

SECTOR REPORT

The Jordanian Insurance Sector

October 17th 2016

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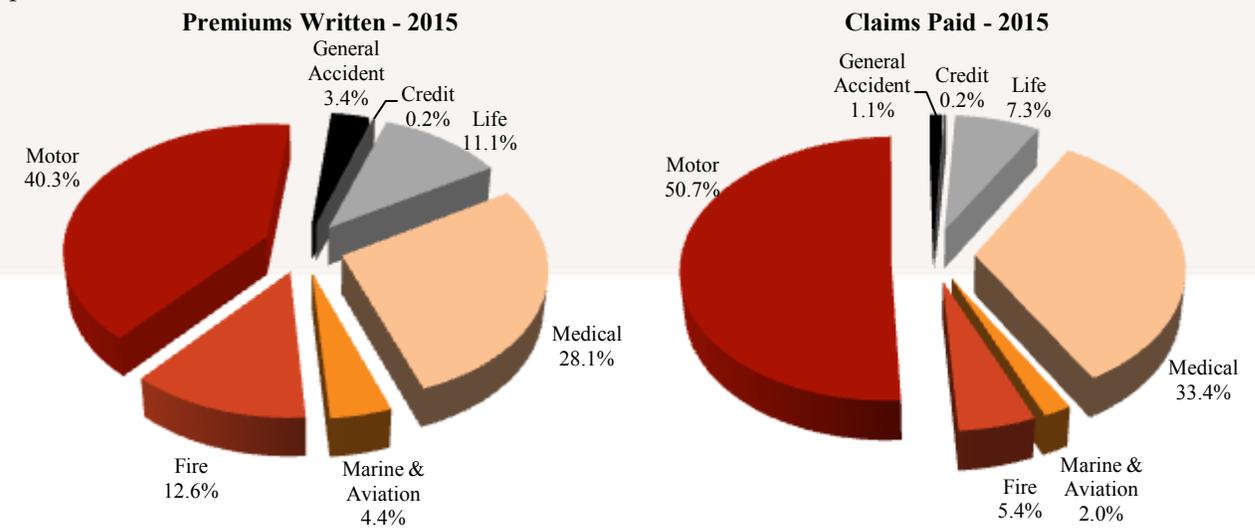
1.0 Executive Summary

The financial crisis of year 2008 followed by the Arab Spring have had a dampening impact on the regional economies as a whole, and on Jordan specifically; GDP growth has decelerated from the 7% and 8% levels recorded prior to the financial crisis to a current level of around 2.3%. The scale and growth of the insurance industry is correlated with the performance of the economy, influenced by the levels of disposable income and spending, the presence of expatriates, the development of the construction sector, investment performance and interest rates, in addition to the implementation of compulsory insurance schemes.

The Jordanian insurance sector has strong potential for growth given its low penetration level of 2.13% compared to a global average of 6.23%, and is further supported by its rising population, buoyed by the influx of refugees from Syria and Iraq, as well as mandatory insurance in the motor insurance segment, alongside the potential implementation of a universal coverage system for Jordanians under the health insurance umbrella.

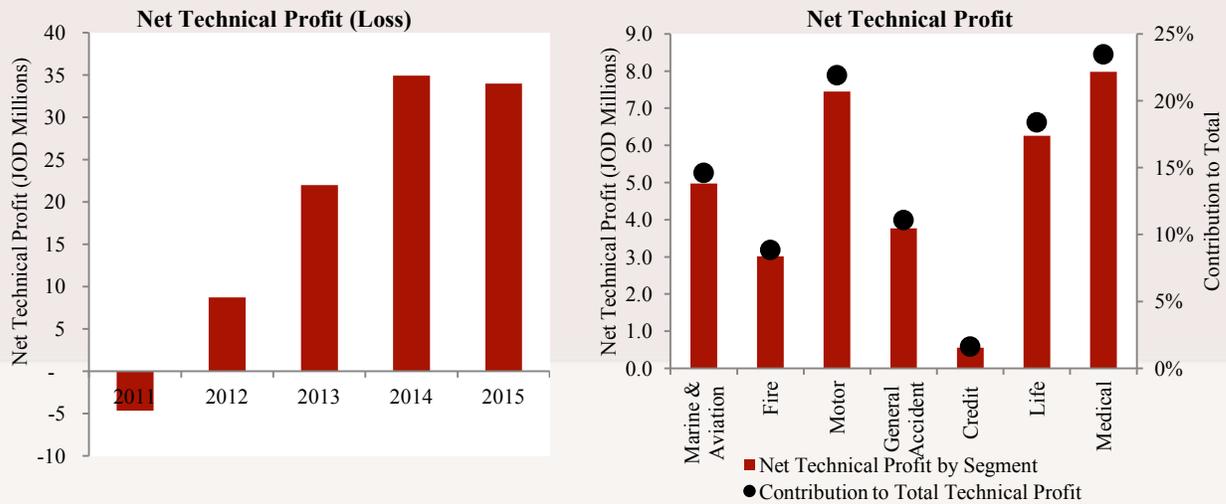
The sector, however, is facing a number of challenges, such as low disposable income and rising unemployment rates, lack of awareness and understanding of insurance and mitigation of risk amongst the population, particularly in terms of personal insurance such as life and fire insurance. A sizeable proportion of the population cannot afford insurance, and of those that can, many rely on family or state resources for life cover and old-age care. The sector has a well-educated workforce but the majority lack technical expertise. Moreover, the most pressing issue, arguably, for the sector is the mandatory motor third-party liability insurance sector; the premiums on third-party liability insurance are regulated at below market rates according to industry insiders, which has resulted in the majority of market players recording losses from that business line.

The insurance sector in Jordan is concentrated at the top but fragmented at the bottom, with the top five companies claiming 47.3% of the market share of total premiums written in 2015. This has resulted in excessive competition and a widespread lack of profitability for the sector, with insurance companies unable to grow to a sufficient scale and retain a large enough volume of premiums to build meaningful risk pools and underwriting capacity that will lead to innovation and creation of new products and services that will attract additional business and investment to the sector.



Source: Jordan Insurance Federation

The motor and medical insurance segments have the heaviest weighting in the sector, at 68.4% of premiums written and 84.1% of claims paid. This heavy weighting of motor insurance has had negative implications on the profitability of the industry as a whole; the industry has struggled with low yields on investment portfolios due to poor stock market performances in recent years, and this has impacted on the bottom line, an effect further exacerbated by negative underwriting results in the motor insurance business as a result of the segment's regulated premiums. The regulators have deliberated about the liberalisation of third-party liability motor insurance for a number of years, but have consistently pushed the decision back in order to avoid placing additional financial burden on the population. In light of the losses made by motor insurance companies, however, the regulators sanctioned the raising of tariffs by insurers on third-party motor liability insurance by 25% for vehicles involved in an accident in the previous insured year, and up to 100% for accidents that resulted in death or complete disability. This has helped reduce the losses generated by third-party liability insurance, but has been insufficient to turn all the companies profitable in this business line, and thus it continues to be subsidised by the insurers' comprehensive motor insurance business.



Source: Jordan Insurance Federation

In response, a number of companies relinquished their motor insurance licenses to focus on the other business lines, and the market overall has begun correcting itself, with the voluntary liquidation of Gerasa insurance and the consequent liquidations of Arab German Insurance Company and Al-Barakah Takaful, thereby reducing the number of insurance companies from 28 to 25 in the last few years. Furthermore, in 2015, First Insurance acquired Yarmouk Insurance, a transaction that was completed early this year. This is the first consolidation in the market in a number of years, and while the sector regulators and players believe that the sector would benefit greatly from further consolidation through the removal of weaker players, the reduction in competition, and the attainment of larger scales by the remaining companies, the fact that the bulk of the companies in the sector are family-owned deems consolidation less likely.

Medical insurance is the most profitable segment, with the highest contribution to technical profits in 2015, at JOD7.98 million. However, the segment is facing declining margins due to rising costs of medicines and hospitals coupled with insurance fraud. Around 68% of Jordanians, and 55% of the total population in Jordan are covered by some form of health insurance, according to the results of the latest population census. Making health insurance compulsory for all would lead to strong growth in this segment of the market and help boost profitability overall.

Life insurance, marine and aviation, general accident, and fire insurance also return strong profits and have a high reinsurance rate, thereby transferring the bulk of the risk to the reinsurers and allowing the companies to earn commissions on the business. However, penetration rates remain subdued, particularly for life insurance due to low disposable income and the reliance on the retirement system provided by the Social Security Corporation. Efforts need to be made to educate the population on the advantages of all types of insurance in mitigating risks in order to facilitate the sector's growth and increase the penetration rate going forward.

2.0 Global Insurance industry

2.1 Insurance Premiums Written

According to Swiss Re, real global direct life and non-life insurance premiums written increased by 3.8% in 2015 compared to 3.5% in 2014. Emerging markets recorded a growth of 9.8% compared to a growth of 2.5% in advanced markets. In nominal USD terms, however, premiums written declined by 4.2% over the same period due to the depreciation of many currencies against the dollar.

Growth in World Insurance Premiums Written - 2015			
	Life Insurance	Non-Life Insurance	Total
Advanced Markets	2.5%	2.6%	2.5%
Emerging Markets	12.0%	7.8%	9.8%
World	4.0%	3.6%	3.8%

Source: Swiss Re

Life insurance premiums decelerated slightly to 4% from 4.3% in real terms the previous year, with the life premiums in developed countries growing by 2.5%. North America saw a recovery in its premiums written following two years of decline, while Western Europe saw a large slump. Meanwhile, Japan and Korea witnessed strong growth in life insurance.

In emerging markets, overall life premiums growth almost doubled to 12% on the back of strong performance in emerging Asia. Latin America also fared well, in contrast to the Middle East and Central Asia and Africa, who experienced a decline in growth. Central and Eastern Europe saw their premiums contract.

In terms of non-life insurance premiums, growth globally increased to 3.6% from 2.4% in 2014, driven largely by advanced markets with all regions excluding Oceania registering higher growth rates. Advanced Asia recorded the highest growth rates amongst the advanced markets at 4.1%, while North America's premiums grew by 3.2%. For emerging markets, non-life premiums increased by 7.8%, on the back of a strong performance by China.

2.2 Penetration and Density

Insurance Density: Premiums per Capita in USD - 2015			
	Total Business	Life	Non-Life
North America	4,006.9	1,684.9	2,322.0
Latin America and Caribbean	251.0	105.1	145.9

Insurance Penetration: Premiums in % of GDP - 2015		
Total Business	Life	Non-Life
7.29%	3.06%	4.22%
3.09%	1.29%	1.80%

Insurance Density: Premiums per Capita in USD - 2015			
	Total Business	Life	Non-Life
Europe	1,634.4	987.2	647.2
Asia	311.7	209.8	102.0
Africa	54.7	37.3	17.4
Oceania	2,065.0	1,165.5	899.5
World	621.2	345.7	275.6

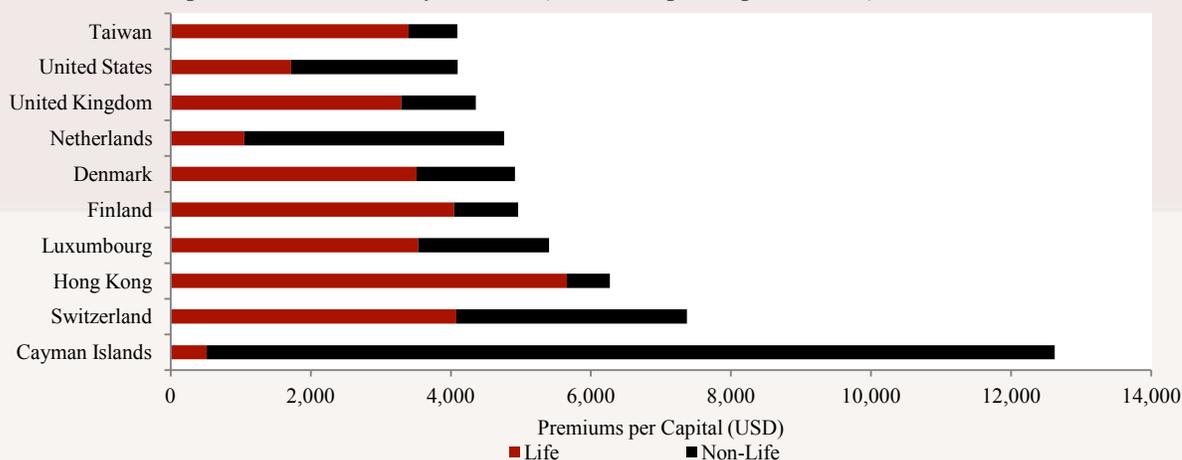
Source: Swiss Re

Insurance Penetration: Premiums in % of GDP - 2015		
Total Business	Life	Non-Life
6.89%	4.18%	2.73%
5.34%	3.59%	1.74%
2.90%	1.97%	0.92%
5.58%	3.15%	2.43%
6.23%	3.47%	2.77%

Insurance density in advanced markets, measured as average spending on insurance per capita, decreased by almost 6% to USD3,440 in 2015 compared to 2014, primarily due to exchange rate fluctuations. Life insurance density amounted to USD1,954 while for non-life it was USD1,486.

On a region-by-region basis, insurance density for both life and non-life business was highest in North America followed by Oceania. The chart below shows the top ten markets in terms of insurance density in 2015.

Top 10 Insurance Density Markets (Premiums per Capita in USD) - 2015



Meanwhile, the insurance penetration (premiums written to GDP) in North America and Europe registered at 7.3% and 6.9%, respectively, exceeding the world average of 6.2%. Life insurance penetration rates exceeded non-life on a global level, at 3.5% to 2.8%, and in most regions, with the exceptions of North America and Latin America and the Caribbean, where the penetration rates of non-life insurance were higher than life insurance.

2.3 Outlook for 2016

Swiss Re anticipates a slump in the growth of global non-life insurance premiums due to weak economic activity and soft prices, particularly in advanced markets. In North America, price declines are expected to result in lower growth for 2016, while moderate economic growth in Europe is anticipated to subdue the performance of the sector. In advanced Asia, slower economic growth is expected to affect some lines of the non-life sector, while others will continue to grow due to increased awareness and re-pricing.

For emerging markets, Swiss Re has a mixed outlook, with China driving strong growth in emerging Asia, while Africa and the Middle East should continue to see growth but at a lower rate.

In terms of life insurance, the outlook is more positive, with growth anticipated in both advanced and emerging markets, with the acceleration of growth in advanced markets resulting from improvements in Oceania and Western Europe, while emerging markets will see decelerating but still positive growth.

