# Countries Day
# Peer to Peer Exchange

## Country Impact Stories

## Morocco

EVCAT Scheme

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Global Shield Financing Facility

Disaster Risk Financing & Insurance Program

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# Here with you today from Morocco

**YOUNESS LAMMAT**

**Role:** Director of the Protection of Policyholders

**Department:** Supervisory Authority of Insurance and Social Welfare (ACAPS)

**Professional background:** With now 2 years as Director at ACAPS, over 11 years of experience as a Head of Department and more than 28 years of overall experience in various fields, M. Lammat is a state engineer in actuarial science and finance with  skills in technical areas such as insurance, statistical and legal analysis, as well as control of market practices. He has notably worked on the establishment of the EVCAT scheme in Morocco.



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# Country Context

**What impacts us**

## Key Perils

- Flooding is a recurring problem. Those that occurred in Tangier (2008), Al Gharb (2009), and Guelmim (2014) caused numerous casualties, significant damage, and major economic losses. The average annual loss due to flooding is estimated at $417 million.
- Morocco has also experienced several earthquakes over the last 100 years. The most significant seismic events affected 3 regions: Agadir (Agadir earthquake in 1960), the North (Al-Hoceima earthquake in 2004), and Marrakech (Al Haouz earthquake in 2023).

**What are we currently doing**

## Current DRF Program / Strategy

- After the Al Hoceima earthquake in 2004, Morocco actively committed to establishing a system for covering the consequences of catastrophic events.
- To ensure the insurance sector's participation in this major undertaking, a comprehensive technical assistance program was set up. This program covered several aspects, including governance, actuarial modeling of financial risk, and disaster response financing.
- Modeling work helped estimate the probable losses due to these disasters. It also showed the need to establish a public coverage scheme to supplement the private system, given the low insurance penetration rate.
- Thus, an EVCAT scheme was implemented, combining both an insurance component benefiting policyholders and a benefit component for uninsured individuals.



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# DRF Program Deep Dive

## Program Overview

- The **EVCAT scheme** combines a **private** insurance component (EVCAT Guarantee) and a **public** benefit component (FSEC)
- Insurance coverage is offered under an **EVCAT guarantee**, which is obligatorily **included in existing insurance contracts** covering property damage, as well as motor and bodily civil liability.
- The public coverage, provided by **FSEC**, is designed to avoid excluding private policyholders by offering slightly less extensive protection. It covers **bodily injury** and the **loss of the primary residence**, and it's financed by a parafiscal tax levied on non-life insurance contracts.
- This scheme covers **natural phenomena** and **violent human actions**
- The declaration of a catastrophic event is made by decree of the Head of Government, informed by a dedicated Commission that includes all relevant ministerial departments, as well as relevant experts.

## Key Impacts

- This regime was used for the first time to respond to the Al Haouz earthquake in 2023, demonstrating the benefits of having a pre-established disaster financing framework.
- The responsible institutions, both private and public, were ready to deploy financing instruments that were triggered within short deadlines.
- In particular, the FSEC, more exposed than private insurers because the damage caused was concentrated in uninsured rural areas, was able to disburse $300 million in less than a month, of which $275 million came from parametric reinsurance placed on international markets.
- Without this regime, an equivalent financial response would have had to rely heavily and almost solely on the State Budget.



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# Challenges and Way Ahead

## Key challenges?

- The balance of insured to uninsured is tilted towards the latter, implying a heavier burden on the public mechanism.
- These efforts should also contribute to enhancing the resources of the FSEC (Catastrophic Events Solidarity Fund), whose scope may be expanded to cover new risks.
- Data and modeling quality should be improved as it currently constrains the use of risk transfer options.

## Opportunities

- Efforts are ongoing to improve insurance penetration rates and strengthen the private sector's role in protecting individuals.
- By improving the private insurance penetration, FSEC can better focus on the poor and vulnerable, while increasing its financial resources through the parafiscal tax.
- Mutualized data can be used by several actors, so development costs can be shared to reduce the financial burden

**Where do you see the DRF program in next 5 years?**

- Better coverage of losses caused by disasters by improving risk knowledge and assessment.
- Strengthening partnerships with international institutions and the private sector, in order to leverage the technical and financial capacity of markets to extend coverage to new risks not currently covered by the EVCAT regime, which has been operational since 2020 (e.g., critical infrastructure, emerging risks).


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# What can private sector do?

## Asks from Private Sector

- Work on increasing private insurance penetration for existing products
- Enhance R&D efforts to design new products for other risks/exposures
- Mutualize efforts on data and modeling to minimize costs and harmonize information

# ANNEX



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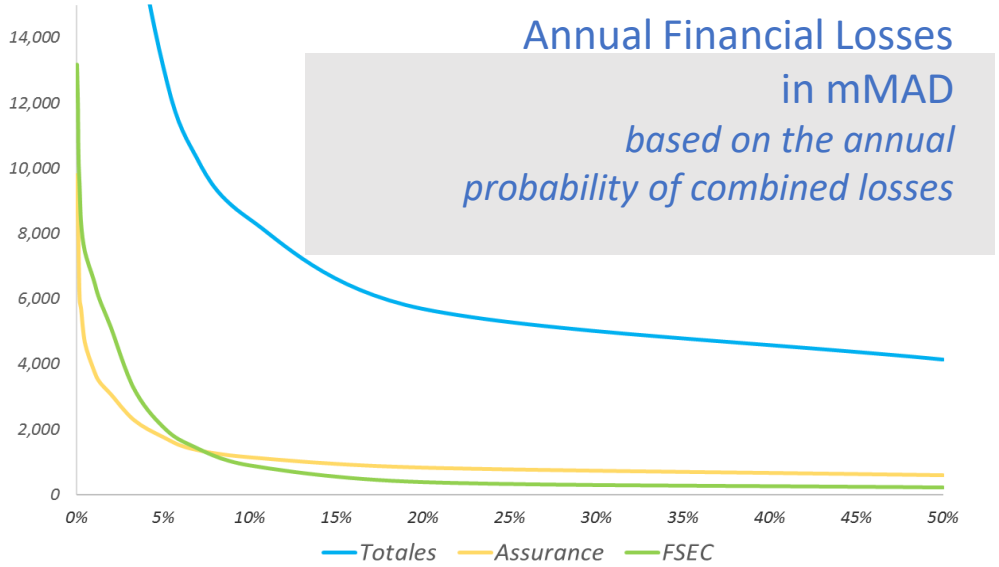
# EVCAT Guarantee Pricing

To price EVCAT losses, a probabilistic model for natural disaster risks was developed. This model simulates 100,000 earthquakes and 10,000 floods, providing an estimate of probable financial losses related to natural catastrophes (earthquakes and floods).




Once the insurable losses were estimated, it was necessary to define:

- Pricing that considers the risks associated with each type of guarantee (auto, home damage insurance, commercial, industrial, etc.), while also ensuring equalization across different branches.
- Caps and deductibles for each guarantee to keep premium levels within acceptable limits.

In parallel, the estimation of financial losses to be covered by the FSEC (Catastrophic Events Solidarity Fund) helped define the rate and basis of the parafiscal tax instituted for its benefit (1% of non-life insurance premiums).

PROSPERITY

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