

## MARKET PROFILE – JORDAN

# Jordan market brimming with potential

The insurance industry in Jordan has seen its ups and downs in the past five years due to the country's economic conditions and other external challenges imposed from the global and regional settings. However, it continues to develop and players manage to secure growth.

By Osama Noor



Jordan has always faced significant challenges due to its geographical location. The country is in the middle of a region that is under the burden of many challenges, which in turn have affected its conditions. For example, the Syrian crisis in the past decade, which forced Jordan to deal with massive waves of displaced refugees, had tangible repercussions on the country's socioeconomic structure and increased pressure on its resources.

The insurance industry in Jordan was not immune from the effects of the Syrian crisis and the COVID-19 pandemic. However, the insurance sector has always managed to register growth and develop.

The insurance sector in Jordan has maintained its dynamism and continuous endeavour to develop the market businesses and operating companies' performance over the years, said Jordan Insurance Federation (JIF) chairman Majed Smairat. He said, "GWP for the sector in the first eight months



Mr Majed Smairat

#### GWP and paid claims (2018-2022)

JOD million	2018	2019	2020	2021	2022	% 2022-21
<b>Non-life premiums</b>	519.7	529.6	500.76	537.1	577.9	7.60%
<b>Life premiums</b>	86.09	85.7	92.68	109.3	121.7	11.34%
<b>GWP</b>	605.79	615.3	593.44	646.4	699.6	8.23%
<b>Nonlife claims</b>	432.7	436.2	374.2	409.7	426.6	4.12%
<b>Life claims</b>	46.1	54.1	52.8	64.6	51.4	-20.43%
<b>Gross paid claims</b>	478.8	490.3	427	474.3	478	0.78%

Source: Central Bank of Jordan

of 2023 continued to grow, which is a positive indicator that the market has started to overcome the repercussions of the challenges witnessed over the past few years."

There are currently 20 operating insurance companies in the market, of which two are takaful players.

The market GWP for the first eight months of 2023 reached JOD516.3m (\$728m), against JOD491m in the corresponding period of the past year, a 5.2% increase. General insurance lines, controlling over 82% of the market premiums, grew by almost 5% to JOD425.5m from JOD405.5m.

Life insurance premiums, which account for almost 18% of the market portfolio, grew by 8.6% to JOD164m.

It remains too early to estimate the overall performance of the market, including its profitability, especially that the Central Bank of Jordan (CBJ) has demanded insurance companies to implement the IFRS17 standards for the first time in their 2023 half-year results.

"The CBJ has extended the deadline to January 2024. Therefore, by the beginning of the year we will have clearer vision of the market status," he said.

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**GWP and paid claims for Jordan insurance market by line of business, January-August 2023 (JOD million)**

GWP January-August 2023 (JOD million)					Gross paid claims January-August 2023 (JOD million)				
Item	Jan-Aug 2023	Jan-Aug 2022	Change	% of GWP	Item	Jan-Aug 2023	Jan-Aug 2022	Change	% of gross paid claims
Gross written premiums	516.3	490.9	5.2%	100%	Gross paid insurance claims	360.1	321.8	11.9%	100%
General insurance	425.5	405.5	4.9%	82.41%	Gross paid general insurance claims	328.8	288.8	13.9%	91.33%
Motor	170.11	165.82	2.6%	32.95%	Motor	159.14	156.31	1.8%	44.20%
Marine and transport	13.05	12.95	0.8%	2.53%	Marine and transport	3.21	2.31	39.1%	0.89%
Aviation	2.47	2.35	5.1%	0.48%	Aviation	0.07	1.37	-95.1%	0.02%
Fire and others	54.59	56.70	-3.7%	10.57%	Fire and others	9.98	7.71	29.4%	2.77%
Liability	6.88	6.44	6.8%	1.33%	Liability	0.68	0.74	-7.4%	0.19%
Credit and surety ship	0.32	0.23	39.1%	0.06%	Credit and surety ship	0.47	0.62	-24.0%	0.13%
General classes	13.41	9.81	36.7%	2.60%	General classes	1.41	1.42	-0.9%	0.39%
Medical	164.66	151.57	8.6%	31.89%	Medical	153.87	118.33	30.0%	42.73%
Life Insurance	90.8	85.0	6.9%	17.59%	Gross paid life assurance claims	31.2	33.0	-5.3%	8.67%

Source: Central Bank of Jordan

## Motor sets the tone

Motor insurance is a challenging line of business for insurers because losses have been affecting the performance of the market for too long. This is especially for the motor third party liability (MTPL) compulsory covers, which the law forces insurers to write at a specific rate set by the government and without giving the insurance company a say in accepting or rejecting certain classes of risks in this segment.

