



ESAF & the Insurance Sector



Photos by AED/ESAF

For scores of businesses and households in Palestine, insurance services are still seen as a luxury rather than as a safety net in an uncertain political and economic environment.

Continued restrictions on the movement of people and goods—including the network of checkpoints and other physical barriers in the West Bank, as well as a range of administrative barriers to development—have had serious implications on the overall growth of the Palestinian economy.

Political and economic uncertainties leave many enterprises and households in Palestine with few formal options to serve as social safety nets or as means to mitigate some of the risks in doing business in this environment. There is strong preference for informal solutions, such as turning to family or going into debt, to deal with crises and there is a general cultural resistance to notion of insurance. Public perceptions about insurance services are not very positive, especially with regard to settling complaints. In fact, recent studies in the

West Bank and Gaza found that only an estimated 30% of respondents have insurance policies of some kind. Mandatory auto insurance is the most prevalent (74%), followed by health (33%), general (7.4%), and life (1.6%). In response, ESAF is working with the public and private sectors in Palestine to grow momentum for insurance services by focusing on enhancing three key areas:

- 1) Supportive Infrastructure,
- 2) Supply of Insurance Services, and
- 3) Demand for Insurance Services.

Enhancing the Supportive Infrastructure

At the regulatory level, the ESAF program works closely with the Palestinian Capital Markets Authority (PCMA), an autonomous agency that was established in 2004. The PCMA's jurisdiction encompasses the securities market, the insurance sector, the financial mortgage and leasing sectors, along with any other non banking financial institutions. At the supporting level, the ESAF program works closely with the Palestinian Insurance Federation (PIF), an industry association that plays a central coordination role in the sector. PIF began as an informal forum for the insurance sector in Palestine and was formalized under the law 20 of 2005, which mandated that all insurance companies operating in Palestine must become members. There are currently ten insurance companies licensed in Palestine, including two branches of Jordanian companies. The industry offers services through a network of 79 branches, employing 800 people directly and another 220 agents indirectly.

The Palestinian Insurance Sector At-a-Glance:

- There are currently 10 insurance providers in Palestine;
- The largest provider holds 25% of the market share, while the top three account for 60%, and additional consolidation is anticipated;
- Utilization of insurance products is low: with 30% of a recent survey respondents reporting having coverage;
- Awareness about products and in particular re-dress methods are low, with only 2.8% reporting that they had filed a complaint against an insurance company.

The PIF is quickly becoming a key resource for member organizations as well as for individual consumers seeking to access insurance services. ESAF's support to PIF started with an organizational assessment led by the Washington, D.C.-based SEEP Network, which was conducted in January 2010. The assessment examined the organization's capacity within governance, operations, financial viability, human resources, external relations, and service delivery, and helped PIF prioritize activities for investment over the next few years.

As part of the PIF's mandate to support the standardization and development of the insurance profession, ESAF is supporting the PIF in improving capacity and services of insurance companies. This component started with a series of focus group workshops with Palestinian insurance company staff and other stakeholders including representatives from the Ministries of labor, Economy and Law, as well as Municipality leaders, to discuss specific issues such as around the Road Victims' Fund, car tariffs, and workman's compensation policies.

A watershed event for the sector is the First National Palestinian Insurance Conference, held in June 2010, with the aim of bringing together local practitioners and international industry experts to discuss and finalize the recommendations of the focus groups for the sector's growth. The conference includes representatives from Jordan and the UAE, which serve as useful models for Palestine's nascent insurance industry.

Enhancing the Supply of Insurance Services

In addition, ESAF is helping insurance companies, banks and microfinance institutions learn more about the "microinsurance" market, with the aim of collaborating to expand the range and penetration of insurance products to households and enterprises. ESAF has started providing research

analysis and technical assistance to insurance companies, including Trust International Insurance and Ahleia Insurance Group, to pilot and launch new products to serve this market. Other potential partners include Al Rafah Microfinance Bank and the microfinance institution FATEN. New products under consideration include:

- *credit life* – offered by financial institutions in conjunction with loans, would insure the value of the loan in case of death.
- *credit life plus* – same as credit life, but would offer life insurance above and beyond the value of the loan.
- *agricultural insurance* – would insure against specific risks such as disease or natural disaster for particular agricultural activities (i.e. livestock).
- *accidental death and disability*

Enhancing the Demand for Insurance Services

As part of ESAF's national consumer awareness media campaign, AED is working with the PIF, as well as the Palestinian Monetary Authority (PMA), the Palestinian Capital Market Authority (PCMA), and the Association of Banks in Palestine (ABP), on the planning and implementation of a national campaign to increase awareness about (and demand for) consumer protection rules and insurance products. The campaign, which includes billboards, radio ads, and pamphlets placed in government agencies, is providing consumers with basic information about why insurance is important, the types of insurance products that are available, and how to file claims and dispute settlements. By raising public awareness about the industry—and in particular the consumer protection mechanisms that are in place, the campaign aims to increase the familiarity and comfort level with insurance services—and thereby address one of the key identified barriers to demand.

The Expanded and Sustained Access to Financial Services (ESAF) program is a three-year \$36 million program, funded by USAID, and designed to build a more inclusive financial sector in the West Bank and Gaza, for Palestinian households and enterprises. The program is implemented by AED in partnership with The William Davidson Institute at the University of Michigan, Shorebank International, CHF International, CARE and Save the Children. ESAF is an Associate Award under USAID's FIELD-Support Leader with Associates cooperative agreement, which is managed by AED. www.microlinks.org/field

