

A Special Report about the Egyptian Insurance Market

Based on the Figures Released in the Annual Report of

The Egyptian Insurance Supervisory Authority

For the year 2000

Quick Overview of Egypt Economy

Egypt experienced a real good growth rate of 6.5% in 2000, for the sixth consecutive year. And Gross National Product reaches a new peak of Eg.P. 339 Billion compared with 302 Billion in 1999.

And growing per capita around Eg.P. 5,215 compared with 4,790 in 1999
New investments in 2000 reached Eg.P. 67 Billion or 20% of GNP compared to 60 Billion and new investments in 2001 are expected to reach 78 Billion.
Private investment contributed 74% of these new investments.
Inflation is around 2.80 % compared to 3.8% in 1999 and the lowest in the last 20 years. and the unemployment rate is 7.40% compared to 7.90% in 1999 .
Population: - 65 Million
Foreign debts are in November 2000 US\$ 26.7 Billion or 27% of the GNP, compared to 29.7% in 1999, Where more than 95% of those debts are medium and long-term debts.

Egypt apply several policies to combat fluctuation in Dollar rate of exchange, and succeeded in keeping the change in the region of +12% instead of +30% as several experts estimated.

As for deficit in balance of trade has been reduced to be US\$ 11.4 Billion instead of 12.5 but the final deficit in balance of payment is US\$ 1.1 being less than 1 % of GNP.

A lot of talking about economic recession which is considered mainly due to: -

1. Irrational private sector investments combined with heavy commercial banks involvement In Real Estate Business where a lot of investments were allocated, exceeding the market demand.
2. Irrational private sector investments where excess supply exists in several industries leading to market recession.
3. Investments in the last year which were allocated to industries where Egypt is not enjoying economical advantages and subject to severe competition when the market is liberalized under the GATT agreement.
4. We ve to consider that USA, EU and Japan are experiencing economic slowdown since the last quarter of 2000. A phenomenon expected to spread worldwide and to continue through out 2001 with a different magnitude according to each country and region circumstance.

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The gap continued between gross domestic saving Eg.P.56 Billion & gross domestic investments of Eg.P.70 Billion or 3.4% of GNP or Eg.P.14 Billion combined with the increasing local debit to reach its highest record of Eg.P.165 Billion or almost 50% of GNP.

Table of Major economic indicator since 1995 - 2000

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/ 2000
Nominal GDP at Market Price (LE Billions)	204	229	256	280	302	339
Real GDP Growth Rate	4.7	5.0	5.3	5.7	6.1	6.5
Unemployment Rate	9.6	9.2	8.8	8.3	7.9	7.4
Average Annual Inflation	9.4	7.3	6.2	3.8	3.8	2.8
Gross Domestic Savings (LE Billions)	30.6	29.1	37.0	44.0	47.0	55.7
Gross Domestic Investments (LE Billions)	33.1	36.8	45.2	54.6	60.0	67.0
Trade Balance (US\$ Million)	-7,854	-9,498	-10,219	-11,771	-12,562	-11,474
Balance of Current Account (US\$ Million)	386	-185	119	-2,479	-1,724	-1,171
Total External Debt (US\$ Million)	32,965	31,043	28,774	28,076	28,224	27,783
Medium and Long Term Public And Publicly Guaranteed Debt	31,668	29,738	27,226	26,226	26,010	25,774
Total Public Debt	120,747	132,257	148,470	159,919	182,071	201,927
Total Number of Project Approvals	1,416	1,835	3,027	4,156	3,893	3,063

* All figures are based upon the annual figures released by Egyptian Ministry of Economy.

Quick Overview of Egypt Insurance Market

Year 2000 has proven to be another step toward more liberalization and restructuring of the Egyptian insurance market, which remain static for almost 4 decades since the sixties of the last century.

- Several giant insurance groups took the majority in three of the Egyptian Insurance companies being
 1. AIG in Pharaonic Insurance Company
 2. ACE jointly with commercial international investments in Egyptian American Insurance Company
 3. Allianz in Arab International Insurance Company.
 4. Legal & General Jointly with Commercial International investments formed a new life company Commercial International Life Company.
- New authorizations by Egyptian Supervisory Authority has been provided to
 1. Alahram Insurance Company
 2. BEST group
- The integration of financial services is taking place through the increased involvement of Commercial International Bank - Egypt largest private bank. In Bancassurance business. The bank owns now: -
 1. 100% share in commercial international investments
 2. 40% of commercial international life insurance Co.
 3. 47% of Egyptian American Insurance Company.

A Phenomena which is expected to get more ground in Egypt within the coming years.