Motor insurance premiums account for around 34% of the market operations. Paid claims for motor insurance business represent around 45% of the market's gross paid claims. Therefore, with this considerable weight of the market's GWP and its paid claims, any disorder in this line would jeopardise market balances. This was demonstrated in 2022 as pre-tax profit of the sector reached JOD24.35m against JOD20.4m in 2021.

According to the CBJ annual report, "This increase in profits is mainly due to the decrease in the motor insurance losses by (69.1%) to JOD2.25m in 2022 from JOD7.3m in 2021".

Mr Smairat said that the issue of MTPL compulsory insurance, which has been the main dilemma for the sector for more than 36 years, has been and remains be a continuous drain on the capabilities of insurance companies.

"In coordination with the insurance supervision department at the CBJ, we have reached broad outlines to overcome this issue and solve this dilemma radically. And it is expected soon that the CBJ will announce the legislative, technical and logistical solutions that will contribute to closing this file," he said.

Motor insurance is the bread and butter for many companies. Out of the 20 operating insurance companies in

Jordan, 18 write motor insurance; to some, it accounts for around 80% of their portfolios. Solving the MTPL issue is of great importance to the insurance industry.

## Medical is a major line

Medical insurance is the second largest line of business with a market value of JOD204m in 2022, around 32% of the market GWP. Medical insurance paid claims in 2022 reached JOD181.3m, around 43% of the overall claims the market has paid in the same year.

All operating insurers in Jordan are licensed to write medical insurance, which, along with the rising demand for this service in society, contributed

**Medical insurance performance 2018-2022 (JOD million)**

	2018	2019	Change	2020	Change	2021	Change	2022	Change
GWP	182.38	189.31	3.7%	178.45	-5.7%	193.67	8.5%	204.23	5.5%
Paid claims	159.46	161.57	1.3%	151.46	-6.3%	159.66	5.4%	181.3	13.6%

Source: Central Bank of Jordan

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to the steady growth in this line over the years. Medical insurance, like motor and other lines, saw severe price competition which affected profit margins. The CBJ annual report said that net underwriting profit for medical reached JOD3.64m in 2022 from JOD10.15m in the preceding year. This can be attributed to the increase in utilisation ratio and medical costs in general but competition also plays an important role.

Another challenge faced this line recently is that various medical service providers, including doctors, pharmacists, laboratories and hospitals, are demanding the increase of their tariffs and fees for the services they provide to the insured population.

“The increases they have demanded is unjustified and impact the rest of economic sectors and consumers negatively, not to mention having a major financial impact on the government,” said Mr Smairat.

Therefore, the JIF joined forces with TPAs and medical bill payers to confront their demands and lobbied with stakeholders and relevant governmental bodies to face this challenge.

“The JIF has dealt with this issue successfully and in presenting the sector’s point of view, thus ensured support from various governmental parties represented by the CBJ, the Ministry of Health, and other institutions such as the National Association for Consumer Protection, the General Federation of Jordanian Trade Unions, and the Jordanian Association for Health Insurance, due to their conviction that our concerns and demands are just,” said Mr Smairat.

The suggested increase in tariffs have affected citizens, the government’s planned universal health programme project and medical tourism in Jordan, he said.

“The JIF exerted huge efforts to put things on the right track. Last November, the CBJ issued instructions to cancel the increases in tariffs and fees thereby lifting the burden off the insurance companies. This will have positive impacts on medical insurance business which controls large chunk of the market

**Life insurance performance 2018-2022 (JOD million)**

	2018	2019	Change	2020	Change	2021	Change	2022	Change
GWP	86.09	85.7	-0.5%	92.68	8.1%	109.3	17.9%	121.7	11.3%
Paid claims	46.1	54.1	14.8%	52.8	-2.4%	64.6	22.3%	51.4	-20.4%

*Source: Central Bank of Jordan*

operations,” he said.

## Life insurance remains undeveloped

Life insurance business in Jordan has been under strain mainly due to limitations facing disposable income and the overall stressful economic conditions. Cultural reasons play a significant role as well in curbing sales in life insurance products. Penetration of life insurance reached 0.39% in 2022 (against 1.72% for non-life insurance) while density reached JOD11.40 (versus JOD50.68 for non-life insurance). There is one operator specialised in selling life insurance in Jordan (MetLife Jordan) in addition to 16 insurers licensed to offer life insurance products.

As the third largest segment after motor and medical, life insurance premiums preserved steady growth which in most years outpaced the rates achieved by the market. In 2022, life premiums grew by 11.3% against the 7.6% and 8.23% achieved by the non-life premiums and market GWP, respectively. Paid claims were healthier as they dropped by 20.4% for life insurance compared with an increase of 4.12% for the whole market.

