

RESTRUCTURING THE PUBLIC INSURANCE SECTOR IN EGYPT- WAS IT INSIGHTFUL??

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ABSTRACT

The public insurance sector in Egypt has been restructured during the period 2006-2010, as an endeavor to enhance its efficiency. Restructuring aimed at expanding the insurance sector share in the development process, enhancing its competitive advantage, providing new insurance services, improving its financial status, and finally maximizing the use of its human resources. Most importantly the main objective of the restructuring program was to eliminate unhealthy competition between public insurance companies that resulted in diminishing market share ratios.

The study to assess the value of the restructuring process depended on a purposive sample in selected headquarters to investigate managers and workers' perceptions regarding: the attainability of goals and justifiability of the merger process, comprehensiveness and stakeholders' participation, inputs sufficiency and human resources' satisfaction, and relevance of Program methodology

The assessment revealed that the program had minimal impact on service provision quality, time and accuracy. Moreover, the decision to eliminate the activities of the Egyptian Company for Re-insurance, proved its fallacy, as it resulted in out-of- economy capital drainage, especially from foreign exchanges. Financially; however, the study revealed 44% increase in the capital value of affiliated companies after the program, which enabled to afford higher values of risk.

The study recommended developing new information system to facilitate providing insurance services accurately and efficiently, and enabling customers to electronically pay their installments via credit cards. Providing proper training was; moreover, a necessity to enhance workers' knowledge and skills. The study also recommended incorporating all stakeholders in improvement strategies in order to enhance the acceptance of any new program and minimize possible resistance.

KEYWORDS: Administrative Reform, Egypt, Insurance Sector, Merger, Restructuring

INTRODUCTION

The public insurance sector in Egypt has been restructured during the period 2006-2010, as an endeavor to enhance its efficiency. Restructuring aimed at expanding the insurance sector share in the development process, enhancing its competitive advantage, providing new insurance services, improving its financial status, and finally maximizing the use of its human resources. Most importantly the main objective of the restructuring program was to eliminate unhealthy competition between public insurance companies that resulted in diminishing market share ratios.

Before the restructuring process, there were four insurance companies owned by the government; Misr, Al Sharq, Al Ahlia , and the Egyptian Co. for Re-Insurance. That is in addition to Misr Co. for managing Real Estate Activities.

Restructuring resulted in keeping only two insurance companies owned by the government. The first specialized in properties insurance; Misr Insurance Company, and was the result of merging both Al-Shrqu insurance company and The Egyptian Reinsurance Company. The second specialized in life insurance, called Misr Life Insurance.

Although the restructuring experiment ended in 2008, no real assessment of its effectiveness has been carried out. Thus this paper comes to investigate the effectiveness of restructuring the public insurance sector qualitatively and quantitatively. Qualitatively, is done by assessing the perceived benefits and effectiveness of the program from workers' point of view, while quantitative assessment depends on some financial figures.

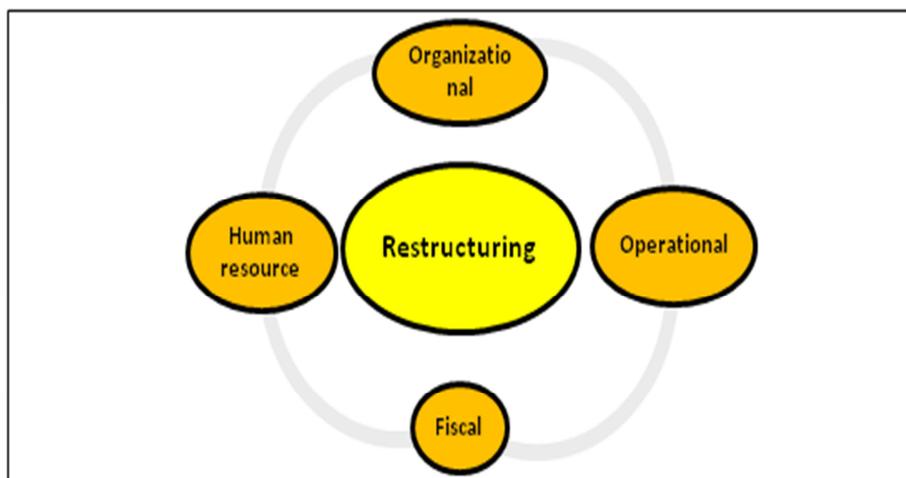
Research Questions

- What were the reasons triggering the Egyptian Government towards restructuring the public insurance sector?
- How far the restructuring adopted contributed to solving the problems of the insurance sector?
- Was restructuring the best approach towards improving the insurance sector?