- Major changes to the top management of several insurance companies in Egypt, Foreign Management or Egyptian Management that gain much experience in the international markets which will speed the pace of change of the Market.

The Egyptian Insurance market has reported a continuous growth in life business for the third year almost 11% growth, While growth in non-life insurance remained weak 0.9% and well behind that of overall gross national product (GNP).

In Million Eg.P.

	2000	% of increase
Life insurance	619.5	10.9
Non-life insurance	1394.9	0.9
Total	2014.4	3.8

Insurance Density or Premium Per capita remains one of the lowest in the region of almost Eg.P. 31 or US\$ 9, Ranking 78 worldwide according to Sigma Report of World Insurance

Insurance Penetration: Insurance Premium as Percentage of GNP has remain very low of almost 0.6%, Ranking 75 worldwide. The above indicates a big gap between the Economic development over the last five years and the insurance premium development which indicates the low penetration of insurance and the great potentials of the Egyptian Market.

Annual Increase in GNP & Insurance Premium

	1998	1999	2000	Average
Gross National Product	5.7%	6.1%	6.5%	6%
Insurance Premium	2.4%	6%	3.4%	3.8%
Economic Per capita	4,670	4,794	5,210	
Insurance Per capita	30.2	30.8	30.9	

Total Premium: -

	98	99	2000	% of increase	% of total premium in 2000
Life insurance	460.5	558.8	619.5	10.9	30.8
Non-life insurance	1353.7	1382.5	1394.9	0.9	69.2
Total	1814.2	1941.3	2014.4	3.8	100

Key figures of life business in 2000

(000)

	WRITTEN PREMIUM		ACQUISITION COSTS %	MANAGEMENT EXPENSES %
	99	2000		
Misr Ins.	177,963	196,232	35.6%	9.3%
AlChark	227,087	232,574	43.82%	13.2%
National	68,614	78,928	15.5%	13.3%
Suez Canal	9,712	17,333	18.99%	11.8%
Mohandes	30,219	34,558	169.5%	11%
Delta	25,327	26,521	91.4%	10.2%
Pharaonic	0		0	0
AMIG	0		0	0
Alico	19,923	33,394	80.6%	19.9%
	558,845	619,540	36.7%	12%

Note: Acquisition Costs Ratio = Acquisition Costs / New Business premium.

Key Figures of Insurance Companies for Non Life Business in 2000

	(000)			
	Written Premium	Market Share	Retained Premium	Underwriting Profits
Misr Ins.	459.677	33.0%	223.124	134.895
AlChark Ins.	331.662	23.78%	201.130	92.567
National Ins.	184.386	13.22%	118.506	53.786
Suez Canal.	142.186	10.19%	67.419	12.508
Mohandes Ins.	82.307	5.90%	36.324	19.309
Delta Ins.	77.132	5.53%	37.512	17.245
Pharaonic Ins.	99.846	7.16%	30.112	8.500
AMIG	15.694	1.13%	4.032	3.326
Cooperative Ins. Society	1.110	0.08%	623	
EIMICO	305	0.02%	61	(93)
Egyptian Export Credit Insurance Company	609	0.04%	166	
	1.394.914	100%	719.009	341.953

Combined Key Figures of Insurance Companies for Life and Non Life in 2000

	(000)				
	Written Premium	Market Share	Net Profits	Shareholders Funds	No of Employees
Misr Ins.	655.909	32.56%	168.734	788.467	3.786
AlChark Ins.	564.236	28.01%	87.109	520.547	6.480
National Ins.	263.314	13.07%	45.146	349.289	2.363
Suez Canal.	159.519	7.92%	11.253	51.274	750
Mohandes Ins.	116.865	5.80%	15.005	84.908	761
Delta Ins.	103.653	5.15%	17.026	104.008	586
Pharaonic Ins.	99.846	4.96%	6.624	42.146	307
AMIG	15.694	0.78%	(1.290)	30.873	195
Alico	33.394	1.66%	2.758	37.570	75
Cooperative Ins. Society	1.110	0.06%	689	10.998	25
EIMICO	305	0.02%	(1.482)	22.479	201
Egyptian Export Credit Insurance Company	609	0.03%	598	12.309	12
	2,014,454	100.0%	309,609	2,054.868	15.541

Development of written premium of non life from 1995 till 2000

	(000)						
	95	96	97	98	99	2000	% of total premium
Fire	283,850	282,437	276,308	302,397	295,060	276,044	19.8%
Cargo	171,254	180,472	153,191	127,019	110,464	86,532	6.2%
Inland	15,082	13,737	14,166	12,537	12,789	12,022	0.9%
Marine Hull	75,869	69,607	64,195	61,505	54,344	51,371	3.7%
Aviation	58,256	54,032	54,827	53,939	56,240	77,496	5.5%
Accident	120,175	145,240	133,238	141,918	161,540	184,793	13.2%
Engineering	82,493	84,448	94,585	96,719	105,386	111,542	8%

