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Khoury outlines plan for insurance sector mergers



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BEIRUT: The Economy and Trade Ministry has put the final touches on a draft law that will encourage insurance companies to merge by giving them subsidized loans, Economy and Trade Minister Raed Khoury said Tuesday.

The ministry “has finished its work on a draft law that will support insurance companies willing to merge by giving them incentives such as subsidized loans,” he said at a meeting for insurance companies held by Chedid Capital Holding.

Khoury said that mergers will enable insurance companies to increase their capital and hence they will be capable of offering a better quality of products to clients.

Lebanon has over 60 small, medium and large insurance companies and some experts believe that this number of firms is too big for a small country. The minimum capital requirement for insurance firms is \$1.5 million, which is considered to be too low by some industry players.

“We are planning on creating mergers between insurance companies similar to those that took place in the banking sector in a bid to increase companies’ capital while improving the sector’s competitiveness,” Khoury said.

Farid Chedid, the chairman of Chedid Capital Holding, said that the insurance sector proved to be resilient against the various challenges that have faced the country in the past years.

“The sector contributes 3.5 percent to GDP,” he said.

He said that the insurance sector in Lebanon is also among the main investors in the government’s Treasury bills, which reached \$910 million in 2014.

Chedid noted that the average growth of the sector between the years 2010 and 2014 reached 5 percent compared to GDP growth and an inflation rate of 2 percent. “Life insurance premiums portfolio increased from \$570 million in 2010 to \$700 million in 2014, equivalent to a rise by 5 percent,” he said.

He added that installments in the health and car accidents insurance policies, on the other hand, rose from \$250 million in 2010 to \$360 million in 2014 which is equivalent to an increase by 9.5 percent.

“Also, premiums in other insurance policies rose by 4 percent from 2010 to 2014,” he said.

Chedid expressed his optimism about the new initiatives proposed by Khoury to improve performance in the sector.

He emphasized the importance of the sector, saying that it provides job opportunities for around 12,000 people. “Moreover, the good performance of this sector has a direct positive impact on the Lebanese because around 515,000 people had life insurance policies in 2014 and 540,000 had health insurance policies while 2.3 million people held other kinds of insurance policies,” he said.