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LEBANON'S INSURANCE MARKET

Insurance Market Overview

In line with Lebanon's free market economy, the Lebanese insurance market has always been open and liberal. Historically, private insurers have been the sole players in the economy where the government has never nationalized or appropriated any insurance firm. Moreover, the insurance market witnessed a boom in the 1990's post to the Lebanese civil war and continued to expand over the years becoming an integral part of the Lebanese economy.

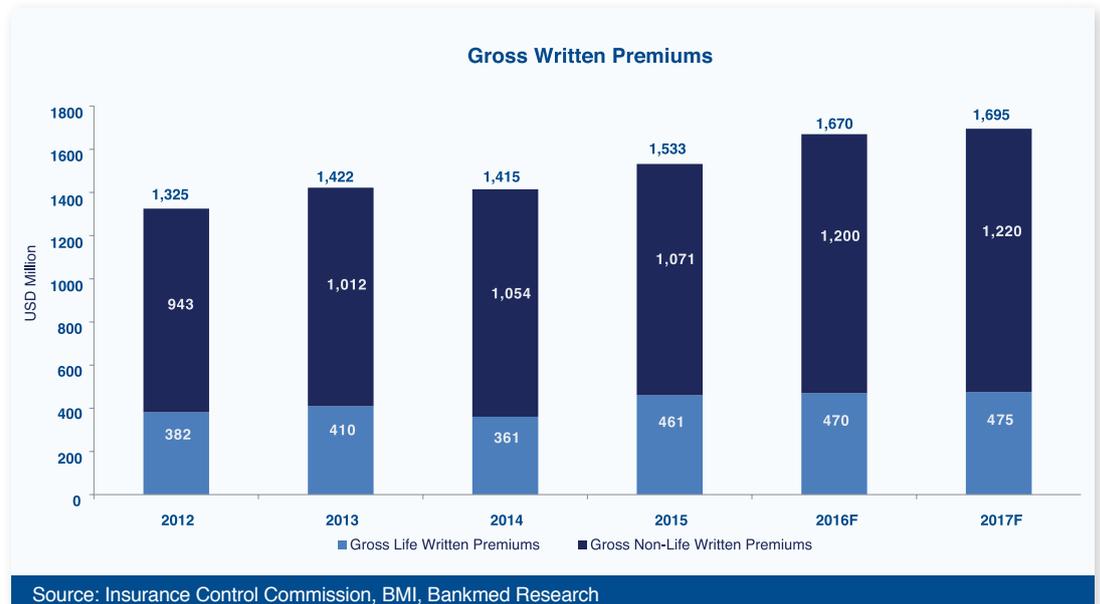
Lebanon's insurance market is monitored by the Insurance Control Commission (ICC), which is a regulatory body under the Ministry of Economy and Trade. The ICC is responsible to protect the interests of policyholders and ensure efficient market practices that would enhance public confidence in the sector.

Analysis of Lebanon's Insurance Sector - January 2017

GROSS WRITTEN PREMIUMS

The insurance market in Lebanon is comprised of 52 companies aggregately generating USD 1.6 billion gross written insurance premiums in 2016. As a result, Lebanon's insurance penetration rate – premiums relative to the size of the economy - was estimated at 3.08% in 2016, thus positioning Lebanon in high rankings both, globally and regionally. It is worth noting that in its latest annual survey, Swiss Re estimated Lebanon's insurance penetration rate at 3.4% of GDP in 2015, with a total of USD 1.5 billion gross written premiums, positioning it in 42nd position in the world and in 1st position in the Middle East region in the year 2015.

Over the past five years, total gross written premiums (GwP) rose by an average of 5.4% where gross life and non-life written premiums increased by an average of 4.7% and 5.7%, respectively. According to BMI Research estimations, Lebanon's gross non-life premiums make up the highest share of total gross written premiums and are forecasted at 71.6% in 2016, while gross life premiums are estimated to be around 28.4% of the total.



