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Adaptability crucial in Jordan's dynamic (re)insurance broking landscape

Mr Jens Sonnenschein

Ms Hala Haidar

Jordan's (re)insurance broking segment has entered a dynamic period marked by regulatory reforms, market consolidation, product innovation and technological advancements. As a result, firms that are able to adapt to new regulations, invest in technology, expand partnerships and focus on customer-centric solutions will be best positioned for long-term success. We speak with experts.

By Sarah Si

Speaking to *Middle East Insurance Review*, LINK executive director Jens Sonnenschein said Jordan's (re)insurance broking segment has entered a dynamic period marked by "regulatory reforms, market consolidation, product innovation and technological advancements".

For instance, Mr Sonnenschein noted that many top-ranked insurers in the country are investing in digitalisation and technological advancements.

He said, "Implementation of AI within their systems is used for proper claims processing, risk assessment, customer service/satisfaction and more efficiency to also reduce claims costs and foresee developments."

Regulatory updates

In June 2024, the Central Bank of Jordan (CBJ), the country's insurance regulator, announced the preparation of a draft insurance law aimed at regulating the contractual relationship between insurance companies and the insured.

Mr Sonnenschein said, "This initiative aims to create a stable legislative environment for better regulation of the insurance business."

Later in October 2024, the CBJ issued draft regulations for licensing, regulating and supervising insurance brokers, "indicating a move towards more structured oversight of the broking segment", he said.

According to Mr Sonnenschein, these changes in Jordan's regulatory environment are "having a significant impact on insurers and (re)insurance brokers, affecting market operations, risk placement and compliance".

"The CBJ is tightening regulations on insurers and (re)insurance brokers, with potential new licensing, capital and reporting requirements. These new rules increase financial or operational barriers, smaller brokers may struggle to maintain compliance, leading to market consolidation," he said.

He also highlighted that these developments would lead to increased costs in compliance, such as in audits and reporting, potentially creating longer approval processes for placing risks with foreign reinsurers, as well as a need for greater transparency in transactions with (re)insurers.

On the other hand, he noted that increased capital and higher solvency requirements would translate into insurers needing stronger reinsurance programmes to optimise capital efficiency.

He said, "This will create opportunities for reinsurance brokers to structure more tailored solutions for local insurers, (such as) quota share, stop-loss and excess-of-loss treaties. Further, reinsurance brokers could take the opportunity to educate insurers on how to leverage reinsurance to comply with solvency rules."

Lastly, Mr Sonnenschein indicated that the CBJ may introduce new rules for offshore reinsurance placements, potentially requiring insurers to prioritise local or regional reinsurers before using international markets.

"[This] would force reinsurance brokers to negotiate better terms with regional reinsurers instead of relying solely on European or Asian markets," he said.

According to LINK executive director Hala Haidar, ongoing regulatory reforms are also expected to "strengthen consumer protection, improve market stability and increase transparency".

Ms Haidar said, "These changes are likely to result in more customer-friendly and transparent insurance products."

Opportunities and challenges

When asked what opportunities and challenges faced the (re)insurance broking market, Mr Sonnenschein was keen to point out that the proposed draft law for insurance brokers may bring more professionalism and standardisation, "opening doors for firms that can comply with higher regulatory standards".

He next indicated that with rising healthcare costs and an ageing population, demand for life and health insurance is increasing.

"The push for compulsory health insurance, which the government has been considering, could create a significant new revenue stream for insurers," he said.

In addition, insurers are increasingly adopting AI, blockchain and data analytics to improve customer experience and risk management, he noted, and telematics and pay-as-you-drive insurance are emerging as personalised solutions in motor insurance.

However, according to Mr Sonnenschein, insurance fraud, "particularly in motor and health insurance", remains a concern.

He also pointed out that recent M&A activities show that "consolidation is helping companies achieve economies of scale and expand product offerings".

