

LNE

Lebanon National Energy

Banking & Insurance

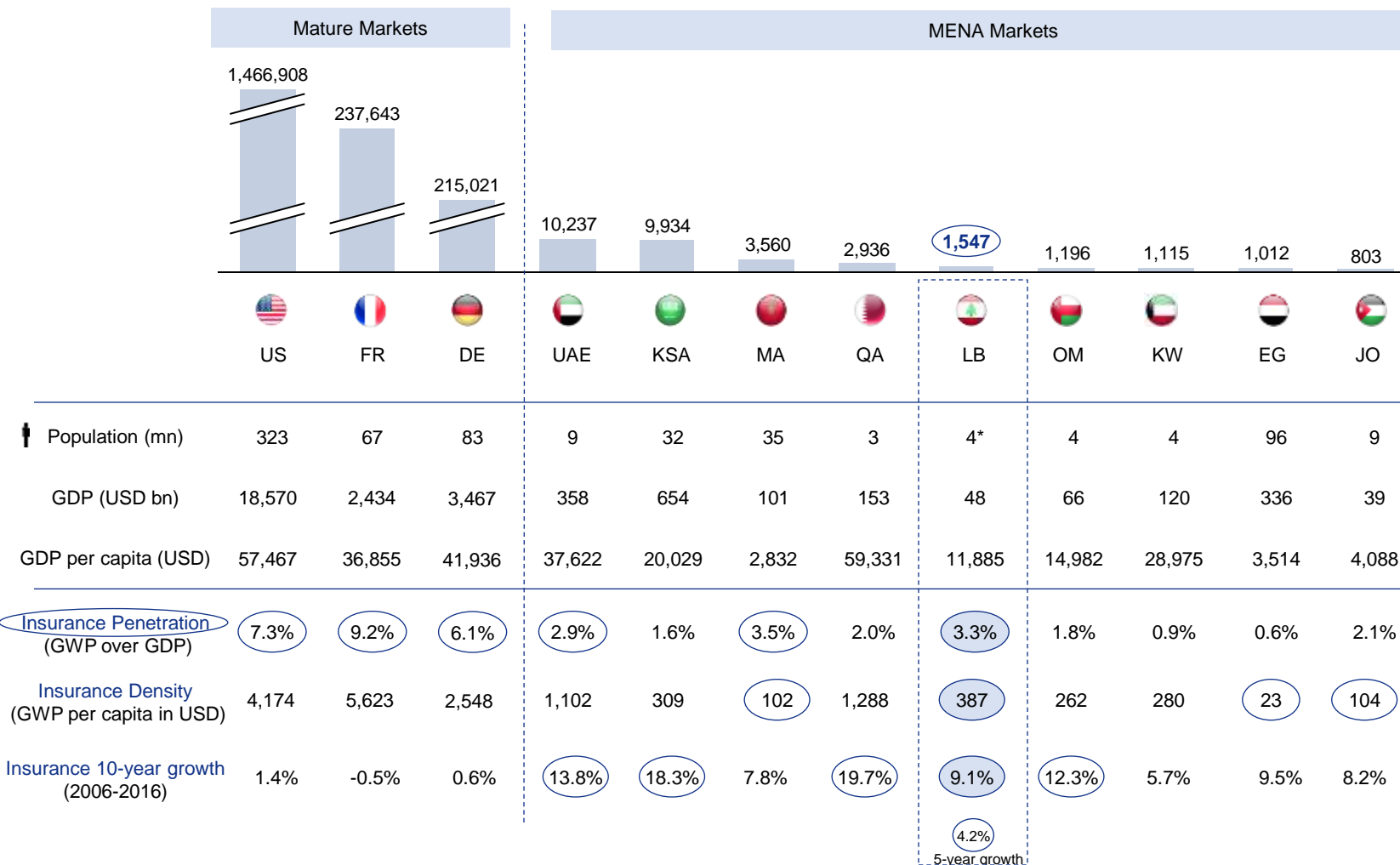
Lebanese insurance market:
“Roadmap to Maturity”