Theoretical Frame

Restructuring has no précised definition, but the term suggests overall redesigning of the system. Structural reform includes: decentralization, shared decision making, innovations, teamwork formation, external and internal accountability, and new forms of assessment (Newmann & Wehlage, 1995).

Based on reviewing the literature in the field of restructuring, one can conclude that it could be applied in different forms grouped into four main categories (ANSA, 2010); organizational, operational, fiscal, and human resource restructuring. The first category; i.e., organizational, is concerned with inducing changes in the organizational charts through mergers, acquisitions, privatizations or partnerships. The operational restructuring is something related to re-engineering work procedures, through simplification, automation, adoption of enterprising techniques in public organizations, or even applying the scientific management principals in designing what was called “the best way to do the job”. The fiscal restructuring may include budgetary reform when adopting for example performance based management or when aiming cost reduction. The last category; human resource restructuring, includes all activities targeting the workforce. Downsizing comes on the top of such activities, in addition to redefining codes of conduct rules and transformational training and any other induced change in human resource policies (Schechter, 2000).



Nonetheless, the interdependence and overlap among the different restructuring categories is very notable and inevitable, as undergoing any form would entail to a great extent the adoption of other motioned forms.

In general, restructuring is seen as an activity done by organization to change the process and internal control from a traditional vertical functional hierarchy to a horizontal slim structure, cross functional based on teamwork and the process. In this way, the organization is restructured to be open management organization, responsive and adaptive to changes, and supportive to operational rapidity, has high flexibility, able to imposed control and increase accountability (Obolensky, 1996).

Administrative reform strategies could be classified into four main types based on: (1) the number of critical variables the strategy encompasses; i.e., wages, training, incentives, appraisals...(2) the scope of implementation; i.e., the number of organizations included. Accordingly, the following reform strategies emerge: partial, horizontal, sectoral, and comprehensive- as shown in the figure (Ashour, 1995):

Number of reform Variables Number of Organizations	Few	All
Few	Partial	Sectoral
All	Horizontal	Comprehensive

Types of Reform Strategies

Source: Ashour (1995), Reforming Public Administration.

Worth to mention that concentrating on one or few reform variables will have minimal impact on performance improvement, as other key influential elements are discarded- as the case in the Partial Strategy. Things got worse, if this strategy is being applied on larger sectors; i.e., horizontal strategy, as more waste of resources will take place. On the other hand, encompassing all or most of the critical reform variables in the strategy will, to a great extent, result in dramatic performance improvement. This will take place either the strategy is being implemented on small or larger scale (Ashour, 1995).

Similar to any other reform, restructuring can be remedial or developmental. It may be intended to remedy current situations, for example, to improve the poor performance of a product or the entire organization, reduce burnout in the workplace, help the organization to become much more proactive and less reactive, or address large budget deficits. Also, restructuring can be developmental – to make a successful situation even more successful, for example, expand the amount of customers served, or duplicate successful products or services. Developmental projects can seem more general and vague than remedial, depending on how specific goals are and how important it is for members of the organization to achieve those goals (Authenticity Consulting, 2006). However, restructuring is most likely to happen whenever companies are battling and taking a loss. A Third-party is going to be introduced directly into assess the way in which the company has been run, and then suggest recommendations according to the things they found that can help result in the business run more effectively (Flexible Resources, 2012).

