

Jordan: Testing times ahead, says JIF

By Osama Noor (/Authors/AuthorsDetails/id/70) | 13 May 2020



The COVID-19 pandemic will have a dramatic impact on the insurance sector in Jordan and operators need to be prepared for a challenging 2020, said Jordan Insurance Federation (JIF) chairman Majed Smairat.

The slowdown in business activities, caused by the lockdowns the government imposed to curb the spread of COVID-19 has weakened the insurance sector's business in the current period, said Mr Smairat.

"Presently, insurers are coping with the new situation and managing their operations, but the volume of business is expected to decline in the long run and the sector will face difficulties in collecting premiums. Meanwhile insurers continue to bear their usual expenses and this will entail a major loss for the sector if the situation continues as it is for a longer period of time."

The impact of the pandemic on the economy has affected all sectors globally and the biggest challenge is to deal with the post-coronavirus era, when a global recession is expected, he said. "Going forward, generating new business will be challenging in light of the current crisis."

Medical insurance most affected

On the back of the virus outbreak, the demand for medical and laboratory testing has increased, keeping medical insurance business active, said Mr Smairat. "Unlike other lines, the cost for medical insurance continues to surge as there has been a notable increase in the size of claims. Insurers are monitoring costs and arranging with reinsurers to adjust underwriting terms if necessary."

He said that the JIF is coordinating with healthcare service providers and clients to curb unjustified increase in the use of medical insurance. "The misuse of medical insurance would lead to increased prices and stricter terms in the future. This is the message we relay to stakeholders."

Tough times ahead

The insurance sector will continue to feel the pressure in the coming period, said Mr Smairat. "Going forward, growing business is going to be tough." As for the post-COVID-19 future, insurers will find it difficult to develop new businesses.

"In light of the current crisis, it is difficult to find and develop unconventional insurance business, especially since there are traditional lines that have been negatively affected; therefore the new and specialty lines will be very limited in demand."

Relief efforts

To support the government's efforts in combating the spread of COVID-19, JIF has donated JOD250,000 (\$352,000) to the Ministry of Health, of which JOD200,000 came from insurers while the federation provided the remainder. Moreover, several insurers have contributed with the sum of JOD600,000 to the Himmat Watan (A Nation's Effort) fund which was established as a COVID-19 relief effort.

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