Antoine Issa, October 28th 2017

Lebanese Insurance Market Situation

The Lebanese Insurance sector is developed compared to ME but with large gap potential compared to mature markets

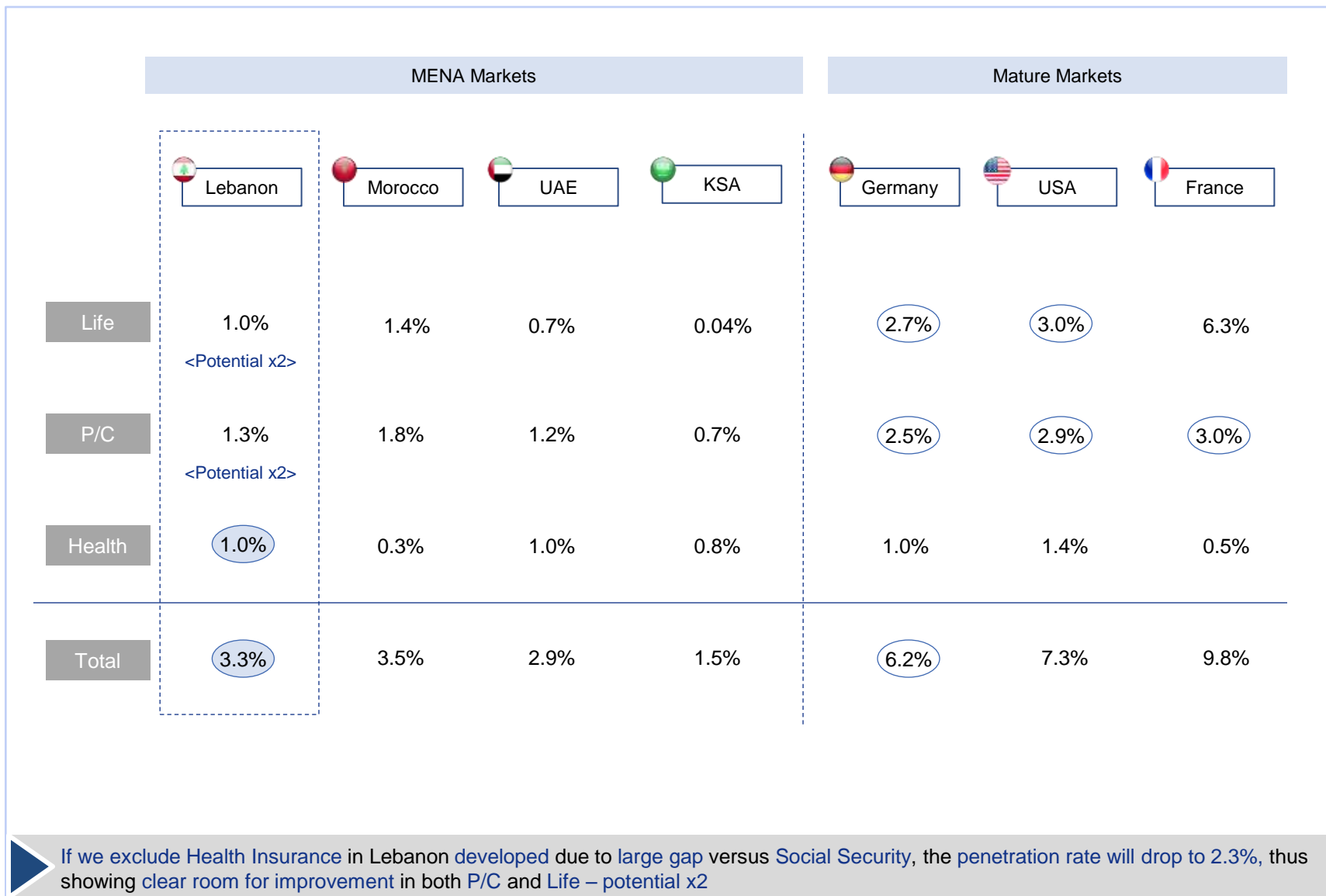
Gross written premiums (GWP) 2016 (USD mn)