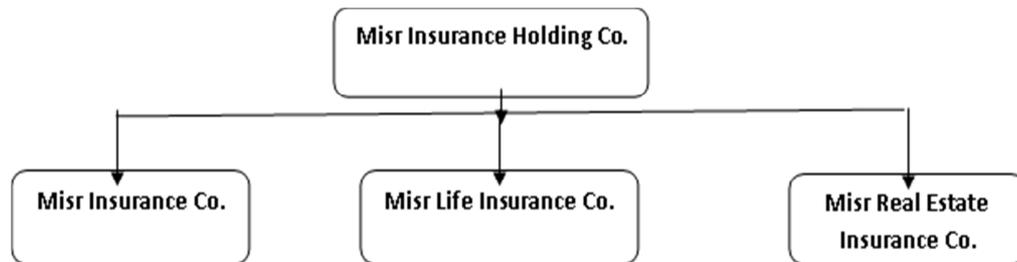
Whatever restructuring is considered remedial or developmental, it is crucial, like any other reform policy, to assess its outcomes. Program assessment helps in: affecting the formulation of public policies, improving resources allocation, energizing objective oriented and achievement focused culture within organizations, improving output delivery mechanisms, and checking on customers' satisfaction (World Bank, 1994). Moreover, program assessment may be considered as a tool towards enhancing the comprehension and agreement around program objectives and effectiveness (El-Swa, 2004). Participatory monitoring and evaluation is of great importance in the assessment process, as it empowers

all stakeholders to feel their ownership to the programs applied, in addition to deeply rooting transparency and accountability values (World Bank, 2010a). The assessment applied in this paper fits somehow to such “participatory” assessment, especially in its qualitative part, as it seeks to explore the value of restructuring the public insurance sector program through investigating workforce’s perceptions towards its effectiveness utilizing multiple criteria represented in: goals attainability and justifiability of the merger process, comprehensiveness and stakeholders’ participation, inputs sufficiency and human resources’ satisfaction, and finally relevance of Program methodology.

Public Insurance Companies (PIC’s) – Background

PIC’s refer to totally government owned companies, with no partners or shareholders, and subject to the Egyptian Public Corporations Law no. 203 for 1991. Profits attained are transferred to the public treasury, with no financial support from the government side, as they depend on their resources from insurance installments to pay for compensations, expenditures and wages.

The recent structure of PIC’s represented in one holding company established in July 2006, and three affiliated companies – as represented in the figure:



Consequently, one can notice that the restructuring program was mainly focusing on the merging tool; i.e., the “organizational” form of restructuring. Further, the study will reveal whether this reform strategy most likely fits under the sectoral or horizontal type of strategies as mentioned earlier.

Worth notion that the Holding Co. does not provide any insurance activities, its responsibilities are to form the public Insurance policies, appoint the affiliated companies boards of directors, and approve their financial statements. Profits gained are transferred to the Holding Co., then to the Treasury afterwards. Its capital was around 3.1 billion in 2013 (The Annual report of Misr Holding Co., 2012/2013: 7).

Case Study

The population of the study includes all workers at the two companies; Misr Insurance Co., and Misr life Insurance. Misr Real Estate Insurance Co. was excluded as it is not practicing any insurance activities, rather it only manage real estate properties. Similarly, the Holding Co. was excluded as it is not engaged in any insurance activities.

Accordingly, the population of the study included all those who work for Misr Insurance Co. of number 3500 workers at different job levels, and 2350 for Misr Life Insurance. The total population was; thus, 5850 in different job ranks (Misr Holding Co., 2012/2013: 33, 64).

Using Richard Ginger statistical formula, the sample size could be calculated as follows:

$$n = [(z^2 * p * q) + ME^2] / [ME^2 + z^2 * p * q / N]$$

With confidence level at 95% (standard value of 1.96) and error margin of 5% (standard value of 0.05), the total sample size is 676, 346 from Misr Co., and around 330 from Misr life Co. 30 additional questionnaires were distributed to minimize errors; thus, the total questionnaires distributed were 736.

The study depended on a purposive sample in selecting the headquarters of both companies in seven regions, and excluding all branches. This approach could be justified as in those headquarters of those regions the main bulk of the workers are concentrated, and they were the primary target of the restructuring process.

