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LIFE INSURANCE INDUSTRY IN LEBANON

BY

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LIFE INSURANCE INDUSTRY IN LEBANON

NA • MA N

To My Father With Admiration

P R E F A C E

The object of this thesis is to analyze the life insurance industry in Lebanon, to expound on the manner in which it is applied and to discuss the role it can play in the Lebanese economy.

Results are presented in six chapters, and an introduction. The introduction deals with the concept of "human life value" and the first chapter discusses the development of life insurance in Lebanon. Chapter II presents the essential aspects of the Lebanese insurance legislation. Special emphasis has been put on the laws which are concerned with life insurance.

The organization of the life insurance companies operating in Lebanon will be discussed in the third chapter. In the first part of this chapter, the types of life insurance companies operating in Lebanon will be presented, followed by a discussion about the market organization of these companies. The third part of this chapter will be dealing with the field organization which is also known as the sales organization.

The fourth chapter is devoted to a discussion of the life insurance business in Lebanon and here the various types of life insurance policies sold in Lebanon will be presented and analyzed. The general policy provisions and options of the policies issued in Lebanon will be also explained. The role which life insurance can play in the Lebanese economy will be presented in chapter five. In this chapter, the likely avenues which life insurance companies could utilize in order to contribute to the economic development of the country will be discussed.

Due to the lack of published material on the subject, the necessary information has been obtained from experienced people in the field of life insurance. A series of interviews were held and the information plus the data obtained form the backbone of this research. Throughout this work, two prominent insurance companies operating in Lebanon, one Lebanese and the other is foreign, were taken as the basis for discussion together with the life insurance industry at large. These two companies were particularly chosen not so much because they are representative, but because they were willing to supply information and at the same time are the most active companies in the field of life insurance in Lebanon. They together account for about 67.8% of the total life insurance business in the country.

It is literally impossible to identify all those who were kind enough to contribute to this research at one stage or another. Nevertheless, the writer would like to express his gratitude and appreciation to Mr. Henry Beidas, Vice President, American Life Insurance Company; Mr. Saleh Hakim, Deputy General Manager, Arabia Insurance Company and Mr. François Masamiri, General Manager, Al Nisr Insurance Company, who were very helpful in supplying him with their views on various aspects of the insurance industry. The writer would like also to acknowledge the help of professor Issam Ashour, Chairman of the Business Administration Department, American University of Beirut, whose guidance was another factor which made this thesis possible. Moreover, the author would like to acknowledge the encouragement and sacrifice of his sister, Dr. Najla Na'man, towards his education.

Last but not least, and not only because it has been customary, the writer would like to express his appreciation and thanks to Miss Amal Jabbour for willingly typing draft after draft until this thesis appeared in its present form.

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TABLE OF CONTENTS

	Page
PREFACE	iv
LIST OF TABLES	ix
LIST OF CHARTS	x
INTRODUCTION	1
 Chapter	
I. THE DEVELOPMENT OF LIFE INSURANCE IN LEBANON	8
Historical Background Factors Affecting Development	
II. ESSENTIAL ASPECTS OF THE LEBANESE INSURANCE LEGISLATION	30
Historical Background Essential Aspects of the Lebanese Legislation Regarding the Regulation of Insurance Companies Essential Aspects of the Law of Obligations and Contracts Regarding Life Insurance Companies Evaluation	
III. ORGANIZATION OF LIFE INSURANCE COMPANIES	63
Market Organization Home Office Organization Departmentalization Field Organization	
IV. LIFE INSURANCE BUSINESS IN LEBANON	89
Types of Policies General Policy Provisions and Benefits Policy Options Evaluation	

Chapter	Page
V. LIFE INSURANCE COMPANIES ROLE IN THE LEBANESE ECONOMY	114
Background	
Likely Investment Avenues	
Business Contributions	
Social Contributions	
Evaluation	
VI. PROBLEMS AND PROSPECTS	136
APPENDIXES	148
I. Insurance Companies in Lebanon.	
II. Fatwa Sheikh Mohammad Abdo .	
III. Types of Life Insurance Policies written by Arabia Insurance Company in Lebanon .	
IV. Types of Life Insurance Policies written by American Life Insurance Company in Lebanon .	
BIBLIOGRAPHY	163

LIST OF TABLES

Table		Page
1.	Reserves of Life Insurance Companies Operating in Lebanon	15
2.	American Life Insurance Company, Lebanon Production	16
3.	Arabia Insurance Company, Life Operations ...	18
4.	Education Statistics in Lebanon	21
5.	The National Income of Lebanon	25
6.	Arabia Insurance Company, Claims Paid, 1947-1964	49
7.	Lebanon's Principal Industries, Capital Investment and Employment Statistics, 1964	92
8.	Indicators of Economic Growth in Lebanon	116
9.	Distribution of Assets, U.S. and Canadian Insurance Companies	121
10.	Arabia Insurance Company, Investments	122
11.	American Life Insurance Company, Beirut Regional Head Office, Investment Portfolio in Lebanon	125
12.	Arabia Insurance Company and American Life Insurance Company, Policy Loans	129

LIST OF CHARTS

Chart	Page
I. A Typical Organization Chart of a Life Insurance Company	68
II. A Typical Agency Department Organization Chart	80

I N T R O D U C T I O N

Human beings, during their lifetime, are exposed to several serious hazards such as accidents, fire, disability and premature death. It is important, therefore, that they should cater against the effects of these hazards on them, their properties and families. As it is impossible for the individuals to predict or prevent the occurrence of such hazards, it is the function of insurance, in its various forms, to enable them to safeguard themselves against the hazards of life. This could be achieved by having the loss of the few unfortunate people paid by the contributions of the many people who are exposed to the same risks.

Life insurance may be defined, from the community standpoint, as "that social device for making accumulations to meet uncertain losses through premature death which is carried out through the transfer of the risks of many individuals to one person or a group of persons".¹ However,

¹ Allen H. Willet, Economic Theory of Risk and Insurance (Columbia University Press, New York, 1901), p.106.

from the individual standpoint life insurance may be defined as "consisting of a contract, whereby for a stipulated compensation, called the premium, one party (the insurer) agrees to pay the other (the insured), or his beneficiary, a fixed sum upon the happening of death or some other specified event;"² These definitions imply that family protection is the principal function of life insurance. In other words, conserving the earning capacity of the breadwinner through life insurance is to certain families more important than insuring destructable property. This property may never be destroyed while death is certain to take place. As Benjamin Franklin aptly stated:

A policy of life insurance is the oldest and safest mode of making certain provision for one's family. It is a strange anomaly that men should be careful to insure their houses, their ships, their merchandise, and yet neglect to insure their lives surely the most important of all to their families, and more subject to loss.³

The social as well as the economic implications of life insurance are far reaching. Life insurance being concerned with people's lives, their families and their

²Solomon S. Huebner, Life Insurance (4th ed.; New York: Appleton-Century-Crofts, Inc., 1950), p.3.

³Ibid., p.13.

business provides the country with financial institutions through which people can systematically create financial security for their families and businesses. These institutions serve also as a media through which capital can be channelled to business and industry. Life insurance could be thought of, therefore, as a field which has the tendency to have a great effect on the economy of the country, and consequently on everybody directly or indirectly.⁴

Life insurance is a business which deals with human life values. The value of the earning power of the individual, which will be referred to hereafter as "human life value", is thought of in terms of what this person can earn during his life time less his personal expenses, obligations and taxes. In other words, the "human life value" has a definite economic value or present value, which is measurable in terms of money. Upon considering this value, from the family as well as from the business point of view, it will be readily realized that life insurance makes possible the capitalization of the human life value. By furnishing this capitalized value in the event of death, life insurance may be said to perpetuate the earning capacity of the life for the benefit of those who are depending upon it.⁵

⁴ Robert I. Mehr and Robert W. Osler, Modern Life Insurance (3rd ed.; New York: The Macmillan Company, 1959), p.1.

⁵ Huebner, op.cit., p.20.

The human life value of the bread earner grows constantly and as such becomes more and more valuable to him and his family. This implies that the corresponding dependant family is in the meantime becoming more and more accustomed to a higher standard of living. During this period of growth, this person, or in other words this value, may suddenly collapse by death. This incident may lead, in case no substitute for this value is available, to a situation where there will be nobody to replace the economic value of the deceased. In such a situation, life insurance would constitute some sort of a hedge whereby the insured would capitalize his earning power to such an extent that the face amount he is insured at, if invested at the current rate of interest, would yield an income equivalent to at least a part of his earning capacity during life.⁶

In the field of business, corporation finance deals among other things with the capitalization of land, buildings, equipment and goodwill. This idea with respect to "human life values" and life insurance, has also developed to furnish the only known method of capitalizing the producing

⁶Huebner suggests that this part may reach one third or even one half of the earning capacity during life. Huebner, op.cit., p.20.

value of the human life. In fact a complete analogy exists between life insurance and corporation finance. Life insurance could be thought of as corporation finance applied to the "human life value". At the time when the policy is issued an estate is created, provided that the policyowner continues to pay his premiums. Normally, corporations issue bonds that are callable at the option of the corporation, or that provide for their payment at maturity through an accumulating sinking fund. Similarly, a life insurance policy is a callable sinking fund bond, issued upon the life of the policyholder. It will be paid promptly, or in other words redeemed, if providence sees fit to call the policyholder. In case there should not be a call, the bond will be paid through the accumulation of its sinking fund provision, or the reserve, at the time of maturity. Irrespective of whether the original bond holder (or endorsee) lives or dies, the payment of the bond is a certainty. The value of the earning power of the human life has been capitalized and in case premature death destroys this value, the proceeds of the term insurance protection in the contract will serve as a substitute to continue, in a measure at least, the former earning capacity of the deceased.⁷

⁷Huebner, op.cit., p.21.

From an economic point of view, the sources of income are twofold. In the first place, income could be earned when capital or money is at work, and here interest, rent and dividends are earned. In the second place, income could be earned when labour or men are at work and here wages, salaries, or commissions are earned. In Lebanon the category of persons living on salaries and wages earned is the largest, both as to number and income. The income of this big category, however, depends on the continuance of the work performed.⁸ In other words, loss or impairment of the earning power of the individual may occur before death upon retirement or as a result of disability.

The Social Security Scheme in Lebanon gives the participant the right to cash his end of service indemnity when he reaches the age of '60' (for females '65'). This age seems to have been assumed as the terminal date of the person's earning power from his work.⁹ While this earning power comes to an end at a certain age, say 60, it may cease or be greatly reduced before this age. The 1950 census returns

⁸ Albert Badre, "How Life Insurance Contributes to the Nations Economy." Middle East Reporter, IV. (March, 1957), p.1.

⁹ Refer to Title IV, Article 50, para. (e) of the Social Security Scheme of Lebanon.

in the United States showed that while median income of males from ages '55' to '64' was \$2553, that from ages '54' to '74' dropped to \$1379 and that after age '75' earnings dropped further to \$757. In the mass, earning power began to drop after the age of forty four.¹⁰

The functions of life insurance, with regards to "human life value", could not be thought of as being concerned only with the replacement of the value of the earning power which may be destroyed or impaired, but also with those things that affect this replacement.¹¹ In other words, as fire insurance is interested in the protection against fire risks, life insurance is concerned with the protection against some of the financial consequences of accidents, diseases, old age and death that are likely to happen to every person at any time. In this way, life insurance helps in preserving the earning power of the insured, thus preserving his "human life value."

¹⁰ Statistical Abstracts of the United States, 1954,
p.118. Table 130.

¹¹ See E. Albert Gilbert, Insurance and your Security
(New York: Rinehart and Company, Inc., 1948), 12-31.

CHAPTER I

THE DEVELOPMENT OF LIFE INSURANCE IN LEBANON

Historical Background

The origins of life insurance in the world are obscured in the mists of antiquity. However, as the principle of life insurance is an evolution rather than an invention, it has been possible to trace it back to a number of forebears.

First Records in the World

The first records of insurance go back to old China. The Chinese had different forms of insurance such as sickness, life, fire, crop and war insurance from time immemorial. Sections 23 and 28 of the Code of Hammurabi reveal that ancient Babylon had different forms of government, theft and crop insurance as well as an adoption-annuity plan. The first evidences of personal insurance are found in the "Eianoi" or "Thiasoi" of ancient Greece. The aim of these two societies was to pay the burial expenses of their members and the immediate

cash needs of their survivors. Early Rome evolved the "Collegia" of the soldiery and the "Collegia Tenuiorum" of the civilians. The funds of the "Collegia" were used to meet unexpected expenses of the soldiers such as the buying of new equipment necessitated by promotion, costly transfers to distant posts, disability and old age pensions, burial and living expenses of the dependants. The funds of the "Collegia Tenuiorum" were mainly used to meet the burial expenses of the non-military citizen and the living expenses of his family.¹

The "Guilds" of medieval England operated along the same lines of that of the "Eianoi", "Thiasoi" and "Collegia". When they collapsed under the rising tide of nationalism, they were replaced by the "Friendly Societies". When the scientific laws of mortality were introduced, the "Friendly Societies" became the framework of the life insurance companies.²

The first record of a life insurance transaction was made in Great Britan by Richard Martin on June 18, 1536.

¹Robert I. Mehr and Robert W. Osler, Modern Life Insurance (3rd ed.; New York: The Macmillan Company, 1959), p.648.

²Ibid., p.649.

Martin turned to his companions in the "Old Drury Ale House", a gathering place for marine underwriters, and suggested that the practice of marine underwriting be extended to the underwriting of the risk of a human life. Martin proposed to insure the life of William Gybbons, a fellow drinking companion, for twelve months for an amount of \$2000 for a premium of about \$80. Fifteen underwriters joined in the proposal which Gybbons accepted. But as fate would have it, Gybbons died on May 29, 1537.³ The first registered life insurance institution in the world, as far as is known, is the "Society of Assurance for Widows and Orphans" which was formed in Great Britan in 1699.⁴

First Records In Lebanon

In Lebanon, the insurance industry paved its way into the market only during the second half of the 19th Century. The first insurance company (for general insurance only) to start operations in Lebanon was the Royal Insurance Company Limited (British) the agency of which was given to

³Ibid.

⁴Solomon S. Huebner, Life Insurance (4th ed.; New York: Appleton-Century-Crofts, Inc., 1950), p.3.

Henry Heald & Company in 1867.⁵ Five years later, the Lebanese insurance market witnessed the entrance of another two British insurance companies namely, the London and Lacashire Insurance Company Limited, and the Liverpool and London and Globe. These two companies had a life branch and were the first to introduce and sell life insurance in Lebanon. After that, a number of foreign life insurance companies started operating in Lebanon. In 1877 the Guardian Assurance Company (British) entered into the market. In 1898, L'Union-Compagnie d'Assurance sur la Vie (French) and L'Union de Paris (French) started their operations in Lebanon. Before the turn of the Century (1899), the Assicurazioni Generali di Trieste (Italian) paved its way into the market. The agencies of the aforementioned companies were given to prominent people in the commercial sector in view of their huge trading business which generated a great deal of insurance. This is in addition to their influence on other smaller traders who were indirectly obliged to insure with them.⁶

⁵See Appendix I which shows when each insurance company operating in Lebanon originally started.

⁶Anthony A. Jones, "The Development and Organization of the Insurance Industry in Lebanon" (unpublished Master's thesis, Department of Arab Studies, American University of Beirut, 1966), pp.1-6.

During the first quarter of the 20th Century, ten foreign insurance companies entered the Lebanese market. Information about the performance and development of the insurance industry during this period is scarce. All the information available about this period is rather of legislative nature and it will be presented in the following chapter.

During the French mandate, the insurance industry grew tremendously. This was primarily due to the immigration of Frenchmen into Lebanon who by their presence in the country were the media through which European Ideas, of which insurance was one, spread in the country. A great deal of this relatively new industry was captured by French companies. In recognition of the aforementioned fact, the Union de Paris agency in Lebanon was reorganized in 1930, into a "direction particulière" (a semi-autonomous regional branch).⁷

The independence of Lebanon in 1943, had a major effect on the Lebanese insurance industry. The French mandate which had already brought with it a large number of French people, who realized the need for insurance, left the country in 1943,

⁷Ibid., p.7.

and the Lebanese gained control of all government positions as well as many key positions in the private sector. As such, the destiny of the country became in the hands of its people and this brought with it the feeling that Lebanese companies should replace the foreign ones in the various sectors of the economy. Thus, the stage became ready for Lebanese insurance companies.

The first Lebanese insurance company started operating in 1947, under the name of Al'Ittihad Al-Watani (L'Union Nationale) with a capital of LL.1,000,000.⁸ At the time this company was incorporated in 1947, there were '27' insurance companies operating in the country. Only four of these companies were writing life insurance. Since 1947, and upto the mid of 1965, only twelve Lebanese insurance companies have entered the industry, one of which stopped its operations due to the lack of liquidity on the part of the bank which was sponsoring it.⁹ At present (May 1966) over 100 insurance companies (Lebanese and non-Lebanese) are

⁸The charter of the company was published in the Official Gazette on August 25, 1947. The founders were: Hussein El Oweini, Desiré Kettaneh and Joseph Salem.

⁹Due to lack of liquidity on the part of the Commercial Bank, Compagnie General D'Assurance et d'Eparagne S.A.L. had to close in Spring, 1964.

operating in Lebanon, 35 of which are licenced to sell life insurance. This increase was coupled with a similar increase in the number of life insurance agents¹⁰ who now rade the market with their aggressive sales ideas.

During the last decade, the life insurance industry in Lebanon grew tremendously. The growth of life insurance companies' reserves, as reflected in Table I could be cited as a concrete evidence. Available statistics indicate that the reserves of all life insurance companies operating in Lebanon on 31.12.1955 were LL.3,189,244. This figure trippled in only five years to reach LL.11,837,018.- in 1960. Four years later the reserves trippled again and became LL.35,819,015 on 31.12.1964. The distribution of 1964 reserves reveals the leading position of the American Life Insurance Company which alone captured 58.7% of these reserves. L'Union Nationale's share was 17.6%, Arabia Insurance Company 9.1% and all the rest's share was 14.6% only.

The production figures of the American Life Insurance Company, as shown in Table II, is another evidence of the

¹⁰ American Life Insurance Company, for example, has now (May, 1966) over 200 agents. This figure was about half as much five years ago. Source: American Life Insurance Company.

T A B L E I

RESERVES
OF
LIFE INSURANCE COMPANIES
OPERATING IN LEBANON
IN LL.

Period	Amount
1.1.50 - 31.12.55	LL. 3,189,244.-
1.1.50 - 31.12.60	LL.11,837,018.-
1.1.50 - 31.12.62	LL.17,668,494.-
1.1.50 - 31.12.64	LL.35,819,015.- ^a

Source: Emile Daoud, "L'Activité du Secteur des Assurances au Liban", Le Commerce du Levant, (Beirut) No.1193, (March 5, 1966), p.50. Trans. Author.

^aThe breakdown of this figure is as follows:

American Life Insurance Company (\$6,901,253)...	LL21,000,000
L'Union Nationale	6,287,000
Arabia Insurance Company	3,295,717
Al Ahli Insurance Company	19,700
Others	5,200,000

Source: Companies concerned.

T A B L E 2

American Life Insurance Company
Lebanon Production
(paid-for)
US.\$1000 Equivalent

Year	Total Number Of Policies	Total Sum Assured	Index
1955	---	2475	100.00
1956	---	2066	83.63
1957	---	3152	123.30
1958	614	2609	105.41
1959	1026	4614	186.83
1960	936	6432	259.88
1961	1286	8597	347.35
1962	1193	10280	415.75
1963	1624	13523	546.38
1964	1236	9946	401.85
1965	1386	10790	435.95
1966	1622	10945	442.26

Source: American Life Insurance Company.

growth of the industry during the last decade. In 1955, for example, The American Life Insurance Company paid-for business (in Lebanon only) was \$2,475,000. In 1960, this figure became over 2.5 times as much it were five years earlier. In 1965, Alico production reached \$10,790,000 which is over four times 1955 production. In the case of Arabia Insurance Company as another model, Table III reveals that Arabia Insurance Company total sum assured in Lebanon and outside has been increasing every year since 1956, with the exception of 1958, and 1961. The decline in Arabia Insurance Company production in 1958, was mainly due to the political crisis which took place in Lebanon during that year. As to 1961, the serious decline of 26.53% was mainly due to the nationalization laws passed in Syria (United Arab Republic). Syria was one of the big markets for Arabia Insurance Company and the nationalization laws of 1961, brought with them the end of Arabia Insurance Company operations in Syria. The company was only allowed to service its already made portfolio. American Life Insurance Company, on the other hand, had its share of the 1958 crisis in the sense that its production declined from \$3,152,000 in 1957, to \$2,609,000 in 1958.