3.0 History and Organisational Structure of the Insurance Sector

3.1 History of the Insurance Sector

In the 1940s, the insurance in Jordan was predominantly in the form of insurance of import credits which required marine or road transportation. In 1946, an insurance agency affiliated with the Egyptian Orient Insurance Company was established. In 1951, the first insurance company was created called the Jordan Insurance Company, and five years later, the Association for Jordan Insurance Companies was established to regulate the sector.

The increase witnessed in car and marine transportation during the 1950s led to the establishment of more insurance companies, and in 1965, the first insurance law was passed and the number of players in the market continued to grow. Between 1972 and 1976, seven new companies were established and in 1980, five new companies entered the market so that the number increased to a total of 33 companies, agencies and branches fighting for a slice of a very small pie. The losses incurred by many of the companies led to the issue of the Insurance Practice Monitoring Act Number 30 for year 1984 which stopped the issuance of new insurance licenses as well as raised the required paid up capital for existing companies to JOD600 thousand. The number of insurance companies declined to 17 local and 1 foreign company by 1987 as a result.

That year, the Unified Insurance Office was created for the insurance of vehicles, and it remained in play until 1989 when the Jordan Insurance Federation was created. The role of the Federation is to develop technical activities for setting up the principles of insurance and to present any studies or analysis on the insurance market to the local market to help regulate and coordinate insurance practices. It also aims to unify insurance policies as well as establish insurance and reinsurance pools as required by the market.

In 1995, Law number 5 for the year 1995 allowed the establishment of new insurance companies and also raised the minimum required capital for local insurance companies to JOD2 million, JOD4 million for foreign companies, and JOD20 million for reinsurance companies. The opening of the market led to the entry of 8 new players, raising the number of insurance companies to 25 local and 1 foreign.

In 1999, in accordance with the Insurance Supervision Act number 33 for the year 1999, the Insurance Commission was created as an independent entity responsible for regulating the insurance sector.

By year 2000, the number of companies in the sector had reached 27 before declining to 26 the next year following the liquidation of one company.

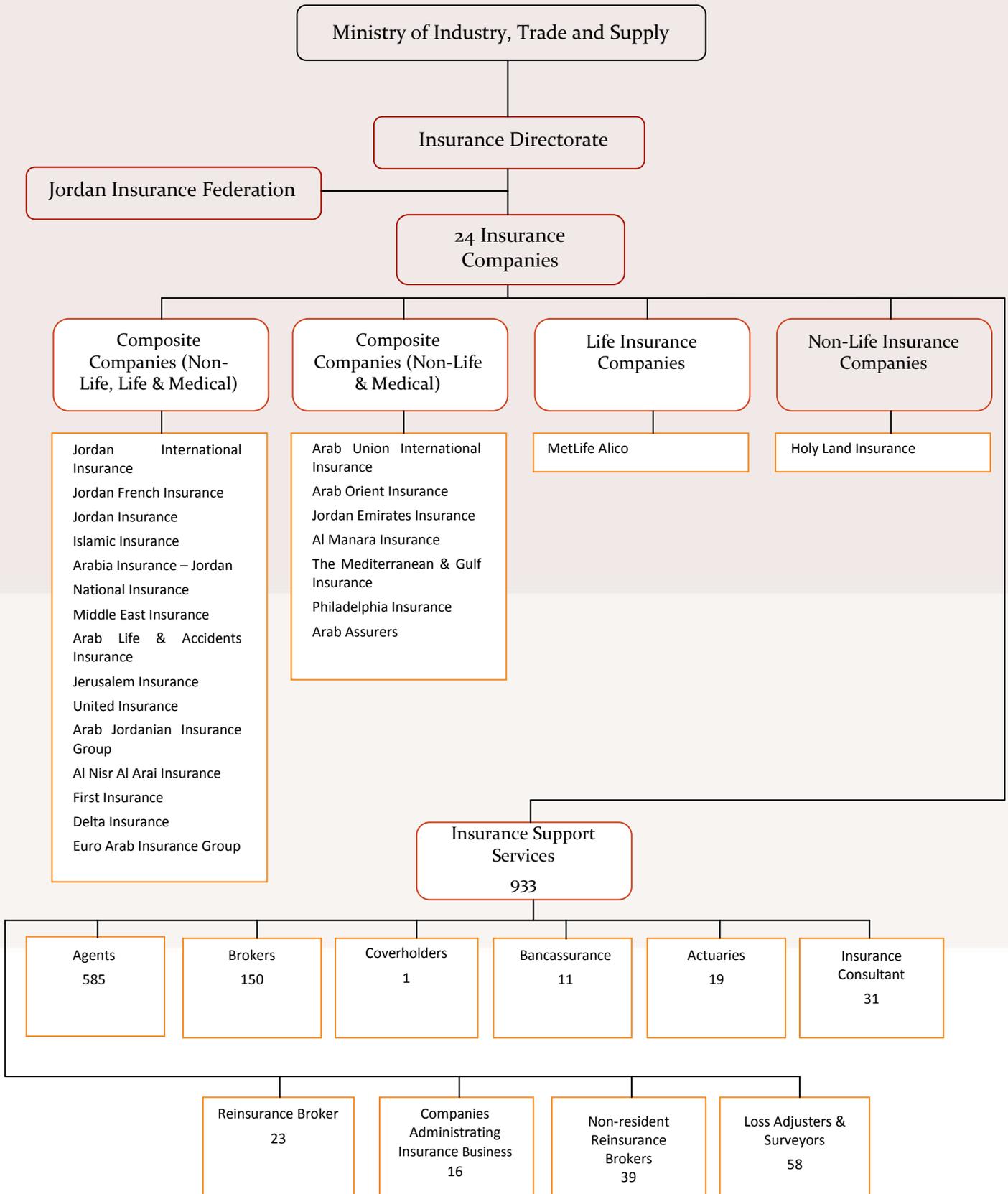
In 2005, the minimum required paid up capital was raised to JOD4.0 million for general insurance companies and life insurance companies. The law was subsequently amended in 2008 whereby companies established after the law came into effect were required to have a paid up capital of JOD25.0 million for life and general insurance companies and JOD100.0 million for reinsurance companies.

The number of companies continued to increase, reaching 29, and the market began to self-correct; Darkom withdrew from the market in 2008 followed by Gerasa Insurance's voluntary market exit in 2013. In 2014, the insurance licenses for two companies, Arab German Insurance Company and Al Barakah Takaful, were revoked and the companies were liquidated. In 2015, First Insurance acquired Yarmouk Insurance, thereby reducing the number of insurance companies to 24 of which one is specialised solely in life insurance.

As part of government efforts to cut costs, the Insurance Commission was merged with the Ministry of Industry, Trade and Supplies, placing the sector under the Insurance Directorate at the Ministry.

The chart on the following page highlights the current structure of the insurance sector, with 24 insurance companies, of which 15 are composite companies offering Life, non-life and medical insurance, 7 are composite companies offering non-life and medical insurance, one is a company specialized solely in life insurance, and one is a non-life insurance company. There are also 933 support entities in the sector, including brokers and agents, actuaries, loss adjusters and surveyors, and bancassurance providers, to name a few.

3.2 Organisational Structure of the Insurance Industry



4.0 Key Insurance Sector Highlights

Key Insurance Statistics										
(in JOD Millions)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Investments	408	462.5	479.6	484.6	73.9	453.8	488.6	504.9	534.4	533.6
Total Assets	548	636.6	678	695.5	718.7	719	764	798	842.2	869.7
Technical Provisions	170.8	188.6	202.6	216.3	237.3	254.3	293	328	356.1	387.1
Shareholders' Equity	285.1	330.6	355.4	359.1	353.6	314.8	306.4	317.7	332.8	330.7
Gross Written Premiums Inside Jordan	258.7	291.6	333	365.2	408.6	432.1	466.5	492.5	525.8	550.4
Net Written Premiums Inside Jordan	158.1	179.3	202.7	217.7	253.3	254.5	282.7	304.6	320.6	342.5
Gross Claims Paid for Premiums Written Inside Jordan	174.5	207.6	219	263	282.1	339.5	335	317.1	372.9	371.8
Net Profit before Tax	21.5	15.5	22.6	7.3	15.9	-8.6	5.6	25.1	41.1	30.2
Key Ratios (%)										
Solvency Margin	289.1%	299.7%	311.8%	293.5%	280.9%	223.2%	233.5%	211.0%	211.5%	207.7%
Retention Ratio	61.1%	61.5%	60.9%	59.6%	62.0%	58.9%	60.6%	61.9%	61.0%	62.2%
Loss Ratio (Non-Life Insurance)	85.1%	85.1%	82.9%	89.0%	85.4%	95.8%	96.6%	84.4%	86.1%	79.5%
Expense Ratio (Non-Life Insurance)	15.0%	13.4%	10.8%	10.3%	13.1%	8.7%	9.7%	10.6%	11.0%	12.4%
Return on Assets	3.9%	2.4%	3.3%	1.1%	2.2%	-1.2%	0.7%	3.1%	4.9%	3.5%
Return on Shareholders' Equity	7.5%	4.7%	6.4%	2.0%	4.5%	-2.7%	1.8%	7.9%	12.4%	9.1%
Technical Provisions/ Shareholders' Equity	59.9%	57.1%	57.0%	60.2%	67.1%	80.8%	95.6%	103.2%	107.0%	117.0%
Total Investments/Total Assets	74.5%	72.7%	70.7%	69.7%	65.9%	63.1%	64.0%	63.3%	63.4%	61.4%

Source: Ministry of Industry and Trade

5.0 Drivers of Growth

5.1 Economic Growth

Economic growth has both a direct and indirect impact on the insurance sector development through thriving business operations, increased construction projects, declines in unemployment, increases in salaries and spending, additions to investment, and booming stock markets. The economic outlook for Jordan is stable, with a modest projected GDP growth of around 2% for the next five years, according to the IMF.

5.2 Population Demographics

The population in Jordan has risen rapidly in recent years, boosted by an influx of refugees from Iraq and Syria. A growing population increases the number of people requiring health insurance, the number of houses that need to be insured against fire and theft, as well as the number of vehicles that must be insured. According to the Department of Statistics, the population of Jordan, including refugees, has risen from 6.25 million in 2011 to 9.56 million in 2015.

Furthermore, the population in Jordan is categorized as being young, which means that as the population matures, demand for health and life insurance will increase as the need for savings and life cover rises. Moreover, the young population with access to media, new technology, and education should lead to further demand for insurance.

5.3 Rising Household Income

Disposable Income has a direct impact on the ability to purchase insurance. Once the more basic needs are met, then one may consider saving for the future or investing to avoid unnecessary risk.

5.4 Risk Awareness

In order for the sector to continue to grow, the population must be educated on the advantages of insuring against unforeseen risks, and be made aware of the different forms and options of insurance available.

5.5 Restructuring of the Social Security Corporation Pension

Any restructuring of the social security coverage that results in a reduction in the benefits received in retirement will bring about a growth in demand for life insurance.

5.6 Compulsory Insurance

As illustrated by the motor insurance sector, which accounts for the lion's share of insurance premiums, making insurance compulsory will lead to an increase in premiums in that line of insurance business. Should the Government's plans to expand the health insurance umbrella to cover all Jordanians come to pass, this should help drive the health insurance sector going forward.

5.7 Regulatory Reforms

Any positive regulatory reforms regarding minimum capital requirements, reporting requirements, and pricing are likely to drive growth in the insurance industry and instil additional confidence in the sector.

5.8 Takaful Insurance

The increased availability of Takaful insurance should lead to growth in demand for insurance for those individuals that require Shari'a compliant products.

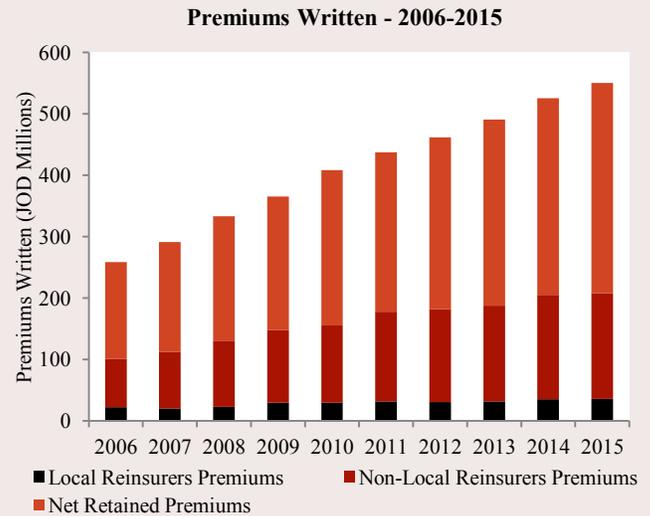
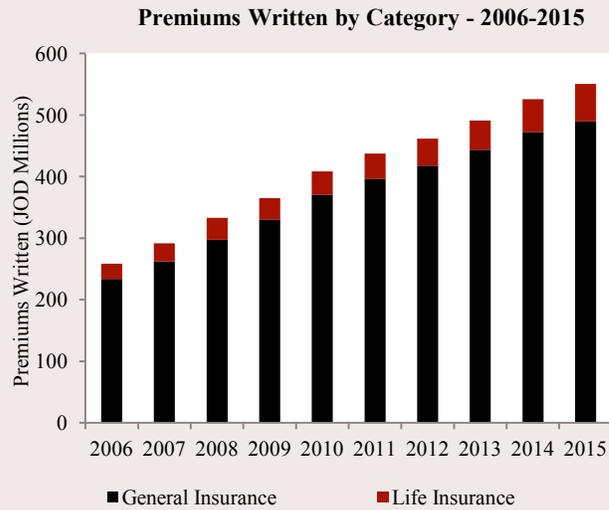
6.0 Market Size and Growth

6.1 Premiums Written

The Jordanian insurance sector continued to grow steadily in spite of weakened economic conditions in the aftermath of the global financial crisis and the Arab Spring, having more than doubled its gross written premiums in the last decade. Total written premiums registered at JOD258.74 million in 2006, rising to JOD550.37 in 2015, at a compounded annual growth rate (CAGR) of 8.7%. Since 2010, the sector has registered a slower CAGR of 6.1% in its gross written premiums, as a result of the deceleration in economic growth, poor capital markets, and low liquidity.