▶ Lebanon has the largest penetration rate in MENA, a high density compared to non-oil countries, but is growing less than GCC countries

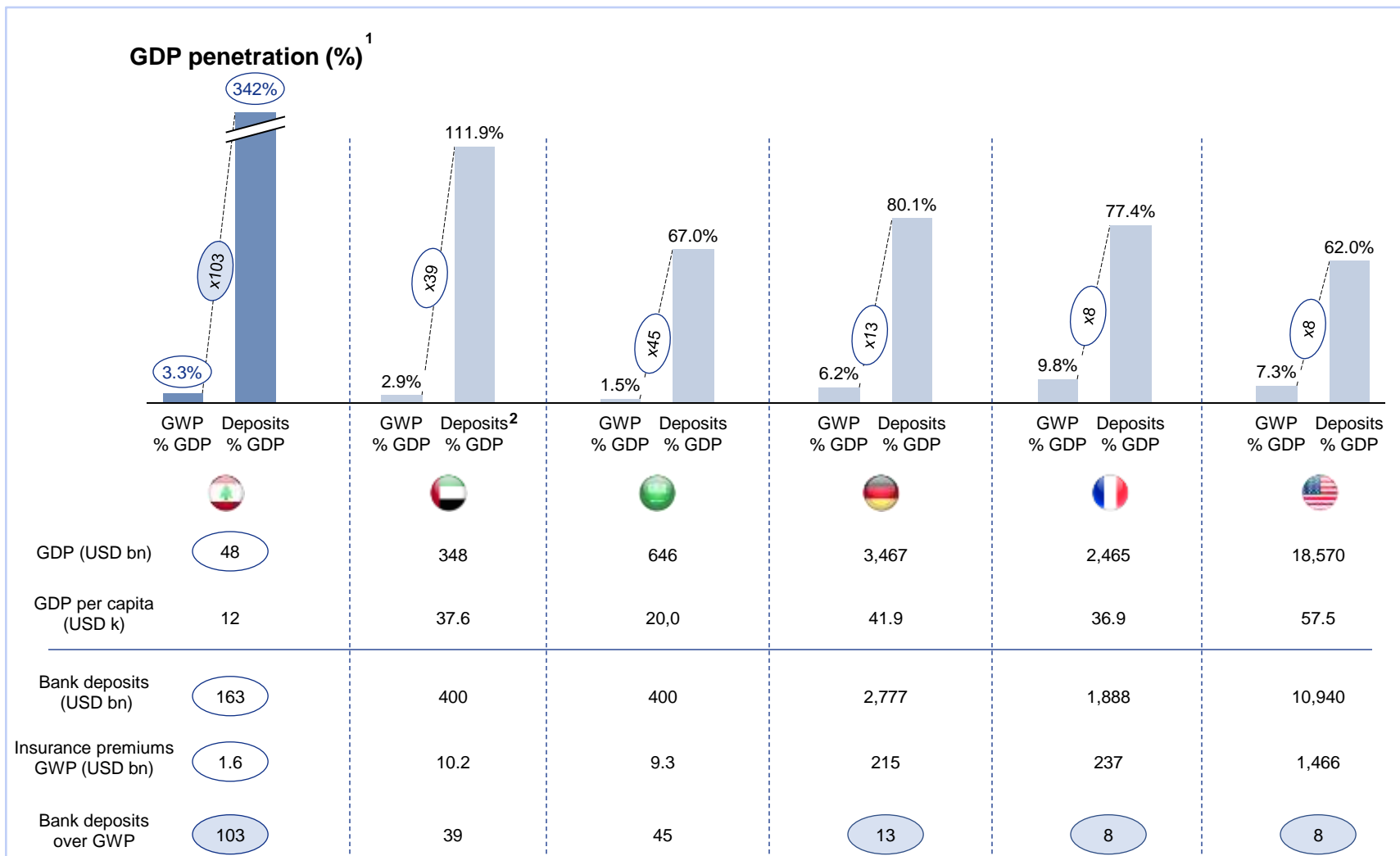
Source: Swiss Re Sigma – World insurance in 2016 No 3/2017 ; Adjusted for EG FX rate (1 USD = 18 EGP) & LB population