T A B L E 3

Arabia Insurance Company S.A.L.

Life Operations^a

Year	Yearly Increase (Decrease) in the Number of Policies Sold	Yearly Increase (Decrease) in the Total sum Assured
1956	---	---
1957	37.54%	40.33%
1958	1.67%	(4.50%)
1959	(16.98%)	4.58%
1960	44.22%	49.09%
1961	(18.07%)	(26.53%)
1962	47.48%	23.40%
1963	7.38%	3.22%
1964	5.67%	23.12%
1965	1.83%	5.40%
1966	N/A	N/A

^aLife operations of Arabia Insurance Company started late in 1955. The above percentages were extracted from the production figures supplied by Mr. Saleh Hakim, Deputy General Manager, Arabia Insurance Company, January 17, 1966.

Factors Affecting Development

As mentioned earlier, life insurance in Lebanon has been known since 1872. All the companies operating since that date and until 1947, were foreign companies run by foreign people. National life insurance companies practically entered into the market in 1947. While discussing the factors which affected the development of life insurance in Lebanon, it is imperative to discuss as well those factors which affected the development of the insurance industry at large as life insurance is only a branch thereof.

Education

Life insurance is an industry which lends itself to the populous. Unless the populous is aware of its meaning and benefits, the demand for it is apt to remain negligible. That is exactly what seems to have taken place in Lebanon. When life insurance was introduced into the market, the populous had little knowledge of it and practically no demand for it. The insurance companies had then a difficult job to perform. They had to orient the populous with this new industry in order to make them life insurance conscious so that they may be in a position to buy. This object has been difficult to accomplish as there has been other barriers

which stood in the way of making the mass life insurance minded.¹¹

The lack of education on the part of the public is believed to have brought about lack of life insurance consciousness and a general ignorance of the benefits of life insurance. On the other hand, the lack of life insurance education on the part of the people who sell life insurance had been another major factor which hindered the growth of the industry. The life insurance salesman in Lebanon has not been generally an educated or professional salesman. Although this may not apply to few of them yet, it does to the majority. Most of the life insurance agents in Lebanon are part-timers who take life insurance selling as a side job. Many of them take it as a transit job until they find a more secure and steady income profession. As to their educational background, few of them have studied beyond high school level.

The spread of education in the country during the last decade, as reflected in Table IV, has made the public more insurance minded. Available statistics indicate that government

¹¹Interview with various life insurance officials.

T A B L E 4
 EDUCATION STATISTICS IN LEBANON
 1951 - 1964

Year	Government Expenditure	Percentage of Government Budget	Number of Students	Number of Schools	Number of Teachers
1951	LL. 9,762,837.-	10.84%			
1952	LL. 9,995,130.-	11.29%			
1953	LL.11,687,903.-	12.13%			
1954	LL.13,051,816	11.73%			
1955	LL.16,274,935.-	12.29%			
1956	LL.17,355,889.-	10.76%			
1957	LL.21,220,209.-	11.02%			
1958	LL.25,678,390.-	14.17%			
1959	LL.28,007,145.-	14.11%			
1960	LL.28,715,170.-	11.81%			
1961	LL.36,374,451.-	13.50%	332,609 ^a	2540 ^a	13464 ^a
1962	LL.42,192,738.-	10.16%	358,159	2641	15984
1963	LL.---		389,501	2734	17727
1964	---				

Source: Etudes et Recherches Des Délégués, Beirut: Centre Régional Pour la Formation Des Cadres Supérieurs De L'Enseignement Dans Les E'tats Arabes, Nos. 3 and 4.

^aDoes not include figures of private institutions.

expenditure on education increased from LL.9,767,837.- in 1951, to LL.16,274,935.- in 1955, i.e., almost double. In 1960, government expenditure on education became LL.28,715,170.- and in 1962, it became LL.42,192,738. The number of students in Lebanon during 1962, was 332609 and became 389,501 in 1964. The foregoing figures reveal that education in Lebanon has been spreading with steady pace. This spread in education has put the people in a position where they could realize the importance of life insurance to the family, thus started to accept this industry.¹²

Beliefs

Beliefs, whether religious or non-religious, have played an active role against the development of life insurance in Lebanon since the time of its inception in the country. For example, during the "Ottoman" rule in Lebanon although the Sublime Port did not issue any legislation preventing the selling of life insurance (this is discussed at large in the following chapter) as something contrary to the teachings of the Quraàn, yet the public seemed to have been hesitant in

¹² Interview with Saleh Hakim, Deputy General Manager, Arabia Insurance Company, January 17, 1966.

accepting this industry. This attitude on the part of the public was detected from the various attempts of life insurance companies to produce "Fatwa" from the "Mufti" refuting such beliefs. One of these "Fatwa" was made for this purpose in 1902 by Sheikh Mohammad Abdo, Mufti of Egypt, upon the request of "Gresham" Life Insurance Company. This "Fatwa" is reproduced in appendix II and is self explanatory.

Other than the religious beliefs discussed above, there are certain beliefs which are entrenched in the mind of the public and have made them anti-life insurance believers. For example, many people associate life insurance with usury which is against the teaching of Islam. Moreover, some people in Lebanon are inclined to speak of insurance and gambling as being alike. Limited information about the science and benefits of life insurance makes it difficult for a person to accept that insurance is not gambling. When a person gambles he creates a risk which did not exist before and that when he buys life insurance he is protecting himself against an existing risk, such as premature death, disablement, etc... The idea of hitting a jackpot creates the risk of losing the money (actually a risk hardly exists, since loss is a complete certainty). But when a person insures his life the risk of financial loss is eliminated. In this sense, life insurance

and gambling are not actually the same but exact opposites.¹³
Nowadays, beliefs have generally faded but there are certain
religious beliefs which are still in the mind of a certain
category of people thus making them refuse to accept life
insurance.

Economic Development

The third major factor which affected the growth of
the life insurance industry in Lebanon was the economic
development of the country. The importance of economic
development to life insurance is that it is apt to bring
about a rise in income coupled with a rise in the standards
of living. Once we take into consideration the fact that
a life policy involves an investment element which mainly
depends on the ability of people to save and their level
of income, the positive effect of economic development on
life insurance will be directly justified.

It will be readily seen from Table 5 that national
income had increased from LL.1115 millions in 1952 to
LL.1789 millions in 1961. This represents an increase of

¹³Curtis M. Elliott, Property and Casualty Insurance
(New York: McGraw-Hill Book Company, Inc., 1960) p.12.

T A B L E 5

The National Income of Lebanon^a
 1952 - 58 & 1961
 (at current Factor Prices)
 (in LL. Millions)

	1952	1953	1954	1955	1956	1957	1958	1961
Agriculture	216	221	226	223	231	238	219	330
Industry	155	161	166	175	183	189	181	218
Construction	48	47	60	60	50	41	38	69
Transport and Communication	45	50	60	75	78	80	57	68
Commerce	333	344	368	407	410	469	365	468
Banking	50	51	57	70	80	91	93	110
Real Estate	98	101	112	116	130	139	155	194
Government	64	71	73	83	95	108	113	152
Services	106	122	134	165	160	148	104	180
T O T A L	1115	1168	1256	1374	1417	1503	1325	1789

Source: Paul Klat, "The National Income of Lebanon",
Middle East Express, No. 5, (April
 2, 1962), p.3.

^aIt appears that the figures relate to Net Domestic Product at factor cost and not to National Income as there is no indication that an adjustment has been made for net factor income from abroad.

LL.674 millions and a per caput income of around LL.1100 per annum. No detailed estimates of national income figures are available for later periods. One source,¹⁴ however, puts the 1965 national income at LL.2500 millions (a rounded figure) or LL.1250 per person. This means that the national income between 1961 and 1965 increased by LL.150 on per caput basis and by LL.711 millions on a total basis.

A historical look at the structure of the Lebanese economy reveals that commerce and agriculture have been the basic economic activities. They have provided the largest share of the national income. The second World War separated Lebanon from Western supplies, thus helped the Lebanese industrial sector to expand. However, upon the resumption of foreign trade and services industrial expansion slowed down.¹⁵ The 1956, study of national income revealed that agriculture employed 50% of the total labour force but generated only 16% of the total income. Commerce, finance and the rent sector employed 14% but generated 44%.

¹⁴ Khalil I. Salem, Economic Growth and Development Possibilities in Lebanon, A report presented to convention of Lebanese Businessmen and businessmen of Lebanese origin, (Beirut, August 5th to 10th, 1965), p.1.

¹⁵ Khalil I. Salem, The Economy of Lebanon, revised (no publisher available, Beirut, 1965), p.4.

Industry employed 11% of the labour force and generated 13% of the total income. In the 1950-1957 period the distribution of income was such that 50% of the population of Lebanon (most of them living in the mountains) received only 18% of the national income.¹⁶ "At present (1964/65) trade and services, including tourism, provide the largest share of the national income of Lebanon followed by agriculture and industry."¹⁷

The above indicates that there has been no even distribution of income in Lebanon. The income per caput which was estimated to have risen in 1964, to approximately LL.1250 per annum could not be taken as a representative income per caput for those people who are living in the cities where services are flourishing (and where life insurance companies operate). In other words, the rise in income has been more in the cities which implies that ability to save is also more. This rise in income and savings during the last decade has accelerated the growth of life insurance.¹⁸ This is probably the major

¹⁶ Basim A. Hannush, "The Present Socio-Economic Conditions in Lebanon and the Prospects for Economic Development, "Middle East Economic Papers", (Economic Research Institute, American University of Beirut, 1962), p.48.

¹⁷ Salem, op.cit., p.4.

¹⁸ The production figures of American Life Insurance Company and Arabia Insurance Company during this period have been cited earlier as a concrete evidence.

reason why life insurance companies in Lebanon are observed to be mainly operating in the larger cities along the coast and rarely in the mountains.¹⁹

Family Ties

A fourth factor which has affected the growth of life insurance in Lebanon is "family ties". In the past when a person gets married he used to live with his parents under the same roof. This practice had created a feeling of "self insurance". Should he die or become disabled, the parents or the other members of the family will take care of the living expenses of his dependants. Nowadays, family ties have relatively broken down and the practice of living alone upon getting married is more dominant. This practice has brought with it the feeling that everyone is responsible for himself. The bread winner can depend no more on the financial assistance of his parents or brothers, thus became more inclined to buy life insurance in order to hedge against the hazards of life.

The above discussion should not convey that the life

¹⁹The spread of education in cities more than in the mountains is another reason which would compliment the abovementioned fact.

insurance industry did not face problems in its development. These problems will be presented in Chapter VI. In the intervening chapters, the discussion will cover the essential aspects of the life insurance legislation, the organization of life insurance companies, types of policies sold and the life insurance companies' role in the Lebanese Economy.

CHAPTER II

ESSENTIAL ASPECTS OF THE LEBANESE INSURANCE LEGISLATION

Historical

As previously mentioned, the insurance industry entered the Lebanese market during the second half of the 19th Century. The oldest document available now about the operation of the insurance market during the nineteenth Century is a manual dated December 18th, 1896, printed by the Guardian Fire and Life Assurance Company Limited. This manual is educational in the sense that it explains to the agents what constitutes a single risk, what the coverage should include and the premium rate to be applied in each and every case.¹

During the 19th Century, no special legislation, regarding the regulation of the operation of the insurance companies, was passed in Lebanon which was then a part of the Ottoman Empire. The only Ottoman law which applied to

¹ Anthony A. Jones, "The Development and Organization of the Insurance Industry in Lebanon" (unpublished Master's thesis, Department of Arab Studies, American University of Beirut, 1966) p.3.

insurance companies operating in Lebanon then was the Law of Internal Commerce No.73, entitled "Foreign Joint-Stock Companies" issued on December 9th, 1887.² This law did not restrict the operation of foreign insurance companies in the "Empire" but it stipulated that, before starting their operations, all companies should register with the Ministry of Commerce. This indicates that the Sublime Port was not against insurance or, at least, did not look at it as contrary to the teachings of the Qur'an.

The first law in Lebanon regarding insurance companies was issued in 1906 and repealed in 1914. It required all insurance companies operating within the Ottoman Empire to pay tax and submit guarantees for their operation.³ During the French mandate the first decree in Lebanon (as well as Syria), that affected the nineteen insurance companies, which were all foreign then,⁴ was decree No.96 of January 20th,

²For complete text please refer to: George Young, Corps de Droit Ottoman, IV (Oxford: Clarendon Press, 1966), pp.53-55.

³For complete text please refer to: Law Digest, Containing All Laws in Force in the Arab World Separated from the Ottoman Government (Beirut: Yusuf Ibrahim Sader, 1925), Trans. Pierre Khoury.

⁴Pierre Gorra, "Lebanon", Insurance Markets of the World (Zurich: Swiss Reinsurance Company, Spring 1963), p.471.

1926.⁵ After independence, the first insurance legislation in Lebanon was passed in 1955; it repealed that of 1926, made by the French during their mandate.

Background

The life insurance policy is a legal document subject in Lebanon to the law of obligations and contracts and the insurance law of 1955. A policy to be a valid contract, should possess the requirements of a contract such as offer, acceptance, consideration, capacity to contract and legal purpose. Book X title I of the Lebanese code of obligations and contracts has been dedicated to insurance in general with a particular section on life insurance.

In many countries, where life insurance is flourishing, this business has been subjected to a close and detailed government supervision. In the United States, for example, all the states have entrusted supervisory control over insurance companies to an insurance official, variously

⁵ For complete text please refer to: Lebanese Ministry of Justice, Majmu'at Al Kawanin (Collection of Laws), Vol. VIII.

called Commissioner or Superintendent of insurance. He is either appointed by the government of the state, or elected by popular suffrage.⁶ This arrangement will be directly admitted once the important relation which life insurance bears to the family, the business, the community and the economy of the country at large is considered. The mission of life insurance in particular is a sacred one, in the sense that the trust funds held by insurance companies, may reach millions of Lebanese pounds, and that thousands of the insureds rely upon these companies as the primary means for protecting their families against risks carried by premature death. In spite of the extreme importance of life insurance to those who purchase it, few policyholders at least enquire about the management and business policy of the company they are insured with.

Practically, almost all Lebanese insurance companies are controlled by a limited number of persons who have little or no difficulty in securing the necessary proxies to perpetuate their control. Even assuming that any considerable portion of the vast number of the policyholders could be induced to take an interest in the conditions of the company,

⁶Solomon S. Huebner, Life Insurance (4th ed.; New York: Appleton-Century-Crofts, Inc., 1950), p.478.

with which they are insured, a relatively small number is sufficiently posted in life insurance matters to ascertain intelligently the true state of affairs of an insurance company. Life insurance is necessarily a technical and complicated subject and the real condition of a company can only be determined by expert and laborious examinations. In view of the foregoing, life insurance is a fit subject for government regulations and wise supervision which is necessary to protect the public against any possible mismanagement, and unjust practices on the part of the life insurance companies.⁷ In Lebanon, the need for governmental supervision and regulation of the life insurance companies stems from three main reasons, which are presented in the following paragraphs.

First, is the public interest arising out of the magnitude of the business, both financially and as to the number of persons concerned, Life insurance could be the only provision which the policyholders may have made for their dependents or for their own old age, and still in many cases, the only form of saving. Moreover, the type and character of the investments of the life insurance companies' reserves could be an

⁷Interview with Saleh Hakim, January 17, 1966.

important factor in the economic development of the country. Public interest could be then a primary factor which calls for governmental supervision of the life insurance industry in Lebanon.⁸

The size of the industry itself and its stored potentialities, for growth and expansion, is another reason which calls for the need of governmental supervision. In a situation where large amounts of money, and the interests of large number of persons are involved, the economic power which rests in a relatively few individuals should clearly be subjected to control by the government.⁹

Still another reason is the technical nature of the business and the necessarily technical character of the life insurance contract itself. Before anything is payable by the company, life insurance involves, generally speaking, a long period of payments by the policyholder. "Reserves" must be accumulated to be invested. This involves assumptions as to the future interest rates and mortality. Moreover, the adequacy of these reserves is here another point of vital importance to the company's ability to meet its future

⁸ Interview with Henry Beidas, February 14, 1966.

⁹ Ibid.

obligations. As a consequence of this, a minimum reserve standard is, therefore, an important feature of government regulations.¹⁰

With regard to the life insurance policy, as mentioned earlier, it is necessarily to some extent a technical document. Such a policy is normally prepared by the company, and the policyholder has no part in its preparation. The average policyholder knows very little about the principles or the terminology of life insurance law applied in Lebanon. He is supposed to understand the precise meaning of all the provisions of his policy, and to a certain extent is expected to have an idea about the exact legal effect of a particular condition or wording used. Nevertheless, the policy, being a technical, legal and lengthy document, is rarely read by the policyholder. As such, in the absence of government regulation of policy forms, and insurance companies at large, there will be a tendency that some of the provisions, necessary for the protection of the policyholder, might be omitted and even a possibility that undesirable provisions or limitations might be included. This is in addition to the fact that some insurance companies may not be operating in conformity with the law.¹¹ Once the government assumes

¹⁰ Interview with François Massamiri, February 1st, 1966.

¹¹ Ibid.

practical supervision, the possibility of mal-performance will be reduced.

Essential Aspects of the Lebanese Legislation Regarding
the Regulation of Insurance Companies¹²

As mentioned earlier, life insurance in Lebanon is governed by two laws. The insurance law of January 26, 1955, and the Code of Obligations and Contracts. In this section the essential aspects of the Lebanese insurance law of 1955, (regarding the regulation of insurance companies) will be presented.

The Lebanese insurance law which governs and regulates the operations of insurance companies in Lebanon, including life insurance companies, was published in the Official Gazette on January 26, 1955, and amended by the law of February 3, 1956. It was also qualified by decree number 9891 of January 16, 1957, which in turn, was amended on January 24, 1957, on April 25, 1957, by decree number 9998 and on June 26, 1957, by decree number 10070. This law defines the insurance industry as being divided into four

¹²Based on the amended law of January 26, 1955. Source: Lebanon, Official Gazette, "Law of Obligations and Contracts," pp. 57-62.

branches:

(a) Life insurance and everything connected with life such as disability insurance and old age insurance, and everything connected with them, such as savings.

(b) Fire insurance, including earthquakes and riots.

(c) Accident insurance such as insurance against damages arising from vehicle and the like (known as personal accidents), insurance against accidents at work (known as workmen's compensation), insurance against the risk of destruction, deterioration, burglary, loss, abuse of confidence (known as fidelity), and agricultural and animal insurance of every kind.

(d) Marine or transport insurance which is an insurance against the risks of the sea, air and land.

Registration, Organization and Admission

The law prohibits any insurance company to start operating in Lebanon unless its registration at the Ministry of National Economy has been published in the Lebanese Official Gazette. An insurance company to be registered in Lebanon must be either a joint-stock company or a partnership limited

by shares. Its paid-up capital must not be less than Lebanese pounds 1,000,000. In the case of a foreign company it is essential, however, that its country of origin must be allowing Lebanese companies to undertake insurance business in its territory.¹³ This provision was introduced on January 26, 1956, with no retroactive effect.

The application for registration should be accompanied by a copy of the company's deed of incorporation and a copy of its statutes, signed by the chairman of its board of directors, duly legalized by the competent authorities. Moreover, the general conditions of life insurance and the technical basis on which the company is founded should be presented together with a certificate confirming that a deposit, in cash or mortgages or approved securities amounting to Lebanese pounds 50,000.- for the life insurance and savings branch (a deposit of Lebanese pounds 25,000.- for each of the other branches) has been deposited in a bank approved by the state. Furthermore, a document should be submitted testifying that the paid-up capital is not less than Lebanese

¹³This article does not apply to those companies which were legally operating in Lebanon before the issuance of the law. That is exactly why some Egyptian and Syrian companies are allowed to operate in Lebanon at the time when no foreign companies are allowed to write insurance in both Egypt and Syria. But it does apply to Lloyds of London, the largest underwriting organization in the world, since it is not a joint-stock company nor a partnership limited by shares.

pounds 1,000,000.