Motor Act	83,955	95,546	101,637	104,535	110,159	124,604	8.9%
Motor Compreh.	307,069	284,811	322,204	355,592	391,143	373,612	26.8%
Oil	88,859	92,178	76,836	70,399	57,820	63,594	4.6%
Medical	15,958	15,009	19,630	27,168	27,581	33,304	2.4%
	1,302,820	1,317,517	1,310,817	1,353,728	1,382,526	1,394,914	100.0

Development of Losses of non life from 1995 till 2000

	(000)					
	95	96	97	98	99	2000
Fire	101,223	40,862	83,165	99,218	95,147	83,046
Cargo	56,801	55,891	55,663	35,818	27,098	33,877
Inland	4,322	5,215	4,434	4,448	3,829	4,043
Marine Hull	40,853	29,976	72,490	51,723	32,202	76,410
Aviation	21,489	16,603	24,158	22,243	14,812	290,784
Accident	9,241	8,654	18,700	21,550	18,733	18,793
Engineering	30,236	18,712	50,454	40,348	68,641	52,069
Motor Act	73,603	82,462	98,685	113,519	137,467	149,969
Motor Compreh.	134,596	167,689	179,076	193,503	207,980	225,025
Oil	147,200	96,975	79,340	18,618	39,102	17,885
Medical	12,843	12,921	17,352	21,915	27,181	32,979
	632,407	535,960	683,517	622,903	672,192	984,880

Development of loss ratio of non life from 1995 till 2000

	95	96	97	98	99	2000
Fire	37.9%	27.9%	29.4%	64.8%	17.4%	38.3%
Cargo	45.6%	33.3%	24.9%	25.8%	57.1%	35.6%
Inland	45.1%	92.1%	31.5%	32.9%	33.6%	44.3%
Marine Hull	32.4%	53.6%	123.2%	68.6%	92.5%	104.6%
Aviation	165.9%	25.0%	50.5%	0.0%	0.0%	1840%
Accident	48.4%	23.6%	92.5%	12.3%	42.4%	25%
Engineering	26.4%	4.6%	206.4%	103.8%	0.0%	14.6%
Motor Act	124.4%	183.1%	61.1%	80.7%	118.4%	102%
Motor Compreh.	60.0%	77.2%	64.0%	52.2%	57.6%	62.5%
Oil	217.1%	87.8%	235.5%	0.0%	0.0%	70.2%
Medical	96.7%	80.1%	112.8%	90.4%	97%	111.7%
	65.9%	55.2%	87.5%	42.2%	36.9%	141%

More Analytical Tables of the non life Business Figures

Acquisition costs as a % of each class of business premium

For Each Insurance Company in 2000

	Misr Ins.	Alchark Ins.	National Ins.	Suez Canal	Mohandes	Delta	Phara- onic	AMIG	Average
Fire	31.2	38.9	34.6	48.5	37.1	31.8	40	34.1	35.6
Cargo	16.3	34.2	14.7	32	32.5	26.9	25.1	24.3	23.9
Inland	20.1	14.8	29.4	32.2	24.9	24.6	23.2	17.4	21.5
Marine Hull	12.5	18.9	11.2	17.3	18.3	20.6	18.8	23.3	15.5
Aviation	7.1	14.1					12.6		7.3
Accident	27.6	40.9	41	42.3	36.9	31.9	23.6	32.5	35.8
Engineering	11.1	14.9	15.6	19.1	19.7	23.8	26.2	35.1	16.5
Motor Act	4.3	3.8	6.4	11.9		3.1	3.6		
Motor Compreh.	31.3	31.7	36.4	31.3	33.8	32.8	36.6	31.4	32.6
Oil	9.7	20.9							15.3
Medical	17.3	3.8	1.5	18.2	7.2	5.5		13.7	9.5
Average	20.4	28.2	24.2	31.6	33.2	30.9	27.8	28.8	25.8

