EFSA Insurance Control Role

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Introduction

The EFSA is pleased to provide the general public of insured individuals and entities, who deal with insurance companies and authorities, with a guideline describing the EFSA insurance control role. This guideline is one of a series of educational guidelines started to be prepared by the EFSA to describe the nature, types and legal framework of this activity as well as a number of other topics that may be important to the general public. Insurance activity was first introduced to Egypt more than seventy years ago, and it now plays eminent role in the field of long and short term insurance coverage and properly contributes to economic development and enhancement of economic growth rates.

Given the EFSA active role as insurance market regulator and controller, the EFSA wishes that this guideline properly introduces to the public the EFSA role of controlling the insurance companies, insurance brokers and all related entities.

In the end, the EFSA would like to extend sincere thanks to all who participated in producing this guideline, with special thanks to The General Department of Researches for their immanent role of preparing this guideline which was reviewed by the competent officials of the Central Department of the Technical Office and Investor Awareness.

The EFSA further extends great thanks in appreciation of the efforts exerted by

Prof. Dr. Adel Moneir Abdel Hamid                     EFSA Vice Chairman
Prof. Dr. Ahmed Saad Abdel Latif                     EFSA Senior Counselor,

who reviewed this guideline to finally have it in such a simplified shape to better serve the general public dealing with the Egyptian insurance market.

The Central Department
For
Technical Office and Investor Awareness
The Legal Regulatory System for Practicing Insurance in Egypt

- Insurance authorities in Egypt have always been controlled by precise legal regulations. Law no. 92/1939, which was issued after the foreign concessions were canceled, is considered the first law regulating insurance. This law was followed by Law no. 156/1950 and then Law no. 23/1957 which Egyptianized insurance authorities.
- When a unity between Egypt and Syria was created, Law no. 195/1959 was issued, repealing and replacing Law no. 156/1950. This law was regulating the supervision and control over insurance activities in the United Arab Republic (Egypt–Syria). In 1966, the Insurance Authority and the Savings Institution were merged into The Egyptian General Insurance Institution.
- In 1975, Law no. 119/1975 was issued, and The Egyptian General Insurance Institution was wound up and replaced by The Egyptian General Insurance Authority which was established by virtue of Presidential Decree no. 221/1976. The Authority was assigned to exercise supervision and control over insurance in Egypt.
- In 1981, Insurance Supervision and Control Law no. 10/1981 was issued. It was then amended by Law no. 91/1995 and Law no. 156/1998 on liberation of Egyptian insurance market. Thereafter, Law no. 118.2008 was issued, by then The Egyptian Insurance Supervisory Authority was the entity assigned to control over compliance with insurance legislations in the Egyptian market.
- In 2009, Egypt Financial Supervisory Authority (EFSA) was established by virtue of Law no. 10/2009 to replace the authorities controlling capital market, insurance, mortgage finance, financial leasing, factoring, securitization and all other non-banking activities.
The EFSA is assigned to supervise and control the companies operating in the Egyptian insurance market, which are:

1) Insurance and Reinsurance Companies
   A) Direct Insurance Companies
   These companies are specialized for issuing policies (insurance coverage) for properties, liabilities, persons, fund accumulation practices and settlement of compensations that fall due when risks occur.
   B) Reinsurance Companies
   These companies are specialized for covering part of the directly insured risks, against commission.

2) Cooperative Insurance Associations
   A cooperative insurance association is an entity formed in accordance with the general principles of cooperation. It ensures that members enjoy insurance system applied by and between them.

3) Private Insurance Funds
   It is a system applied by an authority, company, syndicate or association comprising of individuals practicing the same profession, involved in the same career or forming social links. The fund grants members insurance rights in the form of financial benefits to be determined by and between them.

4) Government Insurance Funds
   These funds are assigned to cover the risks that unusually unacceptable by insurance companies or the risks believed to be solely covered by the Government.

5) Insurance Pools
   Law permits insurers and reinsures to establish, among themselves, insurance pools to manage an insurance branch or certain insurance process.
EFSA Main Insurance Duties
1- Protecting the rights of policyholders, beneficiaries and third parties.
2- Ensuring proper achievement of economic and social targets of insurance activities, and maintaining national savings.
3- Ensuring integrity of financial position of insurance companies in the market, coordinate and prevent conflicts among them.
4- Contributing in developing insurance awareness among the public in Egypt.
5- Supporting and developing the insurance market.
6- Elevating insurance careers and effectively participating in the provision of expertise.

