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# Insurers expect growth from regulatory changes

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AMMAN - The insurance sector is looking to regulatory changes to welcome in a new era of business growth and competition, with the motor segment in particular likely to benefit from the reforms.

With a penetration rate of just 2.5 per cent, the Kingdom is one of the most underinsured in the world. Nevertheless, despite the low uptake and the onset of the global economic downturn, Jordanian insurance companies have managed to attract new business in the first part of this year.

Gross insurance premiums rose 10.6 per cent to JD123.2 million (\$174 million) in the first four months of 2009 compared to JD111.4 million (\$157.3 million) in the same period last year.

The market is heavily dominated by the non-life segment, which accounted for 89.3 per cent or JD110 million (\$155.3 million) of gross premiums, up from JD99.2 million (\$140.1 million) in the same period of 2008.

Life assurance premiums rose by 8.2 per cent from JD12.2 million (\$17.2 million) in 2008 to JD13.2 million (\$18.6 million) in 2009.

Motor and medical insurance are the biggest single contributors, with premiums of JD46.1 million (\$65.1 million) and JD34.3 million (\$48.4 million), respectively, in the first four months of 2009.

Gross claims rose 22 per cent to JD79.2 million (\$111.8 million) in the January to April period of 2009, from JD64.9 million (\$91.6 million) in the same period last year. Not surprisingly, the vast majority of these came from non-life policies, which accounted for 94.7 per cent, or JD75 million (\$105.9 million), of the total, with life assurance claims making up the remaining JD4.2 million (\$5.9 million).

Again, motor and medical insurance also accounted for the majority of claims made in the first four months of this year, accounting for JD46.3 million (\$65.4 million) and JD19.9 million (\$28.1 million) respectively.

While the increase in premiums appears to bode well for the sector, some industry experts caution that the growth seen in the first part of this year may not be sustainable.

"Competition has been very intense since the onset of the global crisis and the fall in the stock market. Insurance prices are down by 50 per cent since 2008, with companies trying to compensate for losses on the stock market by collecting premiums at almost any price," the general manager of Arab German Insurance Company, Raed Al Raimouny, told Oxford Business Group (OBG).

The insurance sector is relatively fragmented and competitive. There are 28 insurance companies currently operating in the Kingdom, with one licensed for life insurance, 10 licensed for non-life insurance and 17 as composite companies that offer both services. Three of these companies are licensed to sell takaful, or Islamic insurance.

No one company is dominant in the market, with Arab Orient Insurance, the top company in terms of gross written premiums in 2008, holding a 9.7 per cent market share.

"The sector will get less fragmented as time goes by, with fewer players controlling a larger share of the market. But I don't see any mergers and acquisitions happening as most insurance companies are family owned - relying primarily on compulsory motor insurance premiums - and they will stay that way," Yacoub Sabella, the general manager of Al Nisr Al Arabi Insurance, told OBG.

With compulsory motor insurance premiums making up such an important part of the market, there is no doubt that all players in the sector are closely following the latest developments in that field.

Earlier this month, Jordan Insurance Commission (JIC) Director General Basel Hindawi announced that the organisation is working to link insurance premiums with drivers' traffic records and that this initiative will be implemented soon.

The changes will be welcomed by Jordan's insurance companies, particularly those with composite licences whose profits margins for non-life products have been lower than for life products. Apart from the underwriting of risk in life insurance, motor is a contributor to this difference in profit margins.

Despite the economic downturn, the insurance sector has managed to sustain growth. With a long-awaited new system for motor cover set to be implemented in the country, insurance companies hope they can reap financial rewards as the market continues to develop.

Oxford Business Group (OBG) is a highly acclaimed global publishing, research and consultancy firm, which publishes economic and political intelligence on the markets of Asia, Eastern Europe, the Middle East, and North and South Africa.

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