

INSURANCE IN LEBANON

It is in the 19th Century, when Lebanon was yet a self ruled Emirate within the Ottoman Empire that Lebanese came to know Insurance as is practiced nowadays. Records would indicate that in about 1840, agents representing Insurance Companies from the UK, Italy and France began to offer Marine Insurance in respect of imports and exports to and from Lebanon.

The World War II ended up with the fall of the Ottoman Empire and with France being mandated by the U.N. to rule Lebanon and Syria in 1920.

Insurance regulations were first brought about by the French Mandate in about 1932, as part of the Code of Obligations and Contracts (C.O.C.).

Policies issued by Insurance Agents in either countries in those days, were extended to cover both Lebanon and Syria. This continued to be the case with policies issued in the aftermath of Independence from France which was proclaimed in 1943. However, that practice had to take end in 1967 when Syria nationalized Insurance and Banking.

In so doing, Syria followed the path of new military regimes in Egypt, Iraq and other Arab countries.

Foreigners who were driven out of these countries found in Beirut the alternative city to move to, taking into account that Lebanon is not likely to give up its laissez-faire regime. Besides, Beirut had by then built its reputation as the cosmopolitan city and the capital of the only democracy in the area.

We, as a results saw Beirut becoming a true insurance hub where not less than 150 foreign insurance, reinsurance and brokerage multi-nationals were present.

Lebanon had in the meantime issued its first Insurance Law of 1955, whereby registration of Insurance Companies was regulated and made subject to minimum capital and deposit requirements. By the same token, Non-Admitted Insurance was prohibited, except for Marine Shipments going to and from Lebanon.

So as to organize and control the activity of the ever increasing number of Insurers, a new Insurance Law was promulgated in 1968 and was again amended in 1999. Amendment provided for Lebanese Insurers to bring up their paid up capital to a minimum of US\$. 1.5 million and block cash deposits as a guarantee for their potential liabilities. Such guarantee ranges between US\$. 250,000 and US\$. 800,000 for each class of business transacted by the Company. Foreign Insurers wishing to operate in Lebanon, were bound to block cash guarantees twice bigger.

As for Reinsurers, they were allowed to be domiciled in Lebanon against submission of a bank guarantee only. They



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were also authorized to reinsure risks located in Lebanon provided they are satisfactorily rated by an international rating agency.

Not being able to meet the new law requirements, many foreign and Lebanese Insurers pulled out bringing the number of competitors to 55 local Insurance Companies, and 3 Foreign Insurance Companies, providing all classes of Insurance.

Clients are served direct or through brokers whose number exceeds several hundreds or thru banks who recently engaged in Bancassurance. There are about 22 banks offering Insurance products.

Premium written in Lebanon in 2003 amounted to approximately US. Dollars 525 Million. The premiums in question are not however, the only source of Income for the insurance Industry in Lebanon.

Having played a leading role in forming and promoting Insurance in the Arab World in the last 50 years, Lebanese Insurers happen to be controlling or holding interest in a large number of Arab Insurance Organizations, be it Insurance, Reinsurance, Brokerage, Loss Adjusting or other concerns.

It is thanks to revenues generated outside Lebanon that the Insurance Industry in Lebanon managed to survive the war that devastated the Country between 1975 and 1989.

Our involvement with Insurance interest both in and outside Lebanon makes it imperative for us to keep in close contact with the Reinsurance Markets and to maintain excellent relationship with Leading Reinsurers everywhere in the world.

This is why Lebanese Insurance Companies continue to enjoy support of the major Reinsurers in all classes of business.

This is also why Lebanon continues to be an important regional base that World Reinsurers care to visit as often as possible with view to promoting their business in the Middle East. As a matter of fact, five such Reinsurers have established regional offices for their Middle Eastern business in Beirut. But this of course is short of returning to Beirut its former place as a hub, and it will take a great amount of efforts to convince those multi-nationals who left Beirut after the outbreak of the civil war in 1975, that our political problems are over, and that they can return, and have this time, a pleasant and permanent stay in our beautiful country.

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