EFSA Insurance Supervisory and Control Role
1) Registration of the Companies and Persons Practicing Insurance
   For the purpose of practicing an insurance-related activity, the company or the person is required by the law to be registered with the EFSA. Insurance practitioners requiring registration are as follows:
   1- Insurance and Reinsurance Companies
   2- Cooperative Insurance Associations
   3- Representative Offices “for foreign companies”
   4- Private Insurance Funds
   5- Actuarial Insurance Experts
   6- Advisory Insurance Experts
   7- Inspection and Damage Assessment Experts
   8- Insurance Brokers
   9- Auditors of Insurance Companies, acting through the Service Quality Control Unit of EFSA Listed Auditors
2) Protection of Policyholders’ Rights

One of the main priorities and most important targets of the EFSA is to protect the rights of policyholders, beneficiaries and third parties. Therefore, the Egyptian Legislator provided a group of mechanisms enabling the EFSA to ensure proper achievement of such target.

The Egyptian Legislator:

- Required a certain legal form of entities practicing insurance activities, i.e., to be in a form of Egyptian Joint Stock Company.
- Determined certain capital requirements for the insurance company to be officially registered and licensed to practice activities.
- Required that the insurance company set aside technical provisions and that limited activities to the legally prescribed scope of investments.
- Set certain conditions required to be met by the departments’ managers of insurance companies.
- Granted the insured or the policy beneficiary the right to resort to the EFSA, in case the insurance company refuses to pay the totally or partially claimed damages. In this respect, the EFSA studies the conflict arising between parties and gives an opinion within one month from the date of submission of the related application. The EFSA may further take steps to settle the conflict by forming a conciliation committee presided over by the EFSA Chairman or his delegate and membered by the Chairman of Insurance Federation of Egypt or his delegate and a number of experts in the field of insurance and Law. The committee is required to issue a decision within a period of two months from the date of submission of the application. Any party may also obtain an official copy of the EFSA opinion or the
committee’s decision, as the case may require, for submission to the competent court, provided that such opinion or decision shall not be binding on the court.

- Upheld the EFSA trend which requires, for approving the terms and forms of the newly issued or amended insurance policies, that such policies be issued in a clear and simple shape to avoid the disputes that may arise in this respect.
- Granted the policyholders a right to resort to the EFSA to interpret certain clauses in the insurance policy, if such clauses are under dispute.
- Required the insurance companies to comply with the principles of probity vis-à-vis customers, to do for their best interest and to achieve equality among customers with similar insurance positions. Insurance companies are further prohibited from discriminating between customers - with respect to the prices, terms and privileges of policies - on the grounds of language, religion, sex or social conditions, unless such conduct is based on a mere actuarial or technical principles required to be applied by the EFSA.
- Prevented the insurance companies from rejecting insurance or policy renewal applications and/or limiting the insurance value, unless such conduct is based on a mere actuarial or technical principles relating to forecasted losses or due to the insured’s failure to abide by his/her obligations.
- Required the insurance companies to carry out periodic inspection of the object insured to ensure that the insurance coverage suits the actual value. Insurance companies are further required to supervise the insured entity’s adoption of the recommendations and precautionary measures contained in the inspection reports; and in case the insured entity refuses to take such measures, the insurance company shall cancel insurance policy and notifies the competent insurance union of such cancellation with its
reasons. The insurance union shall, in turn, notify its members of such procedure.

- Required the insurance companies to open a complaints-review file in which all documents regarding complaints shall be deposited. The insurance company is required to review the complaint and decide thereupon within a period of thirty days from the date of receiving the complaint and/or completing related documents, which ever is later. The company’s decision shall be issued, either approving or rejecting the complaint, and shall record a brief content of the decision in the complaints registry.

The company shall then notify the EFSA of such decision and its reasons within a period of fifteen days from the said of issuance, in case of total or partial rejection of the complainant’s claims.

- Required the EFSA to open a competent department to receive and review the complaints raised by customers and policyholders and reply to their queries received by the EFSA through the Central Department for Market Services located at: 28 Talat Harb St, 2nd Floor, Cairo. PO: 2545.