Management expenses as a % of each class of business premium

For Each Insurance Company in 1999

	Misr Ins.	Alchark Ins.	National Ins.	Suez Canal	Mohandes	Delta	Phara- onic	AMIG	Average
Fire	6.3	12.7	12	10.7	15.1	10.2	11.6	30.7	10.5
Cargo	9.4	16.2	31.6	19.9	30.1	16	13.7	32.7	17.3
Inland	11.3	19.7	39.3	8.6	30	16.1	18.1	21.3	18.4
Marine Hull	8.7	14.4	17.9	9.8	27.3	13.6	6.7	15.1	11.6
Aviation	4.7	13.6					6.5		4.7
Accident	9.3	13.2	10.2	6.3	16.1	12.3	7.2	37.4	12.6
Engineering	5.1	12.8	11	7.1	15.5	14	8.2	5.9	8.5
Motor Act	11.8	13.4	20.4	8.4	25	36.2	9.5		15.5
Motor Compreh.	7.6	12.8	13.4	9.1	18.3	11.6	9.4	29.3	11.3
Oil	3.4	10.9							7.2
Medical	7.9	20.6	8.8	15	19.2	16.5		36.5	14.6
Average	6.9	13.2	15.7	8.8	17.9	11.8	9.5	30.5	11.4

Breakdown of Premium (by Class of Business)

For Each Insurance Company in 2000

	Misr Ins.	Alchark Ins.	National Ins.	Suez Canal	Mohandes	Delta	Phara- onic	AMIG
Fire	89,683	66,261	38,253	14,962	25,340	21,491	16,201	3,732
Cargo	28,890	18,587	10,884	7,105	5,670	4,192	7,810	3,394
Inland	4,121	2,904	1,111	980	734	731	1,159	282
Marine Hull	15,199	7,490	8,567	9,238	1,253	1,923	7,236	365
Aviation	75,434	227					1835	
Accident	40,661	36,211	33,767	35,729	11,305	8,939	14,937	1,646
Engineering	34,541	16,764	7,839	34,036	5,615	3,558	9,038	151
Motor Act	26,774	34,513	50,889	1,354	4	127	10,940	3
Motor Compreh.	102,213	106,591	28,003	35,606	30,390	35,249	30,690	4,870
Oil	31,951	31,643						
Medical	10,210	10,471	5,073	3,176	1,896	922		1,251
Total	459,677	331,662	184,386	142,186	82,307	77,132	99,846	15,694

Retained Premium as % of the Written Premium**For each insurance company and across all classes of business**

	Misr Ins.	Alchark Ins.	National Ins.	Suez Canal	Mohande s	Delta	Phara- onic	AMIG
Fire	32.37%	59.21%	43.02%	26.79%	28.97%	33.42%	13.76%	-12.14%
Cargo	55.51%	40.95%	46.77%	36.47%	41.76%	25.26%	4.89%	10.43%
Inland	81.22%	45.80%	101.89 %	67.96%	29.29%	26.54%	10.18%	15.96%
Marine Hull	16.70%	7.85%	4.80%	12.41%	7.74%	7.07%	9.30%	25.75%
Aviation	27.94%	5.29%					1.96%	
Accident	66.81%	64.52%	64.05%	67.44%	26.19%	39.75%	24.48%	2.07%
Engineering	8.67%	15.88%	20.53%	15.56%	7.30%	6.46%	6.12%	11.92%
Motor Act	82.52%	82.98%	90.10%	80.21%	75.00%	66.14%	49.09%	100.00 %
Motor Compreh.	82.70%	79.70%	84.59%	79.14%	73.57%	70.73%	55.70%	60.21%
Oil	21.16%	26.53%						
Medical	73.95%	40.50%	52.04%	11.02%	30.17%	15.51%		0.40%
Total	48.54%	60.61%	64.27%	47.42%	44.19%	48.63%	30.16%	19.32%

Loss Ratio of each Class of Business**For Each Insurance Company in 2000**

	Misr Ins.	Alchark Ins.	National Ins.	Suez Canal	Mohandes	Delta	Phara- onic	AMIG
Fire	17	69.2	21.1	122.8	16.2	49	40.9	5.8
Cargo	61.3	25.5	29.8	24.7	25.9		26.8	32.4
Inland	40.4	35.7	4.6	69.9	113.9	101.5	32.9	40.8
Marine Hull	67.5	118.1	146.4	20.7	56.4	23.5	262.7	295.3
Aviation	1916.1	69.4						
Accident	33.6	20.5	29	33.4	30.3		21.5	32.1
Engineering	56.7		51.3	9.8	46.7	60		
Motor Act	104.7	86.3	100.8	561.2	428.6		70.2	
Motor Compreh.	84.4	51.7	34.8	70.2	50	54.5	59	34
Oil	82.2	60.2						
Medical	84.6	107.5	184.7	90.2	114.1	66.4	109.3	91.5
Total	323.6	49.8	58.6	54.6	35.9	38.7	53.3	34.6

FEATURE-Dawn coming for Egypt sleeping giant insurance



By Caroline Drees

CAIRO, May 2 (Reuters) - Great expectations surround the privatization of Egypt state-owned insurers as potential investors hope untapped potential will spell big business.