In addition to the above requirements, foreign insurance companies intending to register in Lebanon must submit the following documents:

(a) A deed appointing the legal representative of the company in Lebanon arranged at the office of a notary public at the place where the head office of the company is situated. This deed should authorize the representative to perform the following duties:

(i) To keep special and separate accounts, for each branch of insurance, in respect of all contracts written or executed in Lebanon.

(ii) To control the management of the company in Lebanon and particularly the signature of insurance policies and the insurance of amendments, receipts and documents with regard to the insurance transactions performed.

(iii) To represent the insurance company before the Lebanese courts in actions brought by it or against it with its policyholders in Lebanon, and also before the Ministry of National Economy, and in particular to receive any correspondence addressed to the company.

(iv) To delegate to another competent person, part or all of the abovementioned powers. This representative must have Lebanon as his place of residence. The law requires from each company, which intends to change its representative, to submit to the Minister of National Economy another deed appointing a new representative with the abovementioned authorities.

(b) A certificate with supporting documents is required proving that the company has, in its country of origin, the legal capacity to carry out insurance transactions which it is seeking to carry out in Lebanon.

There is a provision in the law which gives the Minister of National Economy the right to extend the period (which is three months from the date of submission of the application) during which he will be taking a decision as to whether to accept or refuse registration by a maximum of three months. In such a case, the applicant is usually notified before the expiration date of the first period. Registration may be refused only when non-conformity with the law has been noted and after the consent of the Insurance

Advisory Committee.¹⁴

Amendments

The law requires that any amendment to the company's deed of incorporation, statutes, general conditions of insurance and technical basis of the table of surrender values of policies, should be approved by the Ministry

¹⁴ This committee is composed of the Minister of National Economy or a representative of his as Chairman and eight members experienced in insurance matters. The members are normally chosen by the Minister of National Economy himself. This committee meets at the invitation of the Minister of National Economy and its resolutions are not legally valid unless at least five of its members were present. Resolutions are taken by a majority vote and in case of equality the Chairman has a casting vote. The eight members of the committee are the legal advisor and the registrar of companies plus other six members. These six members at present, representing companies of different nationalities operating in Lebanon, are alphabetically arranged hereunder:

George Asfour	European Companies
Henri Beidas	American Companies
Bassem Fares	Arab Companies
Adnan Kassar	Asian Companies
Emile Nassar	British Companies
Kamel Salem	Lebanese Companies

There are a number of deficiencies in the make-up of the committee. For example, Mr. Salem represents Lebanese companies whereas he has no longer any association with L'Union Nationale. Mr. Fares represents Arab companies while his company, Arabia Insurance Company, has been registered as a Lebanese company since 1964. Interview with François Massamiri, February 1st, 1966.

of National Economy and inscribed in the margin of the deed of registration before it can be put into effect. In case of foreign companies the Minister of National Economy should be notified of any amendment in an official letter issued by the Board of Directors of the company concerned. Moreover, this letter should be duly certified by the competent authorities in the place where the head office of the company in question is situated.

Statements to be Submitted to the Government

The accounts of all insurance companies operating in Lebanon are examined every year by external auditors usually selected by the company from a list of auditors prepared by the Minister of National Economy for this purpose. This examination is subject to the provisions of the Commercial Code. Foreign insurance companies must, in addition to the foregoing, submit to the Minister of National Economy sufficient proof that their accounts are being subjected to annual examination by an official body and independent auditors as required by the law of their country of origin.

The documents which insurance companies must submit annually to the Ministry of National Economy, within nine

months following the date of closing their financial year, i.e., December 31st, are the following:

- a) The balance sheet.
- b) The profit and loss statement.
- c) Other special reports regarding the operations of the company.

The balance sheet as well as the profit and loss statement submitted to the government should be identical to the one presented to the shareholders or distributed to the insureds. In addition to the above, foreign insurance companies operating in Lebanon must present, within the same period mentioned earlier, the balance sheet and the profit and loss statement of their head offices. The law stipulates that all the financial statements and reports to be submitted to the government, in accordance with the foregoing provisions, be signed by the responsible official of the company and inspector. With regards to foreign companies, such a signature must be certified by the accredited representative of the company in Lebanon. The law gives the Ministry of National Economy the right to ask any company to submit explanations or supplementary statements in case any statement submitted is found inadequate.

incorrect or misleading. The law gives the Minister of National Economy the right to examine the books of any company if he considers it necessary but after consulting the Insurance Advisory Committee. As far as foreign insurance companies are concerned, such an examination does not cover other than those transactions in respect of contracts executed in Lebanon.

If the company fails to submit its financial statements as provided earlier, an administrative fine is incurred the amount of which is usually determined by the Minister of National Economy. The law states that such a fine should not exceed LL.1000.- for each day of delay.

Reserves

In accordance with article 23 of the law, companies selling life insurance, old age insurance (and everything connected with both of them such as savings) should keep in Lebanon the whole of their mathematical reserves in respect of contracts executed in Lebanon. The law has given the Ministers of Finance and National Economy the right, after consulting the Insurance Advisory Committee, to reduce the amount of such reserves, in the light of the financial situation of the country, to not less than fifty percent (50%).

This right has been actually consumed and the Minister of National Economy has already decreased the mathematical reserve to 50%, as per article No.20 of decree No.9891 of January 16, 1957. With regards to insurance other than marine, life, old age and savings, only 40% of the premiums collected during any financial year should be retained in Lebanon. As to marine insurance, 25% of the premiums collected during any financial year should be kept in Lebanon. In respect of all the branches, the full amounts necessary to pay for accidents, irrespective of the financial year to which such accidents relate, should be kept in Lebanon. The law describes "premiums collected" as being the amounts due and collected by the company from insuring risks. The gross value of all the aforementioned amounts is taken into account.

Investments of Funds

The investment of insurance companies in securities which form part of the funds that are to be invested in Lebanon should be deposited in a bank approved by the state. This bank should report to the Ministry of National Economy, during the second half of December of each year, the value of these securities in accordance with the prices quoted at the bourse of Beirut as at December 15. The free market

rate at that date will be the basis of conversion to the Lebanese currency. Should the value of the securities decline during the year and become lower than the amount of money required to be deposited in Lebanon, the company concerned should make up for this difference in such a way as to keep the value of the deposit at the required level. The difference thereof could be made-up by investing more in securities or by increasing the cash deposits or by any other way designed by the law. Insurance companies may exchange the securities they have deposited with other securities or with cash or any other way designed by the law on condition that such an exchange should not lead to a reduction in the amount of the deposit required by the law. The company concerned should notify the Ministry of National Economy within a week after such an exchange has taken place.

Insurance companies should submit annually to the Ministry of National Economy a list showing the policies on which claims have been reported, indicating which claims have been outstanding since December 31st of the preceding year. This list should incorporate the number of the policy, its owner, the face amount of insurance, the total amount of premiums paid and the amount of money required to settle the claims corresponding to it irrespective of the financial year

to which such claims are related. The gross value of these claims should be equal to the deposits made for this purpose.¹⁵ It is not possible, however, to withdraw any amount originally deposited for settling claims unless the prior approval of the Ministry of National Economy has been obtained. In case a claim has been settled at a lower value than that estimated for its settlement, the Ministry of National Economy may approve the withdrawal of the estimated amount originally deposited for its settlement. However, if the amount settled exceeds the estimated one, the company should pay the difference from its deposits which do not form a part of the deposits it should retain in Lebanon. The Ministry of National Economy normally approve the withdrawal of any amount deposited for settling claims pertaining to accidents outstanding at December 31st of the previous year, within the frame of the corresponding estimates, against approved copies of the corresponding discharge receipts. The lists submitted to the government showing the policies on which claims have been reported as outstanding should be accompanied by all the necessary documents which prove that the deposit required to be retained in Lebanon is actually deposited.

¹⁵To have an idea about how much an insurance company operating in Lebanon may pay claims every year, the reader is referred to Table 6 which shows the claims paid by Arabia Insurance Company since 1947, upto 1964, inclusive.

TABLE 6

ARABIA INSURANCE COMPANY S.A.L.

Claims Paid (All Branches)

(000 omitted)

Year	Claims Paid	Net Premiums Earned	Year	Claims Paid	Net Premiums Earned
1947	JD. 34	JD. 63	1956	JD. 233	JD. 361
1948	JD. 23	JD. 41	1957	JD. 180	JD. 405
1949	JD. 22	JD. 54	1958	JD. 291	JD. 512
1950	JD. 58	JD.109	1959	LL.1839	LL.4,364
1951	JD. 52	JD.137	1960	LL.1669	LL.4,257
1952	JD. 70	JD.157	1961	LL.1701	LL.4,365
1953	JD. 97	JD.174	1962	LL.2236	LL.4,675
1954	JD. 76	JD.213	1963	LL.1891	LL.4,429
1955	JD.139	JD.268	1964	LL.2068	LL.3,776

Source: Arabia Insurance Company, Directors Report, (1947-1964).

The mathematical reserve in respect of life insurance (and every insurance which is related to life such as old age) is calculated on the basis of the estimates made by the company concerned. This procedure was supposed to be temporary, however, nothing new has been taken so far since the inception of the law in 1955. Reserves are to be computed in the currencies in which the contracts have been negotiated. Nevertheless, if a company wishes to invest its reserves in the Lebanese currency, the value of the contracts will be computed by applying the free market exchange rate existed on December 31st of the year to which the reserve is related. It is not possible to transfer a life insurance contract negotiated in Lebanon to outside Lebanon unless the owner of the contract is no more a resident of the country.

Withdrawal of Insurance Companies from Lebanon

In case an insurance company, already registered in Lebanon decides to discontinue its operations, (and wants the release of its fund and/or guarantee deposit either in full or in part) has to submit to the Minister of National Economy a written application to this effect. This application should be accompanied by a proof that it has completely and finally discharged its obligations in respect of all contracts executed in Lebanon or that it has transferred its portfolio

to another insurance company duly registered in Lebanon. Moreover, it is also required to submit a proof that it has published a notice in the Lebanese Official Gazette and two daily newspapers published in the city where its head office (or main agency in the case of foreign companies) is situated. This notice should appear in each newspaper on at least three occasions separated by intervals of 15 days. It should disclose its intention to submit an application, three months from the date of the last notice for the release of its funds in Lebanon and the withdrawal of the guarantee deposited by it. This notice should include an invitation to policyholders, who wish to oppose its release, to submit their objections to the Ministry of National Economy.

The Minister of National Economy accepts the application for withdrawal in case no objections are made to it within the prescribed period. In case an objection is made within that period the application will not be decided upon until a final ruling on the objection is reached. Nevertheless, the Minister of National Economy may, in accordance with the law, authorize the release of the funds deposited in Lebanon and also the release of the guarantee subject to the recovery of an amount equivalent to the obligations of the company towards the objector.

In the event of a transfer of the portfolio to another company the release of funds or deposits will not be made until the company accepting to take over the portfolio has proved that it has invested in Lebanon additional funds equivalent to the amount sought to be released. The law gives the withdrawing company a period of 60 days, starting from the date of the decision to cancel its registration, to apply to the Minister of National Economy to revoke its decision, or else it may appeal against it to the state council.

Cancellation of Registration

The law has given the Minister of National Economy the right, after consultation with the Insurance Advisory Committee, to order the cancellation of the registration of any insurance company operating in Lebanon in the following circumstances:

a) In case the insurance company has not invested in Lebanon the funds required by law within 30 days from the date of service of notice upon it.

b) In case the company has failed for 90 days to meet an uncontested claim submitted by a policyholder or it has

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b) In case the company has failed for 90 days to meet an uncontested claim submitted by a policyholder or it has

failed to comply with a final judgement.

c) If the insurance company refuses to allow the examination of its registers, or if it refuses to submit the statements it is required to submit in accordance with the provisions of the law.

d) In case it is established that the company does not conduct its business in accordance with its Articles of Association or in accordance with the provisions of the law.

e) In case the company is declared bankrupt.

f) If it becomes apparent that registration was not effected in accordance with the law.

Once a decision on the part of the Minister of National Economy has been taken to cancel registration, the law stipulates that the company's business in Lebanon should be liquidated. Contracts and transactions executed after the cancellation of the company's registration, as the case with contracts and transactions effected before registration, will be considered null and void. This annulment does not affect bonafide insureds and beneficiaries.

Various

The foregoing sections cover the essential aspects of the Lebanese insurance legislation regarding insurance companies operating in Lebanon. There are actually other important aspects which do not fall under any of the above topics. These will be presented in the following paragraphs.

Article 19 of the law of January 26, 1955, stipulates that insurance companies operating in Lebanon must place at the disposal of their policyholders all the statements required to be submitted to the government and to deliver a copy thereof to every applicant against the payment of one Lebanese pound. An annual control fee of LL.500.- for each category of insurance transactions in Lebanon is stipulated in Article 3 of the Law.¹⁶

Article 12 of the law provides that insurance companies of any kind founded in Lebanon may not be incorporated, or managed, nor can transactions appertaining to them be presented

¹⁶With regards to taxation, insurance companies are required to pay the same taxes paid by other companies operating in Lebanon. They have to pay a 10% surtax, income tax and municipality tax. Income tax in particular is governed by the income tax law of Lebanon, article 44 of legislative decree number 144 of June 12, 1959. It is paid on the increase of premium income from one year to the next, as determined by a special committee of the Ministry of Finance. In 1964, the taxable income was set at 3.5% of the premium income for life

to the public except by persons who have not been convicted for a crime, forgery, the handling of false papers, theft, break of trust, fraud, misrepresentation or the attempt to commit any of these crimes. This provision applies to the representatives appointed to manage foreign insurance companies in Lebanon and also to agents, middlemen and distributors operating in Lebanon in the name of such companies.

insurance, at 10% for fire and jewelry and at 5% for all other branches. The progressive tax (Article 32 of decree number 144) is applied, to the resulting figure, in the following manner:

5%	of the first LL.5,000	
7%	from LL. 5,000	- LL. 15,000
9%	from LL. 15,000	- LL. 25,000
13%	from LL. 25,000	- LL. 35,000
17%	from LL. 35,000	- LL. 50,000
22%	from LL. 50,000	- LL. 75,000
27%	from LL. 75,000	- LL.100,000
32%	from LL.100,000	- LL.250,000
37%	from LL.250,000	- LL.750,000
42%	from LL.750,000	and over

To illustrate, suppose a company earned LL.400,000.- of life insurance premiums, it is considered to have realized a net profit of LL.14,000. If its premium income from other branches, except fire and jewelry, was LL.600,000.- the corresponding profit will be then LL.30,000 or a total of LL.44,000. A tax of 5% is imposed on the first LL.5,000, 7% on the next LL.10,000, 9% on the next LL.10,000, 13% on the next LL.10,000 and 17% for the remaining LL.9,000. Thus, its income tax will be LL.4,680. Further, in accordance with Article 110 of Law number 15677 of March 4, 1964, the equivalent of 15% of the total tax (LL.4680) is to be paid as municipality tax, and in accordance with Article 12 of the Law of April 9, 1956, the equivalent of 3% of the total tax (LL.4680) is to be paid for the reconstruction of regions that suffer natural disasters ... Emile Daoud, "L'Activité du Secteur des Assurance au Liban," Le Commerce du Levant (Beirut), No.1193 (March 5, 1966), p.50, Trans. Author.

Another interesting Article of the law is number 18 which stipulates that insurance companies transacting insurance business in Lebanon have to examine their financial position and evaluate their current obligations once every five years, at most, through a controller of the Ministry of Finance and a specialist in insurance matters chosen by the company from among officially recognized specialists. As far as foreign insurance companies are concerned, their obligations shall be evaluated in respect of business contracted in Lebanon and executed there. The report of the company's representative regarding its financial position must show:

- a) The rate of interest taken as the basis for valuation.
- b) The mortality table used in the valuation.
- c) The method adopted in the valuation,
- d) The method adopted for the distribution of surplus funds.

Disputes arising between the insurance company and the insureds, from the interpretation of the policy or from its execution, could be resolved through arbitration. The arbitrator should be a resident of Lebanon or else his decision is null and void. Furthermore, the law stipulates that every

clause in the insurance policy which gives a transfer of competence to a foreign court or the application of a foreign law or practice, which is contrary to the provisions of the Lebanese insurance law, will be null in every case. This provision does not apply to marine insurance.

Essential Aspects of the Lebanese Law of Obligations and Contracts Regarding Life Insurance Contracts¹⁷

The life insurance policy being a contract, is subject to the fulfilment of the requisites of a legal contract. This stipulates that there should be an offer and the offer must be accepted. There must be a valuable consideration and the parties to contract must have legal capacity to make a contract. The contract itself should not be against public policy. These conditions actually govern all contracts including the life insurance contract.¹⁸ In this part of the chapter the essential aspects of the Lebanese Law of Obligations and Contracts regarding life insurance contracts will be presented. These regulations are in addition to the law of 1955, which was discussed in the preceding section.

¹⁷Based on the "Law of Obligations and Contracts". Source: Sader, Adib Y., "Law of Obligations and Contracts. "Al-Majallah-Al-Qadaiyah, (no date available), pp.148-163.

¹⁸The reader is referred to the Lebanese Law of Obligations and Contracts.

The Lebanese Law of Obligations and Contracts regarding life insurance makes it clear that it is possible to have a life insurance policy on the life of a person whether negotiated by the person himself or by others, known as third party. If a policy is made by a third party the insured should declare in writing his acceptance mentioning the amount of insurance, or else the policy will be void. It is also necessary that the insured should, in such cases, approve in writing his acceptance to any transfer in the rights of the policy.

In accordance with Article No.996 of the law, a life insurance policy issued on the life of a juvenile, whose age is less than 15 years, or on the life of a person who is insane is void. In case an insurance of this sort was made, the policy should be cancelled and all the paid premiums should be returned. Article No.667 of the law prohibits a third party to issue insurance either on the life of a married woman without the consent of the husband or on the life of a person who has been put under judicial supervision without the consent of the supervisor.

The law has not put forward a specimen of a standard policy form but has made reference to the essential points which should be incorporated. This will be discussed at

length in chapter four, however, it would be relevant to present hereunder the important point which the law stipulates in this respect.

The law makes it clear that the policy should be made to the order of a certain person, whose name should be mentioned on the policy and not to bearer. The policy, however, could be assigned and this arrangement will not be recognized unless the insurance company receives a letter from the insured to this effect. If the insured commits suicide or was sentenced to death before the completion of two years from the date of issuance of the policy, the law stipulates that the insurance company should pay the beneficiary an amount equal to the policy reserve. It is possible that an insurance policy be used as a collateral against a loan, and this requires sending the insurance company a letter to this effect. If no beneficiary has been designed, the policy when becomes a claim will be considered as part of the heritage of the insured. If a beneficiary has been nominated on the contract, the proceeds of the policy will not be considered part of the heritage. The amount conditioned to be paid to the beneficiary will be considered as being due at the time of issuance of the contract. Creditors of the insured cannot ask for the face amount of the policy when it becomes a claim in case there is a designed beneficiary.

Every beneficiary can, after having accepted the insurance to be in his favour, transfer his rights in the contract to another person either by sale or endorsement. Such a transfer will be void unless it is accepted in writing by the insured. The law gives the husband and his wife the right to reciprocate life insurance to the benefit of each other or through the issuance of one policy for both of them.

Life insurance companies operating in Lebanon are required to incorporate in their insurance policies a detailed and clear schedule showing the amounts to which the contract refers such as cash reserves, reduced insurance and loan values. Loans paid by the insurance company to the insureds are optional on the part of the company which has the right to decide whether to accept to give loans or not.

A mis-statement of the age of the insured does not lead to make the insurance policy void unless the actual age of the insured is beyond the age limit of the company's tariff. If the premiums paid, as a result of this mistake, are less than the correct premiums, either the face amount of the policy or the guaranteed income is reduced in the ratio of the paid premiums to the corresponding premiums for the exact age. If the case is otherwise, the insurance company has to return the additional premiums paid without interest.

EVALUATION

The life insurance policy is a contract of good faith and a unilateral contract in the sense that only one of the contracting parties, i.e., the insurer, makes legally enforceable promises. It is a conditional contract since the obligations or promises of the insured are conditional on his performing certain acts. It is a valued contract in contrast to a contract of indemnity, as it stipulates paying a given sum of money upon the occurrence of a stated contingency rather than paying only the extent of loss suffered as is the case with fire insurance. It is a contract of adhesion in the sense that both parties to it may not bargain for the terms. It is finally a public contract which involves insurable interest.

