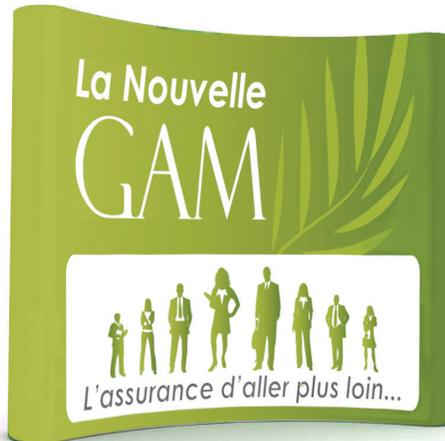


Case Study: Générale Assurance Méditerranéenne (GAM)

GAM's story

GAM was created in 2001. The insurance market in Algeria at the time was – and still is – dominated by the state: as of March 2001, state-owned companies represented 74.5% of market premiums. GAM was one of the first private insurance players on the market.

When ECP bought GAM in 2007, the insurance company was poorly run. It was highly leveraged and the business model was not competitive. However, the insurance market in Algeria showed great promise with a sector penetration of only 0.6% of GDP compared to 3.4% in Morocco, 2.0% in Tunisia and a world average of 7.6%. In addition, the state-owned companies that dominated the industry generally offered poor services, with long delays in claim settlements.



ECP therefore saw an opportunity to develop an insurance company that would deliver high quality service, with innovative products and prompt claim settlements. In order to fulfill its ambitious strategy, ECP acquired 100% of GAM's shares.

The role played by Private Equity

ECP's first task was to reduce GAM's debts and eliminate unpaid claims. Its next priority was to put in place a strategy to grow GAM into a market leader in retail insurance.

Insurance companies in Algeria are notoriously slow at processing claims, which partly explains the low penetration rate. GAM was no exception: claims were itemized and managed by its 200 agencies, a process which was highly inefficient. ECP decided to centralize claim management by introducing a new IT system, effectively 'mechanizing' claim processing. This would ensure efficiency and consistency of treatment, limit the potential for fraud, and focus agencies on sales rather than administrative tasks. The project required connecting all agencies to a

single network and training staff to use the new system. ECP also devised a three-part training program covering various aspects of the insurance business: production and subscription; technical management of claims; and an overview of underwriting procedures.

Efforts are paying off: GAM is now the only insurance company in Algeria to pay claims within 10 days. In 2009, while the insurance market grew by 15%, GAM grew by 30%. Over the first half of 2010, sales increased by 60%. With 400 points of sale, GAM now has the largest insurance network in Algeria. With an estimated market size of \$1.2 billion, Algeria's insurance sector is expected to continue to grow at double digit rates. Forthcoming insurance reforms should also allow GAM to make acquisitions.

The Company



Essentials

Company: Générale Assurance Méditerranéenne (GAM)
www.gam.dz

Region: Africa

Country: Algeria

Sector: Financial services

Business focus: Insurance

Size: Revenue EUR 22 million (2009);
762 employees as of June 30 2010

Investor: Emerging Capital Partners (ECP), www.ecpinvestments.com, the first private equity firm to raise more than USD 1.8 billion for investments across Africa

Investment: ECP controls 100% of GAM and has increased its capital since its purchase in August 2007

Impact Highlights

In 2009, GAM sales grew twice as fast as the market with sales growth reaching 30%. Over the first half of 2010, GAM sales grew by more than 60%

Thanks to a new centralized IT system, GAM can now make payments within 10 days of receiving claims in contrast with a considerably longer industry average

GAM is now the largest insurance network in Algeria, with more than 400 points of sale

ECP brought in a new management team and invested heavily in training all company staff, both in commercial skills and insurance expertise

The Company View



"Our ambition is to use our existing client base of 300,000 to explore new product avenues. ECP helped us build a competitive commercial platform so the next step is to expand it.

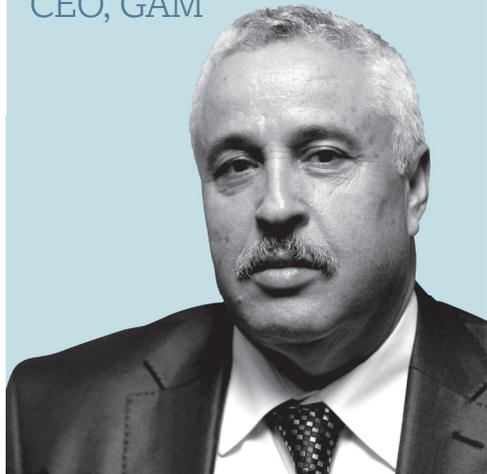
Our biggest challenge in implementing a transition to a broader product base will be to equip our staff with the right skills. We also want to devise an incentive package that will reward the highest-performing individuals in the company and help us retain the best talent.

We know ECP wants the best for the company so we can only support their initiatives. We hope we can reach a turnover of EUR50 million by 2011."

Mohamed Omari

"GAM has tremendous potential. To make that potential a reality, we just need to fine-tune our processes and ECP's input will be invaluable in doing so."

Mohamed Omari,
CEO, GAM



"GAM is unrecognizable from its former self; the company has transformed to a high-growth firm with tremendous future prospects and has become an industry benchmark"

Géraldine Mermoux,
Director ECP,
Non-Executive Director of GAM

A force for good

As well as reorganizing GAM's operational structure and focus, ECP worked on aligning GAM's governance with international best practices. ECP set up a governance structure intended to build external compliance and monitor its internal operations.

The firm also created an executive committee to oversee GAM's transformation. The committee, comprised of senior management and board members, met twice a month initially. It now meets monthly, and it is supported by technical sub-committees such as the finance committee, audit committee, and subscription & commercial committee.

ECP has invested heavily in developing GAM's talent pool. At the end of June 2010, GAM staff had increased by 25% compared to 2009, reaching 762 people.

Finally, ECP's investment has had an impact on Algeria. The arrival of such a large investor in a sector other than hydrocarbon sent a positive signal about the potential of the private sector in the country.



The Emerging Markets Private Equity Association (EMPEA) is an independent, global industry association that promotes greater understanding of and a more favorable climate for private equity investing in the emerging markets of Africa, Asia, Central/Eastern Europe and Russia/CIS, Latin America, and the Middle East. EMPEA's 270 members represent a broad array of private equity fund managers, institutional investors, service providers, and other key stakeholders in the industry. Contact us at www.empea.net Email: empea@empea.net Phone: +1 202 333 8171

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