	2012	2013	2014	2015	2016F	2017F
Gross Life Written Premiums (% y-o-y growth)	4.4%	6.0%	7.3%	3.8%	1.6%	4.2%
Gross Life Written Premiums (% of GwP)	29.3%	28.9%	29.5%	29.0%	28.4%	28.0%
Gross Non-Life Written Premiums (% y-o-y growth)	3.9%	7.9%	4.0%	6.6%	4.1%	6.4%
Gross Non-Life Written Premiums (% of GwP)	70.8%	71.1%	70.5%	71.0%	71.6%	72.0%

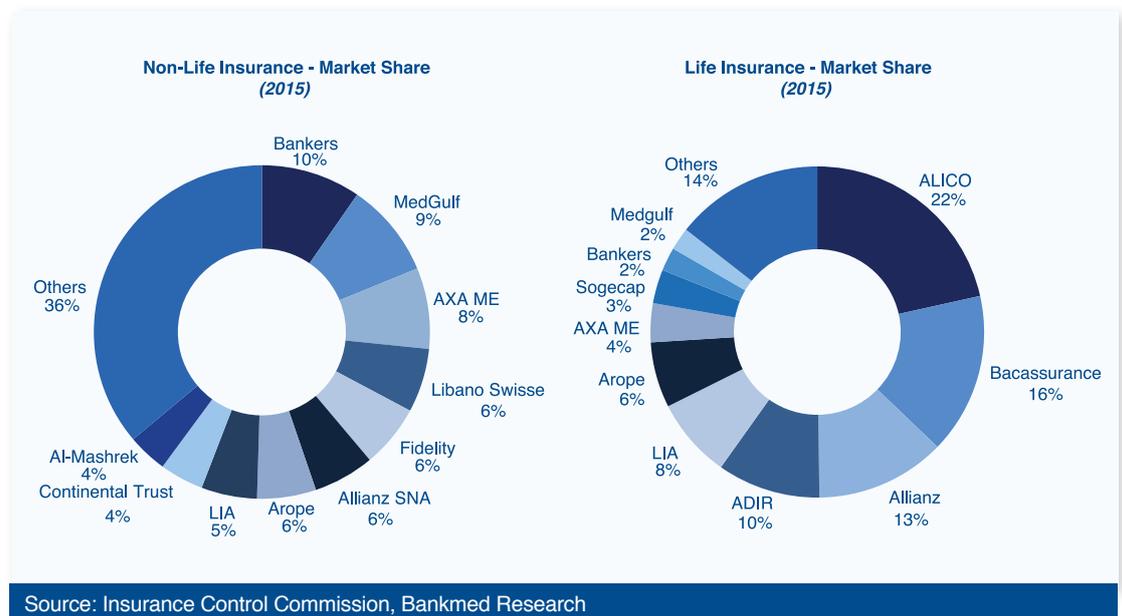
Source: Insurance Control Commission Lebanon, BMI, Bankmed Research

Analysis of Lebanon's Insurance Sector - January 2017

GROSS WRITTEN PREMIUMS

With regard to the market share of top private insurance companies in Lebanon for the year 2015 in terms of Gross Earned Premiums (GEP), Metlife ALICO ranked in the first position in the life insurance market with a 22% share of total life insurance premiums. It was followed by Bancassurance (16%), Allianz SNA (13%), and ADIR Insurance (10%).

As to the non-life insurance market share in the year 2015, Bankers ranked at the top with 10% of total non-life premiums. It was followed by Medgulf (9%), AXA ME (8%), and Libano-Suisse (6%). It is important to note that the non-life insurance market in Lebanon is saturated whereby the top ten insurance companies make up more than 60% of market share. Moreover, Continental Trust Insurance and Reinsurance S.A.L, a member of the GroupMed Insurance and a subsidiary to Bankmed, ranked in the 9th position in 2015 with a total GEP amounting to USD 43.5 million, thereby accounting for 4.1% of market share.