But he noted that this could indicate a challenge instead, as increased capital requirements may challenge smaller firms, potentially leading to consolidation or exits.

He said inflation and currency fluctuations impact operational costs, claim payouts and investment returns, as well. Additionally, he noted customers may reduce spending on non-mandatory insurance products due to financial constraints.

As digital platforms grow, so do cyber security threats, which would require "increased investment in fraud detection and cyber security infrastructure", he said.

Lastly, according to Mr Sonnenschein, despite growing demand, "insurance penetration remains relatively low (~2% of GDP) due to lack of awareness and affordability issues".

He said, "Education campaigns and microinsurance solutions may help expand coverage, particularly in underserved rural areas."

Client concerns

When asked what some current and future client concerns in Jordan were, Ms Haidar first noted the issues in health insurance, driven by growing demand and worries over healthcare accessibility, increased medication prices and quality.

"While over 70% of Jordanians are covered by health insurance, issues persist regarding the quality of healthcare services. These include long waiting times, limited access to essential treatments and a shortage of hospital beds," she said.

Secondly, she indicated that although regulations have been recently implemented to ensure comprehensive coverage for vehicle-related accidents, including damage to the driver and vehicle owner, there are ongoing concerns about the adequacy of compensation and the clarity of insurance company responsibilities.

She said, "Calls for regulatory reforms, such as introducing bylaws to resolve disputes between insurers and beneficiaries of compulsory vehicle insurance, are growing. These reforms aim to clearly define what is covered and what is excluded under vehicle insurance policies."

Winning the talent war

When asked what some strategies could be used to win the war for talent, Ms Haidar keenly highlighted that in the reinsurance sector, a comprehensive strategy that goes beyond competitive salary offerings is required.

She noted that there must be a commitment to continuously enhancing teams' capabilities and expertise.

She said, "This is achieved through a range of technical and managerial education programmes, as well as certification incentives. These initiatives complement the existing development programmes we have in place, ensuring our employees remain at the forefront of industry knowledge and practice."

There is also a focus on creating an attractive workplace culture that fosters flexibility and inclusivity, she said, "by embracing a flexible and remote work model, offering career development opportunities and ensuring an environment where all employees feel valued and respected".

Upcoming trends

Over the coming year, Jordan's (re)insurance broking market is "likely to witness a mix of technological advancements, regulatory changes, evolving consumer expectations and increasing competitive pressures", according to Ms Haidar.

"Brokers will need to stay ahead by investing in digital tools and platforms to enhance efficiency, improve customer service and diversify their product offerings," she said.

"The growth of specific insurance

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lines, such as health and life insurance, as well as emerging sectors like cyber risk insurance, will require brokers to stay responsive to market demands."

At the same time, she pointed out that evolving insurance regulations and adapting to economic conditions will present a challenge.

"Brokers must remain compliant with these regulations while being agile enough to navigate the impacts of regional geopolitical factors, which could influence demand for insurance products," she said, noting that changes in travel patterns, property market conditions, or other economic drivers might affect demand for certain coverages, such as travel insurance or property insurance.

"Additionally, brokers may face challenges with maintaining premium income or pricing stability, especially amid market volatility. The broader economic environment, including inflation will have an impact on insurance pricing and policyholder behaviour," she said.

Speaking on solely reinsurance broking, Ms Haidar said the market is "expected to be influenced by global factors, such as natural disasters and climate change".

> **"Calls for regulatory reforms, such as introducing bylaws to resolve disputes between insurers and beneficiaries of compulsory vehicle insurance, are growing. These reforms aim to clearly define what is covered and what is excluded under vehicle insurance policies."**

"Brokers specialising in reinsurance will need to navigate potential changes in pricing structures and market capacity," she said.

"There may also be opportunities to structure new reinsurance products to address the evolving risks and needs of insurers and businesses."

Said Mr Sonnenschein, "Firms that adapt to new regulations, invest in technology, expand partnerships and focus on customer-centric solutions will be best positioned for long-term success."