Companies need to pay more attention to life insurance because of its profitability. In 2022, this line achieved net profit of JOD7.6m, which is notable considering the size of premiums and when compared to the results achieved by other lines such as motor and medical which control sizable share of the market operations.

Takaful could help grow life insurance business as it overcomes the religious barrier. There are two takaful operators in Jordan, Jordan Islamic Insurance Company and Solidarity – First Insurance Company, both are composite and write 12.4% of the market premium income. In 2022, takaful contributions grew by 21.6%,

which is much higher than the growth in the market’s GWP, which implies the acceptance for shariah-compliant offerings in the Jordan market.

## Distribution dynamics and technology

Direct sales are the largest means of distribution in Jordan as it commanded 55% of the GWP generated in 2022, followed by the United Motor Insurance Bureau with 19%, brokers (13%), agents (10%) and bancassurance business (3%).

The market included 416 agents and 142 brokers in 2022. For bancassurance, the first license to practice business through this channel in Jordan was granted in 2005 and the volume of its premiums then amounted to JOD15,670. Bancassurance grew to JOD18.5m in 2022, registering a slight increase of 1% over 2021. The biggest jump in premiums this channel witnessed was in 2021, following the COVID crisis, as it grew from JOD3.9m to JOD18.3m, an almost 370% increase. Life insurance accounts for 87% of the bancassurance business.

Online channels are picking up and companies are investing in building up business coming from online and apps, said Mr Smairat.

“Insurance companies are heavily investing in digital insurance and online sales. Moreover, several insurers are launching mobile-phone applications to improve the customer experience and benefit from the opportunities this channel offers in reaching larger segments of society, especially the younger generation,” he said.

Internally, the JIF has made progress in automating its operations and is currently working on launching a project for an integrated motor insurance system that will serve as a comprehensive data base to help insurers in conducting sound technical underwriting, managing claims more professionally and

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keeping historical records of all vehicles and drivers, said Mr Smairat.

"We expect that once this project is completed, it will be an unprecedented shift in the history and future of the Jordanian insurance market," he said.

### Developing the marketplace

The Jordan insurance sector is considered one of the stable and disciplined markets in the region. In 2022, loss ratio for the market reached 87.1% and solvency ratio registered 190%. The level of penetration stood at 2.1%, ranked fourth among Arab insurance markets.

Yet, the size of the market

capitalisation of JOD250m is not proportionate with the size of profits the sector generates. There needs to be focus on writing more of the non-motor business, especially life, as the sector will expand its sources of income and boost profits. In addition, it is necessary to create a larger and stronger market providers to leverage the performance of the industry. There have been few M&A deals in the past five years, which helped consolidate the arena but more is required in that regard.

However, the CJB, which took over the supervision of the sector in 2021, is conducting serious reforms

including setting new minimum capital requirements and being extra stringent with violating or insolvent players. Last year, the CJB decided to liquidate one of the troubled players, following a similar move in 2022. The CJB has been active in suspending the activities of some operators in certain lines to force players adopt a more prudent underwriting strategy.

The Jordan insurance market has been resilient in the face of many internal and external challenges over the years. However, the ongoing war in Gaza, has socioeconomic impacts on Jordan.■

## The federation strengthens its role

**T**he Jordan Insurance Federation (JIF) continues to consolidate its role as the voice of the insurance industry in the country through building relationships with local, regional and international bodies, said JIF chairman Majed Smairat.

In November, the JIF joined the International Union for Marine Insurance with the aim of benefiting from international and global experiences in marine insurance, making it the third Arab country to join the international body.

Locally, the JIF is actively coordinating with various public and private sector institutions to increase the insurance sector's involvement in the national economy, said Mr Smairat.

"There are ongoing discussions

with the CJB on launching new mandatory covers that protect commercial and industrial entities against risks of Nat CAT. This is important because Jordan is located within a risky zone which is historically exposed to earthquakes. This is one of the future projects we hope to achieve," he said.

Furthermore, there are plans to launch compulsory covers for liability insurance in general and professional responsibilities in particular, in addition to the issue of elevator insurance in residential and commercial buildings, which should be mandatory, said Mr Smairat.

"There are also advanced efforts and discussions to introduce agricultural insurance into the Jordanian market, as well as providing microinsurance products. The JIF has been actively working to

achieve these initiatives and we are hopeful that 2024 will see notable progress," he said.

The JIF pays a great attention to the younger generation and launched an annual plan which offers training programmes to professionals from Jordan and abroad. In 2023, 3,087 participants joined JIF training activities, up from 1,267 in 2022. This includes 839 participants in 21 programmes within the training plan; 158 participants in four complimentary activities and workshops; and 1,610 participants in a series of free training programmes for insurance companies on combating money laundering and terrorism financing. This in addition to the ninth Aqaba Insurance Conference in 2023, which attracted around 1,200 participants from 40 countries.■

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