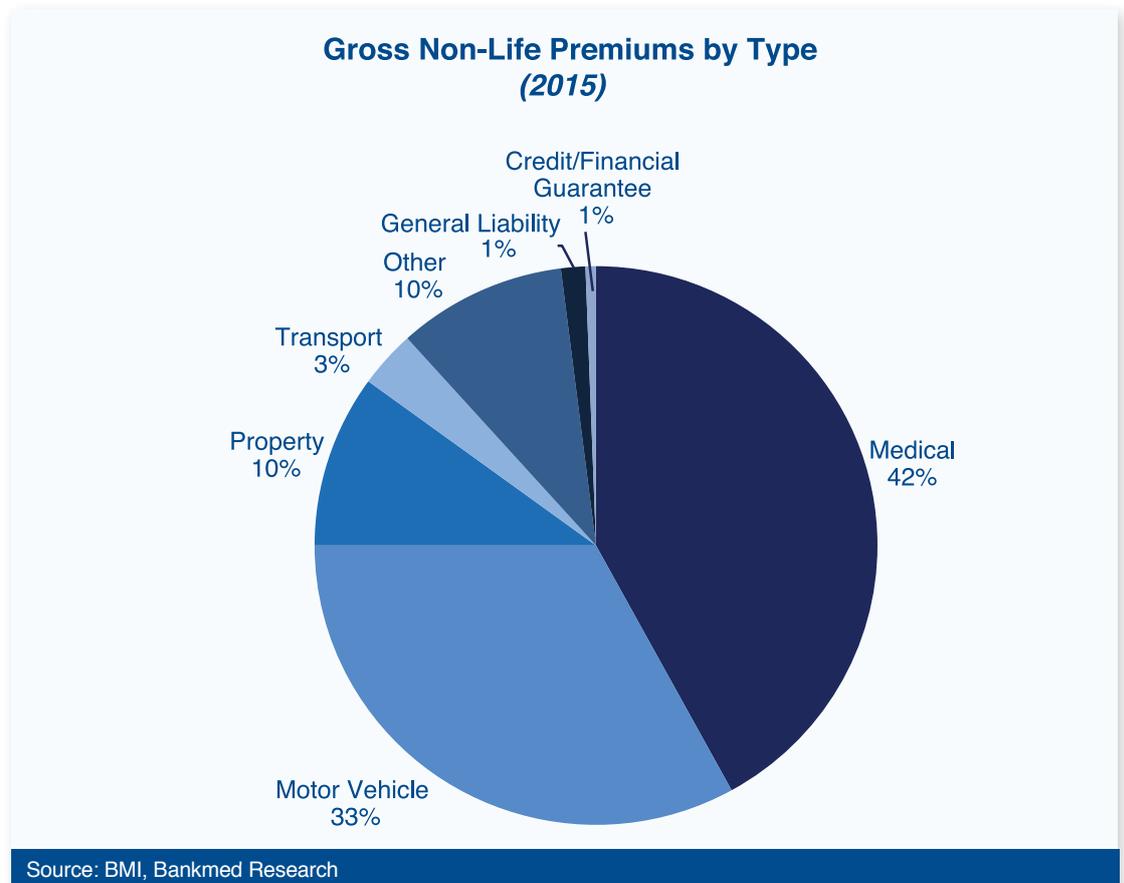


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GROSS NON-LIFE WRITTEN PREMIUMS

Lebanon's non-life insurance market is fragmented into several sub-sectors, yet it is dominated by the medical health insurance with a share of 42% of total non-life premiums. It is followed by motor vehicle and property insurance with a share of 33% and 10%, respectively.

The importance of medical health insurance as a sub-sector, given the ageing of the Lebanese population and the rising costs associated to healthcare, underpins the sector's ability to sustain growth in premiums over the coming years.