With regards to the Lebanese insurance legislation, it is extremely liberal. Discrimination between foreign and national companies does not exist. The additional requirements needed, by the law, from foreign companies are merely of administrative nature and do not limit their operations whatsoever. The law does not stipulate excessive demands on the insurance companies in terms of deposits,

investment of reserves and taxes. The law does not limit in anyway the manner an insurance company is operated. This liberal attitude has attracted many insurance companies to come to operate in Lebanon and control their Middle East business.

CHAPTER III

ORGANIZATION OF LIFE INSURANCE COMPANIES

The object of this chapter is to discuss the organizational setups of life insurance companies operating in Lebanon. As it is not possible to present the organizational setups of all the companies, the discussion will therefore cover life insurance companies in general with a special reference to three companies, two of which are Lebanese and the third is foreign.¹

Market Organization

Life insurance is generally transacted by three types of companies broadly known as "Stock Companies", "Mutual Companies" and "Mixed Companies". Stock life insurance companies function in exactly the same way as incorporated companies with capital stock. Policyowners of such companies are not allowed to participate in the profits of the company.

¹The three model companies are the Arabia Insurance Company S.A.L., Al Nisr Insurance Company S.A.L. and the American Life Insurance Company.

These companies are controlled by their stockholders to whom all profits belong while the policyowners only possess an interest in the reserve accumulated on their contracts.² A mutual life insurance company has no capital stock and consequently no stockholders. This type, which is primarily found in United States and Canada, is formed of the policyowners who own all the assets and who, legally at least, control management through a certain voting system. A distinguished characteristic of mutual life insurance companies is that they sell mostly participating policies.³ The word "mixed" implies a combination of two forms and in this context a "mixed life insurance company" combines certain features of both the "Stock" and the "Mutual".

With regards to Lebanese insurance companies, they are stock companies which, from both a practical and legal standpoint, provide permanence and security of payment.⁴ They have been organized as stock companies in order to meet the requirements of the Lebanese insurance laws. The reasons

²Joseph B. Maclean, Introduction to Life Insurance (1st ed.; New York: Life Office Management Association, 1949), II, 6.

³Solomon S. Huebner, Life Insurance (4th ed.; New York: Appleton-Century-Crofts, Inc., 1950), p.410.

⁴Refer to Appendix I.

which contribute to the non-presence of mutual life insurance companies in Lebanon are the following:⁵

1. Most of the Lebanese insurance companies are closely held companies, the owners of which are not ready to forego their control.
2. Many of these companies are believed to be affiliates of certain banks, which are in turn closely held corporations.⁶
3. The articles of association of Lebanese insurance companies do not call for the retirement of the capital stock after the company has become well established. However, should this be present, the Lebanese insurance laws do not provide for accepting such a provision.
4. Still another major reason is that mutualizing is a characteristic of life insurance companies only. Consequently, since Lebanese insurance companies are not specialized only in life insurance, as most of them take it as a secondary activity, mutualizing is impracticable.⁷

⁵ Interview with François Masamiri, General Manager, Al Nisr Insurance Company S.A.L., February 1st, 1966.

⁶ For example, Libano-Suisse Insurance Company is an affiliate of Bank Sukair S.A.L.; Al Nisr Insurance Company is an affiliate of Mebco Bank; Al Ahlia is an affiliate of Bank Al Ahli; Compagnie Generale d'Assurance et de Pargne was affiliated with the Commercial Bank and it had to stop its operations when the said Bank stopped operating in April 1964, due to lack of liquidity.

⁷ There are 103 insurance companies registered in Lebanon (May, 1966) 92 of which are foreign and 11 Lebanese. Of these 103 companies 82 are registered to write fire insurance, 81 marine, 79 accidents and 30 life. Of these 30 companies only three sell purely life. These are the American Life Insurance Company (American), the Gresham Life (British) and the International Life Insurance Company (Luxembourg). Source Appendix I.

Home Office Organization⁸

The organizational setup of insurance companies operating in Lebanon is similar in many respects to corporations which are concerned with the collection, investment and distribution of funds. The sound general principles of business organization apply to the organization of life insurance companies especially the Lebanese companies and the foreign ones which are represented in Lebanon by a branch office. The foreign insurance companies which are represented by an agency lack the classical organizational setup of a business organization.⁹ Chart I is a typical

⁸Joseph B. Maclean, Life Insurance (New York: McGraw-Hill Book Company, Inc., 1939), pp.448-466.

⁹Of the 92 foreign insurance companies registered in Lebanon (May, 1966), 86 are represented by agencies and only 6 are represented by a branch office. There are 44 agents each representing one company, 7 agents representing 2 companies each, 6 agents representing 3 companies each, one agent representing 4 companies and one representing 6 companies. With regards to branch offices, they are the following:

- 1 - American Foreign Insurance Association (1962)
- 2 - Union de Paris (1930)
- 3 - Compagnie d'Assurance Meuse-Escent-Rhin Camer (1951)
- 4 - Kuwait Insurance Company (1963)
- 5 - New India Insurance Company (1964)
- 6 - American Life Insurance Company (1953)

Source: Appendix I.

organization chart of a life insurance company reproduced herein for easy reference.

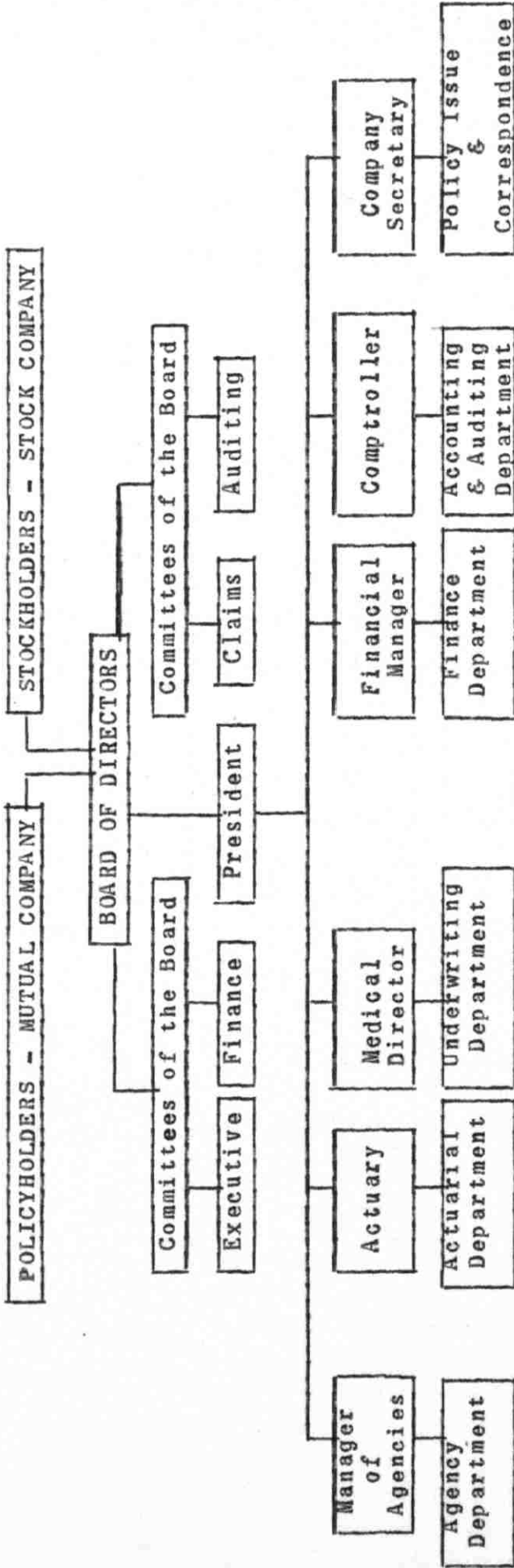
In the three model insurance companies, authority starts with the stockholders. As the case with most incorporated business organizations, the second level of authority is the board of directors which normally delegates a substantial part of the authority vested in it to the respective executive officers who have the power to bind their companies.

The route which authority takes through the various departments varies from one company to the other. For example, if a decision in the American Life Insurance Company is taken at the executive level, it will go first to the heads of departments then to the heads of sections and eventually finds its way down to the lowest level of authority.¹⁰ In Al Nisr, on the other hand, the lines of authority are rather direct. A decision taken by the general manager, for example, may find its way directly to the individual employee without having it channelled through the head of department.

¹⁰Interview with Henry Beidas, Vice President, American Life Insurance Company, February 14, 1966.

C H A R T I

Typical Organization Chart of a Life Insurance Company



Source: R.W. Lederer, Home Office and Field Agency Organization-Life (1st ed.; New York: Life Office Management Association, 1959), p.17.

The organizational setup of Al Nisr is more inclined to be a line organization with all authorities traced back to one individual, namely the general manager, although a "line and staff" organization appears to be existing. In some cases functional authority in Al Nisr Insurance Company has been traced in a number of matters where staff officers, empowered to advise, have acted within the scope of their specialization.¹¹ With regards to the American Life Insurance Company, again a "line and staff" organization is more apt to exist. In some cases, committee decisions are taken. Such committees are made up of few department heads and executives whose contributions are within the scope of their specialization and knowledge.¹²

It will be noticed from the foregoing that the organizational structure of the two model insurance companies in question has the characteristic of being a combination of several, if not all of the four basic types of organizational structures namely, functional, staff, line and a combination of staff and line. The purpose of the forthcoming sections

¹¹ Interview with François Masamiri, February 1st, 1966.

¹² Beidas, op.cit.

of this part is to outline the more important official positions, committees and departments of the three model companies and to describe their respective functions and duties.

The Board of Directors

The board of directors of a Lebanese insurance company is elected by the stockholders of the company. The board in turn appoints the executive officers of the company who perform the functions indicated in the company charter and bylaws. This fact could be true with insurance companies which are incorporated in Lebanon, such as Arabia Insurance Company and Al Nisr Insurance Company whereas it will not apply to foreign companies which are represented in Lebanon by a representative.

Different committees emerge from the board of directors of some Lebanese insurance companies. These committees draw up the general policy of the company each within its field of specialization. This arrangement has been successful in the case of larger companies where the board of directors has little and even no direct contact with the day to day business operations of the company. These committees, in Al Nisr Insurance Company for example, are delegated with

special authorities and as such a great deal of the actual control of the company's daily operations are handled by them directly. The first of these committees is the "Executive or Insurance Committee", which considers questions of general business methods, rates, types of policies to be sold and territories to operate in. This committee also deals with problems which are not within the scope of the other committees and which require immediate action.¹³

The second committee is the "Finance Committee" which carries out the general investment policy of the company as laid down by the board of directors. In addition to this, the "Finance Committee" is responsible for the selection of banks in which the company uninvested funds are to be deposited and determines the amount to be maintained in each and every bank selected.¹⁴

The third committee is the "Auditing Committee", the function of which is to exercise a general and periodic supervision over the accounting system of the company. This is done in collaboration with a professional auditing firm.

¹³ Interview with François Masamiri, February 14, 1966.

¹⁴ Ibid.

Neither the general manager nor any officer of the company can become a member of this committee. This is due to the fact that it becomes an unhealthy situation to have people on this committee join in making checking on themselves.¹⁵

The Company President

The company president (or General Manager) who is usually referred to as "Company Representative" with regards to foreign companies is the operating head of the business. In almost all Lebanese insurance companies the members of the board of directors are engaged with many businesses which makes it impossible for them to assume direct supervision over the operations of the company. As such, the authorities of the board of directors have been generally delegated to the company's general manager.

The company's general manager has normally general administrative supervision over all the departments of the company. In some insurance companies in Lebanon especially the relatively new ones such as Al Nisr, for example, the general manager has retained the actual control of at least

¹⁵Ibid.

one of the departments. In some other companies, the general manager performs active duties in several departments and sometimes assumes actual control of all the departments of the company.

The Company Vice-President

This position is largely referred to by Lebanese insurance companies as the "Assistant General Manager". The normal functions of the assistant general manager is to assist the general manager in performing control over the operations of the company and to act in his absence. While this is generally the case with most insurance companies operating in Lebanon, there are some insurance companies whose assistant general manager exercises active supervision over one or more departments. In some national insurance companies a well known public figure has been appointed as general manager even though he knows little about life insurance operations but for the sake of company prestige only. Actual control is in the hands of the assistant general manager.¹⁶

¹⁶ Masamiri, Ibid., (The names of a number of companies were given by Mr. F. Masamiri and for obvious reasons the writer was satisfied to mention the situation without giving reference or naming any company).

The Company Secretary

The company secretary of a life insurance company is normally responsible for correspondence, the issuance of policies and keeping the minutes of the meetings of the board of directors.¹⁷ Company secretaries of almost all life insurance companies operating in Lebanon do not completely adhere to these specific responsibilities. In American Life Insurance Company, for example, policies are issued by a special department, called "policy issue department", and signed by a person holding the title of "registrar". The transcript of the board meetings of many Lebanese insurance companies are being done by professional stenographers. The duties of the company secretary, therefore, vary widely among companies. In certain companies floating matters are of his responsibility and as such this position has been called administrative or management assistant.

Other Officers

In addition to the aforementioned major executive officers life insurance companies operating in Lebanon

¹⁷ Joseph B. Maclean, Introduction to Life Insurance (1st ed.; New York: Life Office Management Association, 1949), II, p.58.

have other officers the number of which depends on the size of the company concerned. These officers are more or less "functional officers" who do not have the authority to bind the company as the case with executive officers. In many instances these functional officers head a department or various departments within the scope of their specialization. Some of these officers are the treasurer, controller, medical director and legal advisor; the function of each is as clear as the word would imply.

Departmentalization

The departments found in life insurance companies operating in Lebanon vary from one company to the other depending on the size, organization and policy of the company. Generally, the basic departments are present but they are sometimes amalgamated; a situation which again depends on the size of the company concerned. The departments which are commonly found are presented hereunder.

The Agency Department

It is almost in every life insurance company operating in Lebanon that the agency department exists. It is normally

headed by an executive officer whose title varies from one company to the other. In American Life Insurance Company, for example, this post is called "Agency Director", whereas in Al Nisr Insurance Company this department is headed by the assistant general manager himself.

Through the agency department life insurance companies operating in Lebanon seek to bring their products to prospective buyers in such a way as to keep them satisfied policyowners. The major functions of the agency department are recruiting, selection, training, supervision and motivation of agents beside the handling of all administrative matters related to branch managers, general agencies and agents. In its position as the supreme court for all field affairs the agency department in larger companies is assisted by advisory departments. In American Life Insurance Company, the legal department, for example, operates sometimes as an advisor to the agency department in respect of those matters as the drawing up of contracts for agents and general agents as well as all matters which are of legal aspects. On the other hand, the actuary of the company advises the agency department on all matters of technical nature. In the following part of this chapter more light is thrown on the field activities of the agency departments of the three model companies.

The Underwriting Department

The primary functions of the underwriting department are to set forth the standards of selection and to pass judgement upon applications for insurance.¹⁸ In smaller companies the underwriting and the medical department are sometimes amalgamated in one department and headed by an officer normally known as "underwriter" or "medical director".

The Actuarial Department

The term actuary is hardly known outside the life insurance business in Lebanon and means nothing to the average layman as there is no precise translation for this word in the Arabic language. The functions of the actuary in larger insurance companies, such as American Life Insurance Company for example, are to calculate the degree of risk in terms of rates, to apply the level premium formula to determine the necessary mathematical reserve needed and to advise on the level of contingency reserves and surplus to be retained by the company. He also sets forth the basis for instalment settlement of proceeds and proper determination of loadings

¹⁸ Maclean, Ibid., II, p.47.

and dividend formula. In other words, the functions of the actuary in American Life Insurance Company is to perform all technical matters of mathematical aspect.¹⁹ With regards to other companies, few of these companies have a full time actuary and even some do not. The functions of the actuary in such companies are handled by experienced executives.

The Legal Department

The legal department is of prime importance to life insurance companies operating in Lebanon for the mere fact that a life insurance policy is a legal document. Moreover, and in addition to the advisory function it extends to the agency department in as far as agents and general agent's contracts are concerned, the legal department avails itself to defend the company in the cases of prejudice and complaints brought by it or against it. Furthermore, in larger companies the legal department checks on real estate titles, bond debentures etc... and advises on all matters which need legal thought. Smaller insurance companies in Lebanon lack this department but they have employed part-time lawyers in order to fill the gap.

¹⁹ Interview with Henry Beidas, February 14, 1966.

Field Organization

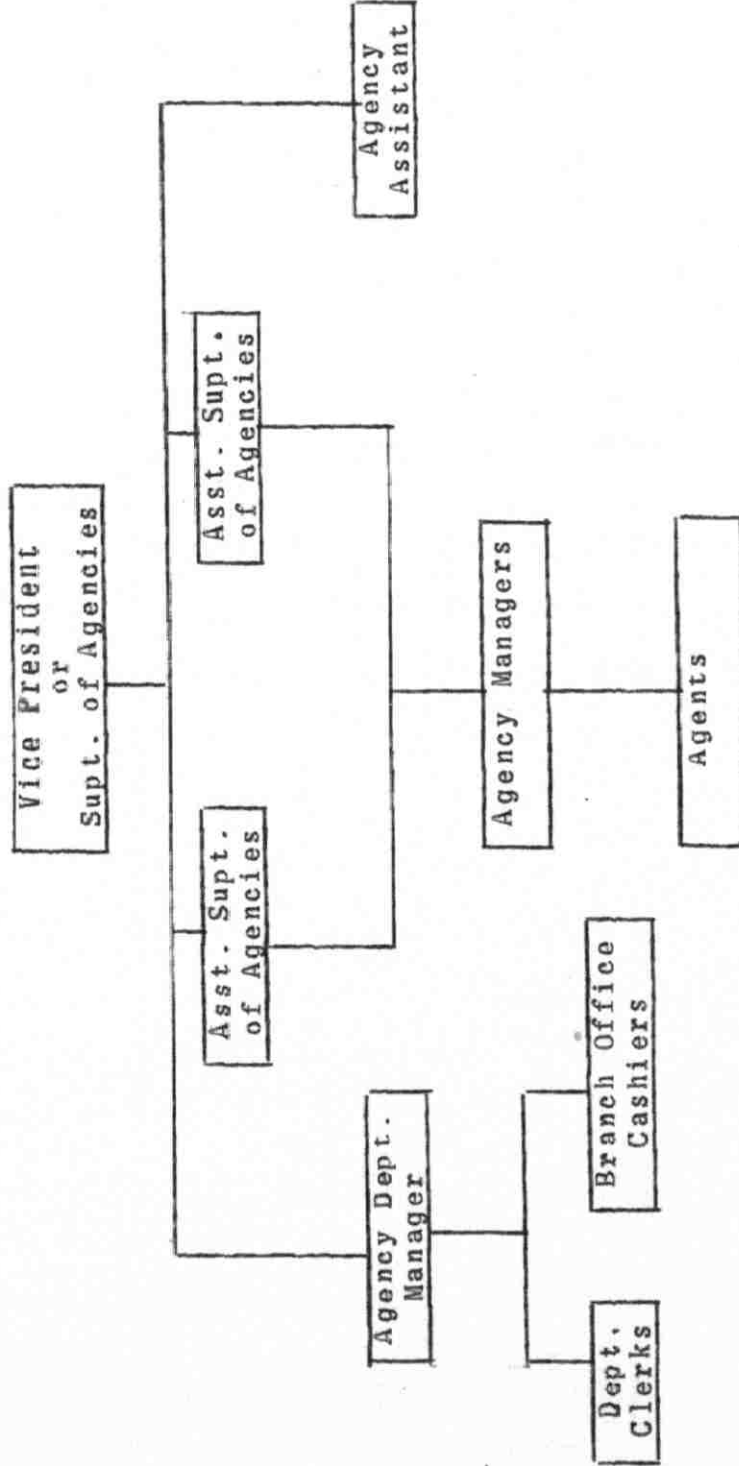
The field organizations of life insurance companies operating in Lebanon are normally under the direction of the home office agency department. The primary functions of the field organization are to sell new business, to conserve old business and to service policyowners and beneficiaries. Chart II is a typical agency department organization chart reproduced herein for easy reference.

