Overview of the Lebanese Insurance Sector in 2017

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The insurance sector, like many other sectors of the Lebanese economy, has been inevitably under the strain of local and regional turmoil. In Lebanon, the resignation of Prime Minister Saad Hariri in November 2017 raised many question marks and sparked high demand on the dollar. Fortunately, the market scare was short-lived and controlled once the Prime Minister put his resignation on hold. Regionally, the Syrian war and its spillovers into Lebanon are still ongoing; Lebanon hosts over 1.5 million Syrian refugees.

In spite of some setbacks, the Lebanese insurance sector has remained resilient in the face of regional and local headwinds. This is shown by the slower growth rates registered by both claims and premiums. However, it is normal for the sector to slow down under the general economic gloom and the political instability.

Major Developments in the Insurance Sector

In 2017, the Central Bank of Lebanon prohibited the promotion of insurance products through the banks. In an official announcement, the Central Bank of Lebanon called on Lebanese banks not to engage in or market any insurance and re-insurance activities and not to allow any brokers or insurance representatives on the banks' premises. The Central Bank of Lebanon noted that by law, banks are allowed to to practice **only** banking activities and only insurance and re-insurance bodies authorized by the Ministry of Economy and Trade are allowed to market for and conduct insurance practices. The Central Bank also mentioned that its announcement came after it received an official address from the Insurance Control Commission which mentioned that some Lebanese banks are marketing various types of insurance contracts through a multitude of media outlets and social media platforms.

It is important to note that the Central Bank's notification is not a restriction on the bancassurance model in itself. The bancassurance model is valid and allows banks to own insurance companies. The new announcement made by the Central Bank of Lebanon does not prevent the banks from owning and normally running their insurance companies; it simply stipulates that the insurance activities of these companies cannot be promoted through the banks' media outlets or on the banks' premises.

Although it was announced in 2018, the "guaranteed renewability of all medical insurance contracts" is a striking reform worth mentioning. In April 2018, the Insurance Control Commission (ICC) announced that "the general and special provisions of medical insurance contracts cannot be changed after the first underwriting of the insured person, with an observation period of 6 months. Consequently, it would not be possible for the insurance companies to amend the medical insurance policy for a given insured member in a discretionary manner depending on the evolution of his health condition." This decision applies to new medical insurance contracts and to existing ones.

The guaranteed renewability of medical insurance is an important step towards strengthening the fragile social safety net in Lebanon. Retirees in the private sector are particularly vulnerable since Lebanon is the only country in the MENA region that doesn't offer social security for private sector retirees. Although private sector employees make monthly contributions to the National Social Security throughout their active career years, all they receive at retirement is a lump-sum of the accumulated contributions and the equivalent of one month of earnings for each year of service. When this lump-sum is eroded, they no longer benefit from any government-provided coverage against health risks, which especially materialize in old age.

However, turning to private medical insurance is an expensive option that not all Lebanese can afford. Although official data is lacking, the unemployment rate in Lebanon is high and is exacerbated by the presence of Syrian refugees which accept much lower wages, especially in low skill jobs. According to the World Bank' s estimates, the Syrian crisis has pushed an additional 250,000 to 300,000 Lebanese citizens into unemployment, most of which are unskilled youth. In light of these figures, the guaranteed renewability of medical insurance greatly improves the status of the insured Lebanese citizens but does not eliminate the need for a government-provided social security.

Key Metrics in the Insurance Sector

According to the ICC, gross written premiums reached $1.63 billion in 2017, up by 3.56% from the previous year. Although this growth rate is better than the rate of 3.12% registered back in 2016, it is still below the 4.65% in 2014 and the 4.63% in 2015.

The distribution of gross written premiums across all lines of business has been consistent over the 2013-2017 period. Life insurance captured 31% of the total value of gross written premiums, followed by 29% for health insurance, 23% for Motor Insurance and 17% for Property and Casualty insurance.

Premiums in the Life Insurance segment

Premiums in the life insurance segment have grown in 2017 but at a slower rate compared to previous years. According to the ICC figures, the value of life insurance premiums totaled $498.35 million in 2017, up by 3.97% year-on-year. However that growth is the slowest since 2013. (The growth rate in life insurance premiums stood at 4.61% in 2014, 8.20% in 2015 and 4.74% in 2016).

The bancassurance model helps in boosting the life insurance segment but awareness towards the importance of life insurance is still lacking. In fact, life insurance is listed as a requirement for credit facilities offered by the banks. Life insurance is mandatory with housing loans and since those loans grew due to the Central Bank' s subsidies, growth in life insurance followed that of housing loans. However, if they are not compelled to acquire a life insurance as loan collateral, Lebanese citizens are still not fully aware of the benefits of life insurance. In fact, non-life insurance premiums together still accounted for 69% of total premiums in 2017.

Rank	Insurance Company	Gross Premiums Received in 2017 ($M)
1	SNA	140.78
2	ALICO	119.71
3	Bankers	118.42
4	LIA	115.84
5	Arope	106.67
6	Medgulf	99.46
7	AXA	99.13
8	Bancassurance	78.61
9	Fidelity	74.93
10	ADIR	72.68

Source: Insurance Control Commission

Gross Claims Settled

With regards to claims settled, they reached $961.26 million in 2017 across all business lines. With that, the value of gross claims settled would have increased by a yearly 7.58% in 2017, compared to a higher increase of 7.72% in 2016, 10.22% in 2015 and 4.44% in 2014**.**

Gross claims settled in the health and life insurance segments together account for over half the total claims settled in 2017. Gross claims settled in the **health insurance** segment reached $344.93 million in 2017 up by 2.88% compared to 2016 and accounting for 36% of total gross claims settled. Second in line to the claims settled in the health segment are the claims settled in the **life insurance** segment as they rose from $256.14 million in 2016 to $300.86 million in 2017 and therefore accounted for 31% of total gross claims settled in 2017. Claims settled in the **motor insurance** line grew by an annual 2.88% to $344.93 million in 2017 and accounted for 22% of the total. The smallest category of settled claims is accounted for by the **Property & Casualty** segment; claims settled in that line of business amounted to $107.05 million in 2017, up by 4.37% from the previous year.

The ratio of gross claims settled to gross premiums received is even more reflective than each metric taken separately. According to the ICC figures, the value of gross claims settled represented 59% of the gross premiums received in 2017, the highest ratio seen in five years. In fact, while this ratio remained somewhat stable for Motor Insurance (55%), Health Insurance (70%) and Property and Casualty Insurance (38%), it went from 43% in 2013 to 60% in the life insurance segment. This implies that the growth in claims settled outpaced the growth in premiums received in the life insurance segment and that the profit margins of the insurance companies have narrowed.

Albeit resilient, the Lebanese economy will not improve until long-awaited reforms are implemented. Lebanon saw its first Parliamentary elections in 9 years on May 6th and gathered $11 billion in soft loans and grants at the CEDRE conference in April. Without true reform however, Lebanon will not reap the rewards of the return to policy making and of the capital pledged by the international community.

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