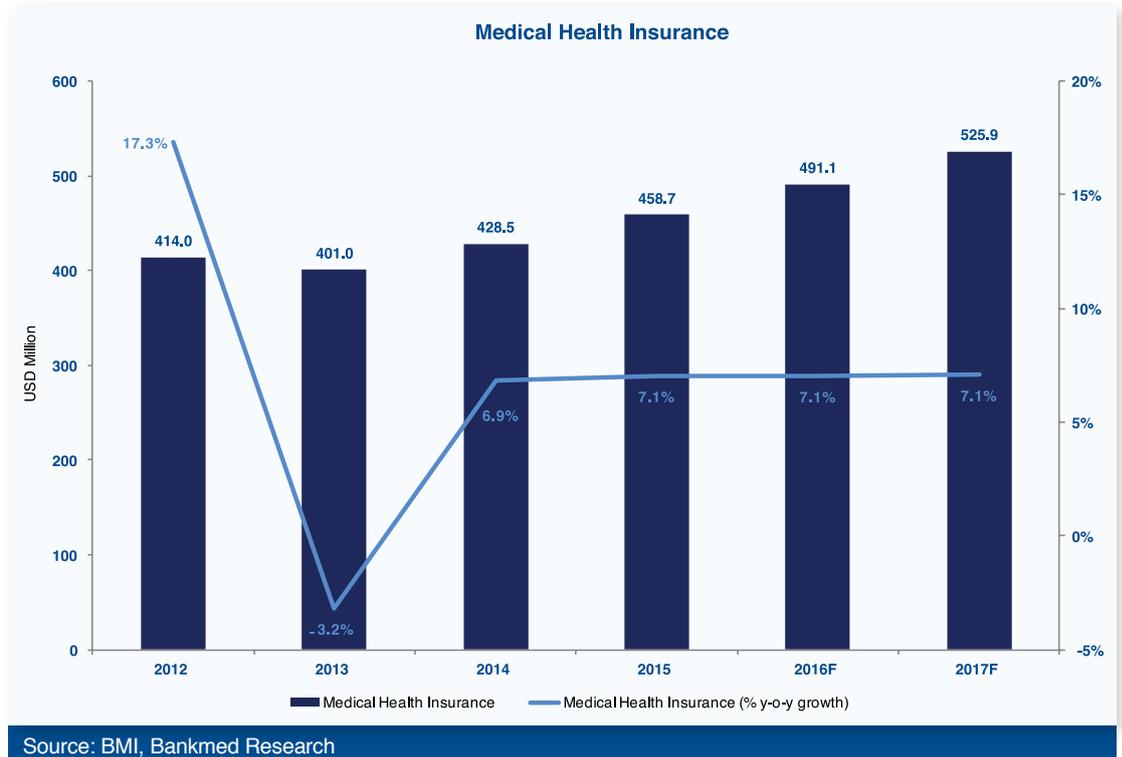


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GROSS NON-LIFE WRITTEN PREMIUMS

Medical Health Insurance

The significant base of households that acknowledge the benefits of medical health insurance and are able to afford it have increased the demand for private healthcare. As such, health insurance premiums reached USD 458.7 million in 2015 and are expected to reach USD 491.1 million in 2016.