Life insurance companies in Lebanon seem to be quite aware of the importance of the skilled agent and that is why remarkable efforts are being exerted in order to create a respectable field force. They seem to be quite aware that the field organization is the backbone of the company and the spinal cord of its expansion. Being aware that they will never attain a dominant position in the market without an organized field force, most life insurance companies in Lebanon have started giving this aspect their attention. Moreover, they have expanded their activities to almost all of the countries of the Arab World and even to some African countries, adapting either the general agency system

²⁰ Albert H. Mowbrey and Ralf H. Blanchard, Insurance; its Theory and Practice in the United States (5th ed.; New York: McGraw-Hill Company Inc., 1961), pp.355-370.

C H A R T I I

TYPICAL ORGANIZATION CHART OF AN
AGENCY DEPARTMENT



Source: R.W. Lederer, Home Office and Field Agency Organization-Life (1st ed.; New York: Life Office Management Association, 1959), p.36.

or the branch office system. In the following paragraphs, the nature of each of the aforementioned systems is discussed with the object of showing to what extent each system is applied by life insurance companies operating in Lebanon. Again for the sake of demonstration, Arabia Insurance Company and American Life Insurance Company, will be taken as a model throughout the discussion.

The General Agency System

A pure general agency is a theoretical system whereby an insurance company, as a first party, enters into a contract with an individual or firm, as a second party, giving the second party exclusive rights to represent the company and solicit new business on its behalf throughout a specific territory.²¹ Such a contract which embodies the several requisites of a valid contract includes the following points:

1. A statement of appointment as general agent.
2. A clear definition of the territory where the general agent is to solicit business on behalf of the company.
3. A word specifying the exact power, duties and responsibilities.

²¹ R. Werner Lederer, Home Office and Field Agency Organization-Life (1st ed.; New York: Life Office Management Association, 1959), p.22.

4. A statement giving the general agent the authority to submit applications for life insurance completed by him or his agents and to deliver policies and premium receipts.
5. A schedule showing the commission rates payable on new business and renewals.
6. A statement describing the formula to be applied in computing the allowances to be paid to the general agent.
7. Sometimes it contains a provision for disability and retirement benefits.
8. A provision for termination of the contract, by either party, is also included.²²

In a pure general agency contract the company pays the general agent commission on all business submitted by him and his agents. The agents in turn receive their commission from the general agent since they are contracted by him and not the company. The difference between what the general agent receives from the company and what he pays over to his salesmen is known as "overriding commission". Such an arrangement implies that the company has no control, at least theoretically, over the agents of the general agent. Moreover, under a pure general agency system the company normally does not share in the organizational expenses of the general agency or assume authority over the operational method employed by the general agent, except for that which

²²Based on the American Life Insurance Company general agency contract for Saudi Arabia.

falls within the general operational policy of the company. Moreover, the company does not take part in the selection, training, supervision etc... of the agents appointed by the general agent or over his Personnel.²³ Such a situation does not exist, for example, with American Life Insurance Company general agencies since all the foregoing activities are under the direct supervision of American Life Insurance Company agency department. American Life Insurance Company usually specifies the form of the contract to be concluded and reserves the right to accept or reject any application for appointment as agent. In other words, the agents of American Life Insurance Company general agents are directly attached to the company and as such, their commission is directly paid to them by the company.

In his capacity as general agent, he should collect premiums on behalf of the company and remit them to the head office in addition to servicing the policyowners. In a pure general agency, the general agent entertains an independent association with contractual agreement with the insurance company. General agency agreements of most life insurance companies operating in Lebanon, that have general agencies outside, do not provide the general agent with a

²³ Lederer, op.cit., p.23.

high degree of independency. In most cases no pure general agency system is employed. With regards to Arabia Insurance Company, for example, the branch office system, which will be discussed in the following section, is the dominant type of its field organization except in those countries where the presence of a general agent is a legal requirement.²⁴ As far as American Life Insurance Company is concerned, this is also true. However, in order to comply with the law and at the same time assume direct responsibility over its general agencies, the American Life Insurance Company follows the practice of appointing "silent" general agents who are prominent figures in their countries.²⁵

The Branch Office System

A branch office system is theoretically the direct countertype of the pure general agency system. The branch office is normally headed by a branch manager who is directly responsible towards the company home office. The branch manager is usually an employee of the company on salary basis responsible for a definite territory. Sometimes, as an incentive, he receives commission in addition to his salary, however, this is not generally the case. His

²⁴Interview with Saleh Hakim, Deputy General Manager, Arabia Insurance Company S.A.L., January 17, 1966.

²⁵Interview with Henry Beidas, February 14, 1966.

responsibilities include selection, appointment and training of agents and the supervision of the clerical personnel of the branch. In some companies, a cashier is appointed in order to take care of the routine daily business and collection of premiums. This cashier is sometimes under the authority of the branch manager and in other cases, he reports directly to the head office. Under the branch office system the company pays all the operational expenses. Sometimes training is done by specialized people occasionally sent by the head office for this purpose.²⁶

The branch office system is not generally adapted by life insurance companies operating in Lebanon as precisely as described above. Most of the life insurance companies whose head offices are in Lebanon and are operating outside Lebanon follow some sort of a combination of the general agency system and the branch office system. For example, the American Life Insurance Company has offered its general agency in Saudi Arabia to a certain Saudi firm without giving it the full independence for operation. This firm has given American Life Insurance Company a space inside its offices in order that American Life Insurance Company

²⁶Lederer, Home Office and Field Agency Organization-Life, p. 22.

may conduct its operations. The employees of American Life Insurance Company who work there report directly to the Company regional head office in Beirut, but are supposed to keep the general agent informed of all matters which may affect the presence of the general agency in the country. American Life Insurance Company bears the expenses of running the office. As such, this particular general agency is in fact a combination of the general agency system and the branch office system. On the other hand, the same situation almost applies to Arabia Insurance Company where the general agency contracts are being offered. In general, since Arabia Insurance Company writes general insurance in addition to life the branch office system, which is more convenient in this case, prevails in almost all the territories where it operates.

Each of the aforementioned systems has its merits, advantages and disadvantages, however, neither one could be considered as superior to the other as the application of either one rests on many considerations which justify its presence.²⁷

Internal Organization of the Field Office

The various functions of the field office could be classified under two headings, the clerical functions and the sales functions.

The clerical functions of the field office are almost the same whether the system applied is a general agency or a branch office. In general, these functions include the collection of premiums, the keeping of policyowners' records and the servicing of policyholders and beneficiaries. Such servicing may include negotiations for loans, changes in the mode of payment or change of beneficiary, answering queries and keeping direct contact with the head office.

The sales functions, on the other hand, include selection, training, recruiting, supervision and motivation of the field force. These duties cover also other related functions dealing with the promotion of the business and the operations of the company. These functions are normally carried out by the field "Unit Managers" in collaboration with the agency department of the company concerned.

The above presentation was intended to give a clear picture of the organizational setups of life insurance

companies operating in Lebanon. It was seen that the general principles of business organization apply to the setups of these companies in various proportions depending on the size, age, policy and operations of the company. In the following chapter the various policies sold by these companies will be presented.

CHAPTER IV

LIFE INSURANCE BUSINESS IN LEBANON

Types of Policies Sold

The object of this chapter is to discuss, analyze and interpret the various types of life insurance policies issued in Lebanon. In principle, there are three basic types of life insurance namely, the term, the endowment and the whole life. Annuities, which are sometime considered as a fourth type, are also discussed at the end of this part. The policies issued by American Life Insurance Company and Arabia Insurance Company will be taken as a basis for discussion.¹

Term Insurance

"A term policy is a contract which offers financial protection against the occurrence of death within the given period of time stated on the policy. It offers no protection or values in case of survival beyond the specified period."²

¹Please refer to Appendix III and IV which show the various types of life insurance policies sold by Arabia Insurance Company and American Life Insurance Company, respectively, as model companies.

²Robert I. Mehr and Robert W. Osler, Modern Life Insurance (3rd ed.; New York: The Macmillan Company, 1959), p.34.

It may be for one year, two, or more and on expiry it could be renewed or a new policy may be acquired instead. Term policies issued by Arabia Insurance Company, for example, are renewable at the rate applicable at the new attained age. A policyowner of Arabia Insurance Company can go on renewing his term policy until he reaches the age of sixty five.³ Renewing an expired policy will not be accepted unless the person concerned is still an acceptable risk to the company at the time of renewal. Some other companies in Lebanon issue convertible term policies in the sense that these policies may be changed to permanent policy forms without evidence of insurability. Arabia Insurance Company convertible policy gives the policyholder the option, within the first five years, to keep it as is or to convert it into endowment insurance.⁴

There are five types of term policies issued in Lebanon. These are the straight-term, the long-term, the renewable-term, the convertible-term and the reducing-term. Each of these types is designed to meet a particular type of term insurance needed. These variations among term policies are apt to make up for the limitations of term

³ Arabia Insurance Company Term policy.

⁴ Ibid.

insurance. For example, long-term policies may offset the disadvantage of increasing insurance costs should a person buy a short-term policy and goes on renewing it every time it expires.⁵

Group insurance, which is sometimes considered as a sixth type, is generally written in Lebanon on one-year term basis and without medical examination. The premium charged is in general lower than the aggregate of premiums involved should the people concerned cover themselves by separate policies. Group insurance issued in Lebanon covers employees of companies of relatively larger size whereas small companies group coverages are rare. Relatively smaller companies dominate the business sector of Lebanon where in accordance with the 1955 census about 86% of the total units employ less than 25 persons.⁶ Table 7, "Lebanon's Principal Industries, Capital Investment and Employment Statistics for 1964" indicate that the average number of workers per enterprise is in most cases below 14 while the total average is 9.5 employees per enterprise. This condition seems to

⁵Mehr and Osler, Modern Life Insurance, p.42.

⁶See Industrial Census of 1955, Ministry of National Economy, Republic of Lebanon, Beirut, 1957.

Lebanon's Principal Industries, Capital Investment
and Employment Statistics, 1964

I N D U S T R Y	Number of establishments	Declared capital LL.L. 000	Total number of workers	Average number of workers per enterprise	Average investment per enterprise LL.L. 000	Approximate capital invested per person, LL.L. 000
Food Manufacturing	2,424	152,540	12,886	5.3	62.9	11.9
Beverage industries	198	43,194	1,759	8.9	218.2	24.6
Textiles	174	85,096	5,316	30.6	489.0	16.0
Clothing and shoes	330	22,280	3,786	11.5	67.5	5.9
Wood (except furniture)	342	45,555	4,508	13.2	133.2	10.1
Furniture	114	16,002	1,283	11.3	140.4	12.5
Paper/Paper products	59	11,420	499	8.5	193.6	22.9
Printing	263	39,106	3,270	12.4	148.7	12.0
Leather products	127	12,582	1,336	10.5	99.1	9.4
Rubber and byproducts	48	5,377	488	10.2	112.0	11.0
Chemical products	219	82,127	2,830	12.9	375.0	29.0
Nonmetallic mining	867	61,663	6,785	7.8	71.1	9.0
Ferrous and metallic	382	86,726	5,357	14.0	227.0	16.2
Electrical machinery	26	28,048	287	11.0	1078.8	97.7
Miscellaneous	1,074	114,009	12,701	11.8	106.2	89.8
Total Average	6,647	805,725	63,091	9.5	121.2	12.8

Source: Khalil I. Salem, The Economy of Lebanon (Revised ed.; June 1965), p.10.

have limited group insurance sales since most life insurance companies operating in Lebanon do not issue group insurance policies unless the group concerned is above 25 persons.

Endowment Insurance

An endowment policy offers financial protection against the occurrence of death within a given period of time stated on the policy. If the insured lives to the end of the given period, he is entitled to receive the face amount of the policy. Should the policyowner die before the endowment expiry date, the face amount will be paid to the beneficiary.⁷

Endowment policies issued in Lebanon reveal a big variation in the use of the endowment insurance principle. American Life Insurance Company, for example, issues different forms where the period of insurance is arranged to make the policy mature at certain ages. Some other companies issue "double endowments" or "semi-endowments" and "child endowment" policies, sometimes referred to as "Juevenile policies". Endowment policies are more popular in Lebanon than term

⁷ Mehr and Osler, Modern Life Insurance, p.45.

insurance. Of the reasons contributing to this are the following:

1. Endowment involves the investment element. It gives the policyowner the incentive to save.
2. Endowment insurance is considered as a means for providing a fund for support in old age.
3. Endowment is a means of hedging against the possibility of cut short of the saving period.
4. Endowment insurance is sometimes bought in order to accumulate a fund for a specific purpose.

Whole Life Insurance

A whole life insurance policy is a contract which offers the insured protection against financial loss for the whole of his life regardless of how many years premiums are to be paid.⁸ There are three types of whole life insurance policies in Lebanon. These are the "Ordinary Life", which is sometimes referred to as the "Continuous Whole Life", the "Limited-Payment Whole Life" and the "Single-premium Whole Life". Each of these types is designed to meet a particular type of whole life insurance needed.

⁸ Joseph B. Maclean, Life Insurance (New York: McGraw-Hill Book Company, Inc., 1939), pp.37-38.

Annuities

An annuity policy is a contract in which it is agreed that the insured will pay the insurance company a series of payments for a specified period in return for which the company promises him a series of payments as long as he lives.⁹ There are many types of annuities sold by life insurance companies operating in Lebanon where sometimes a given type is a combination of the features of the other several types.

General Policy Provisions and Benefits

As discussed earlier, a life insurance policy is a legal contract containing provisions which set forth the rights and obligations of each of the parties contracted. These provisions will be presented hereunder in the same chronological order as they normally appear on the policies issued by Arabia Insurance Company and American Life Insurance Company.

On the front page of the policy, the insuring clause normally appears. In addition to this there also appears

⁹ Mehr and Osler, op.cit., p.69.

the consideration clause. This clause declares that the legal consideration for the policy is the application, which forms a part thereof, plus payment of the first premium or instalment. There appears also the ownership clause which defines the name of the person in whom the "ownership" privileges of the policy are to be vested. This person need not always be the same person insured as in some cases he might be the beneficiary or even an assignee.

All life insurance companies operating in Lebanon consider the life insurance contract as being constituted of two parts: the application for insurance and the policy itself. Certain policies declare that the "conditional receipt", which is issued with the policy when settlement of the first premium is made, contains provisions which are considered part of the agreement. The payment of the first premium on an American Life Insurance Company policy, for example, is usually acknowledged by the receipt of the policy itself since the conditional receipt appears on it. The dates of the subsequent premium payments are stated on the policy and are supposed to be paid annually. However, most life insurance companies operating in Lebanon offer the privilege of accepting semi-annual, quarterly or even monthly instalments.

Life insurance companies operating in Lebanon include in their policies a period of grace granted for the payment of every premium, after the first, during which the policy continues to be in force. American Life Insurance Company and Arabia Insurance Company, for example, grant a grace of one month or 30 days whichever is longer. Although it is not stated on the policy, yet American Life Insurance Company offers policyholders residing in Lebanon an additional twenty days grace.¹⁰ In case the premium is paid during these 20 days, the policyowner should only submit a statement of "good health". During the grace period should the policy become a claim before the premium is paid the unpaid portion of the annual premium of the relative policy year will be deducted from the proceeds.

Most life insurance companies in Lebanon adopt the procedure of sending premium notices to their policyowners reminding them of the due date of the next premium. American Life Insurance Company, for example, sends two notices: the first is sent about 10 days before the due date and if the premium was not paid, the second notice is sent around 10 days prior the expiration of the grace period.¹¹

¹⁰This does not apply to supplementary contracts issued with the policy such as accidents, indemnity and hospitalization.

¹¹American Life Insurance Company, "Standard Operating Procedure", No. 2. (No date available), p.1.

A life insurance policy usually lapses in case the premium due was not paid before the lapse of the grace period. When the policy lapses, it could be revived by reinstatement. All life insurance companies operating in Lebanon incorporate the reinstatement provision in their policies. In case of reinstatement evidence of insurability is required together with the payment of all premiums in arrears with interest thereon at the specified date of reinstatement. The rate of interest usually charged by American Life Insurance Company in such cases is 6 percent per annum. The lapse, persistency and reinstatement ratios vary from one company to the other. Some companies exercise a high lapse ratio while other show a higher persistency ratio. American Life Insurance Company persistency figure ranges between 80% and 85%.¹² On the whole, policyholders in Lebanon are more inclined to reinstate their policies than buying new ones. Of the basic reasons behind this phenomena are the following:

1. The version of old life policies have more liberal settlement options and even more desired provisions which are no longer found in many new policies.

2. Policyowners prefer reinstatement in order to eliminate the acquisition cost should they take a new policy

¹²Supplied by American Life Insurance Company.

The incontestability clause stipulates that after a certain period it becomes impossible for the insurance company to contest any statement appeared on the application for insurance or conceal any material facts in order to avoid the payment of the proceeds, except for non-payment of premiums.¹³ In American Life Insurance Company policies, for example, it is stated that the period of incontestability is two years whereas Arabia Insurance Company policies are contestable any time the company becomes satisfied that there has been intentional misrepresentation or fraud. In the case of misstatement of age the incontestability clause does not prevent the company from adjusting the proceeds. The provisions of the Lebanese insurance laws in this connection are clear as presented in chapter two.

The suicide clause generally found in all life insurance policies stipulates that in the event the insured, whether sane or insane, commits suicide within a certain number of years after the policy is issued, the company will refund all the premiums paid by the insured plus interest thereon to the beneficiary.¹⁴ The suicide clause, referred to sometimes as self-destruction clause in an American Life Insurance Company policy, stipulates that "in the event of the death

¹³ John H. Magee, General Insurance (Chicago: Richard D. Irwin, Inc., 1946), p.695.

¹⁴ George G. Lucas and Ralf H. Wherry, Insurance Principles and Coverages (New York: Rinehart and Company, Inc., 1954), p.275.

of the insured by self-destruction whether sane or insane, within two years from the date of its reinstatement, the liability of the company will be limited to the return of the premiums actually paid."¹⁵ Arabia Insurance Company on the other hand, does not pay the premiums actually paid but an amount equal to the reserve at the time of accident.¹⁶

Life policies issued in Lebanon include the loan value provision. This provision stipulates that at any time while the policy is in force the company will lend the policyowner an amount not greater than the cash value, if any, at the end of the current policy year. From this amount, any indebtedness to the company or any unpaid premiums for the balance of the current policy year will be subtracted. The policy will be then pledged to the company.¹⁷ Some life insurance companies in Lebanon require that the policy be physically in possession of the company until the loan is repaid. The interest payable on such policy loans varies from one company to the other. However, the most popular rate is 6% per annum. Life insurance companies operating

¹⁵See American Life Insurance Company Policy.

¹⁶See Arabia Insurance Company Policy.

¹⁷Solomon S. Huebner, Life Insurance (4th ed.; New York: Appleton-Century-Crofts, Inc., 1950), p.290.

in Lebanon consider interest on policy loans as being due at the same time as premiums are due. In order to help their policyowners most life insurance companies operating in Lebanon give the policyowner the right to pay his loan, at any time while the policy is in force. Some companies have put a minimum as to the amount of such repayments. For instance, the minimum payment on account of loan accepted by American Life Insurance Company is 35 pounds.

The automatic premium loan provision is not found in all types of life policies issued in Lebanon. This provision in an American Life Insurance Company policy is some sort of a guarantee to the policyholder against lapse of his policy should he fail to pay a certain premium during the grace period. "The principle advantage of the automatic premium loan system is that the policy is kept in full force on its original plan, so that if the policyholder desires to resume payment of premiums he may do so without the necessity of submitting proof of insurability."¹⁸ This provision applies only when the policy has sufficient loan value to cover the premium payment.

¹⁸ Joseph B. Maclean, Life Insurance (New York: McGraw-Hill Book Company, Inc., 1939), p.203.

Almost all life insurance policies issued in Lebanon incorporate the assignment clause. This clause gives the policyholder the right to assign his life policy to another party as a collateral for a loan. The assignee will then become a party to the contract and may take legal action thereon if necessary.¹⁹ An assignment is never approved in those cases where the policy has an irrevocable beneficiary. For example, the assignment clause as it appears on Arabia Insurance Company policies declares the following:²⁰

1. The company is not bound unless the original assignment document has been filed with the company at its head office.
2. The company shall accept no responsibility and will not give any views regarding the legality of any assignment or its legal effect.
3. Assignments are subject to any indebtedness to the company.
4. The company will have no obligation to an unrecorded assignee should the company pay the cash value of the policy before the assignee presents his assignment document.

