



PROSPERITY

Country Presentation Morocco



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Here with you today from Morocco



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Role

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Professional background

Abdeljalil EL HAFRE has an engineering background. He joined the Ministry of Finance in 2002 where he held several positions at the Treasury Department. Since 2016 he is in charge of the Insurance and Social Welfare Division where he monitors, among other topics, the Moroccan DRF Regime.

Morocco's Risk Profile



Disaster threats faced by the country

- Morocco faces significant geological and climatic risks, especially floods and earthquakes.
- The impact of natural hazards is likely to be exacerbated by global warming and rapid urbanization in some regions.



Major catastrophes, if any

- Flooding is a recurring problem. The floods in Tangier (2008), Al Gharb (2009), and Guelmim (2014) resulted in many casualties, extensive damage, and significant economic losses. The average annual loss from flooding is estimated at US\$4.17 million.
- Morocco has also suffered from several earthquakes in the last 100 years. The largest earthquakes affected three regions: Agadir (Agadir earthquake in 1960), the North (Al-Hoceima earthquake in 2004) and Marrakech (Al Haouz earthquake in 2023).



Priorities over next five years

- Improve knowledge and assessment of risks to ensure better coverage of losses caused by disasters.
- Strengthen the partnership with international institutions and the private sector to leverage the technical and financial capacity of the markets to extend coverage to new risks not covered by the EVCAT regime operational since 2020 (critical infrastructure, emerging risks...)

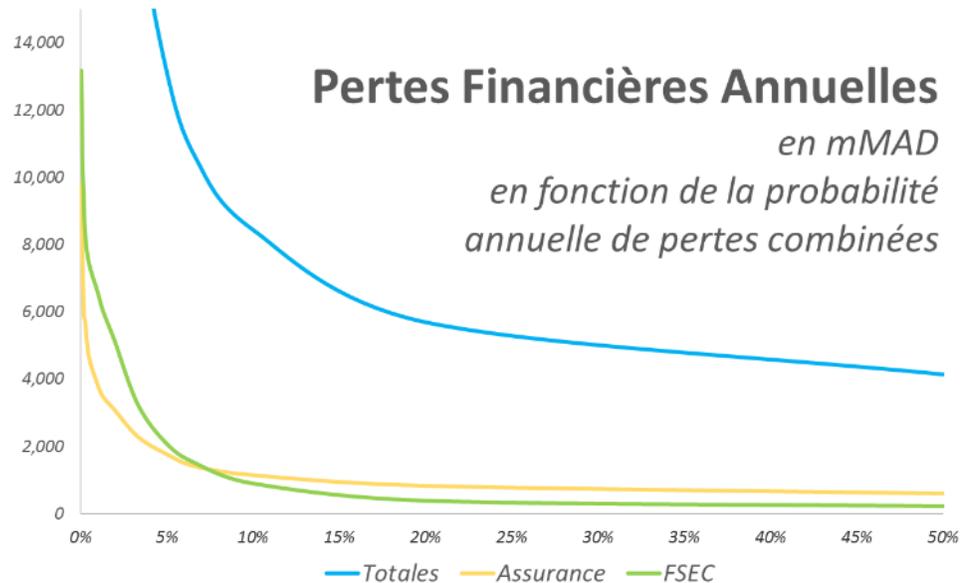
Risk Financing and Insurance in Morocco

How it all started

- After the Al Hoceima earthquake in 2004, Morocco actively engaged in setting up a catastrophic impact insurance scheme.
- To ensure the ownership of the insurance industry in this major undertaking, an extensive technical assistance program covering several aspects including governance, [actuarial modeling of financial risk](#) and disaster response financing has been established.
- Modeling work has been used to estimate the likely losses due to these disasters. They also demonstrated the need for a public insurance scheme to complement the private scheme given the low insurance penetration rate.
- Thus, an EVCAT scheme has been set up combining both an insurance system for the benefit of the holders of insurance contracts and a beneficiary system for the benefit of persons without insurance.
- Insurance coverage is offered as part of an EVCAT benefit that is mandatory in insurance contracts covering damage to property as well as automobile and bodily liability.
- Public coverage is designed to avoid crowding out private coverage by offering slightly less coverage. It covers bodily injury and loss of the principal residence and is financed by means of a parafiscal tax levied on non-life insurance contracts.
- This regime covers natural phenomena (earthquakes, floods, tsunamis, etc.) and violent human action (acts of terrorism, riots and popular movements).
- The declaration of a catastrophic event is made by order of the Head of Government following the opinion of the Commission for the Monitoring of Catastrophic Events, chaired by the Ministry of the Interior and involving all the ministerial departments concerned (Finance, Equipment, Health, Housing, Agriculture, etc.) as well as experts chosen for their competence in areas related to catastrophic events and/or damage assessment.

EVCAT Guarantee Pricing

For the pricing of EVCAT losses, a probabilistic risk model for natural disasters was developed. This model simulates 100,000 earthquakes and 10,000 floods and gives an estimate of the probable financial losses related to natural disasters (EQ and LF).



Once insurance losses had been estimated, it was necessary to define:

- pricing that takes into account the risks associated with each guarantee (car, home damage insurance, commercial insurance, industrial insurance, etc.) but also an equalization between the different classes;
- Limits and deductibles for each benefit to keep premium levels within acceptable limits.

At the same time, the estimate of financial losses to be borne by the FSEC made it possible to define the rate and basis of the parafiscal tax instituted for its benefit (1 percent of non-life insurance premiums).

Risk Financing and Insurance in Morocco

Main Program Impacts

- This regime was first implemented during the response to the 2023 Al-Haouz earthquake, demonstrating the benefits of having a pre-established disaster financing framework.
- Responsible institutions, both private and public, were ready to deploy financing instruments that were triggered at short notice.
- In particular, FSEC, which is more exposed than private insurers because the damage caused was concentrated in uninsured rural areas, was able to release US\$300 million in less than a month, of which US\$275 million came from parametric reinsurance placed in international markets.
- Without this system, an equivalent financial response would have had to rely heavily and almost exclusively on the State budget.

Key challenges

- The number of uninsured remains high. Work continues to improve insurance penetration and enhance the role of the private sector in protecting individuals.
- This work should also help improve the resources of the FSEC, which could be expanded to cover new risks.
- Improve data quality to optimize the use of risk transfer options.

Ambition for the future and goals for this week

Capitalize on experiences from other countries and explore innovations and best practices in disaster risk financing to inform ongoing discussions to improve the current disaster risk financing framework.