The drivers of the growth are medical insurance, whose premiums increased from JOD42.90 million in 2006 to JOD154.40 million in 2015, and motor insurance, whose premiums rose to JOD221.88

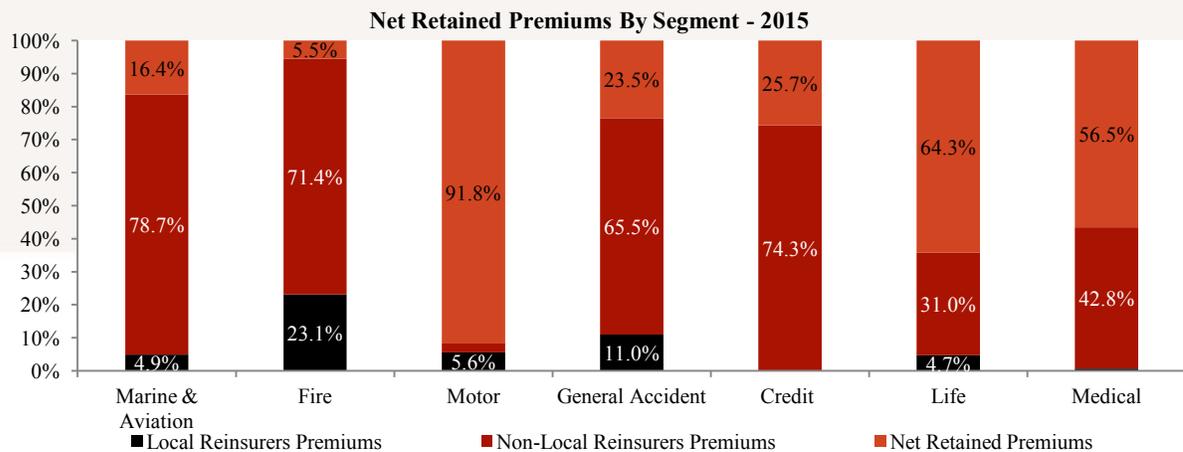
million from JOD121.05 million over the same period. Overall, the general insurance premiums rose to JOD489.33 million in 2015 from JOD233.58 million in 2006.



Source: Insurance Federation

The composition of the gross premiums written highlights that almost one-third of the premiums are attributable to non-local reinsurers, while around 6.5% are local reinsurers premiums. The average retention ratio, which is the ratio of net premiums to gross premiums, gives an indication of whether traditional insurance is being practiced or whether there is a lack of underwriting capacity and companies are essentially operating as brokers. The higher the retention ratio, the more “traditional” the insurance business is.

The fragmentation in the market has had a negative impact on Jordan’s retention ratio, which stood at 62.2% in 2015, as the ratio increases more than proportionately with size. According to the World Bank, this is because small companies lack the capacity to build adequate risk pools, take risk internally, underwrite contracts, and innovate. Consolidation in the market should help increase the retention ratio going forward.



6.2 Insurance Penetration Rate

Insurance Penetration (Premiums in % of GDP in 2015)				
Country	Global Ranking	Total Business	Life Business	Non-Life Business
Qatar	72	1.54%	0.04%	1.50%
United Arab Emirates	54	2.35%	0.57%	1.78%
Bahrain	51	2.45%	0.50%	1.95%
Saudi Arabia	73	1.51%	0.04%	1.47%
Kuwait	80	0.90%	0.15%	0.75%
Lebanon	42	3.42%	1.02%	2.40%
Oman	69	1.57%	0.16%	1.41%
Jordan	59	2.13%	0.30%	1.89%
Egypt	85	0.68%	0.32%	0.36%
Average		1.84%	0.34%	1.50%

Region	Total Business	Life Business	Non-Life Business
North America	7.29%	3.06%	4.22%
Latin America and Caribbean	3.09%	1.29%	1.80%
Europe	6.89%	4.16%	2.73%
Asia	5.34%	3.59%	1.74%
Africa	2.90%	1.97%	0.92%
Oceania	5.58%	3.15%	2.43%
World	6.23%	3.47%	2.77%

Source: Swiss Re

The insurance penetration rates in the region are low even after accounting for income levels; Insurance markets typically develop along an S-curve whereby demand for insurance is low at the early stages of global development. However as the economy grows, demand rises and the penetration ratio increases swiftly before levelling off at higher stages of economic development. This trend is not reflected in the countries in the region, whose penetration ratio is low relative to what might be expected.

Non-life insurance (general insurance), makes up a sizeable 88.9% of total insurance premiums written in Jordan, and despite the 8.6% compounded annual growth rate it has registered since 2006, the penetration rate is 1.9% compared to a global average of 2.8%. It does, however, fare well compared to the 1.5% average of its neighbouring countries.

Jordan's life insurance market is significantly smaller, with a penetration rate of 0.3% compared to 3.5% globally. The global penetration rate for life insurance is greater than general insurance, with the notable exceptions of North and Latin America and the Caribbean. In the region, however, the life insurance market remains undeveloped and uncommon, with the average penetration rate registering at a mere 0.3%. Lebanon stands out as having the most developed life insurance market, with a penetration rate of 1.0%, followed by the United Arab Emirates and Bahrain, at 0.6% and 0.5%, respectively.

The immaturity of the insurance sector in the region in general is due to a number of factors, including inadequate regulation and consumer protection, the structure of the market and the extent of fragmentation, lack of development of other segments of the financial sector such as mortgage and personal loans which drive demand for insurance, social or human development factors, as well as

cultural or religious reasons. Research referenced by the World Bank reveals that insurance sectors also tend to be less developed in Muslim countries due to the lack of Shari'a compliant insurance products.

Many countries have only recently imposed compulsory insurance in areas such as occupational health and injury and third-party liability motor insurance. Moreover, premium revenues from car insurance tend to be quite limited in spite of the large number of vehicles per capita.

6.3 Insurance Density

Insurance density for Jordan, measured as premiums written per capita, amounted to USD102.4, the second lowest in the region and far below the global amount of USD621.2 or the insurance density for North America or Europe, which amounted to USD4,006.9 and USD1,634.4 respectively. Its ranking globally amounted to 68.

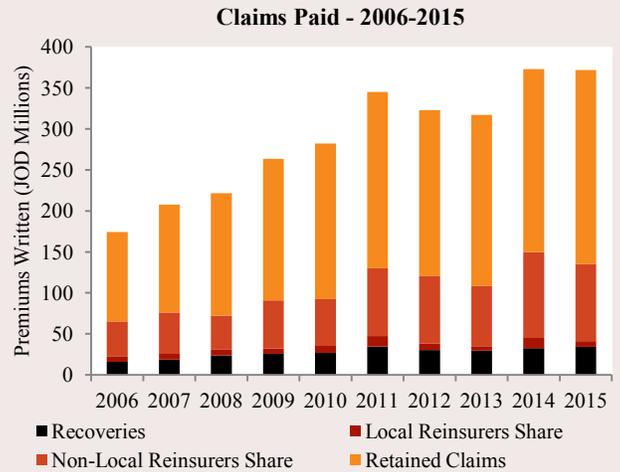
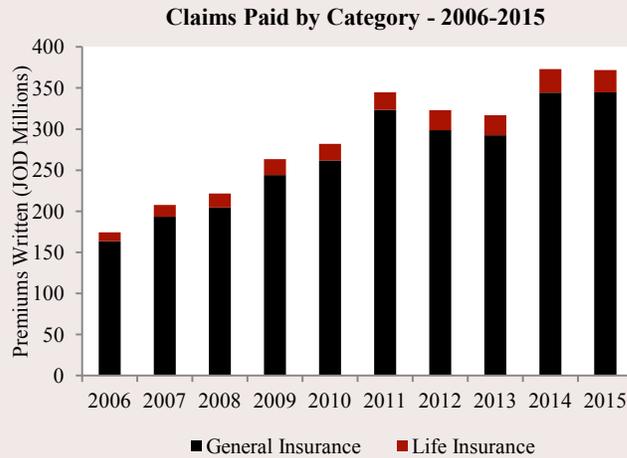
Insurance density was highest in Qatar and the United Arab Emirates for total business and non-life insurance and the United Arab Emirates and Bahrain for life insurance, and lowest in Jordan and Egypt for all insurance types.

Insurance Density (Premiums per Capita in 2015 in USD)				
Country	Global Ranking	Total Business	Life Business	Non-Life Business
Qatar	29	1,267.6	32.3	1,235.4
United Arab Emirates	30	1,102.2	266.0	836.2
Bahrain	39	584.7	119.7	464.9
Saudi Arabia	50	313.6	8.1	305.5
Kuwait	54	269.1	44.6	224.5
Lebanon	55	259.9	77.8	182.1
Oman	56	250.3	25.8	224.4
Jordan	68	102.4	11.2	91.2
Egypt	84	23.0	10.8	12.2
Average		463.6	66.3	397.4
North America		4,006.9	1,684.9	2,322
Latin America and Caribbean		251.0	105.1	145.9
Europe		1,634.4	987.2	647.2
Asia		311.7	209.8	102.0
Africa		54.7	37.3	17.4
Oceania		2065	1,165.5	899.5
World		621.2	345.7	275.6

Source: Swiss Re

6.4 Claims Paid

Meanwhile, claims paid registered a steady growth over the period 2006-2010, followed by a sharp increase in 2011 from JOD282.10 million to JOD344.93 million before dropping in 2012 and 2013 to JOD323.04 million and JOD317.03 million, respectively. In 2014, the claims paid rose to JOD372.92 million before declining in 2015 to JOD371.77 million.



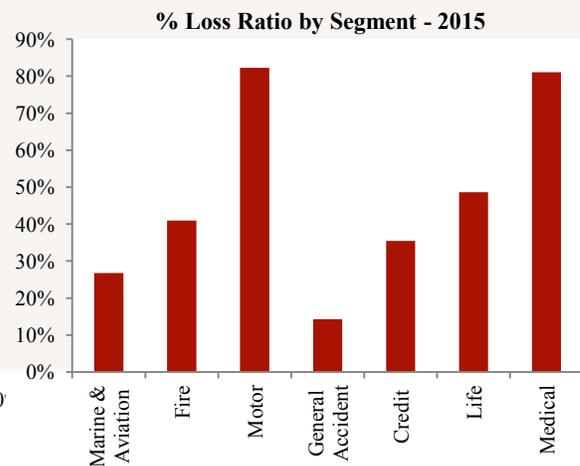
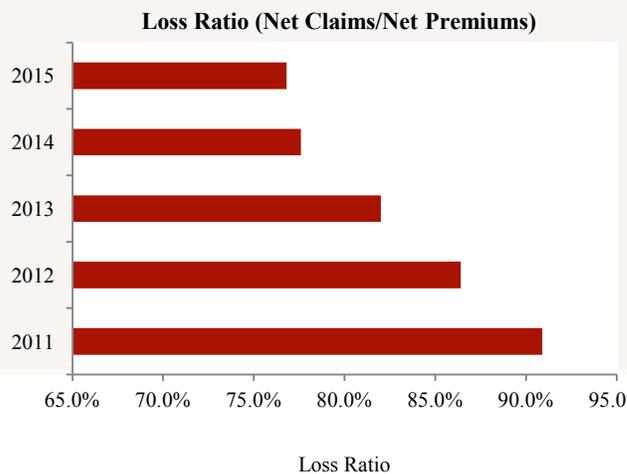
Source: Jordan Insurance Federation

Over the ten year period, the claims paid recorded a CAGR of 8.8%, just slightly higher than the growth in premiums written. The bulk of the claims paid related to the motor insurance, which increased from claims of JOD103.30 million in 2006 to JOD188.46 million in 2015, and medical insurance payouts which rose from JOD33.59 million to JOD124.03 million over the same period.

The composition of the claims paid reveals that 63.7% are net retained claims, while 25.2% are the share of non-local reinsurers.

6.5 Loss Ratio

The loss ratio of the sector was positively impacted by the growth in premiums written surpassing the claims paid over the last five years, particularly for the sector heavyweights, the motor insurance and health insurance sectors.

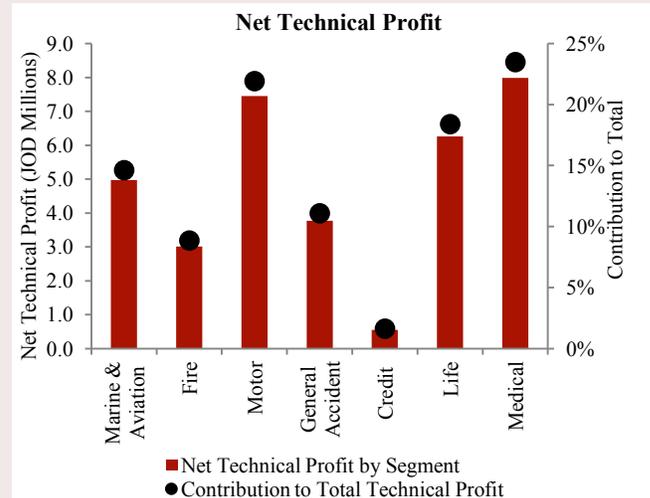
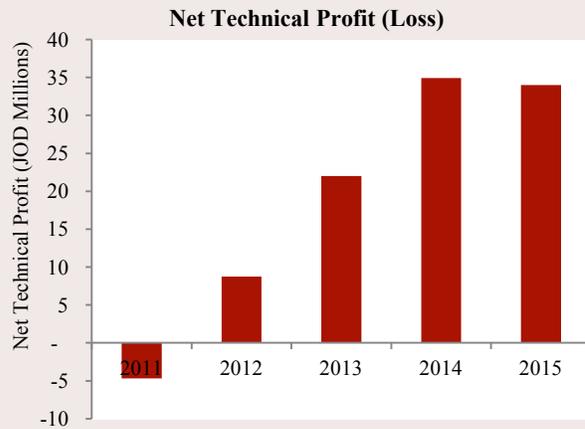


Source: Jordan Insurance Federation

6.6 Technical Profits

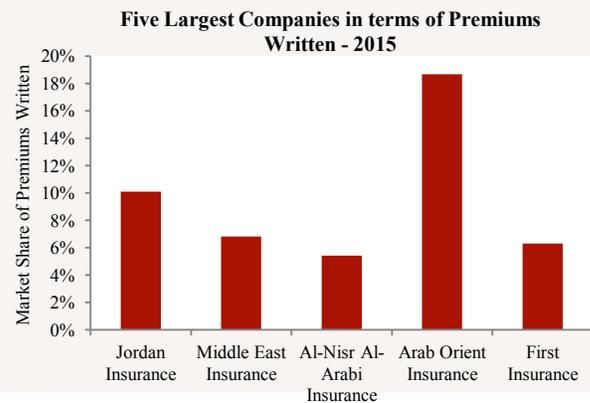
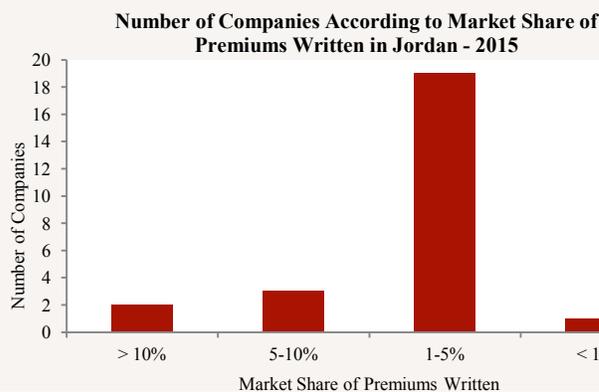
The improvement in the loss ratio was also mirrored in the sector's net technical profits, which, excluding year 2015 where a decline in the technical profits occurred, transformed from a loss of

JOD4.68 million in 2011 to a profit of JOD34.91 million in 2014. In 2015, the decline in technical profits from the motor, fire, marine and aviation, and life insurance segments led to a slight decrease in the technical profits to JOD34.00 million.