Life policies issued in Lebanon give the insured the option to name his beneficiary. This provision in an American Life Insurance Company policy stipulates that when the right

¹⁹ Joseph B. Maclean, Life Insurance, p.513.

²⁰ See Arabia Insurance Company Policy.

to change the beneficiary has been reserved the insured may while the policy is in force designate a new beneficiary with or without reserving the right to change him thereafter. This request for change should be made, in writing, by the insured to company head office accompanied by the policy for suitable endorsement. Should the beneficiary die his interest will be vested in the insured.²¹

There are other provisions which are not always found in all policies issued in Lebanon. These provisions are the "policy year", the "basis of reserve computation" and the "restrictions" provision. While some life policies contain some restrictions, American Life Insurance Company and Arabia Insurance Company policies, for example, contain no restrictions upon the insured in respect either of travel, residence, occupation or risks or war and aviation.²²

Policy Options

The general provisions of life insurance policies issued in Lebanon discussed in the preceding section are

²¹See American Life Insurance Company Policy.

²²See American Life Insurance Company and Arabia Insurance Company policies.

not the only provisions as there are others which relate to the various policy options. These options are the subject of this section.

Non-forfeiture Options

As mentioned earlier, if the premium was not paid during the grace period the insurance policy will lapse. The insured's rights in a lapsed policy depends on the policy he bought and how long he has paid the premium. These rights are called non-forfeiture benefits.²³ All policies issued in Lebanon provide that should the policyholder wish to liquidate his policy, after being in force for three years, the company will grant him "non-forfeiture benefits". The choice among these benefits is usually left to the option of the policyholder. These benefits are three, namely a cash payment, a reduced amount of paid-up insurance or an extended term insurance.

As mentioned earlier, the policy will acquire a cash value after it has been in force for three years. This value is determined by the reserve of the policy less the surrender

²³Lucas and Wherry, Insurance Principles and Coverages, p.281.

charge and is computed in accordance with a formula set forth by the company. Most insurance companies operating in Lebanon give the policyowner the right to dispose with the cash value of his policy the way he desires. They give him the option to withdraw the amount in cash or take it as a policy loan or use it as collateral for bank loans.

Reduced paid-up insurance is the second non-forfeiture option offered by life insurance companies in Lebanon. Under this option the cash surrender value is applied as a net single premium in order to purchase fully paid insurance of the same kind as the original policy. Some life insurance companies in Lebanon, such as Arabia Insurance Company, for example, automatically apply this benefit if the policy has acquired a surrender value and the policyowner has failed to pay his premium at the lapse of the grace period. The policy will then be automatically converted to a non-participating paid-up insurance the amount of which will be in accordance with the schedule of surrender value. If the policyowner dies during the first six months after conversion "the policy money payable under the assurance prior to such conversion will be paid after deducting therefrom the unpaid premiums with interest at a rate not exceed-

ing 6% per annum."²⁴ The American Life Insurance Company policy, on the other hand (after having been in force for three full years) does not either lapse or be automatically converted into paid-up insurance, should the policyowner default in the payment of premiums, unless the policyowner requests in writing such a change. In case of default American Life Insurance Company applies the automatic premium loan provision in case the policyowner has not chosen any of the non-forfeiture values.²⁵

A third non-forfeiture option offered by life insurance companies in Lebanon is the extended term insurance. This option gives the policyowner the right to convert the net cash value of the policy into a single-premium term insurance for the full face amount of the policy. The corresponding period of insurance in this case will be as long as the corresponding single premium, at the attained age of the policyowner, will purchase.²⁶ Some insurance companies use the extended term option as an automatic option but

²⁴Arabia Insurance Company Policy.

²⁵See American Life Insurance Company Policy.

²⁶Lucas and Wherry, Insurance Principles and Coverages, p. 283.

only in those cases where the policyowner has failed to elect any of the other two options at the time of default.

In case one of the non-forfeiture options has been automatically applied, the original policy cannot be reinstated without satisfactory proof of insurability. Actually, it cannot be reinstated at all if it has been surrendered for its cash value. The application of the automatic premium loan is therefore believed to be a privilege offered by the company in the sense that it saves the policyholder the risk of being unable to reinstate his policy should he become medically unfit or unqualified for standard insurance, at the time of reinstatement.

Dividend Options

As mentioned earlier life insurance policies in Lebanon are issued either on a participating or non-participating plan. Under the participating plan, the policyowner is entitled to policy dividends whereas in the latter plan he is not. These policy dividends are not profits in the commercial sense. They reflect the difference between the premium charged for the policy and its actual cost as experienced by the company. A participating American Life

Insurance Company policy, for example, entitles its owner to dividends two years after inception. No fractional dividends are paid upon surrender.

Most participating life policies issued in Lebanon offer the policyowner the right to choose among several methods as to his receiving the annual dividend.²⁷ The first method gives the policyowner the right to withdraw his dividends in cash when they become due. Some companies apply this option automatically in the event of failure of the policyowner to choose any optional method for paying dividends. The application of this method is rarely used especially in the cases of annual premium policies, since the process of paying the full premium and receiving the company's check for the dividend become simply a method of taking money from one pocket and putting it into the other. The second method is that dividends can be applied towards payment of the premium. The application of policy dividends to pay part of the premium is the most popular method adopted by policyowners in Lebanon.

The third option offered is that dividends credited to the policy could be retained by the insurance company

²⁷ Life policies of various insurance companies.

to accumulate at a certain guaranteed rate of interest compounded annually. This rate which is normally specified in the policy, varies from one company to the other. It normally ranges between 2% and 3% per annum. As far as American Life Insurance Company is concerned, the rate is 3% per annum.²⁸ Some companies in Lebanon apply automatically the accumulated dividends at the expiry of any grace period to settle any arrears in premium, on condition that these accumulated dividends are enough to cover at least a quarterly premium.

Under the paid-up additions option, which is the fourth option, the policy provides that dividends may be applied to the purchase of additional participating insurance normally referred to as "dividend additions". The application of this option vary from one company to the other. Certain companies in Lebanon normally provide that the paid-up additions could be surrendered at any time for a cash surrender value equal to the full reserve value thereof, which is normally equal if not more than the original cash dividends applied. Furthermore, some companies operating in Lebanon require evidence of insurability if the paid-up option is selected should the policy be in

²⁸See American Life Insurance Company Policy.

force for a specified period of time. This requirement is needed in order to avoid adverse selection in the application of this option.

Optional Modes of Settlement

The optional modes of settlement incorporated in life insurance policies issued in Lebanon are normally intended to serve the purpose of life insurance in the maximum ways possible. The most common optional modes of settlement offered by life insurance companies operating in Lebanon are described in the following paragraphs.

Under the interest payments' option, life insurance companies operating in Lebanon hold all or a part of the cash value or the proceeds of the policy and pay the insured a guaranteed interest at a certain rate mentioned in the policy. American Life Insurance Company, for example, pays a rate of three percent per annum on the amount retained. The first interest payment being payable at the end of one year, six months, three months or one month, respectively, according to the mode of interest payment selected.²⁹ Upon

²⁹ See American Life Insurance Company Policy.

death of the insured, the company pays "the amount it has retained together with any accrued interest, to the payee's executors or administrators unless otherwise directed in the notice of election".³⁰

Under the instalment option for a fixed period, the surrender value or proceeds of the policy are retained by the company and paid along with interest in equal instalments over a specified period. Should the insured die, payments are continued to be paid to the primary beneficiary. Should the primary beneficiary die, the payments are continued to the secondary beneficiary. If no secondary beneficiary has been nominated, the commuted value of the remaining payments are normally paid to the beneficiary's estate. The rate of interest payable by American Life Insurance Company on these proceeds is hereagain 3% per annum.³¹ Since under this option the principal is gradually paid-out along with interest, the amount of each guaranteed instalment is increased only by the excess interest earnings on the remaining principal. This is exactly the reason why each subsequent instalment decreases gradually, as the principal

³⁰ Ibid.

³¹ Ibid.

decreases, although the rate of interest payable is not altered. It is to be noted here that the amount of income is determined by the length of period selected.

The third option is the fixed amounts' instalments. This stipulates payment of unvarying instalments of a predetermined amount until the proceeds and the interest thereon are exhausted. Under this procedure, the reader will undoubtedly notice that the length of the income period is determined by the desired size of each instalment. This option is the most popular in Lebanon. The main reason behind this is that here each payment is the same until all the proceeds with interest are exhausted. As such, the beneficiary prefers this type of payment as it gives him the chance to budget his expenditure more accurately.

The fourth option is the life income option. Under this option the cash surrender value or the proceeds of the policy are retained by the company and paid over in equal instalments for as long as the payee lives. However, some companies in Lebanon offer under this option certain guaranteed payments for a minimum number of years usually 10 or 20. Should the payee die, the commuted value is paid to the beneficiary, if any, or to the payee's estate.

Evaluation

The life insurance policies written in Lebanon cover the various types of life insurance coverages written in the world. The wordings of these policies differ from one company to the other. This is due to the fact that the Lebanese insurance laws have not set forth a specimen of a standard policy form but have merely provided the substance to be incorporated. The benefits and privileges of life policies offered in Lebanon again vary from one company to the other. It is difficult to make a comparison among policies since each one has been designed to meet a particular type of insurance coverage needed.

CHAPTER V

LIFE INSURANCE COMPANIES ROLE IN THE LEBANESE ECONOMY

The object of this chapter is to present first the pattern of economic growth in Lebanon and then discuss the role which life insurance companies operating in Lebanon can play in the economic development of the country.

Background¹

Lebanon, during the past few years, has achieved a rapid and sustained economic growth² coupled with a substantial rise in the standards of living. Available statistics³ suggest that the national income of Lebanon in 1965 has become at least LL.2500 million and income per caput has

¹Khalil I. Salem, "Economic Growth and Development Possibilities in Lebanon," A paper presented to the convention of Lebanese Businessmen and businessmen of Lebanese origin, Beirut, August 5 to 10, 1965.

²Refer to Table 8.

³These statistics were prepared by the Economic Research Institute of the American University of Beirut.

been approximately LL.1250 per annum. As mentioned earlier, these figures compared to those of 1961, indicate that national income had increased by LL.150 on per caput basis and by LL.711,000,000 on a total basis.

The sectoral origin of national income reveals a heavy reliance on trade and services and a consequent preponderance of the production of services over that of goods. The services' sector seems to have produced two-thirds of the national income whereas goods produced around 30% only. Furthermore, current developments which have dominated the general growth pattern of the Lebanese economy for several years, have tended towards emphasising the reliance on trade and services. Table 8 indicates that custom duties, for example, increased from LL.142,180,000 in 1964, to LL.164,046,000 in 1965, representing an increase of 15%. Moreover, transit movement in Beirut Port increased from 2,048,000 tons in 1964, to 2,170,000 tons in 1965, representing an increase of 6%. Transit movement in Tripoli port increased 27% between 1964, and 1965. The services' sectors in Lebanon have in general achieved a more rapid rate of growth than the industrial and agricultural sectors. Between 1964, and 1965, tourism alone showed a remarkable increase of 27%. The financial sector, which includes insurance and banking activities, has sustained the highest

T A B L E 8

Some Indicator of Economic Growth in Lebanon

P R O D U C T S	1 9 6 4	1 9 6 5	Growth %
Agricultural Products	LL. 400,000,000	LL. 444,000,000	11 %
Industrial Products:			
Industrial Exports	LL. 46,000,000	LL. 61,000,000	33 %
Cement	Tons 888,000	Tons 973,000	10 %
Electricity	Units 166	Units 184	11 %
Construction	m ² 941,655	m ² 1,318,500	40 %
Foreign trade:			
Custom duties	LL. 142,160,000	LL. 164,046,000	15 %
Transit Beirut Port	Tons 2,048,000	Tons 2,170,000	6 %
Transit Tripoli Port	Tons 260,000	Tons 330,000	27 %
Services:			
Airport	Pax. 1,065,000	Pax. 1,206,000	13 %
Cargo	Tons 26,843	Tons 29,828	3.4 %
Tourism	Tourist 472,176	Tourist 600,504	27 %
Hotel Rooms rented	Rooms 939,000	Rooms 1,051,000	12 %
Budget	LL. 473,017,000	LL. 526,200,000	11 %
Bank Credit	LL. 1,927,000,000	LL. 2,295,000,000	19.1 %

Source: Al-Ittihad Al-Aaam Li-Ghoraf At-Tijara Wa As-Sinàh Wa Az-ziràh Lil-bilad Al-Arabia, At-Takrir Al-Iktisadi Al-Arabi, A report prepared by the Central Bank of Lebanon incorporating the important economic developments of 1965 (Beirut: Al-Ittihad Permanent Office, June, 1966), pp.243-264. Trans. Author.

rate of growth. Its share in the national income of Lebanon has increased from 5% in 1950 to 8% in 1964.

The role of businessmen in promoting Lebanon's economic growth has not been only to seize the opportunity and exploit the increasing foreign demand for Lebanese services, but has gone beyond this act to the creation and exploitation of new opportunities. On the other hand, the role of the government in the economic growth of Lebanon has been constructive and fruitful in the sense that it provided basic facilities necessary for meeting the increasing demand for Lebanese services.⁴

As a conclusion to the above findings, the economic growth in Lebanon seems to have originated and gathered momentum primarily in the trade, services and construction sectors; it has gradually expanded into the remaining sectors; but an outstanding discrepancy in the rates of growth still exists in favour of services producing sectors. The discrepancy in growth rates is due mainly to the fact

⁴The construction of Beirut International Airport, the enlargement and improvement of Beirut and Tripoli harbours and the international highway system, the issuance of proper and favourable legislation (such as the law liberalizing dealings in foreign exchange, that providing free movement of capital, the bank secrecy law and the tax exemption legislation) to attract investments etc... could be cited among the various government developments.

that links and complementarity in the leading sectors are strong while they are lacking in the industrial and agricultural sectors. Moreover, there appears to be human and economic factors which have restricted the spreading of growth from the field of services to those of agriculture and industry. Gradually, however, these factors have been giving way under pressure for transmission of development and growth to the commodity producing sectors.

Where are the life insurance companies operating in Lebanon in relation to the above? The answer to this question is that in the finance sector, the banking system, insurance firms, discount and exchange houses multiplied rapidly and a limited number of investment companies have been also organized. However, the growth in number and in the size of the operations of these institutions was not accompanied by an important growth or expansion in the variety or specialization of their activities. The expansion has been restricted to a large extent to the activities that satisfy the needs of foreign trade, international financial transactions and transfer operations all of which require short-term credit. Medium-term and long-term credit operations remained limited in scope.

In the following sections, the discussion will cover the various likely avenues through which life insurance companies in Lebanon can provide long-term credit that could be utilized in projects which are apt to contribute to the economic development of the country. It is not, however, intended to recommend particular investment opportunities as this is believed to be the task of entrepreneurs among the various insurance officials.

Likely Investment Avenues

The economic contributions which life insurance companies may offer the Lebanese economy in their role of providing long-term and medium-term internal funds could be of great importance to the economic development of the country. The various possible avenues through which life insurance companies are believed to contribute to the economic development of the country will be presented hereunder.

The first likely avenue which life insurance companies could utilize is investment in real estate and construction. In Lebanon real estate business and construction have recently shown a notable growth. The figures of 1965 compared to those

of 1964 show an increase of 40%.⁵

In the United States, life insurance companies are prevented by law to invest in buildings other than those erected for their private use. Table 9 indicates that in 1949 average investments of U.S. companies in real estate was only 2.1% of the total assets. In the case of Lebanon, there are no restrictions on real estate investments. As such, a number of life insurance companies have already constructed a building for their offices. Union Nationale, Union de Paris, Arabia Insurance Company, etc... have already their own premises. With regards to investments in specific projects, Table 10 indicates that the investments of Arabia Insurance Company in real estate in 1964, reached LL.2,641,005.04. This constituted around 64% of Arabia Insurance Company investment portfolio. American Life Insurance Company investment figures are not available for 1964. However, Table 11 indicates that American Life Insurance Company investments in real estate have reached in 1966 (LL.4,200,000 in buildings and LL.1,460,000 in land) a total of LL.5,660,000 which captured around 43% of its investment portfolio in Lebanon. The

⁵ Refer to Table 8.

American Life Insurance Company is now in the process of building their own premises which is expected to be ready by early 1968. Mr. Henry Beidas has confirmed that the cost of the land and the building will be consuming the major part of American Life Insurance Company's reserves which are to be invested in Lebanon.⁶

T A B L E 9

DISTRIBUTION OF ASSETS
(AS AT DECEMBER 31, 1949)

<u>I N V E S T M E N T</u>	<u>U.S. Companies</u>	<u>Canadian Companies</u>
Bond	66.3%	68.0%
Mortgage loans	21.7%	15.9%
Policy Loans	3.8%	4.4%
Stocks	2.7%	5.8%
Real Estate	2.1%	1.2%
Cash and Miscellaneous	3.4%	3.7%
Total	100.0%	100.0%

Source: Joseph B. Maclean, Introduction to Life Insurance (1st ed.; New York: Life Office Management Association, 1951), p.135.

⁶Interview with Henry Beidas, February 14, 1966.

T A B L E 10

ARABIA INSURANCE COMPANY S.A.L.

INVESTMENTS

(VALUATED AT COST PRICE)

Year	Real Estate	Land	Government Bonds and Corporate Shares	Shares in Arabia Properties Ltd. SAL	Average Rate Earned
1958					3.57%
1959	JD. 468,489.786		JD. 114,969.203		5.60%
1960	JD. 515,764.074		JD. 131,089.350		4.44%
1961	JD. 519,101.137		JD. 157,769.639	JD. 39,883.539	4.24%
1962	JD. 502,053.031	JD. 75,551.166	JD. 199,403.496	JD. 39,883.539	4.21%
1963	LL.2,676,936.76	LL.644,781.05	LL.1,050,565.61	LL.422,025.00	N/A
1964	LL.2,641,005.04	LL.308,731.05	LL. 715,999.29	LL.422,025.00	N/A

Source: Arabia Insurance Company, Annual Directors Report, (1959-1964).

A number of companies have been formed in Lebanon the functions which are primarily to buy land divide it into lots build residential houses on these lots and then sell the property to individuals on long-term periodic payments. Such housing schemes, especially low rental housing projects, could be thought of as a major investment outlet for life insurance companies. Arabia Insurance Company, for example, did not start so far on such a scheme because the funds which are to be invested in real estate have been tied up in other projects. The funds available are not enough for such a big project. However, it was ascertained by Mr. Saleh Hakim that such a scheme will be initiated by Arabia Insurance Company in the future to come together with other similar projects which are apt to contribute to the economic development of the country.⁷

Another likely avenue for life insurance investments is mortgage loans. It would be true that mortgage invest-

⁷ Interview with Saleh Hakim, January 17, 1966. In fact, Arabia Insurance Company has had a practical contribution to the development of many industries and economic enterprises in the Arab World. Stocks were bought in the Sharikat Albutass Al Arabiah & Sharikat Al Fanadiq Al Arabiah in Jerusalem & Jordanian Tobacco S.A. Moreover, it participated in the loans given to the Tunisian Government, which were used for financing Tunisian industries, by buying bonds whose nominal value was JD.15,000.- Source: Arabia Insurance Company, Annual Directors Report (1962), p.8.

ments require special supervision and considerable outlay in the form of investment expenses but such disbursements would be justified by the fact that they possess the advantage of high interest yield. Table 9 indicates that mortgage loans captured 21.7% of U.S. companies' assets and 15.9% of Canadian companies' assets in 1949. In a country like Lebanon, real estate mortgages loans if carefully placed and if restricted to desirable classes of property, could be regarded as constituting a possible safe and excellent investment outlet for life insurance funds. Generally speaking, mortgage loans are not usually regarded as having the liquidity of stocks for which there is a regular market but they usually provide for repayment by instalments. As such, mortgage loans could be considered as a favourable outlet specially in a capital and money market such as that of Lebanon at present. Moreover, as long as the Lebanese capital and money markets continue to entertain its present situation, mortgage loans would remain more attractive to life insurance companies. This is because such loans, at normal times, are not so apt to be subjected to frequent market fluctuations as the case with listed securities at the bourse of Beirut.⁸ In other words, the

⁸ Interview with François Masamiri, February 1st, 1966.