3) Examination of Insurance Companies’ Activities

The EFSA carries out regular review of insurance and reinsurance companies, whereby the EFSA confirms the integrity of the companies’ financial positions and their compliance with the Law and the technical principles governing insurance and reinsurance activities.

Review programs include:

1) A review of policy forms, terms and definitions of the various insurance types applied by insurers. This review aims at confirming insurers’ full compliance with the forms, terms and definitions approved and/or notified by the EFSA. It also
aims at ensuring price efficiency and fairness and that insurers’ conduct does not cause damage either to them or to the insurance market.

2) A review of the paid damages, to confirm that such damages were settled in accordance with the policy terms. This review also studies the pending claims to verify the reasons for non-settlement thereof.

3) A review of reinsurance activities and arrangements, to confirm that they are adequate for protection of the financial position of insurers, and that insurers provide sufficient guarantees.

4) A review of insurer’s investment transactions, to confirm that the insurer complies with the Law; particularly in respect to insurance-allocated capital adequacy and that such capital is used and disposed thereof only according to EFSA permissions.

5) A review of the items of financial positions of insurers, to confirm the insurer’s all time compliance with the increase rate of assets vis-à-vis liabilities, and in this respect:
   • The EFSA may conduct a comprehensive review of the insurer’s activities, if there are reasons whereby the EFSA believes that policyholders’ rights may be lost, the insurer may be unable to fulfill its obligations or the insurer’s conduct is proved to have prejudiced the insurance market.
   • If such review seriously indicates that policyholders’ rights may be lost, the insurer may be unable to fulfill its obligations, the insurer’s conduct is proved to have prejudiced the insurance market or the insurer had violated any provisions of the Law, the EFSA Board of Directors shall have the right to take the measures believed convenient, particularly:
     a) Serving notice on the insurer.
     b) Restricting the insurer’s acceptance of new transactions or renewal of current transactions with respect to all or part of insurance types the insurer is permitted to practice.
c) Directing the insurer to prepare a financial position statement and conclusive accounts during periods of less than one year.
d) Inviting the insurer’s board of directors to convene for reviewing the violations claimed to have been committed and undertaking the procedures required for removal of such violations. This board meeting shall be attended by one or more EFSA delegate.
e) Appointing an observer member in the insurer’s board of directors for the period specified by the EFSA board. Such member shall have the right to participate in the insurer’s board discussions and give opinions on the matters raised for discussion; but shall not be a voting member.
f) Setting aside the distributable profit surplus or part thereof in support of the net assets of the insurer.
g) Amending the insurer’s investment policies and reinsurance arrangements.
h) Removing one or more executive managers.
i) Winding-up the insurer’s board of directors and appointing a delegate to temporary manage the insurer’s company until a new board is formed.

4) Approving Insurance Policies
   • The EFSA, when approving the terms and forms of newly issued or amended insurance policies, seeks to have such policies issued to customers in a clear and simple shape to avoid the disputes that may arise in this respect.
   • Insurers and reinsurers are required to provide the EFSA with copies of the insurance policies and a statement of their prices. The EFSA, in turn, conducts a periodic review of insurance terms and prices thus ensuring fair price. The EFSA, after the review is completed, notifies the insurer of any remarks and requires due implementation thereof in accordance with the Law.
Dear Investor; an EFSA website was specially prepared for you. This website renders various awareness services and replies to all your questions regarding the issues you may encounter in the process of investing in or dealing with the non-bank financial markets in Egypt; particularly the capital, mortgage finance and insurance markets. The EFSA considers this website as one of the important channels and means of communication with investors, as it contains a lot of information on the means for investment in the Egyptian stock exchange, mortgage finance and insurance markets. The website further includes a special section for EGX trading statistics and data of listed companies.

Nevertheless, the EFSA confirms that the data, booklets and fliers published on the website in the field of investor awareness do not aim to specify the best means for interment whereby you may take an investment decision, but only renders awareness services supporting you to wisely and prudently conduct your investments and be aware of your rights and obligations in the fields of stock exchange, mortgage finance and insurance.

This website and the booklets series are important channels and means of communication applied by the EFSA to spread investment awareness and financial literacy in general, which are considered as part of the EFSA targets and priorities.