The study also depended on a quota sample in distributing questionnaires over different headquarters in the different regions. Moreover a simple random sample was applied in distributing questionnaires among workers of different headquarters.

The questionnaires were classified using factor analysis approach to check their reliability. Factor analysis resulted into dividing the questionnaires into 17 parts reflecting the criteria upon which we could assess the impact of the merger program on the public insurance sector. The criteria were as follows: goals attained, reasons behind merger, sufficiency of inputs, support, participatory approach, commitment, integration, methodology, number of workers, absence of duplication and interference, delegation of authority, transparency, efficiency, human resource development, job satisfaction, improved accountability, and finally results and drawbacks. These 17 criteria were grouped into 4 main criteria represented in:

- Attainability of goals and justifiability of the merger process.
- Comprehensiveness and stakeholders' participation,
- Inputs sufficiency and human resources' satisfaction.
- Relevance of Program methodology

The study used Likert five- level scale to investigate the samples' opinion towards the restructuring process adopted. Answers were encoded to take the numbers from 1-5 corresponding with the answers from "completely agree" to "completely disagree".

RESULTS

The questionnaires investigated the samples' attitude against the four main criteria mentioned above. Following is the analysis of the results gained.

Attainability of Goals and Justifiability of the Merger Process

The Attainability of Goals

Questions addressed the individuals' opinion concerning three main facets. Table (1) shows these facets and the average and standard deviation of answers collected.

Table 1: Program Goals

Question	Average	St.
Goals Clarity and decisiveness	3.15	1.236
Availability of measurable objectives	2.93	1.170
Goals appropriateness	3.17	1.243

Responses were inclined to show “neutral” opinion, as the average was around 3; i.e., participants were not fully aware of the program objectives and criteria, with high consensus level (st. =+ 1).

Justifiable Reasons for Restructuring

Questions addressed individuals’ attitudes towards the availability of rationale behind adopting the program. Results came as shown in Table (2).

Table 2

The Program Aimed to	Average	St.
Improve performance and Productivity Levels	2.46	1.267
Solve already existing contradiction and duplication problems	2.90	1.281
Reduce Cost and increasing Profits	2.80	1.209
Fight Corruption	3.34	1.087
Benefit other economic Sectors	2.68	1.128

Averages below 3 were of the ratio 4:1, indicating that individuals perceive that the restructuring program was the appropriate approach to solve the sector problems. 80% of individuals “agreed” on the goals mentioned above.

Comprehensiveness and Stakeholders’ Participation

This criterion was includes the following three criteria:

Program Comprehensiveness and Integration

This criterion addressed whether the program managed to achieve the balance between workers’ psychological and sociological needs side by side its concern about organizational needs. The results are shown in Table (3).

Table 3: Program Comprehensiveness and Integration

The Program Managed to:	Average	St.
Achieve the balance between workers’ psychological and financial needs	3.17	1.202
Provide motivating work conditions	2.98	1.294
Focus only on organizational arrangements	2.61	0.92

As shown from the table, 67% of individuals were for “neutral”; i.e., it is hard to assign any positive or negative attitudes towards the questions addressed.

Stakeholders’ Participation

This dimension investigated how far the program allowed for stakeholders’ involvement (workers, customers, private sector). The results are shown in Table (4).

Table 4: Stakeholders’ Participation in the Program

The Program allowed for :	Average	St.
Workers’ participation in planning	3.71	1.267
Workers’ participation in Program implementation	3.73	1.281
Accepting consultation from out of the sector experts	2.63	1.209
Private sector participation	2.98	1.087
Amending the program to cope with target groups’ needs	3.17	1.128

The Degree of Support and Commitment to the Program

This criterion investigated the support to the Program as received from ministerial leaders, top administrators, In addition to the commitment from both the top administrators and the workers to apply the changes required. 75% of the averages of opinions expressed were for the second alternative in the scale; i.e., “Agree,” indicating thus that the program got the required support and enjoyed the required commitment from both administrators and workers. Also he answers witnessed low degree of diffusion that ranged from 1.037-1.162. The results are represented in Table (5).