Stock Exchange in Beirut has not become the instrument for mobilizing the long-term funds available for investment.⁹

T A B L E 11

AMERICAN LIFE INSURANCE COMPANY
INVESTMENT PORTFOLIO IN LEBANON
AS AT 31.12.1966

Outlet	Amount	Percent of Total
Land	LL. 1,460,000.-	11 %
Building	LL. 4,200,000.-	31 %
Housing loans	LL. 112,000.-	1 %
Policy loans (\$2,507,020.-)	LL. 7,771,000.-	57 %
T O T A L	LL.13,543,000.-	100 %

Source: American Life Insurance Company.

In order to safeguard their investments in mortgage loans life insurance companies in Lebanon can follow the practice of restricting such loans to improved property,

⁹ E. Arthur Mills, Private Enterprise in Lebanon (Beirut: The American University of Beirut, 1959), p.26.

such as ordinary residences, cultivated land and business properties which have the tendency to yield a satisfactory income and are available for general use.¹⁰ American Life Insurance Company investment portfolio as at 31.12.1966, as shown in Table 11, reveals that American Life Insurance Company has already entered into the mortgage loan business. The LL.112,000 granted as housing loans to the staff of the company are the nucleus for more loans at a larger scale.

A further likely avenue is bonds. Bonds in the U.S. normally form the largest part of the total investments of life insurance companies. In 1949, Table 9 indicates that U.S. companies investments in bonds reached 66.3% of total assets. This category of investment had been even more with Canadian companies as the figure had reached 69% in the same year. In Lebanon, private companies have not so far issued any sort of bonds which is the case in many underdeveloped countries. One probable reason for this is that investors consider that the risks of bonds of Lebanese companies are so high that a limited rate of return is not adequate to compensate for the risk assumed.

10

Interview with Saleh Hakim, January 17, 1966.

The inability of the Lebanese Government, on the other hand, to issue such bonds is attributed to by many reasons which are beyond the intended discussion. However, it is believed that in view of the recent establishment of the Lebanese Central Bank, this institution is expected to regulate more effectively the banking system in Lebanon, which will obviously bring about a regulated money and capital market. At that stage, the reasons preventing the Lebanese Government, as well as other private firms, from issuing bonds are expected to fade. Life insurance companies being a major investor in such bonds would play its role in financing the Government in order to carry out its economic development programs.¹¹ Although government bonds normally have a corresponding low yield, yet they remain an attractive outlet to life insurance companies operating in Lebanon since they are apt to possess a high degree of security.

A further likely avenue through which life insurance companies operating in Lebanon can provide the economy with internal source of funds is policy loans. Although policy loans are restricted to policyholders, yet they could be a means through which life insurance companies could help in extending credit facilities to their policyowners. The

¹¹ Interview with François Masamiri, February 1st, 1966.

borrower is given the facility to repay the loan during the period the policy is in force. He can even leave the loan until maturity when it will be deducted from the surrender value of the policy.¹² In this sense, policy loans could be considered as long-terms loans which could be used in projects which require long-term financing.

Policy loans formed 3.8% of U.S. companies' assets in 1949, and 4.4% of that of Canadian companies.¹³ It is believed that these figures are only that much because there are other investment outlets for insurance companies in U.S. and Canada. With regards to Lebanon, the situation appears to be the opposite. American Life Insurance Company policy loan figure for 1966, as shown in Table 11, is \$2,507,020.- which represents 57% of American Life Insurance Company's investment portfolio in Lebanon. These policy loans are given to policyholders of the company at such a large scale because they are guaranteed loans in the sense that they are limited to the reserves of the corresponding policies which are assigned as collateral. Moreover, the rate of

¹²Policies of various life insurance companies operating in Lebanon.

¹³ Refer to Table 9.

interest earned on these loans is six percent per annum which is not relatively low. With regards to Arabia Insurance Company, Table 12 indicates that Arabia Insurance Company policy loans have been rising with steady pace since 1959. The figures of 1959 compared to those of 1964, reveal that there has been an increase of 35.8% in only five years. It is believed that as long as the investment outlets for life insurance companies remain limited in scope, policy loans will continue to be of the best outlets taking into consideration the investment principles of life insurance companies.

T A B L E 12

ARABIA INSURANCE COMPANY S.A.L.
AND
AMERICAN LIFE INSURANCE COMPANY
POLICY LOANS
(AS AT DECEMBER 31st.)

	<u>Arabia Insurance Company</u>	<u>American Life Insurance Company</u>
1959	JD. 3,521.066	
1960	JD. 8,560.119	
1961	JD. 16,756.791	
1962	JD. 29,445.961	
1963	LL.359,832.23	
1964	LL.492,925.49	\$1,482,875.-
1965	---	\$1,936,848.-
1966	---	\$2,507,020.-

Source: Arabia Insurance Company and American Life Insurance Company.

Business Contributions

Apart from the financial support which life insurance companies could offer to business and industry in Lebanon, it has the tendency to stabilize the business structure of the country. Private and relatively small business enterprises are predominant in the Lebanese economy. "The Industrial Census of 1955 revealed that 86% of the total units of the industrial census employ less than 25 persons while a further 10% are medium establishments employing between 25 and 100 persons."¹⁴ Such units are mostly sole proprietorships, two or three men partnerships and small closed corporations. One of the primary risks such small businesses are normally faced with is the death of the owner or keyman of the organization. This has the tendency to bring about liquidation of the enterprise in order to pay the resulting expenses. Life insurance, if bought, will tend to reduce and even eliminate this risk. Life insurance extending such a facility will then stabilize the business structure in Lebanon and still make starting and investing in new businesses more encouraging.

Establishing credit and reducing the necessity of liquidation under unfavourable conditions is another way

¹⁴ Industrial Census, 1955, Ministry of National Economy Republic of Lebanon (Beirut, 1957).

through which life insurance can help in stabilizing the business structure in the country. The ability of life insurance companies to enhance the credit standing of many businesses will bring about stabilization of such businesses. The analogy behind this is that the policies which are on the lives of the owners of an enterprise are not only liquid capital themselves, but they also increase the credit rating of the enterprise. In a country such as Lebanon, where the larger part of the business enterprise is comprised of small proprietorships and partnerships, suppliers are more inclined to advance credit to those businesses which give the indication that should their keymen die or become totally disabled, the business need not be liquidated to pay off the bills due. Such an assurance could be obtained by having a life insurance policy on the life of this key figure of the company.¹⁵

Social Contributions

While discussing the economic contributions of life insurance, it is hard to ignore its social contributions as the economic and social contributions of life insurance

¹⁵ Joseph B. Maclean, Introduction to Life Insurance (New York: Life Office Management Association, 1949), pp.179-201.

to the economy as a whole are interwoven. In its ability to extend credit to business which will consequently bring about expansion in business and industry and in turn creates more need for employment, life insurance could be thought of in this sense as having offered an economic as well as social contribution to the country. Still another socio-economic contribution, which comes under the category of social welfare, is that life insurance has the ability to prevent economic want. In a country such as Lebanon, where the social security scheme has not come fully into effect, financial emergencies are apt to arise in cases of death, old age or disability of the bread-winner which will call for the need of money. Life insurance, by encouraging people to plan for these emergencies and to save systematically, help in all such contingencies.¹⁶

The prevention of economic want enables life insurance to contribute to the social organization of Lebanon by assisting in the maintenance of the family unit, the basis of the Lebanese social structure. Such a contribution could be achieved in cases where the family finds itself in need of money and instead of appealing to relatives or charity support, the life insurance proceeds will be used to fill the gap.¹⁷

¹⁶ Interview with Saleh Hakim, January, 17, 1966.

¹⁷ Ibid.

Evaluation

In arranging their investment portfolio life insurance companies operating in Lebanon, like other financial institutions, care to adhere to sound investment principles. Investment outlets in Lebanon do not seem to provide life insurance companies with the above requirement. The general attitude of life insurance officials indicates that life insurance companies operating in Lebanon have not yet gained enough faith in the Lebanese industrial sector. Few companies have practically extended credit to the prevailing industries in the country. All the reasons given by these officials aim to accuse the industrial sector of having not yet reached the stage of being a secured outlet for life insurance companies' investments.¹⁸ This situation seems to have induced Arabia Insurance Company to create business opportunities for itself. The "Société Des Motels Touristiques du Liban S.A.L." (Tabarja Beach) of which Arabia Insurance Company possesses the biggest share, was given by Mr. Saleh Hakim as an example. Mr. Hakim believes that Arabia Insurance Company policy in making such a huge investment is based on the fact that in addition to the profit earned from the use

¹⁸ Interviews with various companies' officials.

of the motels, there is an expected appreciation in the value of the land which is another source of profit.¹⁹

This project did not induce American Life Insurance Company to do a similar investment project since most of their reserves are now tied up with the erection of their premises. However, American Life Insurance Company officials believe that insurance companies should not create an industry (such as that of Arabia Insurance Company "Tabarja Motels") but should invest in industries which have been profitably running for quite sometime.²⁰

The project of Arabia Insurance Company could not be considered a serious investment mistake as a large investor can safely take a relatively high degree of risk on a relatively small part of his funds. The higher yield obtainable provides a 'risk premium' which will offset losses in whole or in part. Moreover, such investments may be desirable in order to improve the overall yield in times of low interest rates or because of scarcity of other forms of investments.²¹

This is believed to be the major reason behind Arabia Insurance Company aforementioned project.

¹⁹Interview with Saleh Hakim, January 17, 1966.

²⁰Interview with Henry Beidas, February 14, 1966.

²¹Maclean, Introduction to Life Insurance, p.139.

In addition to the limited investment avenues for life insurance companies in Lebanon, the insecurity of local politics and the unstable outlook for local industry with its gravely restricted market led insurance companies to invest the bulk of their funds in developed countries. They have a certain proportion in the form of demand deposits where it earns 3% interest per annum.²² This situation indicates that life insurance companies are going through some sort of a vicious circle in the sense that if the life insurance companies (and others) do not invest in the country, the Lebanese economy will not develop to absorb greater funds in the future. Consequently, as long as the economy remains unable to absorb more investments, life insurance companies (and others) will continue to invest the bulk of their investments outside Lebanon. What is required therefore is to break this vicious circle; an action which is believed to be the job of the government and the discussion of which is beyond the scope of this work.

²²Mills, Private Enterprise in Lebanon, p.27.

CHAPTER VI

PROBLEMS AND PROSPECTS

In chapter I, the factors affecting the development of life insurance in Lebanon were discussed. In spite of the positive role of these factors, life insurance market penetration is still small. As mentioned earlier, life insurance companies' reserves in 1964 were LL.35,819,015.- of which American Life Insurance Company's share was LL.21,000,000. This represents around 58.7% of the reserves. Consequently, if American Life Insurance Company has captured around 58.7% of the market and has sold 1236 policies, and assuming that average face amount of policies is the same in all companies, this implies that the total number of life insurance policies sold in Lebanon during 1964, was in the vicinity of 2100 policies. This means that less than 2100 persons (as some people may have bought more than one policy) of population of around 1.8 millions got insured during 1964. This represents 0.11% which is believed to be relatively low. This 0.11% would have been more accurate had it been a percentage of the "insurable" population. However, in the absence of adequate statistics on the number of insurable population, the total number of population in Lebanon had to be taken as a basis for calculation. However, it is expected that with the hoped increase

in income, population, middle class, education etc... life insurance sales potential is going to follow suit. But there are a number of problems facing the industry which remain to be solved before it starts to exploit its full potential.

The first problem the life insurance industry has been facing is the lack of government supervision. Although this may have in a way or another contributed to the development of the industry, yet on the whole it is a serious problem. This attitude on the part of the government is standing in the way of achieving a regulated insurance market. For example, some companies have appealed to the government to prevent certain insurance companies, which are not registered in Lebanon, from soliciting insurance through their brokers in the country (by considering it as a business transacted outside Lebanon in order to give competitive rates and avoid taxes). But so far all attempts went in vain. Moreover, a new insurance law was proposed and prepared more than two years ago but it has been sleeping in the drawers since then. A large number of examples of administrative nature could be cited which are not within the scope of the intended presentation. This attitude on the part of the government has brought with it loose cooperation and communication among companies which manifested itself in

many ways among which is the absence of life insurance associations necessary to develop the business.

Insurance associations (other than life) were known in Lebanon only during the twenties. These associations were independent of their counter part in England and France but they had agreements whereby they were advised by the English and French associations, and could have access to their statistics.¹ The absence of insurance associations will be readily considered as a factor against the development of the industry once we take into consideration the functions and contributions of association to the insurance industry at large. Insurance associations are normally organized with the intention of protecting the interests of their member companies. Joining the association is generally voluntary but once a company joins it is bound by the rules regulations and resolutions of the association. Member companies are required to feed the association with detailed statistics on risks written, premiums received and claims paid etc... From the conglomerated statistics,

¹Anthony A. Jones, "The Development and Organization of the Insurance Industry in Lebanon," (unpublished Master's thesis, Department of Arab Studies, American University of Beirut, 1966), pp.8-12.

accurate rates (Tariff) can be extracted. This will then solve the problem of statistics needed for premium calculation.² By having access to policies issued by member companies, they can ensure that each member company is abiding by the tariff. Moreover, educational pamphlets wherein new insurance methods, trends, benefits, provisions etc... could be discussed. These pamphlets could be issued in Arabic thus bringing about a precise and universal Arabic translation for life insurance terms and phrases. This is apt to increase Arabic life insurance literature which will help in educating the public and making it more life insurance conscious.

Lebanon never had a life insurance association, however, the situation is expected to change. Life insurance companies in Lebanon are expected to show more cooperation and communication among each other. The organization of the "Syndicate of Insurance Companies' Employees" in late 1962, and the formation of the "Federation of Insurance Companies" in 1964, are expected to be the nucleus for a more organized life insurance association which will be

²There are no mortality tables pertaining to Lebanon. Most companies use modified mortality tables pertaining to U.K. and U.S. Some of the companies have already started to collect data since the time of their inception but this information is not being reciprocated among them. Consequently, it is expected that it will take a longer period for reasonably adequate data is collected, sorted, assembled and experience tables extracted and drawn.

charged with the responsibility of bringing together life insurance officials in order to discuss the facets of the industry.

The rate quoted in general insurance is the decisive factor as to where to insure since the coverage in general is almost the same. As such, since each insurance company establishes its own rates cut-throat competition exists in Lebanon.³ In life insurance, on the other hand, it is not a problem of "rates" but a problem of "coverage" and "confidence" in the company. As such, certain insurance companies, especially the local ones, have been facing the problem of the client's preference to a foreign contract believing that foreign companies offer better coverage and permanence without digging out the true state of affair.

The high cost of medicine in Lebanon has been another problem especially to the companies which issue "Hospitalization" supplementary contracts. The issue of high cost of medicine (and medical fees) has been tackled by the Lebanese press for at least the last fifteen years but with limited results. It is anticipated that when the "Social Security Medical Scheme" is put into effect the

³Emile Daoud, "L'Activité du Secteur des Assurance au Liban," Le Commerce du Levant (Beirut), No.1193 (March 5, 1966), p.51. Trans. Author.

government is expected to intervene and decrease the cost of medicine. If this step takes place, life insurance companies will be among the first to gain.

A problem which started almost four years ago to stand in the way of the development of life insurance companies in Lebanon is life insurance written by "Mutual Fund" companies. These companies, being not registered in Lebanon, do not pay taxes, policy fees, syndicate fees, stamp duty and other charges in addition to the fact that they do not need to freeze any of their reserves in Lebanon. As such, these companies can offer competitive rates and better conditions than the locally registered companies. "This method, which is also practiced by other branches of insurance, is depriving the Lebanese Treasury of around LL.500,000 per year in taxes."⁴ It is expected that insurance companies in Lebanon will not stand still in front of such unfair competition and will exert pressure on the government to correct the situation.

The issue of life insurance education has been tackled in chapter I. A corollary to the said issue is the problem of training. Few life insurance companies in Lebanon offer

⁴Daoud, Ibid.

comprehensive training programs for their agents before they start selling. The majority of these companies give the prospective agent a condensed training programme. They give him too much sales promotion material in a short period just to enable him to have an idea about life insurance selling so as to be in a position to sell. It is not enough that a person knows something about life insurance in order to sell as the art of selling can develop much better if the person was given adequate training on the job. "Besides being a salesman, the life insurance agent needs to be a life insurance missionary".⁵ This state cannot be achieved with the aforementioned limited training the life insurance agent has been getting in Lebanon. It is expected that life insurance companies in Lebanon will realize the need for life insurance education and training in order to promote their sales. It is expected that these companies will provide the necessary expertise to train more seriously their sales force as otherwise they will be facing the danger of being wiped out of the market.

The continuous increase in the number of insurance companies in Lebanon is a further problem. The establishment of insurance companies in Lebanon could be in no way

⁵Interview with Henry Beidas, February 14, 1966.

considered as a reflection of the growth of the industry. Insurance firms entering into the market is merely an act of "copying" with no real scientific study justifying their entrance. In other words, the increase in the number of insurance companies in Lebanon should not be taken seriously as a comparative increase of insurance companies in more developed countries such as the United States.⁶ In 1960, for example, New Zealand had a population of 2,750,000 and had 69 insurance companies; a company: population ratio of 1:39,855. In Switzerland, in 1960, the population was 4,500,000 and there were 90 insurance companies; a company: population ratio of 1:50,000. In Lebanon, in 1960, the company: population ratio was 1:26,869 and in 1965 the company: population ratio dropped to 1:18,124.⁷ Between 1960, and 1965, premium income increased by LL.607,020 i.e. 4% while the number of companies rose from 61 to 103, i.e., 69%. Average income per company fall from LL.245,525 in 1960 to LL.167,570 in 1965.⁸ If more companies are to enter the market, the situation will be

⁶Interview, Saleh Hakim, January 17, 1966.

⁷Jones, "The Development and Organization of the Insurance Industry in Lebanon", pp.96-97.

⁸Ibid., p.97.

worse. The production per company will tend to decrease and the burden of overhead cost will become greater. This will affect the profitability of companies in the future. The result will be that some companies will start to withdraw from the market especially those unable to reduce their overhead or increase their production. The increase in companies will then correct itself in time. A number of companies will pass through difficult periods and this may reflect badly on the insurance industry at large.

The above discussion indicates that life insurance companies in Lebanon have interest in a regulated insurance market which is believed to be achieved through a "life Insurance Association" and government supervision. The functions of a "life Insurance Association" have been already discussed. As to government supervision, this could be done through the formation of a specialized life insurance body, say an "Insurance Control Department".

The first important function of the proposed "Insurance Control Department" relates to the organization of new companies. The "Insurance Control Department" will be responsible to act upon the formation of new companies in order to make sure that they conform to the requirements established by the insurance law of 1955, and to interpret the said law whenever

such interpretation is required. This function would be extended to the making of periodic checks on insurance companies in order to ensure that they continue to function in accordance with the law.

The second important area the "Insurance Control Department" can assume is that pertaining to the financial solvency of life insurance companies. The "Insurance Control Department" could assume the power to compute reserve liabilities and the power to value securities for the purpose of determining whether or not the life insurance company is in a sound financial condition. Moreover, the "Insurance Control Department" could assume the power to approve investments (especially with regards to type, class, amount and place) and the power to approve policy dividends and expenses in order to avoid extravagance in amounts to be spent on the acquisition of new business such as commissions, overriding, collection fees etc...

Product regulation is the third area for government supervision. As the insurance policy is a technical, legal and lengthy document prepared solely by the insurance company, it has become so complicated in wording that it is virtually impossible for the average layman to understand its provisions. Being as such, it is rarely read by the policyholder. There-

fore, analysis and approval of policy forms by technicians, such as the proposed "Insurance Control Department", is essential to safeguard the interests of the public. The "Insurance Control Department" will be then entrusted to study all policy forms issued in Lebanon and make sure that these policies do not exclude standard provisions or include provisions that are unfair, unjust, inequitable, misleading and deceptive.