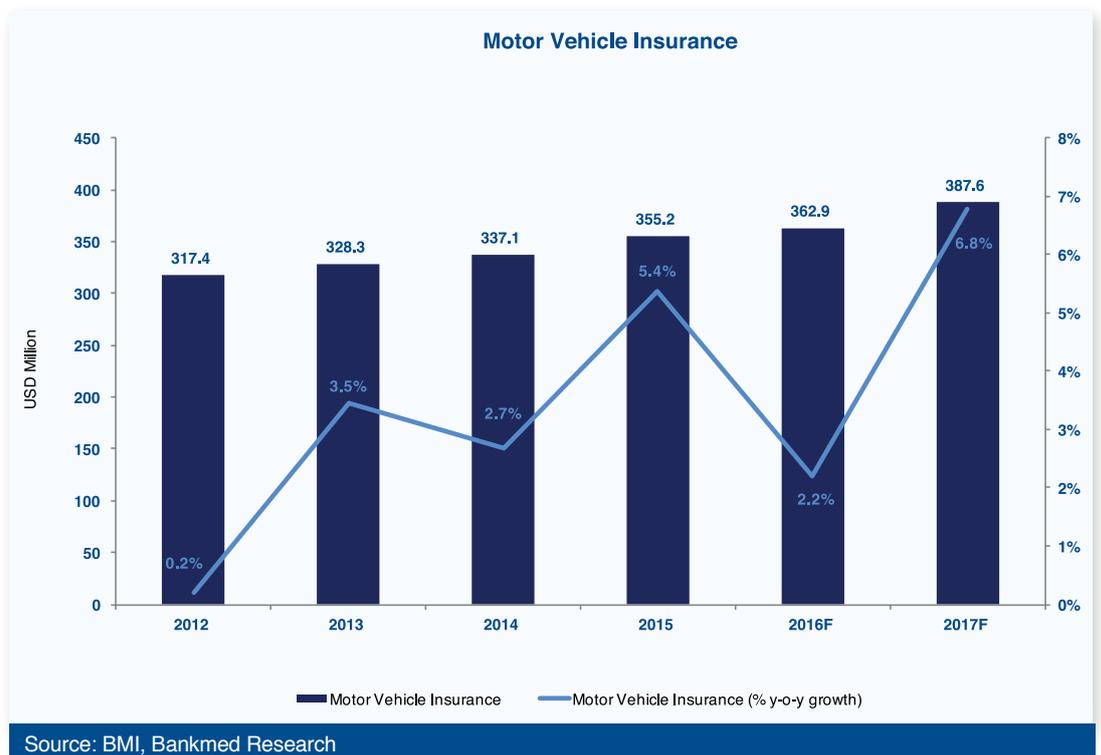


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GROSS NON-LIFE WRITTEN PREMIUMS

Motor Vehicle Insurance

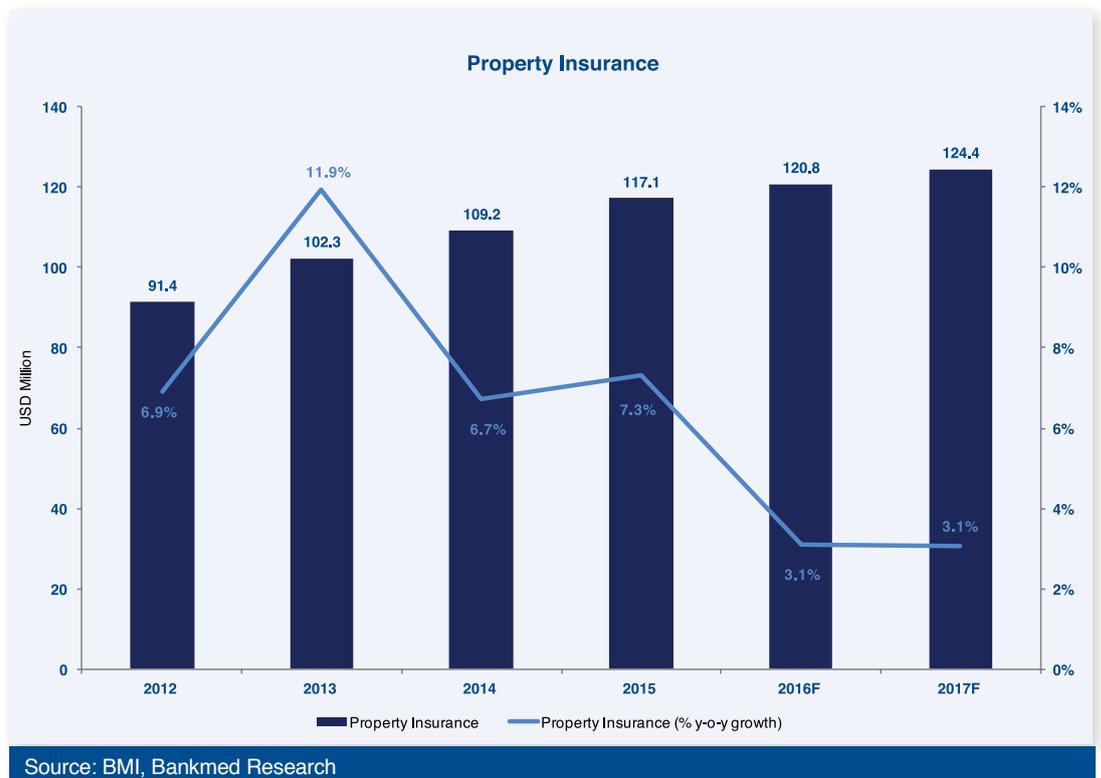
Motor insurance segment has been growing at a slow pace over the past five years and is forecasted to reach USD 362.9 million in 2016. However, according to forecasts by the BMI Research, vehicle fleet is expected to grow at double-digits in the coming years and is consequently expected to drive up motor vehicle insurance premiums.