The segment contribution to total net technical profits highlight the medical and motor insurance segments as the largest generators of technical profits, which is in stark contrast to a few years ago, where in 2011 and 2012 the net technical profit from the motor insurance segment was negative, at (-JOD23.01 million) and (-JOD8.94 million), respectively, and the net technical profit from the medical insurance segment amounted to JOD1.38 million and (-JOD3.64 million) for the same years.

7.0 Market Participants



Source: Jordan Insurance Federation

The insurance sector in Jordan is categorised as having a large number of players with small markets shares of between 1% and 5% of the total premiums written, and a few companies with larger market shares. In 2015, only two companies had a market share exceeding 10%, namely the Arab Orient Insurance, with a market share of 18.7%, and Jordan Insurance, with a market share of 10.1%. Combined, the top five companies in terms of premiums written accounted for 47.3% of the market share.

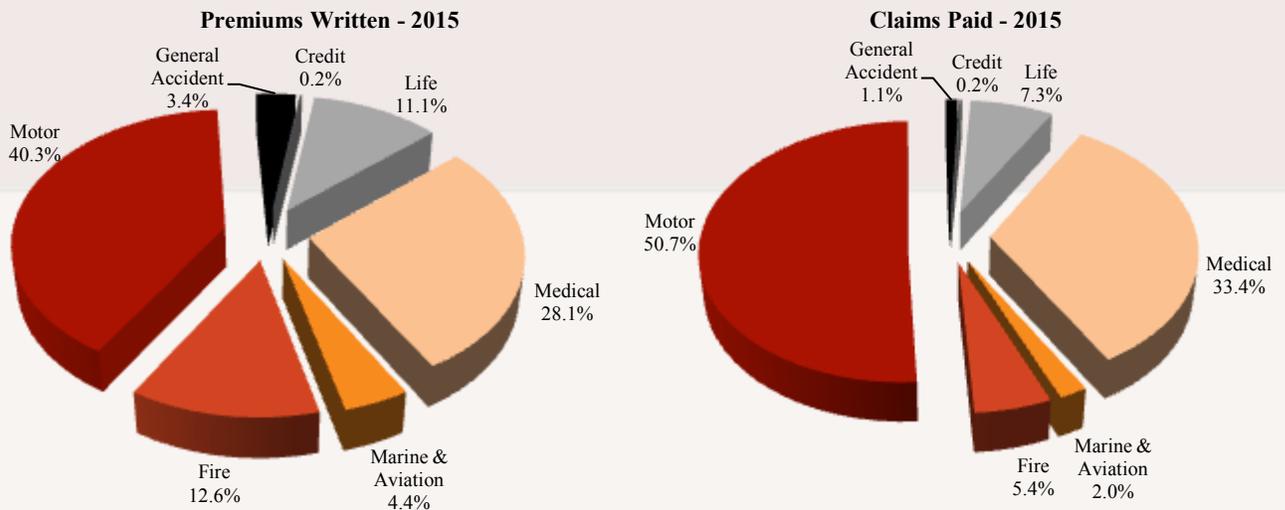
The life insurance segment, however, is considerably more concentrated, with the top five companies in terms of premiums written claiming a whopping 84.7% of the market.

Market players argue that the insurance sector is over saturated with too many players fighting over a small pie, and would benefit by consolidation in the market through mergers or acquisitions. Over the period 2012-2015, the number of insurance companies decreased to 25 from 28 following the exit from the market by Gerasa Insurance in 2013 after generating losses from its motor business, the liquidation of Arab German Insurance on March 1st 2014, a composite life and non-life company, and the liquidation of Al-Barakah Takaful, an Islamic non-life insurance company, on January 8th 2014.

In 2015, First Insurance, another Islamic insurance provider, acquired Yarmouk Insurance for an amount of USD14 million, a transaction that was completed in February 2016.

8.0 Insurance Portfolio Structure

Insurance in Jordan is heavily weighted in favour of motor and medical insurance, which, combined, account for 68.4% of the total premiums written in 2015. Fire insurance premiums make up 12.6% of the total, followed by 11.1% for life insurance premiums.



Source: Jordan Insurance Federation

8.1 Life Insurance

There are currently three pillars relating to retirement programs in Jordan:

- The first pillar – public pensions
 - The civil retirement pensions, which includes public sector civil employees who joined prior to 1995
 - The military retirement pensions, which includes captains and member of the Jordanian armed forces that joined prior to 2001.
 - Social Security, which includes government civil employees who joined after 1995, as well as any government employees that do not comply with the requirements for the civil retirement pensions, in addition to armed forces recruits that joined after 2001, and any private sector employees that which to join voluntarily.
- The second pillar – occupational pensions

- These pensions are run by professional associations (doctors, dentists, engineers, geologists, agricultural engineers, lawyers)
- The mechanism for jointing these pensions and how they are run is in accordance with the legislation for each corresponding association.
- Enrolment is optional for some associations and compulsory for others
- The third pillar – personal pensions
 - These are private pensions offered by insurance companies and are voluntary.
 - The application of a ceiling on salaries under the social security retirement scheme should help stimulate personal pensions in the long run.

The penetration rate of life insurance in Jordan falls far below the world average due to a number of reasons, the first of which is the prevalent dependence on the public pay-as-you-go retirement system provided by the social security corporation in Jordan. The social security system in Jordan provides insurance against old age, disability, death, work injuries and diseases, as well as health insurance. Its main sources of funds are the monthly contributions made by the insured and their employers, in addition to proceeds from the Social Security’s return on its investments.

The inevitable increase in the middle class is likely to lead to a demand for savings products as people attempt to maintain their lifestyle into retirement, and the risk is that the social security system will run into the same difficulties that advanced economies are already facing. Furthermore, for the middle to upper class portion of the population, the ceiling set on the retirement salary paid out by the Social Security Corporation is expected to drive private sector life insurance in the long term to supplement the retirement income to maintain existing standards of living.

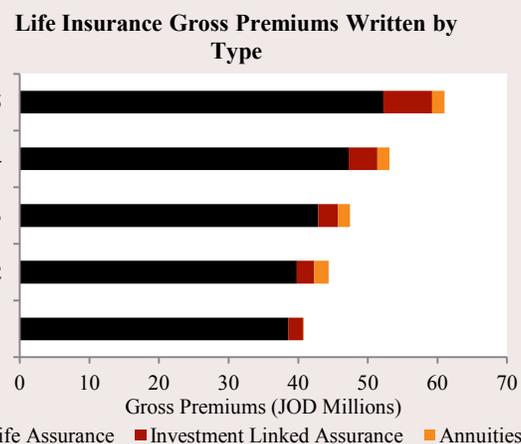
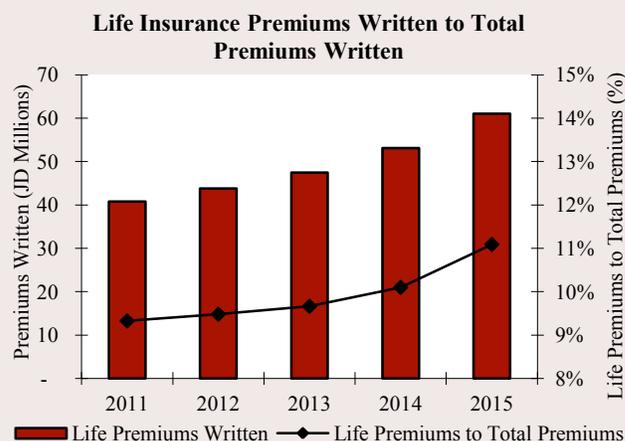
The second key obstacle to the growth of the life insurance sector is low disposable income; although many individuals are aware of the risk that the social security corporation may hold insufficient reserves to meet its future liabilities, they will only start to think about long-term savings once their short-term needs are met. With an average monthly salary of less than JOD500, the majority of the population in Jordan cannot afford to purchase life insurance.

Another obstacle is the lack of tax incentives on life insurance, particularly on whole life insurance and endowment policies.

Social Security Indicators				
	2010	2011	2012	2013
Number of Effective Establishments Covered by the Provisions of the Social Security	27,905	46,250	45,465	45,164
Number of Effective Insured	880,995	955,566	994,711	1,051,798
Number of Optionally Effective Insured	38,239	57,978	60,602	64,191
Number of Retirees from Social Security	128,130	135,101	144,05	153,167
Number of Beneficiaries of Unemployment Insurance	-	-	4,231	7,957

Source: Ministry of Industry and Trade

The premiums written for life insurance have grown at a CAGR of 10.6% over the period 2011-2015, and have increased as a percentage of total premiums year-on-year to reach 11.1% at the end of 2015.



Source: Insurance Federation, Ministry of Industry and Trade

The composition of the premiums written reveal that the growth is attributed to the life assurance and investment-linked assurance types of life insurance. Annuities, on the other hand, have remained stable since 2012.

Life Insurance – Premiums Written, Claims Paid, Technical Profit						
	2011	2012	2013	2014	2015	CAGR
Premiums Written	40,799,504	43,766,880	47,437,142	53,096,513	61,038,255	10.6%
Claims Paid	21,404,586	24,264,674	24,507,371	28,542,839	27,212,033	6.2%
Technical Profit	5,066,561	4,433,700	5,957,595	6,288,306	6,254,921	5.4%

Source: Insurance Federation

The 10.6% compounded annual growth in premiums written surpassed the growth in the claims paid, leading to a CAGR of 5.4% in technical profits over the last five years.

In 2015, a total of 16 companies offered life insurance to customers, of which fifteen were composite companies offering both general insurance and life insurance, and one company, Metlife Alico, offered only life insurance. The table below highlights the top ten companies in terms of the premiums written, the market share of premiums written, as well as the claims they paid, their market share of claims paid, and their market share of technical profits.

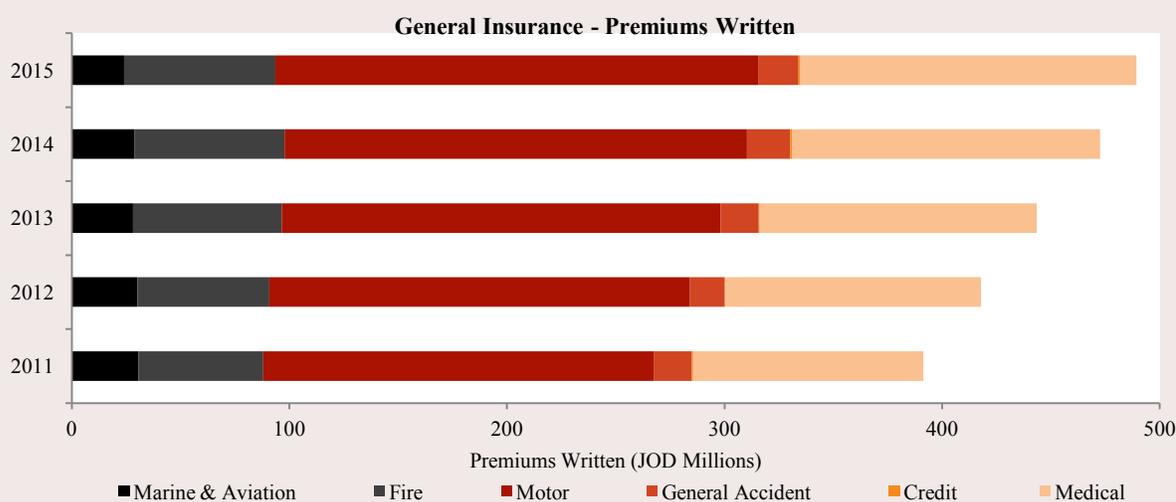
Top Ten Life Insurance Companies - 2015						
Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
Al-Nisr Al-Arabi Insurance	14,952,023	24.5%	4,100,181	15.1%	754,851	12.1%
Jordan Insurance	13,930,322	22.8%	9,867,313	36.3%	1,050,440	16.8%
Metlife Alico	13,419,481	22.0%	4,447,534	16.3%	1,841,326	29.4%
Islamic Insurance	5,312,615	8.7%	1,635,684	6.0%	78,686	1.3%
Middle East Insurance	4,113,789	6.7%	1,974,589	7.3%	53,858	0.9%
Arabia-Insurance – Jordan	2,157,034	3.5%	1,204,712	4.4%	226,444	3.6%
United Insurance	1,420,429	2.3%	509,413	1.9%	367,454	5.9%
Jordan French Insurance	1,346,956	2.2%	644,568	2.4%	296,163	4.7%
Euro Arab Insurance Group	1,170,938	1.9%	995,873	3.7%	1,196,499	19.1%
Jordan International Insurance	844,449	1.4%	363,549	1.3%	(39,267)	(0.6%)

Source: Jordan Insurance Federation

Of the 16 companies that offered life insurance, two recorded technical losses for this segment of their business, namely Jordan International Insurance and Arab Assurers.

8.2 Non-Life (General) Insurance

General insurance comprises of all insurance not categorized as life insurance. This includes marine and aviation insurance, fire insurance, motor insurance, general accident insurance, credit insurance, and medical/health insurance.



The general insurance premiums written registered at JOD489.33 million in 2015, up from JOD391.32 million back in 2011. The primary drivers of the growth are the sector heavyweights, the motor insurance, which increased from JOD179.50 million to JOD221.88 million over the five years, and the health insurance, which rose by JOD48.57 million to JOD154.40 million.

The claims written, meanwhile, rose by a CAGR of 2.0% to JOD344.56 million from JOD318.10 million in 2011, on the back of a JOD25.90 million increase in medical insurance claims.

