INTERVIEW

Eugene (Gino) Nader

Sooner or Later

TBY talks to *Eugene (Gino) Nader*, General Manager of **Bankers Assurance**, on the complexities of encouraging mergers within the insurance industry.

TBY How would you evaluate the culture and the evolution of the insurance sector in Lebanon?

EUGENE (GINO) NADER Usually, you evaluate the culture and evolution of a market by comparing it to your neighbors, in this case the Middle East at large. The Lebanese people were the very first in this part of the world to introduce the concept of insurance. Unfortunately today, there are many countries ahead of us. And while we still rank quite highly on a premium per capita basis, we lag behind the UAE, which is the number one in the Arab world. On that front, we also lag behind another neighbor, Israel, by 10% to 15%. Of course, all of this is still far behind the EU and the US. The problem with the sector and its evolution is that it is market-made and not shaped by regulation. Yes, the Ministry of Economy does oversee the sector; however, it is not doing enough to advance the sector, or its evolution mainly by reason of legislative and government paralysis. With the market often unable to reach a consensus, it has problems raising capital. Market forces, private companies, and competition make the Lebanese insurance sector what it is. One notes that the regulatory authority tends to protect existing insurance companies from potential new players entering the market. It can, for example, be quite difficult to register a new company due to certain restrictions in place. One reason for this is that there are already approximately 50 insurance companies operating in a country that should accommodate a maximum of 20, thereby making for a surplus of about 30 companies. Many of those would come back as brokers if they were to shut down their operations, because many are already brokers in reality, operating behind the façade of an insurance company. One suspects that some business people simply prefer to be acknowledged as the president of an insurance company, rather than of a small brokerage house. Sooner or later, these companies will have to face the fact that they are indeed brokerage houses, or else merge with other sector players.

How do you assess competition in the sector, and what is the importance of mergers?

Let's consider for a moment the case of France; when you work as a broker, you work on small margins. Yet, margins are fast-eroding, which is the price of competition. Expense margins made on every insurance policy account for 55% of the premium, which is a huge percentage. This scenario does not exist in the Arab world. Out of the 55%, what you end up doing is giving a discount to your client in order to face the competition, which is basically price driven. Service is important down the line; you never know the worth of the insurance company you are working for until you make a claim. When you work in insurance, you are in the business of paying claims, not collecting premiums. This is the service that we provide, and is at the very heart of our business. Mergers are very difficult to calibrate. You are either bought out completely, as in the case of LIA, or else there is an imbalance in terms of power. One company is always the stronger. Mergers are also difficult, culturally speaking, because Lebanese people have an inflated sense of pride and exhibit too much *amour-propre* to accept their realities. The problem is that smaller companies are hiring six or seven additional people in order to look bigger and call themselves an insurance company when in actual fact they are brokers. At that point, they are not thinking about maximizing profit, but about prestige. Large companies are looking to buy others out, or to be bought out. Then, there are the insurance companies owned by banks to contend with. Bank Audi just sold its own such division for solvency reasons at the bank level. Perhaps more companies will go this way down the line, because regulations on the banking sector are much more stringent than those of the insurance sector. These banks have, however, become serious players in the Lebanese insurance market. ●



1 Eugene (Gino) Nader, General Manager of Bankers Assurance

> "When you work in insurance, you are in the business of paying claims, not of collecting premiums."

BIOGRAPHY

Eugene (Gino) Nader, is Shareholder and Managing Partner of Nasco Insurance Group, a holding company controlling a number of entities operating across the insurance/reinsurance industry in the following sectors: reinsurance broking, insurance broking, underwriting, and third party administration of medical insurance portfolios, services, and consulting. He is mainly involved in overseeing the Group's activities in France, Saudi Arabia, the UAE, Qatar, Turkey, and other MENA countries. Based in Lebanon, he is also the General Manager of Bankers Assurance; the third largest non-life insurance company in Lebanon.