Despite the high penetration rate of Lebanon, it remains untapped particularly if we remove Health insurance



If we exclude Health Insurance in Lebanon developed due to large gap versus Social Security, the penetration rate will drop to 2.3%, thus showing clear room for improvement in both P/C and Life – potential x2

The Insurance vs Banking maturity in Lebanon shows that we are not giving enough attention to the insurance sector



Most of the savings are going towards Bank Deposits rather than long term savings such as Life Insurance providing long term return to consumers and healthy development of the country by encouraging corporate bonds and boosting the economy

¹ Insurance: GWP % GDP, Banking: Deposits % GDP

² Deposits for France, Germany & UAE based on 2015 figures

Source: Swiss Re Sigma – World insurance in 2016 No 3/2017; Banque du Liban statistics

Proposed solutions

Modernizing the Insurance sector with new laws, regulations and economic reforms, **Allianz SNA** similar to the Banking sector will certainly develop the market

To boost insurance market
1 Laws & Economic Reforms



Central Bank (BDL)

Main Laws & Amendments

- 1956: Law for Bank Secrecy
- 1991: Reform of Banking Sector Regulations
- 1993: Facilitating M&A of Banks
- 2011: Financial Markets
- 2015: Fighting Money Laundering and Terrorist Financing
- 2016: Info for Tax purposes

Solvency / Capital

- Solvency & capital requirements in line with Basel II

Circulars/ initiatives

- **Incentives to Start-ups:** to de-risk bank investments in startups
- **Launching of backed SME Business Loans**
- **Housing Loans subsidized by BDL**
- **Compliance with IFRS 9**
- **Monitoring of e-banking**



ICC

- 1968: Existing law
- 1999: Minor adjustments on original law (license application, withdrawal, general provisions,...)

- Solvency requirements still fixed percentage 10% of GWP – not consistent with solvency I nor II
- Capital requirement still at USD 1.5mn

- 2003: New Regulatory forms



Middle East & Gulf

- 2007: Existing law
- 2012: Amending original law
- 2013: Compulsory Group Health for expats in Abu Dhabi
- 2014: Compulsory Group Health for expats in Dubai
- 2015: New solvency regulations

- 2006: Royal decree and introduction of insurance
- 2012: Investment regulations
- 2012: Unified Motor Compulsory Motor Insurance policy
- 2016: Compulsory Group Health for all expats
- 2017: Compulsory Group Health for Saudis in private sector
- 2017: Compulsory Group Health for all expats