Table 5: The Degree of Program Support and Commitment

The Program Received Enough	Averages	St.
Support from ministerial leaders	2.02	1.037
Support from top administrators	2.17	1.093
Commitment to adopt changes by the administrators	2.73	1.162
Commitment to adopt changes by the workers	3.41	1.072

Human Resources' Sufficiency and Satisfaction

Sufficiency

Table (6) indicates that 80% of individuals “disagree” on managing to restructure the human resource to suit new responsibilities. Also only 20% of individuals admitted that there is a resistance to change from workers' side.

Table 6: Human Resource Sufficiency

The Program	Averages	St.
Kept the balance between number of workers and work responsibilities	3.51	1.207
Downsized the human Capital	3.24	1.179
Applied new human resource policies	2.90	1.261
Raised Resistance to Change	2.71	1.309

Human Resources' Satisfaction

50% of individuals admitted that the Program led to wages improvement and skills improvement as many were allowed to get enrolled in training sessions abroad and attend local and international conferences. Another 50% showed a “neutral” perception concerning managing to achieve justice among workforce in appointing selecting and performance assessment. Concerning accountability, the program had had positive impact in enhancing accountability mechanisms and eliminating corruption, as perceived by 60% of the sample. This result is shown in Table (7).

Table 7: Workers' Perceived Satisfaction

The Program	Average	St.
Depended on Transformational Training Program for workers	3.41	1.072
Developed workforce skills	2.56	2.56
Improved wages and salaries	2.34	1.371
Achieved Justice among Workforce	2.80	1.327
Provided new accountability measures	3.02	1.129
Eliminated Corruption	3.00	1.072

Relevance of Program Methodology and Consequences

This criterion concentrated on analyzing the Program impact on the efficacy of providing insurance services and its consequences concerning eliminating duplication and ensuring transparency and decentralization. The results are shown

in the following Table.

Table 8

The Program	Average	St.
Reduced operational cost	3.20	1.055
Improved the quality of services provided	3.24	1.044
Improved the quantity of services provided	3.10	1.044
Depended on successful benchmarks	2.80	1.054
Was applied according to specific timeframe	2.76	0.969
Hold sessions and workshops to enhance workers' awareness about its objectives and reasons	3.20	1.145
Applied concurrent evaluation	3.00	1.072
Had the full authority to get implemented	2.61	1.070
Ensured proper coordination between different authorities	3.07	1.81
Ensured clarity of missions and tasks	2.83	1.107
Ensured clarity of line of authorities	2.88	1.053
Delegated enough authority to line staff	3.24	1.241
Provided e-brochures for different insurance documents	2.95	1.071
Ensuring transparent mechanisms in appointing and selecting promoting workers	3.07	1.233
Enabled electronic interaction with customers	3.27	1.049

Respondents perceived that the program was properly administered, as it depended on bringing in successful benchmarks, was carried out according to definite timeframe and sufficient coordination among different authorities. These results were exhibited with standard deviation taking a value around 1.

As for the consequences, the respondents showed neutral perception concerning the duplication of tasks elimination and the clarity of lines of authority, with low value of standard deviation.

Decentralization of authority was another consequence assessed. The program as apparent from the table did not maintain the balance between responsibilities and delegated authorities to first line managers, with an average less than 3; but with high degree of dispersion over 1.2.

Moreover, transparency was not evidenced between program administrators and workers, with averages more than 3 referring to "disagree" alternative, and high degree of consensus (St. around 1). Mechanisms in appointing, selecting and promoting workers were not clear, workers were not allowed to get engaged in the program before getting started, and finally an electronic index of insurance certificates was not properly provided to workers.

In nutshell, the performance of the Insurance sector did not witness major improvements. This could be attributed to adopting the mindset of what is called "the horizontal-reform strategy." In which it is falsely presumed that changing one or few of the critical performance related variable, the improvement would be inevitable. As mentioned earlier, in order to effectively improve performance, all critical performance related variables should be addressed from the beginning and incorporated in the strategy (Aaref, 2015).