GROSS NON-LIFE WRITTEN PREMIUMS

Property Insurance

Similarly, property insurance that is mostly associated to insurance against fire has grown in the past few years to reach USD 117.1 million in 2015. It is estimated to reach USD 120.8 billion in 2016, thus growing by a yearly 3.1%. One reason behind the forecasted slow growth is attributed to the fact that over the past years property insurers were restricted from any pricing power that would leave them uncompetitive with respect to the market. As such, this insurance line lacked profitability for insurers.

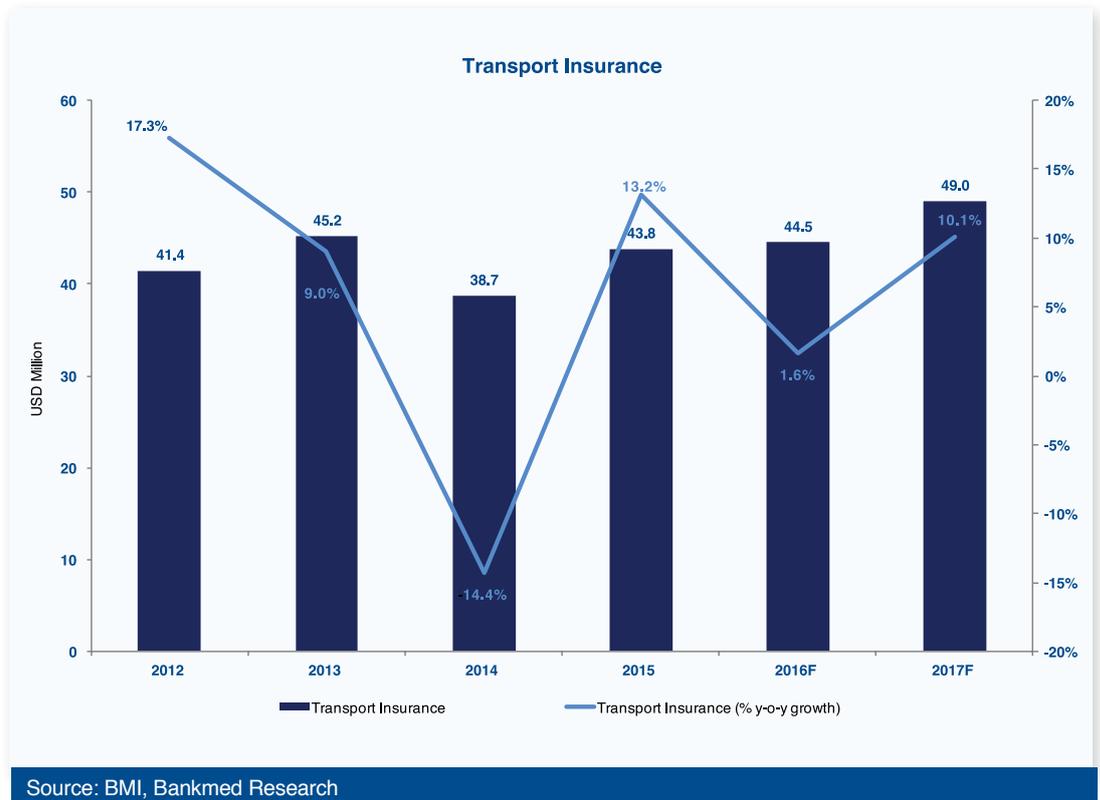


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GROSS NON-LIFE WRITTEN PREMIUMS

