



Microfinance : Microinsurance

Making Microinsurance Work in Egypt

Microinsurance has been growing steadily in Asia, but has long been disregarded in Africa. Allianz and its French subsidiary AGF have now teamed up with Planet Finance to provide microinsurance for poor people in a number of African countries. In Egypt, the project is already underway.



A worker carries bricks in the Egyptian town of Mansoura. Allianz, PlaNet Finance and other partners are giving thousands of Egyptian microcredit clients their first chance to purchase death and disability insurance (Photo: Reuters)

Insurance services for the poor have begun to expand rapidly in Asia. In China and India, around 30 million people are covered microinsurance. But with the exception of a few countries like Uganda, microinsurance has been much slower to develop in Africa. Allianz and its French subsidiary AGF have now teamed up with PlaNet Finance to provide microinsurance in a number of African countries.

The first project is already underway in Egypt, where Allianz, PlaNet Finance, and European reinsurers have begun offering death and disability insurance to over 30,000 low-income customers. For most customers, this is the first time they will be covered by this kind - or any kind - of insurance.

Egypt is the third country where Allianz will offer microinsurance. And just like their ongoing projects in India and Indonesia, Allianz is working with local and international partners in Egypt. Partner microfinance institutions (MFIs) in Egypt will sell this insurance product on top of microcredit loans.



Jean-Jacques Laffont, Allianz-AGF

"We hope - even if not in the near future - that these people will progress and become future clients for other products." (Photo: AGF)

"Our partners have experience helping poor communities to work and learn together," says Michael Anthony of Allianz. "Identifying their needs:

is the best way to address them. With our partners we can find out the needs and wishes of our clients and create a microinsurance product that truly supports them."

Partnering with PlaNet Finance in Egypt, Allianz joins an international non-profit organization that has developed microfinance in 60 countries in Africa, South America, Asia, and the Middle East, as well as a network of affiliates in about 22 other countries. Allianz brings expertise in the insurance industry - experience that PlaNet Finance believes can go a long way toward alleviating poverty.

"If you look at microfinance, most products offered so far have been microcredit and microsavings," says Delphine Bazalgette of PlaNet Finance Deutschland e.V.. "But poor people need more than access to credit. In particular, they need the tools to protect themselves against life accidents and sickness. For that you really need to have access to insurance expertise, because 'micro' does not mean 'simple.'"

"You need the same expertise as when designing insurance products, but you need innovative solutions for poor people," adds Bazalgette. "That's why it is very important to work with insurers and reinsurers from the private sector to develop and distribute standardized microinsurance products and create best practices."

By end of 2009, Allianz and PlaNet Finance aim to increase the number of microinsurance clients in Egypt, as well as broaden the kinds of insurance products in Egypt and West Africa.

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Microinsurance will not turn a quick or big profit in any of these places, but there could be other benefits for Allianz as a commercial insurer. For one, microinsurance involves learning more about these growing markets, and it allows Allianz to start building relationships with customers whose wealth may grow in the coming decades.

"Microentrepreneurs were a clientele that we didn't know until now," says Jean-Jacques Laffont, of Allianz-subsiary AGF in France. "Our local teams now have a social impact that is very rewarding. And at the same time, we hope - even if not in the near future - that these people will progress and become future clients for other products."

Small-scale microinsurance can also raise general awareness about insurance. In Egypt, as with many other microinsurance projects around the world, there are often apprehensive or negative attitudes about

insurance among potential clients.

Carole Serviere, PlaNet Finance coordinator in Egypt, says these can be overcome once people can see the benefits of insurance. She uses the case of an uninsured microcredit lender who dies, and leaves his family with the burden of paying off the loan in addition to the costs of the funeral.

"When they are insured, the family receives something from the MFI, instead of paying something to them," says Serviere. "That is really appreciated, even in a country where insurance is not very well appreciated, because of religious reasons."

Certainly, many more challenges await elsewhere in Africa, where only 0.3 percent of the poor are insured. But Allianz and PlaNet Finance are confident that important lessons can be learned in Egypt that can be applied elsewhere on the continent. After all, they don't call Egypt the gateway to Africa for nothing.

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