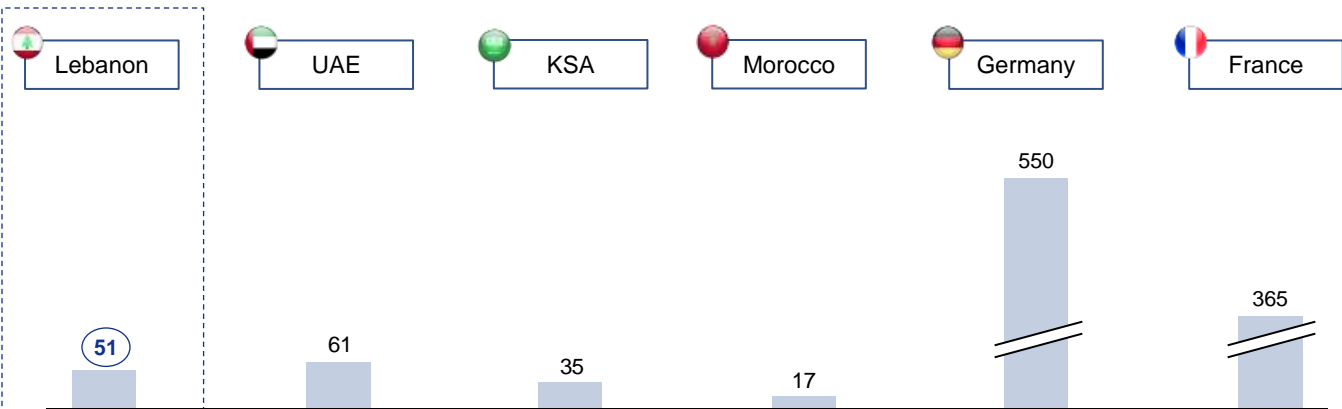
Laws & Regulations are outdated and no economic reforms are being introduced to stimulate trust, awareness and market growth

Large number of companies is helping to raise awareness, but we need stronger companies to build trust and growth

To boost insurance market
2 Capital & Solvency

Number of insurance companies helping:

- Awareness
- Efficiency
- Innovation
- Products
- Distribution
- Talent pool



Population (in millions)

4 9 32 35 83 67

Gross Written Premiums (USD bn)

1.6 10 10 4 215 238

GWP/Company (USD mn)

31 167 284 209 391 652

Top 10 companies

101

Rest of the market

14

Equity/Company (USD mn)

22 79 111 211

Top 10 companies

57

Rest of the market

12

The large number of companies is not the problem. However, we need our companies to get stronger by pushing: Stronger governance, higher capital and solvency, Mergers & Acquisitions and access to Capital Markets

Compulsory insurance laws are key drivers for insurance development, particularly in emerging markets

To boost insurance market
3 Compulsory insurances

List of compulsory laws

Lebanon

- ✓ Motor Bodily Injury (2001)
- ✓ Expats & Hunting
- ✓ Workmen Compensation
- New motor TPL law 2015 not yet implemented

UAE

- ✓ Motor Third Party Liability
- ✓ Motor Bodily Injury
- ✓ Group Health
- ✓ Workmen Compensation

KSA

- ✓ Motor Third Party Liability
- ✓ Motor Bodily Injury
- ✓ Group Health
- ✓ Workmen Compensation

France

- ✓ Motor Third Party Liability
- ✓ Motor Bodily Injury
- ✓ Group Health (gap to S.S.)
- ✓ Workmen Compensation
- ✓ Fire & Property
- ✓ Construction
- ✓ Schooling Liability
- ✓ Etc... (>20 more)

< Health >

➤ Social security covers small proportion of medical cost with no compulsory insurance for gap

➤ **2006:** Compulsory Insurance for Private sector in Abu Dhabi

➤ **2007:** Compulsory Insurance for Private sector

➤ **2001:** Social security covers up to 80% of medical cost

Rapid push towards private sector healthcare and Compulsory insurance. However with strong regulation and control by the insurance regulator and ministry of health

➤ **2016:** Gap with Social Security settled through private insurance

Total penetration rate (%)	3.3%	2.9%	1.5%	9.8%
Compulsory penetration rate (%)	0.2%	1.3%	0.9%	1.9%
Compulsory share of total penetration	6%	45%	60%	20%
Insurance 10-year growth (2006-2016)	9.1%	13.8%	18.3%	-0.5%

We need to push for more compulsory insurances in Lebanon as well as quick implementation – to also look at the Health insurance gap: Motor TPL & BI, Group Health, Property (Earthquake), Oil & Gas, Liability, etc...