Non-Life (General) Insurance – Premiums Written, Claims Paid, Technical Profit						
	2011	2012	2013	2014	2015	CAGR
Premiums Written	391,320,511	417,899,775	443,494,763	472,611,662	489,328,615	5.7%
Claims Paid	318,100,506	298,777,527	292,521,621	344,374,715	344,558,385	2.0%
Technical Profit (Loss)	(9,742,947)	4,292,662	16,029,998	28,623,250	27,744,823	N/A

Source: Jordan Insurance Federation

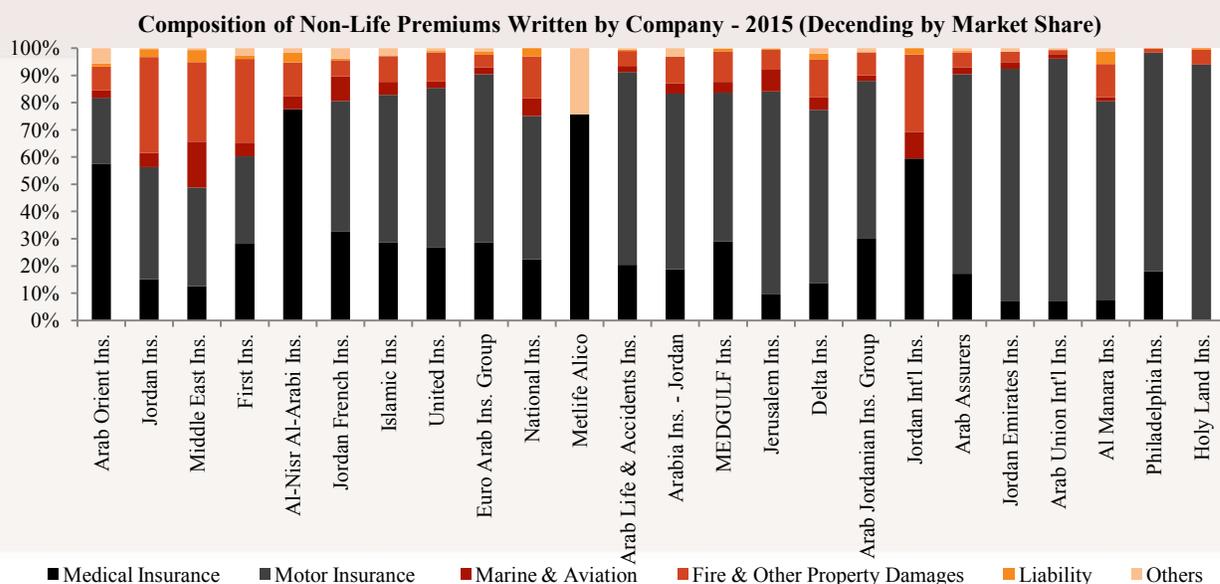
Technical profits saw a sharp climb over the period 2011-2014 as a result of improved performance in both the health insurance and the motor insurance. In 2015, the marine and aviation, fire, and motor insurance segments witnessed a slight drop in technical profits, which led to a decrease in the total technical profits for the non-life insurance to JOD27.74 million from JOD28.62 million at the end of 2014.

By company, the Arab Orient Insurance was the clear market leader, with a 21.0% share of the non-life (general) insurance premiums written, and a 20.8% share of the claims paid. The top five companies accounted for 48.2% of the total general premiums written, with the remaining 51.8% divided between 19 companies.

Top Ten Non-Life (General) Insurance Companies - 2015						
Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
Arab Orient Insurance	102,671,190	21.0%	71,758,998	20.8%	9,738,898	35.1%
Jordan Insurance	41,597,592	8.5%	24,382,492	7.1%	3,407,818	12.3%
First Insurance	34,243,367	7.0%	16,867,074	4.9%	330,599	1.2%
Middle East Insurance	33,455,830	6.8%	17,297,893	5.0%	2,394,137	8.6%
Jordan French Insurance	23,652,520	4.8%	19,544,247	5.7%	2,428,655	8.8%
United Insurance	21,240,775	4.3%	13,663,161	4.0%	1,399,437	5.0%
Euro Arab Insurance Group	20,558,235	4.2%	15,362,120	4.5%	-838,722	-3.0%
National Insurance	19,158,245	3.9%	14,616,725	4.2%	1,310,163	4.7%
Islamic Insurance	17,589,176	3.6%	11,339,459	3.3%	719,905	2.6%
Arab Life & Accidents Insurance	17,045,366	3.5%	12,441,476	3.6%	1,060,030	3.8%

Source: Insurance Federation

The chart below highlights the composition of the non-life premiums written by company arranged by market share of total premiums (companies on the left are larger). The larger companies tend to have a more diversified insurance portfolio, with a greater proportion of the premiums written arising from fire, marine and aviation, and general accident, which have higher profit margins and reinsurance rates, and a lower proportion from medical and motor insurance, which typically generate lower profits and have lower reinsurance rates.



Source: Jordan Insurance Federation

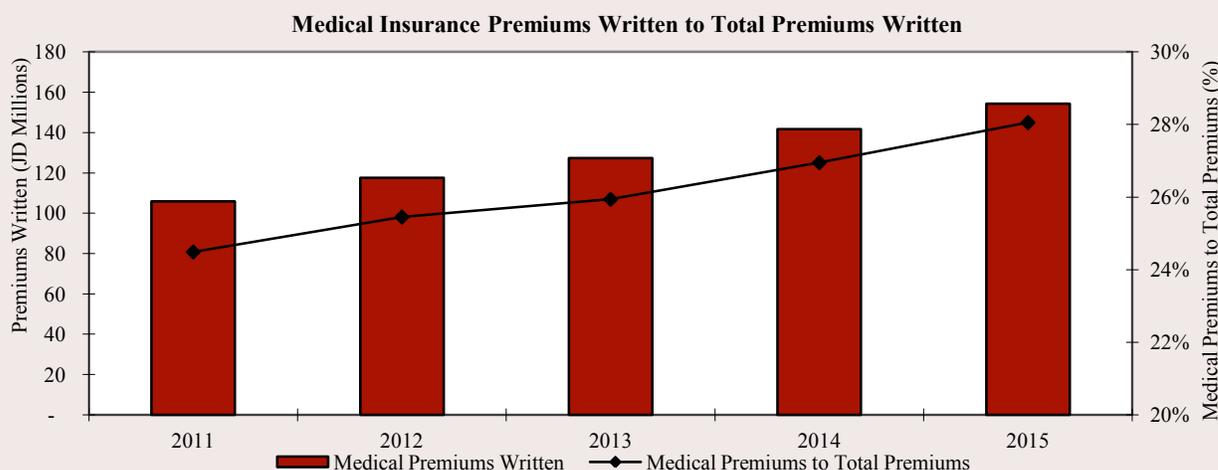
8.2.1 Medical Insurance

The 2015 national census revealed that 68% of Jordanians, including children under six years old, are covered by medical insurance, either through the Ministry of Health, which covers 41.7% of those insured, the Royal Medical Services, which covers 38%, private insurance companies, which cover

12.4%, or coverage through university hospitals, international insurance companies, UNRWA and others.

Over the period 2011-2015, medical premiums written have grown at a CAGR of 9.9% from JOD105.82 million to JOD154.40 million.

As a percentage of total premiums written, medical insurance has been rising year-on year, reaching 28.1% of the total premiums in 2015.



The performance of the medical insurance has improved dramatically over the last couple of years, bringing about a sharp rise in technical profits in 2014 and 2015.

Medical Insurance – Premiums Written, Claims Paid, Technical Profit						
	2011	2012	2013	2014	2015	CAGR
Premiums Written	105,821,081	117,506,160	127,349,809	141,669,761	154,395,794	9.9%
Claims Paid	98,129,629	99,730,269	110,340,729	113,356,525	124,031,389	6.0%
Technical Profit	1,381,819	465,221	2,409,768	7,974,381	7,983,934	55.0%

Source: Jordan Insurance Federation

The top ten health insurance companies in terms of premiums written reveals a concentrated market, with the Arab Orient Insurance Company accounting for almost 40% of the total premiums written in 2015, while the top five make up 61.7% of the market share.

Top Ten Medical Insurance Companies - 2015						
Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
Arab Orient Insurance	59,162,063	38.3%	44,852,202	36.2%	5,427,879	68.0%
Al-Nisr Al-Arabi Insurance	11,588,387	7.5%	8,157,789	6.6%	1,570,507	19.7%
First Insurance	9,653,217	6.3%	7,688,103	6.2%	(299,015)	(3.8%)
Jordan French Insurance	7,711,618	5.0%	7,126,182	5.7%	200,427	2.5%
Jordan International Insurance	7,124,027	4.6%	6,171,073	5.0%	188,115	2.4%
Jordan Insurance	6,315,449	4.1%	5,830,814	4.7%	499,913	6.3%
Euro Arab Insurance Group	5,902,520	3.8%	4,542,281	3.7%	(169,979)	(2.1%)
United Insurance	5,666,199	3.7%	4,768,785	3.8%	91,821	1.2%

Top Ten Medical Insurance Companies - 2015

Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
Islamic Insurance	5,041,424	3.3%	3,988,227	3.2%	(308,634)	(3.9%)
MEDGULF Insurance	4,896,186	3.2%	5,571,551	4.5%	(329,201)	(4.1%)

Source: Jordan Insurance Federation

Strikingly, Arab Orient Insurance claimed 68.0% of the segment’s profits in 2015. Of the 23 companies that operated in the medical insurance segment that year, 8 reported technical losses from that business line.

8.2.2 Motor Insurance

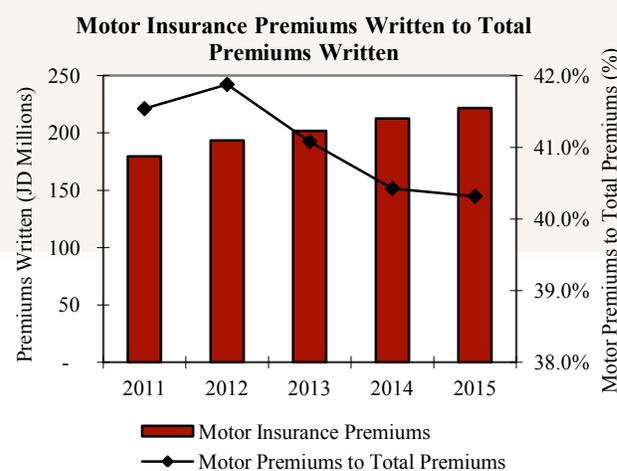
Motor insurance is the largest segment of the insurance industry, with premiums in 2015 making up 40.3% of total insurance premiums written. Over the past five years, the motor premiums written have grown at a CAGR of 5.4%, rising from JOD179.50 million in 2011 to JOD221.88 million in 2015. The growth has been boosted by the increase in number of licensed cars due to population growth both internally and as a result of the influx of refugees in the area to the Kingdom in the aftermath of the Arab Spring.

Key Motor Statistics

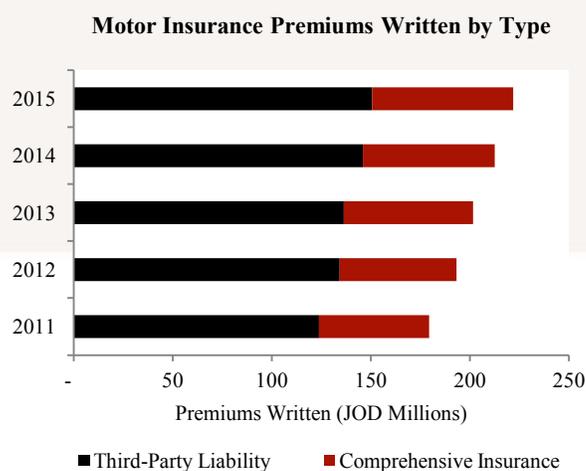
	2011	2012	2013	2014	2015
Number of Licensed Vehicles ('000)	1,147	1,214	1,261	1,332	1,413
Number of Road Accidents ('000)	142.6	112.8	107.9	102.4	111.1
Average Road Accidents per Thousand Capita	22.8	17.7	16.5	15.3	11.7
Number of Road Accidents to Licensed Vehicles	12.4%	9.3%	8.6%	7.7%	7.9%

Source: Ministry of Industry, Trade and Supply

The increase in premiums written for the motor sector did not occur at the same pace as other forms of insurance, due to the economic slowdown and a reduction in motor sales, and this led to a decrease in the percentage of motor insurance premiums to total insurance premiums since 2012.



Source: Jordan Insurance Federation



There are two types of motor insurance in Jordan:

- Third-party liability insurance – this type of insurance covers damages and injuries caused to third parties by the insured
- Comprehensive insurance – this type of insurance also covers damages to the vehicle of the insured due to accidents, fire, theft, as well as personal accident cover for the driver and passengers.

Third-party liability insurance dominates the motor insurance sector, at 67.9% of the premiums written in 2015. While this is attributed in part to the fact that third-party liability insurance is cheaper and more affordable to the majority of Jordanians, the key reason is that third-party liability insurance was made compulsory for all vehicles in Jordan by the Civil Liability Compulsory Motor Insurance Regulation No. 32 of 2001.

Even so, comprehensive motor insurance premiums grew at a higher CAGR of 6.3% compared to the third party liability premium growth of 5.1% over the five year period.

Motor Insurance – Premiums Written, Claims Paid, Technical Profit						
	2011	2012	2013	2014	2015	CAGR
Premiums Written	179,496,861	193,332,018	201,672,152	212,529,081	221,882,435	5.4%
Third Party Liability	123,755,953	134,236,208	136,353,271	145,973,389	150,735,667	5.1%
Comprehensive	55,740,908	59,095,810	65,318,881	66,555,692	71,146,768	6.3%
Claims Paid	185,370,554	171,699,125	160,388,032	175,678,592	188,462,270	0.4%
Third Party Liability	120,748,221	108,829,217	104,821,634	115,527,438	127,590,797	1.4%
Comprehensive	64,622,333	62,869,908	55,566,398	60,151,154	60,871,473	-1.5%
Technical Profit (Loss)	-23,009,391	-8,181,341	479,756	8,240,162	7,453,694	N/A
Third Party Liability	-20,809,333	-10,997,905	-14,562,059	-6,254,661	-10,050,298	16.6%
Comprehensive	-2,200,058	2,816,564	15,041,815	14,494,823	17,503,992	N/A

Source: Jordan Insurance Federation

In terms of technical profit (loss), until recently, the motor insurance segment has struggled to turn a profit. Comprehensive insurance has been subsidising the third-party liability segment, which, for many companies has continued to generate technical losses; Tariffs for third-party are regulated by the government, which restrict the premiums to below market price. This has been a controversial issue that has been debated and argued over for a number of years. There had been plans to liberalise the tariffs in 2013, but this move has been repeatedly postponed due to the extra financial burden it would place on low-income car owners that are already struggling to make ends meet.