Transport Insurance

Transport insurance has a share of 3% of total non-life insurance premiums and has shown a surge in insurance premiums in 2015 by 13.2% to reach USD 43.8 million. Nevertheless, it is forecasted that the growth in transport insurance premiums will slow down in 2016 to 1.6% only to rise again in 2017 with a double-digit growth. This segment is directly related to the growth of the economy and the volume of freight that is carried in, out, and across Lebanon.



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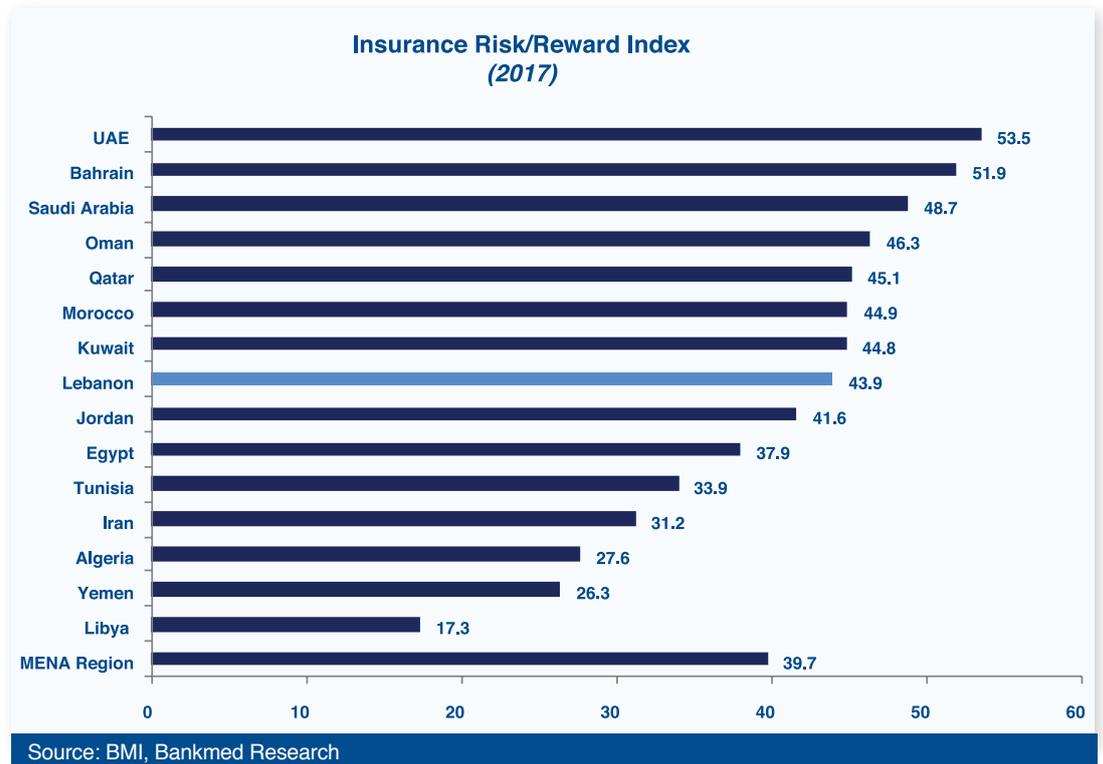
INSURANCE-RELATED INDICATORS

Insurance Risk/Reward Index

BMI Research has developed over the years an Risk/Reward index, which is a comparative regional ranking system that evaluates industry specific opportunities and limitations in a given market. With regard to the Insurance Risk/Reward Index, it takes into account objective measures of the current state and the long-term potential of both non-life and life segments. The index also incorporates an objective assessment of the risks to the realization of returns. It scores out of 100, with 100 being the best score.

