

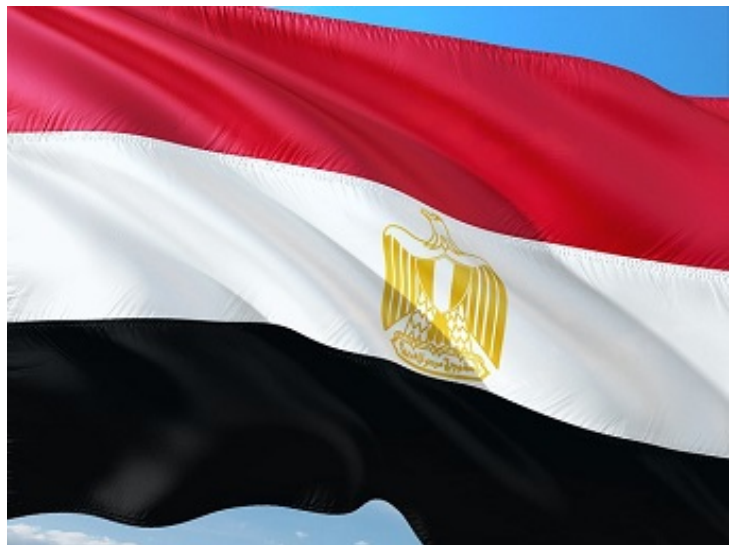
# Egyptian insurance market showing resilience despite “challenging economic conditions”: AM Best

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With interest rates and inflation continuing to rise, the Egyptian insurance market is facing difficulties in sustaining growth rates in real terms, however the country is still proving resilient in the face of challenging economic conditions they are facing throughout 2023.

Across the previous five years, the sector has grown by a compound annual rate of 17.5% per annum, as measured in NWP denominated in Egyptian pounds (EGP), with 2022 marking the sixth consecutive year of growth.



Global ratings agency AM Best stated in a new report that it expects premium growth to persist in the coming years, supported by the potential for mandatory insurance products, and the digitalisation of distribution, which can increase insurance penetration (albeit from a low base).

Approximately 40 companies are licensed to operate in the Egyptian insurance market, with non-life companies outnumbering life insurers.

Moreover, Egypt’s GDP achieved 6.6% growth in the 2022 fiscal year (1 July 2021 – 30 June 2022), which was substantially higher than most emerging markets, as the effects of the COVID-19 pandemic continued to decrease.

A dark blue banner with the Tremor logo on the left, the text "The modern way to place reinsurance." in the center, and a green "Demo" button with a right-pointing arrow on the right.

However, a lower rate of GDP growth is forecast by the International Monetary Fund (IMF) for 2023. This is mostly due to the high financing costs the country is facing, as well as the continued backlog of imports, and as a rationing of foreign currency following the depreciation of the Egyptian pound.

Meanwhile, Best also highlighted how legislative changes and the introduction of new accounting standards in 2023 are expected to impact Egypt’s insurers.

The ratings agency noted that a new insurance act is expected to be approved, with a key provision of the act being the introduction of higher minimum capital requirements for insurers based on the lines of business written.

As a result, Best expects this to be a positive factor for the overall capital adequacy of the sector, while smaller insurers who do not meet the requirements may potentially face significant pressure to merge if they are unable to raise sufficient additional capital.

In addition to new legislation, insurance companies in Egypt are also adopting new accounting standards—IFRS 9 and IFRS 17. In contrast to other insurance markets, where regulators have allowed insurers to delay IFRS 9 implementation so they can be aligned with IFRS 17, the Financial Regulatory Authority has required Egypt's insurers to implement IFRS 9 in advance of IFRS 17.

There is currently an expectation that the implementation of IFRS 17 will be complete by 30 June 2024, following the implementation of IFRS 9 in 2022. The two-year gap is seen as sufficient to allow Egypt's insurers to deal with any implementation challenges that they possibly could face.

In other news, AM Best recently revised the outlook to positive from stable for the Long-Term Issuer Credit Ratings and also affirmed the Financial Strength Ratings of A (Excellent) and the Long-Term ICRs of "a" (Excellent) of specialist re/insurer Beazley's subsidiaries.