaps as these markets evolve.

Regulation

Commenting on the main challenges to microinsurance penetration in the Middle East, Mr Grosso said regulation remains a crucial factor.

Providing further context, Mr Grosso said that the enactment of the Unified Insurance Law in Egypt in 2024, including provisions for microinsurance, is a long-awaited and welcome change.

Microinsurance companies are emerging, which will undoubtedly disrupt the market, such as the joint venture between the AXA Group and Egypt Post. Morocco has also been introducing new laws to promote the development of microinsurance.

Unique opportunity

Mr Grosso said that digitalisation, alongside growth in regulation, can help boost the industry. He added, "As an industry, we have the unique opportunity to accelerate our progress in the Middle East. The convergence of digital maturity in Middle Eastern markets and actions

by regulatory bodies that facilitate the growth of microinsurance

presents a chance to surpass the region's current development stage."

Microinsurance moves mainstream as Egypt promotes financial inclusion

The Financial Regulatory Authority (FRA) announced in December 2025 that it had approved the establishment of Sawa Microinsurance Company, granting Egypt's first microinsurance licence. This marks a significant milestone in the development of the country's inclusive insurance market.

Sawa Microinsurance Company is a joint venture between AXA Life Insurance Egypt—one of the companies affiliated with Paris-headquartered AXA Group—and Post for Investment Company. The latter is the investment arm of the Egyptian Post. Sawa Microinsurance has a capital of EGP100m (\$2.1m) exceeding the minimum limit set by the FRA for standalone microinsurance companies, which is EGP40m.

The joint venture partners had agreed to establish the microinsurance company under the umbrella of Egypt's Unified Insurance Law that was passed in 2024. The insurance law includes a dedicated chapter that regulates microinsurance. The aim is to expand the base of insurance beneficiaries, especially the groups most in need, owners of micro-enterprises, and microfinance clients.

Although microinsurance policies have been distributed for several years in Egypt, this is the first time that a legislative and regulatory framework has been drawn up for this branch of business that has grown increasingly important in the country.

Aside from the new insurance law, the FRA has made several other moves to promote microinsurance. The regulator allows the online issuance of microinsurance policies. It introduced regulations in September 2025 covering the digital issuance and distribution of insurance policies by insurers and brokers. Under these rules, premium payments must be paid directly into the insurance company's accounts through point-of-sale machines, any non-cash payment method or electronic payment methods, including direct debit from bank accounts or bank payment cards. In addition, in 2025, the FRA increased the ceiling on coverage in microinsurance products by 25% to EGP312,500 (\$6,550) from EGP250,000.

The various actions by the FRA reflect the regulator's recognition that microinsurance is no longer merely a limited-impact insurance product, but has become one of the key tools for achieving economic and social empowerment for marginalised groups and those with limited income.

Challenges

Despite the noticeable increase in governmental and sectoral interest in expanding financial inclusion, challenges remain. Insurance coverage for farmers, informal workers and small business owners is constrained by structural issues. These include weak awareness, the absence of flexible products and the high cost of some policies compared to the incomes of vulnerable groups.

In addition, while microinsurance is facilitated by digital solutions such as electronic wallets and apps, the weak communications infrastructure in rural areas and the lack of readiness of beneficiaries to deal with digital tools are hurdles to be overcome.

There is also the persistent challenge of a gap between insurance needs and the level of effective protection offered by existing microinsurance products.■