Recap - With enhanced economic policy, stronger companies and compulsory insurances, we may scale up the sector to 5% penetration with a CAGR of 15%

To boost insurance market in Lebanon:

- Laws & Economic Reforms
- 1
- Capital & Solvency
- 2
- Compulsory insurances
- 3

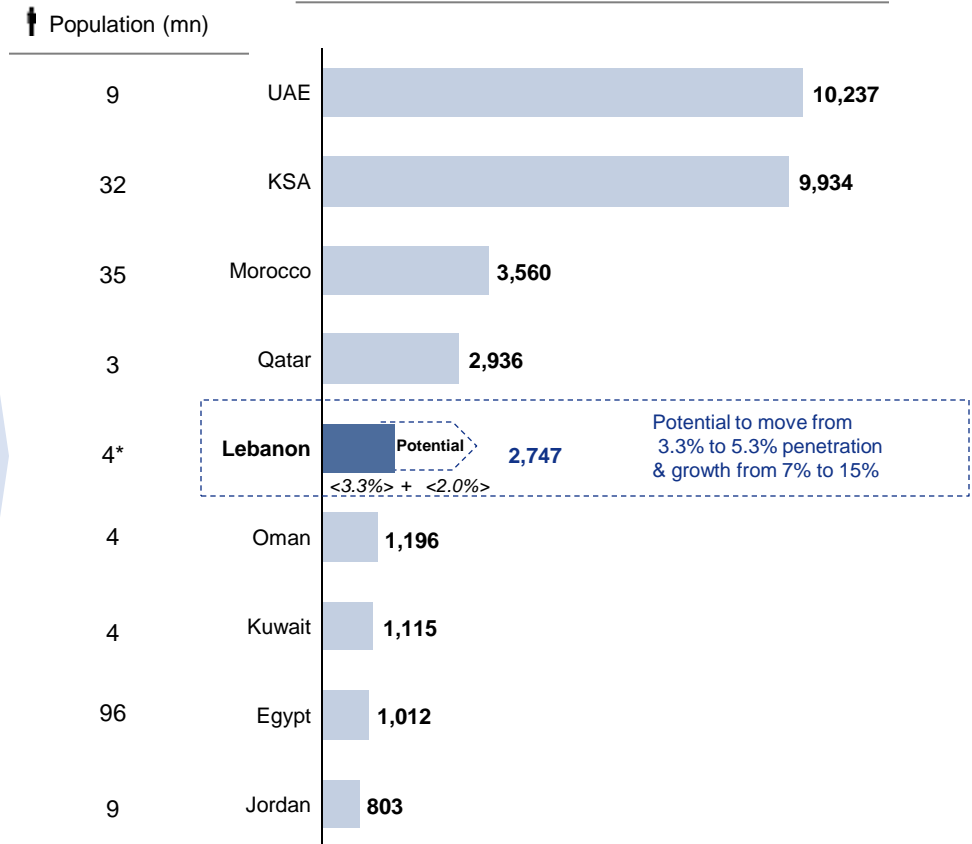
Proposed Actions

- **New laws, regulations and economic reforms/incentives similar to the efforts given to the Banking sector**
 - Update 1968 insurance law
 - Strong insurance governance
 - Transparent implementation of regulations
 - Adapt modern distribution channels
 - Push for digital products and services
 - Incentivize long term Savings & Pensions

- **Without limiting number of companies, strive for stronger market players**
 - Higher capital requirement
 - Modern solvency regulations
 - Facilitate Mergers & Acquisitions
 - Incentivize consolidation
 - Access to capital market

- **Quickly implement new compulsory insurances**
 - Motor BI & TPL
 - Health Insurance
 - Property insurance, particularly earthquake
 - Oil & Gas insurance
 - Liability insurance

Potential GWP growth in Lebanon



With the above initiatives, we might nearly double our market size and boost again the growth, positioning Lebanon as a leading market in the region relatively to its limited population and contribute to the healthy economic development of the country:

It should be a joint effort between the PUBLIC & PRIVATE sectors:

Public sector: Laws, regulations, capital solvency, compulsory insurances, M&A

Private sector: Needs assessment, products development, innovation, pricing, risk awareness and trust

Thank you