Nonetheless, efforts have been made to support the motor insurance sector without liberalising the third-party liability insurance tariffs, such as allowing insurance companies to increase the price of the third-party insurance by 25% in cases where the vehicle has been in an accident in the previous insured year, and up to 100% in cases where the accident resulted in death or complete disability. These steps have had the effect of reducing the losses, but have not been sufficient to turn a profit for third-party liability insurance on a standalone basis.

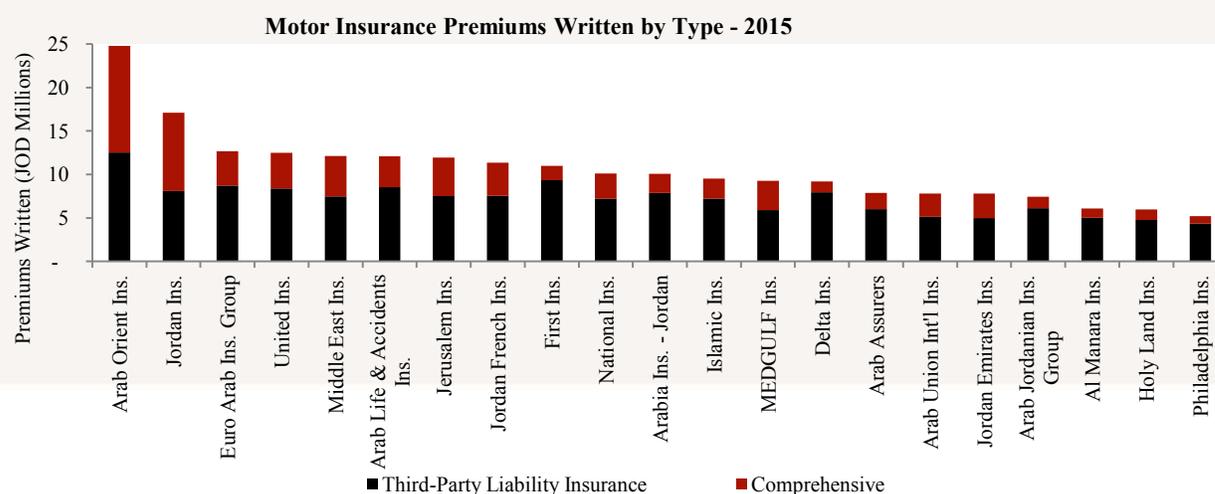
As a result, some companies have exited the motor insurance segment altogether; three companies voluntarily revoked their motor insurance license – Al Yarmouk Insurance in December 2012, Al-Nisr Al-Arabi Insurance in January 2012, and Jordan International Insurance in March 2012. However, due to the heavy weighting of the motor insurance in the overall insurance sector, many companies are forced to hold on to their motor insurance business to supplement their premiums to ensure they have enough liquidity to meet any outstanding or potential claims on existing premiums.

The top ten insurance companies in terms of premiums written reveals the Arab Orient Insurance Company as the market leader, with an 11.2% share of the motor premiums written, and 10.1% of the claims paid, followed by Jordan Insurance, with a market share of 7.7% and 7.2% for premiums written and claims paid, respectively. The top five companies account for 35.7% of the total motor premiums written.

Top Ten Motor Insurance Companies – 2015						
Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
Arab Orient Insurance	24,795,084	11.2%	19,107,193	10.1%	2,982,053	40.0%
Jordan Insurance	17,105,155	7.7%	13,537,887	7.2%	1,972,709	26.5%
Euro Arab Insurance Group	12,682,871	5.7%	10,233,811	5.4%	739,329	9.9%
United Insurance	12,480,178	5.6%	8,272,724	4.4%	870,020	11.7%
Middle East Insurance	12,106,143	5.5%	10,579,979	5.6%	531,550	7.1%
Arab Life & Accidents Insurance	12,072,240	5.4%	9,058,797	4.8%	1,143,402	15.3%
Jerusalem Insurance	11,925,754	5.4%	9,185,456	4.9%	(344,149)	(4.6%)
Jordan French Insurance	11,360,430	5.1%	9,877,248	5.2%	695,958	9.3%
First Insurance	10,992,784	5.0%	7,573,659	4.0%	348,792	4.7%
National Insurance	10,112,750	4.6%	9,970,939	5.3%	561,359	7.5%

Source: Jordan Insurance Federation

The motor insurance premiums written by type reveals that the larger insurance companies and the companies that have captured a larger market share of the motor insurance market tend to have a higher percentage of comprehensive insurance premiums to the total motor insurance premiums than the smaller companies.

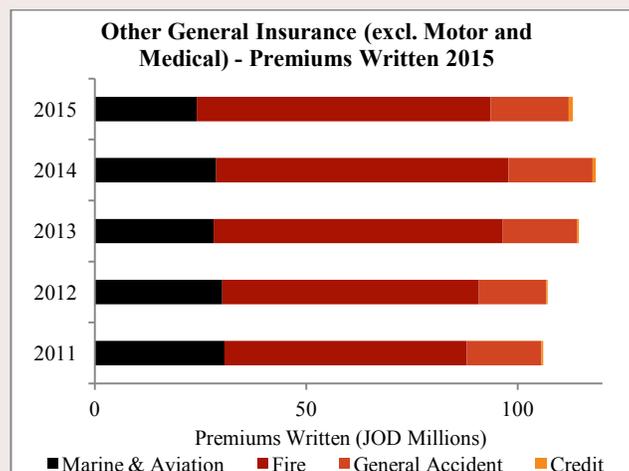
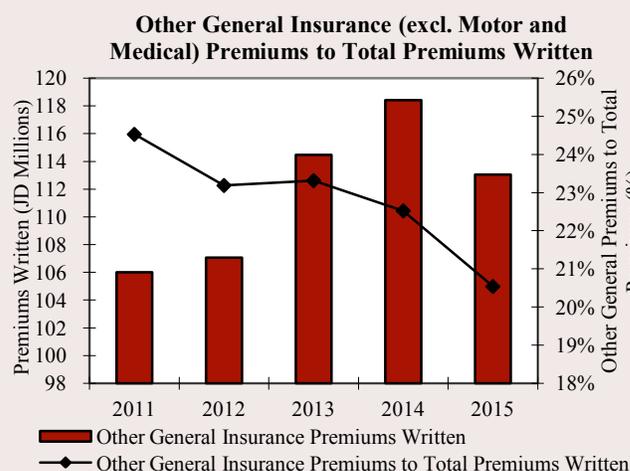


Source: Jordan Insurance Federation

Of the 23 companies operating in motor insurance, 7 companies recorded losses from their motor insurance business line in 2015. Moreover, on a standalone basis, 18 companies recorded losses from the third-party liability segment, while only 3 recorded losses from the comprehensive insurance segment.

8.2.3 Other General Insurance

Other general insurance includes marine and aviation, fire, general accident, and credit insurance. Together, these forms of insurance make up a total of 20.5% of the total premiums written and 23.1% of the general insurance premiums written in 2015.



Fire insurance is the major component of the remaining general insurance segments, and the premiums written have increased year-on-year to register at JOD69.51 million in 2015, with a CAGR of 4.9% since 2011. Meanwhile, the claims paid for fire insurance was strikingly more turbulent, dropping from JOD25.56 million in 2011 to JOD12.53 million the following year. Year 2013 saw a slight rise in claims paid for fire insurance, while year 2014 saw a large increase in payouts to JOD42.14 million, with the high payouts being related to the Jordan Insurance Company and Al Manara Insurance Company. In 2015, the claims paid amounted to JOD19.92 million.

The high percentage of fire premiums that are reinsured abroad means that the effect of the large payouts on the segment's technical profits was minimal, dropping from JOD3.94 million in 2013 to JOD3.71 million in 2014. In 2015, the technical profits on fire insurance had slumped further to JOD3.01 million.

Jordan Insurance Company was the fire segment market leader, with a 21.0% share of premiums written, followed by First Insurance with 15.1%. The top five companies accounted for 67.9% of the premiums written in 2015.

Top Ten Fire Insurance Companies – 2015

Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
Jordan Insurance	14,606,234	21.0%	3,966,413	19.9%	183,068	6.1%
First Insurance	10,496,034	15.1%	1,227,481	6.2%	45,811	1.5%
Middle East Insurance	9,778,346	14.1%	2,904,725	14.6%	572,235	19.0%
Arab Orient Insurance	8,931,794	12.8%	5,317,718	26.7%	27,955	0.9%
Jordan International Insurance	3,408,692	4.9%	1,416,806	7.1%	191,037	6.4%

Top Ten Fire Insurance Companies – 2015

Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
National Insurance	2,945,664	4.2%	431,325	2.2%	322,203	10.7%
United Insurance	2,248,798	3.2%	465,789	2.3%	160,613	5.3%
Delta Insurance	2,036,729	2.9%	504,679	2.5%	205,172	6.8%
MEDGULF Insurance	1,887,843	2.7%	477,665	2.4%	279,658	9.3%
Al-Nisr Al-Arabi Insurance	1,863,214	2.7%	238,423	1.2%	226,012	7.5%

Source: Jordan Insurance Federation

A total of 4 companies reported technical losses from their fire insurance business line in 2015.

Marine and aviation are the next largest segment, although the premiums have been following a declining trend decreasing each year, with the exception of 2014, to register at JOD24.09 million in 2015 compared to JOD30.62 million in 2011. Claims paid, meanwhile, have been increasing at a CAGR of 10.4% over the 2011-2015 period, and technical profits have been largely stable at JOD4.97 million in 2015.

Middle East Insurance claimed 23.5% of the marine and aviation premiums in 2015, while Arab Orient Insurance followed with an 11.6% share.

Top Ten Marine and Aviation Insurance Companies - 2015

Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
Middle East Insurance	5,659,095	23.5%	546,711	7.5%	731,767	14.7%
Arab Orient Insurance	2,798,212	11.6%	576,538	7.9%	351,709	7.1%
Jordan Insurance	2,192,611	9.1%	963,546	13.2%	628,882	12.7%
Jordan French Insurance	2,118,907	8.8%	425,156	5.8%	278,616	5.6%
First Insurance	1,732,423	7.2%	251,063	3.4%	108,248	2.2%
Jerusalem Insurance	1,270,333	5.3%	545,368	7.5%	590,992	11.9%
National Insurance	1,220,045	5.1%	380,198	5.2%	407,810	8.2%
Jordan International Insurance	1,182,950	4.9%	1,458,292	19.9%	258,414	5.2%
Islamic Insurance	850,869	3.5%	90,558	1.2%	345,066	6.9%
Al-Nisr Al-Arabi Insurance	700,408	2.9%	553,130	7.6%	46,428	0.9%

Source: Jordan Insurance Federation

Two of the 23 companies offering marine and aviation insurance registered losses in 2015.

General accident insurance premiums written increased at a CAGR of 1.2% from 2011 to 2015, while claims paid increased at a CAGR of 5.2% over the same period. Technical profits, meanwhile, grew at a CAGR of 8.3% to reach JOD3.77 million in 2015.

The general accident insurance segment was led by the Arab Orient Insurance, which accounted for more than one-third of the premiums written in 2015. In second place, falling far behind, is Middle East Insurance, with a market share of 9.2%.

Top Ten General Accident Insurance Companies - 2015						
Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
Arab Orient Insurance	6,984,037	37.8%	1,905,347	48.5%	949,302	25.2%
Middle East Insurance	1,705,251	9.2%	49,196	1.3%	297,702	7.9%
Jordan Insurance	1,378,143	7.5%	83,832	2.1%	123,246	3.3%
First Insurance	1,368,909	7.4%	126,768	3.2%	126,763	3.4%
Metlife Alico	1,319,753	7.1%	6,664	0.2%	612,823	16.3%
Al-Nisr Al-Arabi Insurance	788,759	4.3%	57,950	1.5%	255,100	6.8%
National Insurance	591,893	3.2%	11,610	0.3%	76,321	2.0%
Euro Arab Insurance Group	509,931	2.8%	81,525	2.1%	146,981	3.9%
Islamic Insurance	505,926	2.7%	66,212	1.7%	101,206	2.7%
Al Manara Insurance	484,071	2.6%	5,853	0.1%	44,916	1.2%

Source: Jordan Insurance Federation

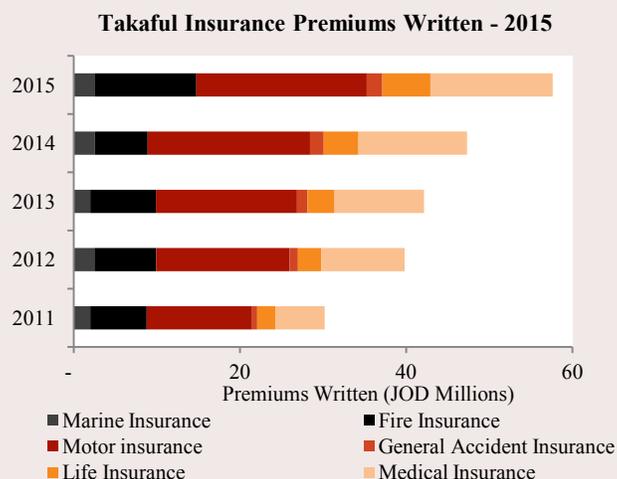
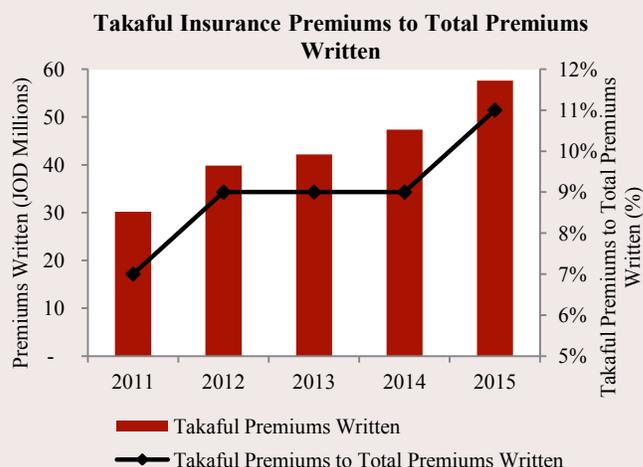
Credit is the smallest segment of insurance, with premiums written in 2015 of JOD0.98 million and technical profits of JOD0.55 million. Only three companies captured premiums in 2015 in this segment, while the Arab Assurers and Arab Life and Accidents Insurance paid out claims that year without writing any new premiums. Furthermore, only Jordan French Insurance and Arab Life and Accidents Insurance reported profits in 2015 from this business line.