Program Positives as shown from the Open End Questions- were as Follows:

Eliminating competition among public insurance companies,

Enhancing wages and salaries,

Segregating life insurance from real estate insurance, as each has its unique tools and mechanisms,

Increasing the capital value of affiliated companies,

Establishing the biggest insurance entities in the area of real estate and life insurance, due to the merger and acquisition processes took place in the restructuring program.

Providing new insurance services; such as complementary insurance certificates, and

Adopting new promotion policy and focusing on improving human resources capabilities.

Nonetheless, the Program Drawbacks were as Follows- as Perceived from 66% of Respondents:

Merging the Egyptian Re- Insurance company with Misr Insurance Co. led to eliminating the former's activities. Consequently huge insurance installments were drained towards off-shoring insurance companies.

The emergence organizational conflict among different workers affiliated previously to different companies,

Unfortunately, the program did not enhance the public insurance sector's contribution to GDP, as was planned.

The market share decreased, although the increase in the installments' value.

CONCLUSIONS

The study revealed that the Public Insurance sector restructuring followed a remedial approach in reforming the insurance sector. Also the assessment revealed that the program had minimal impact on service provision quality, time and accuracy. Payment of insurance installments is still manually administered. Also no new insurance service or certificates were produced as a result of the restructuring process, rather only some new certificates were produced due to the political conditions; represented in providing insurance certificates covering the risks of protestations, strikes and chaos. Moreover, the decision to eliminate the activities of the Egyptian Company for Re-insurance, proved its fallacy, as it resulted in out-of- economy capital drainage, especially from foreign exchanges. Financially; however, the study revealed 44% increase in the capital value of affiliated companies after the program, which enabled to afford higher values of risk.

The study recommends developing new information system to facilitate providing insurance services accurately and efficiently, and enabling customers to electronically pay their installments via credit cards. Providing proper training is; moreover, a necessity to enhance workers' knowledge and skills. The study also recommends incorporating all stakeholders in improvement strategies in order to enhance the acceptance of any new program and minimize possible resistance. Finally, the re-establishment of the re-insurance company is highly recommended to accommodate both Egyptian and African re-insurance installments- as it was before.

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APPENDICES

Appendix (1) Colsed- End Questions

	Fully Agree	Agree	Neutral	Disagree	Fully Disagree
Goals were Clear and decisive					
measurable objectives were Available					
Goals were appropriate					
The Program Aimed to:					
Improve performance and Productivity Levels					
Solve already existing contradiction and duplication problems					
Reduce Cost and increasing Profits					
Fight Corruption					
Benefit other economic Sectors					
The program Managed to:					
Achieve the balance between workers' psychological and financial needs					
Provide motivating work conditions					
Focus only on organizational arrangements					
The Program Allowed for :					
Workers' participation in planning					
Workers' participation in Program implementation					
Accepting consultation from out of the sector experts					
Private sector participation					
Amending the program to cope with target groups' needs					

The Program Received Enough:					
Support from ministerial leaders					
Support from top administrators					
Commitment to adopt changes by the administrators					
Commitment to adopt changes by the workers					
The Program:					
Kept the balance between number of workers and work responsibilities					
Downsized the human Capital					
Applied new human resource policies					
Raised Resistance to Change					
Depended on Transformational Training Program for workers					
Developed workforce skills					
Improved wages and salaries					
Achieved Justice among Workforce					
Provided new accountability measures					
Eliminated Corruption					
Reduced operational cost					
Improved the quality of services provided					
Improved the quantity of services provided					
Depended on successful benchmarks					
Was applied according to specific timeframe					
Held sessions and workshops to enhance workers' awareness about its objectives and reasons					
Applied concurrent evaluation					
Had the full authority to get implemented					
Ensured proper coordination between different authorities					
Ensured clarity of missions and tasks					
Ensured clarity of line of authorities					
Delegated enough authority to line staff					
Provided e-brochures for different insurance documents					
Ensuring transparent mechanisms in appointing and selecting promoting workers					
Enabled electronic interaction with customers					

Appendix (2) Open- End Questions

In your Opinion....

- What were the main results attained through the program?
- What were the major disadvantages taking place after Program Implementation?
- What are the suggestions should be considered if we want to further improve the sector performance?