Egypt -- the largest country in the Arab world with more than 65 million inhabitants and a burgeoning middle class -- is in the process of liberalizing its insurance sector, long dominated by four state-held insurers.

The government said in early April it had a shortlist of international firms interested in buying a stake in one of the Big Four which control the lion share of the market: direct insurers Misr, National and el-Chark, and reinsurer Egypt Re-Insurance. Although no deadline has been set for their privatization, time is of the essence since Egypt membership of the World Trade Organization requires it to complete the liberalization of its insurance market by 2003.

(The potential is huge. The market is just waking up,) one analyst said.

Global players like American International Group Inc, Allianz AG, Ace Ltd and Legal & General Group Plc have already taken a toe-hold in the market, and others such as British medical insurer BUPA are in the process of winning licenses to operate there. But analysts say the foreign investment to date will seem small once the state-run insurers are up for sale. In direct insurance, Misr, Chark and National have a market share of more than 70 percent. Egypt Re is the only local reinsurer.

MARKET UNDERDEVELOPED

Market watchers say Egypt insurance sector remains sorely under-developed, characterized by inefficient oligopolies offering a slim choice of unimaginative products.

Most Egyptians, if they are aware of insurance policies in the first place, have traditionally considered insurance to be of little or no benefit and in some cases un-Islamic. Analysts and the government say these views are changing and exposure to the global economy has piqued Egyptians interest.

(We see large growth potential in Egypt for several reasons. Firstly, very few people have obtained insurance...Another reason is that the general economic outlook in Egypt is promising and will stimulate insurance demand,) said Camille Codoni, an economist at global reinsurer Swiss Re in Zurich.

With official forecasts putting gross domestic product growth at 5.5 percent this year, analysts say the economy should help drive insurance gains, which are still at dismal lows.

Premiums as a percentage of GDP -- a common measure of insurance penetration -- are far below comparative economies. Codoni said Swiss Re research showed premiums for non-life amounted to 0.46 percent of GDP, but should be around 1.1 percent. Total premiums made up 0.65 percent, and should also be about twice as high, he said.

The Economy Ministry said total insurance premiums amounted to 1.1 percent of GDP in 1998/99, compared to 1.9 percent in Jordan, 2.6 percent in Morocco, 3.6 percent in Lebanon and around 7-8 percent in mature markets.

(Egypt liberalization of the insurance market should (also) foster insurance demand. Increased competition is expected to lead to a broader spectrum of products and more intense marketing efforts,) Codoni said.

Alan Reeder, a director at Alwen Hough Johnson -- a reinsurance broker specializing in the Middle East -- said Egypt was also attractive for global insurers since many overseas groups have big investments there and prefer to insure local operations with the same firm that insures them at home.

(Secondly, overseas insurers are finding it difficult to expand at home where their own markets are already fully developed. In Egypt the market has huge growth potential,) Reeder said.

NEW LAWS, OLD PROBLEMS

After years of dragging its feet, Egypt introduced laws in 1998 allowing full foreign ownership of insurers in a bid to attract global investors. Today, liberalization is the buzzword.

(The Ministry of Economy and Foreign Trade, on behalf of the Egyptian government, has pledged an irreversible commitment to reforming the insurance market,) the ministry said.

(With the application of the liberal market policies, the insurance sector in general is expected to evolve as more competitive, less obscure and attainable to new national and international participants,) the ministry said in a written response to questions from Reuters. But analysts say the market potential has to be weighed against drawbacks such as bureaucratic red tape, bloated payrolls at the state-owned insurers, the difficulty of determining outstanding liabilities and massive real-estate holdings which make valuing insurers tricky.

(In addition, many risks are of a very poor standard. For example, the average factory has little if any fire protection. If a fire occurs, how long will it take for the fire brigade to arrive?) AHJ Reeder said. (The market is (also) highly competitive so it is difficult to obtain good business at good rates of premium,) he added.

Nonetheless, international analysts say emerging markets, especially Egypt, are on the radar screen for most global insurance firms seeking expansion opportunities abroad.

If the government hives off the insurers real estate interests -- a prospect it is studying -- the Egyptian companies could be bought at relatively cheap prices, some analysts say.

With the local middle class expanding and the population growing by more than a million people a year, many market watchers believe the only way is up.

(It is difficult to predict if and how many global insurers will enter the market, but as experience from other markets worldwide shows, global insurers are likely to take advantage of the opportunity to gain a strong foothold in Egypt once the state-owned companies are privatized,) Codoni said.