Top Credit Insurance Companies - 2015						
Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
Jordan French Insurance	641,791	65.5%	386,940	42.7%	567,898	102.4%
Delta Insurance	213,337	21.8%	294,625	32.5%	(4,766)	(0.9%)
Arabia Insurance - Jordan	124,841	12.7%	74,562	8.2%	(7,328)	(1.3%)
Arab Assurers	-	0.0%	125,706	13.9%	(6,158)	(1.1%)
Arab Life & Accidents Insurance	-	0.0%	24,939	2.8%	4,873	0.9%

Source: Jordan Insurance Federation

8.2.4 Takaful Insurance

Following the liquidation of Al-Barakah Takaful Company, Jordan has two Takaful providers; the Islamic Insurance Co, established in 1996, and First Insurance Company, which was licensed in 2007. First Insurance, following its acquisition of Yarmouk Insurance, ranks fourth largest in the sector in terms of premiums written, while the Islamic Insurance Company ranks seventh.



Source: Jordan Insurance Federation

The Takaful premiums written increased by a CAGR of 17.5% over the period 2011-2015, rising from JOD30.19 million in 2011 to JOD57.63 million in 2015. As a percentage of total premiums written, the Takaful Insurance has increased its share of the premiums market from 7% to 11% over the same period.

Takaful insurance is particularly prominent in the motor, medical and fire insurance segments, which combined make up 82.2% of the total Takaful premiums written in 2015. However, over the five year period, it is the general accident and the life insurance segments that recorded the largest compounded annual growth rates in Takaful premiums written, at 32.7% and 27.6%, respectively.

Takaful Insurance – Premiums Written, Claims Paid, Technical Profit						
	2011	2012	2013	2014	2015	CAGR
Premiums Written	30,193,685	39,804,180	42,157,102	47,318,652	57,628,526	17.5%
Claims Paid	17,554,042	20,130,204	24,399,808	29,047,286	30,149,049	14.5%
Technical Profit	(1,186,838)	8,726,362	22,712,824	34,911,556	33,999,744	N/A

Source: Jordan Insurance Federation

The growth in the premiums written has surpassed the increase in claims paid, leading to a sharp improvement in technical profits over the five years, excluding year 2015 which experienced a slight decline, particularly after the license of Al-Barakah Takaful was revoked, which was generating losses.

The table below shows the market share of each of the Takaful companies in terms of Takaful premiums written, claims paid and technical profits.

Top Takaful Insurance Companies - 2015						
Company	Premiums Written	Market Share of Premiums Written	Claims Paid	Market Share of Claims Paid	Technical Profit (Loss)	Market Share of Profit
First Insurance	34,726,735	54.7%	17,173,906	57.0%	337,202	48.5%
Islamic Insurance	22,901,791	45.3%	12,975,143	43.0%	469,095	51.5%

Source: Jordan Insurance Federation

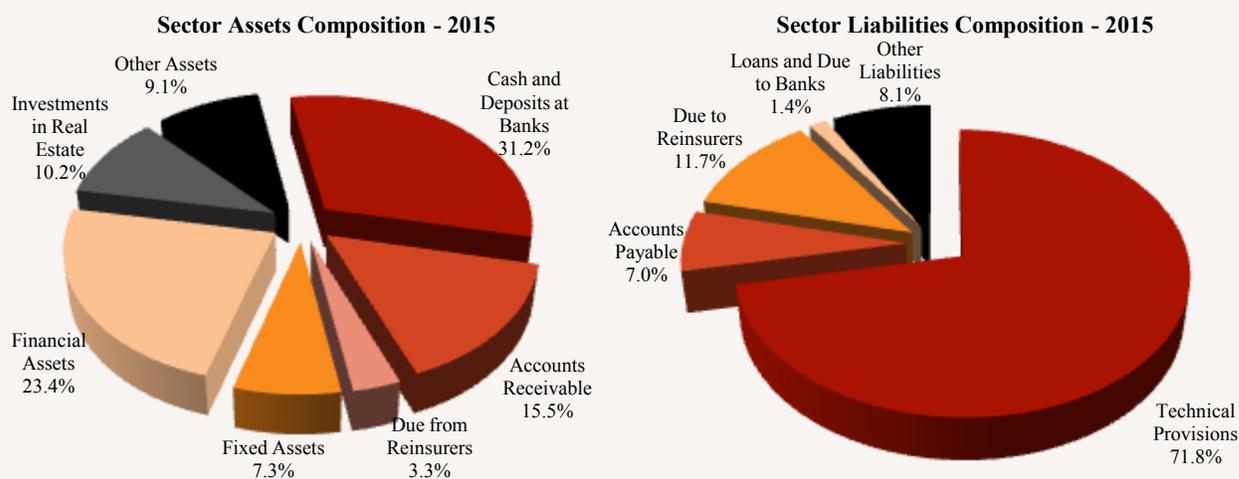
9.0 Sector Balance Sheet Structure

Balance Sheet Highlights						
	2011	2012	2013	2014	2015	CAGR '12-'15
Deposits & Cash on Hand & at Banks	197,698,011	215,429,998	235,415,953	272,797,425	271,488,666	8.3%
Investments	187,986,387	197,824,417	210,557,356	208,173,322	211,411,151	3.0%
Total Assets	719,036,366	764,049,154	798,035,307	842,230,061	869,736,949	4.9%
Technical Provisions	254,297,515	292,979,279	327,989,504	356,133,666	387,092,759	11.1%
Total Liabilities	404,276,287	457,654,302	480,356,004	509,471,852	538,995,483	7.5%
Paid Up Capital	289,150,680	294,375,680	281,285,750	268,252,408	269,011,890	-1.8%
Shareholders' Equity	313,054,211	305,466,737	316,177,916	330,760,997	326,774,468	1.1%

Source: Jordan Insurance Federation

9.1 Assets

Total assets of the sector rose at a CAGR of 4.9% from JOD719.04 million in 2011 to JOD869.74 million in 2015 primarily on the back of an increase in cash and deposits at banks attributable to the rise in premiums written over the five years. Cash and deposits at banks make up 31.2% of the total assets in 2015, up from 27.5% in 2011. Financial assets contributed 23.4% to the total assets, the majority of which were in the form of financial assets recorded at fair value through the other comprehensive income and financial assets recorded at amortised cost. Both forms of financial assets recorded positive growth over the period 2011-2015, which contrasts with the performance of the financial assets recorded at fair value through the income statement, which decreased in value from JOD43.96 million in 2011 to JOD32.62 million in 2015 as a result of poor capital market performance.

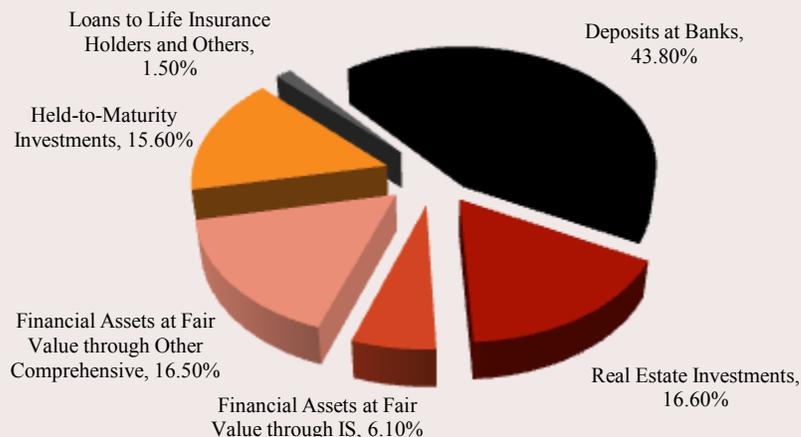


Source: Ministry of Industry, Trade and Supply

Less liquid assets, such as investments in real estate and fixed assets make up a much smaller proportion of the sector's assets. The reason for this is due to the nature of the insurance sector and the high concentration of non-life policies; the insurance companies must have sufficient liquidity to meet the high number of potential claims, and thus the majority of assets are in the form of short-term liquid assets.

The chart below highlights the composition of the sector investments in 2015, with almost half being comprised of deposits at banks, and 16.6% consisting of real estate investments.

Composition of Investments - 2015



Source: Ministry of Industry, Trade and Supply

9.2 Liabilities

Meanwhile, the sector liabilities rose from JOD404.28 million to JOD539.00 million in the five years ended 2015, with the larger part of the increase being attributable to the growth in technical provisions as well as an increase in the amounts due to reinsurers, both of which grew in response to the sector's core operations growth.

The table below shows the details of the technical provisions. The technical provisions increased at a CAGR of 11.1% over the period 2011-2015 with the fastest increase arising for the outstanding claims provisions.

Sector Technical Provisions					
	2011	2012	2013	2014	2015
Net Unearned Premium Provisions	98,052,735	111,472,936	120,385,872	124,303,434	133,193,597
Net Outstanding Claims Provisions	89,296,938	110,038,296	130,976,985	147,918,821	160,301,589
Net Mathematical Provisions	65,638,166	70,654,495	76,307,975	83,612,191	93,297,573
Other Technical Provisions	1,309,676	813,552	318,672	299,220	300,000
Total Technical Provisions	254,297,515	292,979,279	327,989,504	356,133,666	387,092,759

Source: Ministry of Industry, Trade and Supply

9.3 Shareholders' Equity

Sector Shareholders' Equity					
	2011	2012	2013	2014	2015
Paid-Up Capital	289,150,680	294,375,680	281,285,750	268,252,408	269,011,890
Treasury Stock	(1,238,133)	(1,238,133)	(1,223,486)	(1,188,480)	(1,172,559)
Issuance Premium (Discount)	4,554,728	1,554,728	(1,536,037)	(1,733,492)	(4,174,378)
Reserves	40,303,618	41,616,460	42,920,992	45,810,721	41,422,589
Change in Fair Value	(3,901,071)	(1,996,739)	3,817,907	(1,151,497)	(978,346)
Retained Earnings (Losses)	(23,111,216)	(36,871,229)	(12,494,817)	14,244,397	16,318,752
Others	7,295,605	8,025,970	3,407,607	6,526,940	6,346,520
Total Shareholders' Equity	313,054,211	305,466,737	316,177,916	330,760,997	326,774,468

Source: Ministry of Industry, Trade and Supply

Shareholders' equity increased to JOD326.77 million in 2015 from JOD313.05 million back in 2011 in spite of the liquidation of three companies during the period contributing to the JOD20.13 million drop in the sector's paid-up capital over the period. The increase in retained earnings to JOD16.32 million in 2015 from a loss of JOD23.11 million in 2011 was more than sufficient to compensate for the drop in paid-up capital.



Source: Jordan Insurance Federation

9.4 Balance Sheet Highlights by Company

Key Balance Sheet Items - 2015					
	Total Assets	Investments	Paid-up Capital	Shareholders' Equity	Retained Earnings (Losses)
Jordan Insurance	74,726,991	42,458,568	30,000,000	33,909,589	3,654,513
Metlife Alico	74,765,238	58,575,113	4,000,000	13,734,037	4,620,277
Middle East Insurance	83,029,845	65,666,403	21,000,000	37,421,889	6,773,785
National Insurance	24,832,762	15,475,615	8,000,000	9,597,958	727,405
United Insurance	35,746,970	20,011,478	8,000,000	13,255,710	2,701,774
Al Manara Insurance	17,681,022	11,701,480	7,000,000	5,024,873	(788,046)
Arabia Insurance - Jordan	26,224,693	15,105,520	8,000,000	10,233,751	975,931
Jerusalem Insurance	32,860,641	26,366,208	8,000,000	13,783,473	2,025,284
Al-Nisr Al-Arabi Insurance	66,958,008	52,337,782	10,000,000	21,281,079	3,432,960
Jordan French Insurance	27,336,600	6,937,194	9,100,000	7,085,907	(2,487,151)
Delta Insurance	25,336,044	16,707,206	8,000,000	10,617,227	1,100,996
Jordan Emirates Insurance	10,813,928	4,638,541	5,000,000	1,388,546	(3,651,526)
Yarmouk Insurance	-	-	-	-	-
Holy Land Insurance	7,261,023	2,351,421	6,607,729	7,174	(7,141,573)
Philadelphia Insurance	10,764,944	7,891,037	4,000,000	4,150,871	(543,131)
Arab Life & Accidents Insurance	22,752,888	12,250,256	8,000,000	8,751,541	(210,749)
Arab Union International Insurance	17,356,429	8,984,320	8,000,000	3,924,406	(5,339,199)
Arab Assurers	14,601,399	7,600,610	9,215,909	3,938,633	(1,625,259)
Euro Arab Insurance Group	28,138,650	17,828,476	8,000,000	9,737,420	656,454
Islamic Insurance	37,212,247	31,312,352	12,000,000	17,560,417	4,255,461
Jordan International Insurance	35,169,163	24,449,760	18,150,000	25,085,773	2,241,752
Arab Jordanian Insurance Group	17,103,846	6,647,468	9,500,000	5,354,549	(1,242,490)

Key Balance Sheet Items - 2015					
	Total Assets	Investments	Paid-up Capital	Shareholders' Equity	Retained Earnings (Losses)
Arab Orient Insurance	103,157,538	41,860,634	21,438,252	34,214,079	8,237,404
MEDGULF Insurance	24,922,092	9,634,046	10,000,000	6,717,939	(2,974,816)
First Insurance	51,412,349	26,812,665	28,000,000	29,997,627	510,027
Total	870,165,310	533,604,153	269,011,890	326,774,468	15,910,083

Source: Jordan Insurance Federation

Total sector assets rose by 3.3% from JOD842.55 million in 2014 to JOD870.17 million in 2015. The Arab Orient Insurance and Middle East Insurance ranked in the top two positions in terms of assets, with assets of JOD103.16 million and JOD83.03 million respectively in 2015.