According to BMI Research's forecasts for 2017, Lebanon is expected to rank in the 7th position with regard to BMI's Insurance Risk/Reward index with a score of 43.9. Lebanon's score is expected to be slightly below the global average score of 45.2 and fairly higher than the MENA regional average of 39.7. This is attributed to Lebanon's market openness and its well-developed non-life insurance segment.

As to the region's top insurance markets, UAE and Bahrain are expected to rank in the top two positions well above the global and regional average. On the other hand, Yemen and Libya are forecasted to come last as the region's weakest insurance markets due to their low potential rewards with respect to their significantly high risks.



Analysis of Lebanon's Insurance Sector - January 2017

INSURANCE-RELATED INDICATORS

Insurance Density

In its latest annual survey of the global insurance market for the year 2015, Swiss Re indicated that Lebanon ranked in 62nd place among the largest 88 markets and 6th among 12 Arab markets in terms of gross written premiums. In the Arab world, Lebanon came ahead of Algeria, Oman, Kuwait, Tunisia, Jordan, and Bahrain.

Moreover, Swiss Re estimated Lebanon's insurance density, or premiums per capita at USD 259.9 in 2015, thus ranking in 55th place globally and in 6th place within the Arab world.

Insurance Density in Arab Countries (2015 Premiums per Capita in USD)				
Country	Life	Non-Life	Total	Arab World Rank
Qatar	32.3	1,235	1,268	1
UAE	266	836.2	1,102	2
Bahrain	119.7	464.9	584.7	3
Saudi Arabia	8.1	305.5	313.6	4
Kuwait	44.6	224.5	269.1	5
Lebanon	77.8	182.1	259.9	6
Oman	25.8	224.4	250.3	7
Jordan	11.2	91.2	102.4	8
Morocco	31.5	59.3	90.8	9
Tunisia	12.8	60.3	73.1	10
Algeria	2.5	29.3	31.8	11
Egypt	10.8	12.2	23.0	12

Source: Swiss Re, Bankmed Research

Analysis of Lebanon's Insurance Sector - January 2017

SWOT ANALYSIS – LEBANON'S INSURANCE SECTOR

Though Lebanon's insurance sector is relatively small in size and fragmented, it is still able to grow in face of challenging economic conditions. Insurance premiums in Lebanon have been rising steadily and insurers have proven resiliency and discipline in general underwriting. One of the main weaknesses of the sector is that most insurers lack access to capital. Nevertheless, the market is open to participation by regional and multinational companies that in turn have access to capital and to global financial markets.

SWOT Analysis: Lebanon's Insurance Sector	
Strengths	Weaknesses
<ul style="list-style-type: none"> - Resilience of insurers in face of challenging economic and security situation - Potential of good growth in health insurance - General discipline in underwriting by insurers - Market is open to participation by regional and global multinational groups 	<ul style="list-style-type: none"> - Lack of scale and access to capital of most insurers - Structural challenges in the sector which constrain the growth of life insurance - Low profitability of motor-related and property insurance lines - Small size of local financial markets
Opportunities	Threats
<ul style="list-style-type: none"> - Further sales of health insurance to existing users - Further sales of life insurance to existing users - Consolidation of fragmented competitive landscapes in both major segments 	<ul style="list-style-type: none"> - Sharp deterioration in the general economic environment - Regulatory decisions that add significantly to costs
Source: BMI, Bankmed Research	

CONCLUSION

In the midst of a challenging economic environment, the insurance sector in Lebanon has shown resiliency after it has been growing over the past years and expanding its customer base. The relatively large size of the non-life insurance segment is dominated by health insurance which is expected to continue expanding steadily in face of the growing ageing population and the rising health care costs. On the other hand, price competition in the main sub-sectors within the non-life insurance segment, has hampered insurers' profitability, and this is expected to limit the expansion of insurance premiums in motor and property lines. As to the life insurance segment, premium growth is limited as not all households in Lebanon acknowledge the benefits of life insurance and are able to afford it.

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