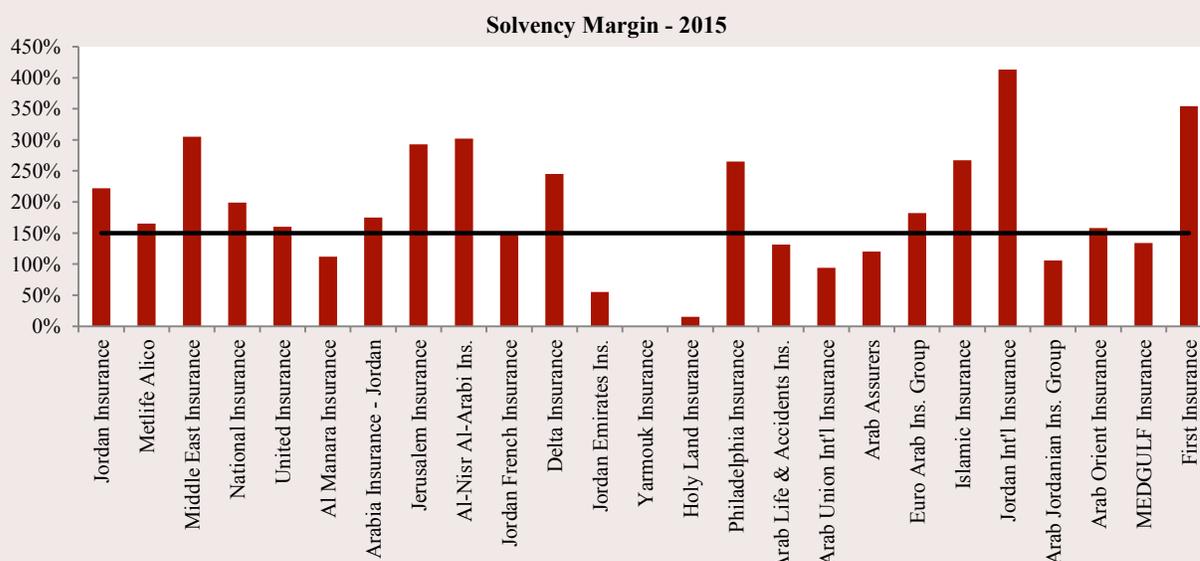
The sector investments registered a lower increase of 1.7% over the year, rising to JOD533.60 million from JOD524.58 million in 2014. The largest investment portfolios were held by Middle East Insurance, with investments amounting to JOD65.67 million, and Metlife Alico, with investments of JOD58.58 million.

The paid up capital of the companies in the market ranged from highs of JOD30.00 million and JOD21.00 million for Jordan Insurance and Middle East Insurance, respectively, to lows of JOD4.00 million for Metlife Alico and Philadelphia Insurance. The regulations governing the sector with regards required paid up capital currently require capital for new companies (companies licensed after the regulation came into effect) of JOD25.00 million for general and life insurance companies, and JOD100.00 million for reinsurance companies.

Shareholders' equity declined from JOD330.48 million in 2014 to JOD326.77 million, attributed to the decline in the value of Jordan Insurance's equity by JOD6.85 million after recorded a change in fair value of real estate investments of (-JOD7.24 million) for 2015, as well as the JOD9.89 million shareholders' equity relating to Al-Yarmouk Insurance in 2014 which was zero in 2015 after its merger with First Insurance, with the increase in First Insurance's equity amounting to JOD3.66 million.

In terms of retained earnings, a total of 10 companies had accumulated losses. Overall, the retained earnings balance had risen from JOD14.02 million in 2014 to JOD15.91 million in 2015.

The chart below indicates the solvency margin for each of the companies in 2015, a financial indicator and benchmark for regulators, which measures how solvent a company is and its ability to meet unforeseen claims; The higher the solvency margin, the more solvent the company is. Eight companies are operating below the minimum required solvency margin of 150%.



Source: Jordan Insurance Federation

10.0 Sector Income Statement

	2011	2012	2013	2014	2015
Total Written Premiums	473,559,792	468,761,467	500,914,495	535,262,071	560,346,626
Reinsurers' Share	179,266,137	177,892,591	184,841,105	200,706,842	203,761,281
Net Written Premiums	294,293,655	290,868,876	316,073,390	334,555,229	356,585,345
Net Change in Unearned Premiums Provision	13,420,145	15,136,226	10,552,311	3,917,559	9,139,291
Net Change in Mathematical Provision	5,016,328	5,230,445	6,278,844	7,304,215	10,142,717
Net Change in Premiums Shortage Provision	-496,124	-332,470	-440,329	-19,452	780
Net Earned Premiums Income	276,353,306	270,834,675	299,682,564	323,352,907	337,302,557
Commissions Received	24,190,544	23,819,606	24,559,340	25,989,702	26,620,554
Issuing Fees	17,088,138	16,121,019	17,266,819	19,807,458	19,748,643
Interest Revenues	11,718,839	11,618,164	15,424,949	14,758,648	12,615,856
Gains from Financial Assets and Investments	10,058,936	8,256,575	6,994,121	7,280,744	5,545,227
Other Revenues	10,103,078	6,139,325	6,226,709	7,461,563	8,074,456
Total Revenues	349,512,841	336,789,364	370,154,502	398,651,022	409,907,293
Paid Claims	332,331,447	320,305,435	315,300,168	371,611,469	371,458,314
Maturity and Surrender of Policies	6,565,791	6,543,585	6,260,033	6,809,503	6,647,210
Subrogation (Recoveries)	33,088,661	31,063,611	30,076,076	33,632,836	34,836,292
Reinsurers' Share	91,777,281	90,220,237	79,787,711	117,929,529	102,221,129
Net Paid Claims	214,031,296	205,565,172	211,696,414	226,858,607	241,048,103
Net Change in Outstanding Claims Provision	20,741,363	21,424,080	26,193,726	17,171,056	12,776,184
Allocated Administration Expenses	50,076,660	45,019,559	48,423,443	53,238,976	55,740,944
Excess of Loss Premiums	6,229,721	5,925,693	5,488,123	7,142,309	7,138,276
Acquisition Policies Fees	19,165,158	15,784,460	18,484,237	19,788,600	20,489,836

	2011	2012	2013	2014	2015
Underwriting Administrative Expenses	7,690,650	8,472,375	9,935,526	10,919,546	11,922,039
Net Cost of Claims	317,934,848	302,191,339	320,221,469	335,119,094	349,115,382
Employee Expenses (Unallocated)	9,742,855	8,458,899	8,833,447	8,890,176	11,270,981
Depreciation	3,730,333	3,430,847	3,471,999	3,858,754	4,223,937
Unallocated Administrative Expenses	4,837,339	4,113,450	4,714,895	4,975,915	5,961,910
Doubtful Debts Expense	3,498,441	2,212,631	2,895,881	1,980,391	5,517,882
Other Expenses and Provisions	4,132,081	3,724,165	3,539,010	2,958,023	3,541,695
Total Expenses	25,941,049	21,939,992	23,455,232	22,663,259	30,516,405
Net Profit (Loss) before Tax	5,636,944	12,658,033	26,477,801	40,868,669	30,275,506
Income Tax Provision	4,077,293	4,076,673	6,937,255	8,006,730	8,007,047
Expected Operations' Profit	-	-	-	-	127,297
Net Profit after Tax	1,559,651	8,581,360	19,540,546	32,861,939	22,141,162

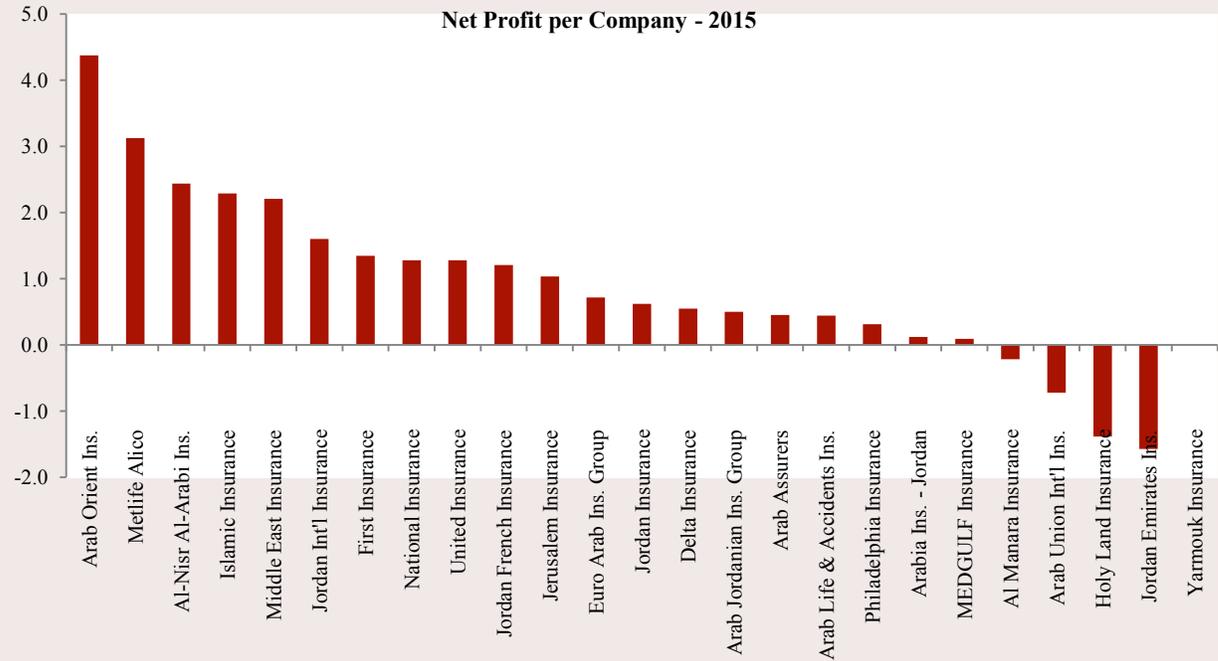
Source: Jordan Insurance Federation

The sector profits have improved sharply year-on-year, increasing by more than five-fold in 2012, more than doubling in 2013, and rising by 168.2% in 2014. The rate of growth in the premiums written surpassing that of claims paid was one driving factor of rising profitability, while cost control efforts by players in the sector helped contain the growth in the sector's expenses, which boosted profitability further.

In 2015, however, net profit decreased from JOD32.86 million to JOD22.14 million. A rise in net claims paid that exceeded premiums written, as well as a JOD2.38 million increase in unallocated employee expenses and an increase in doubtful debts expense from JOD1.98 million in 2014 to JOD5.52million all contributed to decreasing the sector's bottom line.

The chart below shows the net profit per insurance company for 2015. The Arab Orient Insurance Company has a strong lead, earning JOD4.38 million, followed by Metlife Alico with JOD3.13 million. Four companies recorded losses for the year, namely, Al Manara Insurance, Arab Union International Insurance, Holy Land Insurance, and Jordan Emirates Insurance.

The Insurance Sector of Jordan

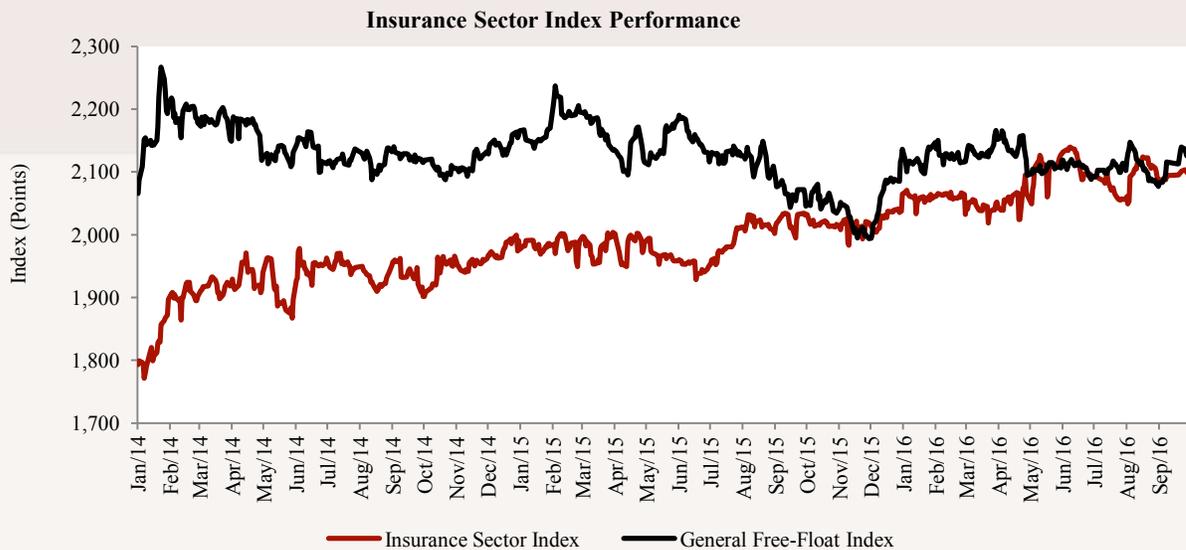


Source: Ministry of Industry, Trade and Supply

11.0 Stock Market Performance

Stock market performance has continued to be sluggish, with weak trading volumes and low investor confidence, in the aftermath of the global financial crisis and the Arab Spring, which affected the capital markets across the region.

Nonetheless, the insurance sector index has outperformed the overall index over the period 2014-to date, following an overall upward trend. In 2014, the Insurance Index rose by 10.2% compared to an increase of 4.8% in the General Index. The following year, while the General Index registered an overall 1.3% decline in value, the Insurance sector continued to climb, increasing by a further 4.5%. During the first nine months of 2016, the General Index traded horizontally with better performance during the first few months of the year, reaching a high of 2,165.9 points on March 29th before dropping to the below 2,100 points in April. The General Index recovered again briefly during the last week of April before declining sharply to 2,094.7 points on April 28th. The majority of May was relatively stable for the General Index, before dropping to 2,088.2 points on June 28th. The Index followed an upward trend before peaking at 2,147.5 points on August 4th. The Index then descended for the duration of August, reaching the low for 2016 of 2,076.8 points at the month's close. The Index recovered in September, climbing to above the 2,100 mark and closing out the month of September at 2,125.3 points, down by 0.5% from the start of the year.



The insurance sector, meanwhile, traded horizontally during the first two months of the year before experiencing a sharp drop to 2,032.1 points on February 29th 2016. The Sector Index continued to drop, reaching the low for 2016 of 2,018.8 points on March 22nd. From then on, the Index followed an upward climb, albeit with a few turbulent drops along the way, to reach the high for the year of 2,139.8 points on June 8th. The remainder of June and through the month of July the Sector Index continued to drop, falling to a low of 2,048.8 points in the first week of August, before recovering to above 2,100 points in mid-August. The Index dropped again to 2,086.1 points to close out the month of August before following a slight upward climb to end the first nine months of 2016 at 2,102.7 points, up by 1.8% year-to-date.