Regulation of life insurance companies field practices is the fourth area. The issue of the standard of life insurance education and agents' training in Lebanon have been discussed earlier. This situation induces to believe that life insurance agents (who normally bind their company) should be licenced, by the government, in order to be able to sell life insurance. To become a licenced agent, he should possess particular qualifications and be subjected to examinations. High among causes considered sufficient to implement such a procedure is the need for eliminating the practice of rebating, misrepresentation and twisting on the part of the agents.

The formation of a "life Insurance Association" and an "Insurance Control Department" is therefore believed to

be an important step on the part of the life insurance companies and the government, respectively. The "Insurance Control Department" is believed to play its role more effectively if insurance companies are represented on it so as to ensure a wise and fair supervision giving leeway for decent competition.

A P P E N D I X E S

APPENDIX I

LIST OF INSURANCE COMPANIES
REGISTERED IN LEBANON IN 1965

- 1) Al-Ahlia, Compagnie Nationale d'Assurances et de Reassurances, S.A.L. - F.A.T.L. (see legend at end of Appendix)
General Manager : Mr. Assouad
Nationality : Lebanese, since 1964
- 2) Al-Chark, Compagnie d'Assurances - F.A.T.L.
L.R. : Mr. Georges Sacy, since 1955
P.R. : Mr. Henri Dalati, 1953-1956
Mr. Nammour, 1933-1955
Nationality : Egyptian
- 3) The Alexandria Insurance Company - not active - F.A.T.
L.R. : Mr. Georges Sacy, since 1965
P.R. : Toufic Gargour et Fils, since 1956
Nationality : Egyptian
- 4) The Alexandria Life Insurance Company - not active - Life
L.R. : Mr. Georges Sacy, since 1965
P.R. : Toufic Gargour et Fils, since 1956
Nationality : Egyptian
- 5) Alliance Assurance Company Limited - Not active in 1966 - Fire
L.R. : Georges Ferneini & Co., since 1950
Nationality : British
- 6) Al-Nisr Insurance Company, S.A.L. - F.A.T.L.
General Manager : Mr. Francois Massamiri
Nationality : Lebanese, since 1964
- 7) Alpina Compagnie d'Assurances - F.A.T.
L.R. : Trava S.A.L., since 1949
Nationality : Swiss
- 8) The American Insurance Company of Newark - F.A.T.
L.R. : Thomas Hauff, from 1959-1966
Nationality : American

- 9) American Life Insurance Company - Life
L.R. : Mr. Henri Beidas, since 1962
P.R. : Mr. Thomas Fleming, since 1953
Nationality : American
- 10) Anglo-Scottish Insurance Co. Ltd. - F,A.
L.R. : C.A.T. from 1955 to 1965
Nationality : British
- 11) Arabia Insurance Co., S.A.L. - F,A,T,L.
General Manager: Mr. Bassem Faris
Nationality : Lebanese since 1964; Jordanian from
1944 to 1964
- 12) Assicurazioni Generali di Trieste - F,A,T,L.
L.R. : Ets. Georges Asfour, since 1899
Nationality : Italian
- 13) Assuranti Maatscappj - F,A,T.
L.R. : Saba & Bittar, since 1949
Nationality : Dutch
- 14) Atlas Assurance Co. Ltd. - F,A,T.
L.R. : Sara & Saab, since 1963
Nationality : British
- 15) La Baloise-Transport - F,A,T.
L.R. : Soc. Orda H. Dalati, H. Beydoun & Co.,
since 1956
P.R. : T.E.C., from 1945 to 1955
Nationality : Swiss
- 16) Black Sea & Baltic General Insurance Co. Ltd. - F,A,T.
L.R. : Mr. A.D. Danshin, since 1962
Nationality : British
- 17) The British & Foreign Marine Insurance Co. Ltd. - F,A,T.
L.R. : Ets. Zabbat & Co., since 1960
Nationality : British
- 18) British Merchants & Insurance Co. Ltd. - F,A.
L.R. : Mulford & Co. (Levant), since 1947
Nationality : British
- 19) The British & Traders Insurance Co. Ltd. - F,A,T.
L.R. : Georges & Elias Afeiche, since 1956
Nationality : British

- 20) Caledonian Insurance Co. Ltd. - F,A,T,L.
L.R. : R. Pharaon & Fils, since 1910
Nationality : British
- 21) The Cambrian Insurance Co. Ltd. - F,A,T.
L.R. : Bedran & Mogabgab, since 1957
Nationality : British
- 22) La C.A.M.E.R. - F,A,T.
L.R. : Said Sreih, since 1951
Nationality : Belgian
- 23) The Century Insurance Co. Ltd. - F,A,T.
L.R. : O.D. Debbas & Sons, since January 1, 1965.
P.R. : Mr. Georges Debbas, since 1955
Nationality : British
- 24) Commercial Insurance Co., S.A.L. - F,A,T,L.
General Manager : Mr. Roger Zaccar
Nationality : Lebanese since 1962
- 25) Compagnia Anonima d'Assicurazioni di Torino - F,A,T,L.
L.R. : Mr. Louis Sabbag, since 1953
Nationality : Italian
- 26) Compagnie d'Assurances Generales (Accidents) - A,T.
L.R. : Mr. Georges Sacy, since 1960
Nationality : French
Company in Lebanon since 1946.
- 27) Compagnie d'Assurances Générales (Incendie) - Fire
L.R. : Mr. Georges Sacy, since 1960
Nationality : French
Company in Lebanon since 1946
- 28) Compagnie d'Assurances Maritimes, Aériennes & Terrestres
CAMAT - Transport
L.R. : Ibrahim Haddad & Fils, since 1952
Nationality : French
- 29) Compagnie Libanaise d'Assurances, S.A.L. - F,A,T,L.
General Manager : Mr. Carbonaro
Nationality : Lebanese, since 1951
- 30) Cornhill Insurance Co. Ltd. - F,A,T.
L.R. : Levant Insurance, S.A.L., from 1963 to
August 3, 1966.
Nationality : British

- 31) The Dominion Insurance Co. Ltd. - F,A,T.
L.R. : Armand Honein, since 1960
Nationality : British
- 32) Eagle Star Insurance Co. Ltd. - F,A,T,L.
L.R. : Beda Frères, since 1956
P.R. : Rega Bros.
Nationality : British
- 33) Egyptian Insurance Co., not active - Life
L.R. : René Joseph Boustany, since 1954
Nationality : Egyptian
- 34) Elders Insurance Co. Ltd. - Fire
L.R. : Georges Ferneini & Co., since 1965
Nationality : British
- 35) The Employers Liability Assurance Corporation Ltd. - F,A,T.
L.R. : Cotts, Khayat & Co., from 1964 until
November 29, 1965.
Nationality : British
- 36) L'Epargne, S.A.E. - Life
L.R. : René Joseph Boustany, since 1964
P.R. : Edouard Zakhia & Co.
Nationality : Egyptian
- 37) La Fédéral - F,A,T.
L.R. : Mr. Luigi Molinari, since 1956
Nationality : Swiss
- 38) La Fonciere - F,A,T.
L.R. : Ets. Georges Karaoglan, since 1965
P.R. : Said Sreih, from 1933 to 1965
Nationality : French
- 39) La Fortune - F,A,T.
L.R. : Matouk & Massabki, since 1964.
Nationality : French
- 40) Gresham Fire & Accident Society Ltd., - F,A,T.
L.R. : Mr. Emile Nassar, since 1919
Nationality : English

- 41) Gresham Life Assurance Society Ltd. - Life
L.R. : Mr. Samir Mechaalany, since 1959
P.R. : Mr. Emile Nassar, from 1919 to 1959.
Nationality : British
- 42) Groupement Francais d'Assurances - F,A,T.
L.R. : Mr. Georges Sacy, since 1962
Nationality : French
- 43) Guardian Assurance Co. Ltd. - F,A,T.
L.R. : Ets. P. Anghelopoulo, S.A.A., since 1896
P.R. : Henry Heald & Co., from 1877 to 1896.
Nationality : British
- 44) Hanover Insurance Co. - F,A,T.
L.R. : Mr. Fernando Belso, since 1962
Nationality : American
- 45) L'Helvetia, Compagnie d'Assurances Générales - Transport
L.R. : Trava, S.A.L., since 1947
Nationality : Swiss
- 46) International Life Insurance Co. - Life
L.R. : Mr. Raymond Tabet, since 1962
Nationality : Luxemburg
- 47) Jordanian Insurance Society Ltd. - F,A,T,L.
L.R. : Mr. Fouad Halazone, since 1962
Nationality : Jordanian
- 48) Kuwait Insurance Co. - F,A,T,L.
L.R. : Zeine & Chakachiri, since 1963
Nationality : Kuwaiti
- 49) Legal & General Assurance Society Ltd. - F,A,T.
L.R. : Kamar & Abdo, since 1964
Nationality : British
- 50) Libano-Suisse, Société d'Assurances, S.A.L. - F,A,T,L.
General Manager : Mr. Emile Ghosn
Nationality : Lebanese, since 1959
- 51) The Liverpool & London & Globe Ltd. - F,A,T,L.
L.R. : Henry Heald & Co., since 1872
Nationality : British

- 52) Liverpool Marine General Insurance Co. Ltd. - F,A,T.
L.R. : Mr. Georges Aramieh, since 1962
Nationality : British
- 53) The London Assurance Co. Ltd. - F,A,T,L.
L.R. : Hull Blyth & Co., since 1957
P.R. : Abdul Salam Sibai
Joseph Muarkabi & Co.
Nationality : British
- 54) The London & Lancashire Insurance Co. Ltd. - F,A,T,L.
L.R. : Henry Heald & Co., from 1872 to 1965
Nationality : British
- 55) La Mannheim, Compagnie d'Assurances - F,A,T.
L.R. : Mr. Armand Honein, since 1952
Nationality : German
- 56) Middle East Assurance & Reinsurance Co., S.A.L. - F,A,T,L.
General Manager : Mr. Fernando Belso
Nationality : Lebanese, since 1962
- 57) Misr Insurance Co. - F,A,T,L.
L.R. : Mr. René Boustany, since June 1965
P.R. : Mr. Saad Husein, from 1946 to 1965
Nationality : Egyptian
- 58) La Mutuelle Générale Française Accidents - F,A,T.
L.R. : Mr. Georges Nahas, since 1948
Nationality : French
- 59) The National Insurance Company of New Zealand - F,A,T,L.
L.R. : Mr. Abdul Salam Sibai from 1955 - 1966
Nationality : New Zealand
- 60) National Insurance Company of Egypt - not active - F,A,T.
L.R. : Mr. George Sacy, since 1964
P.R. : Mr. Charles Geachan, from 1950 - 1964
Nationality : Egyptian
- 61) La Nationale - Incendie - Fire
L.R. : Khalil Fattal & Fils, since 1926
Nationality : French
- 62) La Nationale de Paris - Life
L.R. : Khalil Fattal & Fils, since 1926
Nationality : French

- 63) Néerlandais Lloyd - F,A,T.
L.R. : Husni & Sabbag, since 1960
Nationality : Dutch
- 64) La Neuchâteloise - Transport
L.R. : Khalil Fattal & Fils, since 1948
Nationality : Swiss
- 65) The New India Insurance Company - F,A,T.
L.R. : Mr. Noshir P. Kolah, since 1964
P.R. : Les Fils de Suleiman Khattar, from 1919
to 1964
Nationality : Indian
- 66) De Nieuwe Eerste Nederlandsche N.V. - F,A,T.
L.R. : Mulford & Co., since 1959
Nationality : Dutch
- 67) Norddeutscher Versicherungs Gest. - F,A,T.
L.R. : Srabian Frères, since 1964
Nationality : German
- 68) The Nordstern - F,A,T.
L.R. : Toufic Gargour & Fils, since 1954
P.R. : Khalil Fattal & Fils
Nationality : German
- 69) The Northern Assurance Company Ltd. - F,A,T.
L.R. : National Trading Corporation, since 1945
P.R. : Sabbagh Bank, from 1930 - 1945
Nationality : British
- 70) Norwich Union Fire Insurance Society Ltd. - F,A,T.
L.R. : Khadige & Naamani, since 1954
Nationality : British
- 71) Pearl Insurance Company Ltd. - F,A,T.
L.R. : F.V. Caporal & Co., since 1929
Nationality : British
- 72) Le Phénix (Accidents) - A,T.
L.R. : Youssef & Boulos Zéhil, since 1962
Nationality : French
- 73) Le Phénix (Incendie) - Fire
L.R. : Youssef & Boulos Zéhil, since 1913
Nationality : French

- 74) Le Phénix (Vie) - Life
L.R. : Youssef & Boulos Zéhil, since 1913
Nationality : French
- 75) The Premier Insurance Company of Pakistan - F,A,T.
L.R. : Mr. Adnan Kassar, since 1953
Nationality : Pakistani
- 76) Provincial Insurance Co. Ltd. - F,A,T.
L.R. : Khalil Fattal & Fils, since 1934
Nationality : British
- 77) Reliance Insurance Company - F,A,T.
L.R. : Thomas Hauff, from 1962 until July 25,
1966
Nationality : American
- 78) Reliance Marine Insurance Company Ltd. - Accident
L.R. : F.V. Caporal & Co., since 1929
Nationality : British
- 79) Rhône-Méditerranée - Transport
L.R. : Ashkar & Najjar, since 1961
Nationality : French
- 80) Riunione Adriatica di Sicurta - F,A,T,L.
L.R. : Oscar Lusena & Fils, since 1926
P.R. : Policarpo de Polla, from 1911 to 1926
Nationality : Italian
- 81) Royal Insurance Company Ltd. - F,A,T.
L.R. : Henry Heald & Co., since 1867
Nationality : British
- 82) Ruby General Insurance Co. - F,A,T.
L.R. : Dagher Insurance & Trading Agencies,
since 1946
Nationality : British
- 83) St. Paul Fire & Marine Insurance Company - F,A,T.
L.R. : Mr. Thomas Hauff, since 1960
Nationality : American
- 84) Société Nationale d'Assurance (SNA), S.A.L. - F,A,T,L.
General Manager : Mr. Jean Chidiac
Nationality : Lebanese, since 1963

- 85) Société Syrienne d'Assurances - F,A,T,L.
L.R. : Mr. Fouad Zoubair, since 1950
Nationality : Syrian
- 86) The Sterling General Insurance Company Ltd. of New Delhi - F,A,T
L.R. : Georges Ferneini & Co., since 1960
Nationality : Indian
- 87) La Suisse - F,A,T.
L.R. : Mr. Edmond Goraieb, since 1952
Nationality : Swiss
- 88) Sumitomo Marine & Fire Insurance Company - F,A,T.
L.R. : B. Iskandar & Fils, since 1964
Nationality : Japanese
- 89) The Tokyo Marine & Fire Insurance Co. - F,A,T.
L.R. : Armand Honein & Soeurs, since 1962
Nationality : Japanese
- 90) Union Assurance Society Ltd. - Fire
L.R. : Pharaon & Fils, since 1920
Nationality : British
- 91) L'Union Compagnie d'Assurances sur la Vie - Life
L.R. : Mr. Marcel Hanamoglou, since 1898
Nationality : French
- 92) L'Union de Paris - F,A,T.
L.R. : Mr. Marcel Hanamoglou, since 1898
Nationality : French
- 93) Union Insurance Society of Canton Ltd. - F,A,T.
L.R. : The Financial Investment & Commercial
Services Co., from 1962 - 1965
Nationality : British
- 94) Union Général Insurance S.A.L. - F,A,T,L.
General Manager : Mr. Assad Bachour
Nationality : Lebanese, since 1962
- 95) L'Union Nationale (Al-Ittihad Al-Watani) - F,A,T,L.
General Managers: Messrs. Jean Zalat & Emile Rababy
Nationality : Lebanese, since 1947

- 96) United Insurance Company, S.A.L. - Accident - inactive
Nationality : Lebanese, since 1961
- 97) L'Urbaine (Incendie) - Fire
L.R. : Mr. Antoine Khaouam, since 1925
Nationality : French
- 98) L'Urbaine (Vie) - Life
L.R. : Mr. Antoine Khaouam, since 1925
Nationality : French
- 99) L'Urbaine et la Seine - A.T.
L.R. : Mr. Antoine Khaouam, since 1925
- 100) The Western Assurance Company - F,A,T.
L.R. : Les Assurances de Levant, since 1958
Nationality : Canadian
- 101) The White Cross Insurance Company Ltd. - F,A,T.
L.R. : Kamar & Abdo, since 1964
Nationality : British
- 102) The World Marine & General Insurance Company Ltd. - F,A,T.
L.R. : Amine Ghazzaoui & Fils, since 1952
P.R. : Mr. Wagih Naamani
Nationality : British
- 103) De Zeven Provincen N.V. - F,A,T.
L.R. : Karnak S.A.L., since 1962
Nationality : Dutch
- 104) The Sovereign Marine & General Insurance Company, F,A,T.
L.R. : Groupement Libanaise d'Assurances,
began operating in Lebanon in 1966.
Nationality : British

Other Companies known to have operated in Beirut

but which were not registered in 1965

- 1) Compagnie General D'Assurances et d'Epargne, S.A.L.
L.R. : Mr. Michel Abou Jaoudé, 1962 - 1964
Nationality : Lebanese

- 96) United Insurance Company, S.A.L. - Accident - inactive
Nationality : Lebanese, since 1961
- 97) L'Urbaine (Incendie) - Fire
L.R. : Mr. Antoine Khaouam, since 1925
Nationality : French
- 98) L'Urbaine (Vie) - Life
L.R. : Mr. Antoine Khaouam, since 1925
Nationality : French
- 99) L'Urbaine et la Seine - A.T.
L.R. : Mr. Antoine Khaouam, since 1925
- 100) The Western Assurance Company - F,A,T.
L.R. : Les Assurances de Levant, since 1958
Nationality : Canadian
- 101) The White Cross Insurance Company Ltd. - F,A,T.
L.R. : Kamar & Abdo, since 1964
Nationality : British
- 102) The World Marine & General Insurance Company Ltd. - F,A,T.
L.R. : Amine Ghazzaoui & Fils, since 1952
P.R. : Mr. Wagih Naamani
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- 104) The Sovereign Marine & General Insurance Company, F,A,T.
L.R. : Groupement Libanaise d'Assurances,
began operating in Lebanon in 1966.
Nationality : British

Other Companies known to have operated in Beirut

but which were not registered in 1965

- 1) Compagnie General D'Assurances et d'Epargne, S.A.L.
L.R. : Mr. Michel Abou Jaoudé, 1962 - 1964
Nationality : Lebanese

- 2) La Concorde - withdrew in 1956
L.R. : Les Assurances du Levant
Nationality : French
- 3) Fireman's Insurance Company - 1953 to 1962
A company of the American International Underwriters
group whose agent in Beirut was Lebanon Express.
- 4) The Jayabharat Insurance Company Ltd. - 1962 to 1964
L.R. : Hammoud Frères
Nationality : Indian
- 5) Midland Employers Mutual Assurance Company Ltd. - until 1964
L.R. : Affaki & Lehata
Nationality : British
- 6) New Hampshire Insurance Company - 1953 to 1962
A company of the American International Underwriters
(A.I.U.) group. Its agent was Air Sea Transport Agencies.
- 7) The Phenix of Vienna
In Beirut between World War I and World War II. The legal
representative was the father of Mr. Michel Mu'arbes,
who later became the first general manager for the
Compagnies Libanaise d'Assurance.
- 8) Security Insurance Company - 1953 to 1962
A company of the A.I.U. Group. Its agent was American
International Underwriters.
- 9) Union Marine Insurance Company Ltd., withdrew before 1956.

Source: Antony A. Jones, "The Development and Organization of
the Insurance Industry in Lebanon"
(unpublished Master's thesis, Department
of Arab Studies, American University of
Beirut, 1966), pp. 169 - 178.

Legend

L.R.	Legal Representative
P.R.	Previous Representative
F	Fire
A	Accident
T	Transport
L	Life

فتوى شرعية

حضرة صاحب الفضيلة مفتي الديار المصرية

ما قولكم دام فضلكم في شخص يريد ان يتعاقد مع جماعة (شركة جريشام مثلا) على ان يدفع لهم مالا من ماله الخاص على اقسام معينة للعملوا فيه بالتجارة واشترط معهم انه اذا قام بما ذكر ، وانتهى امد الاتفاق المعين بانتهاء الاقساط المعينة وكانوا قد عملوا في ذلك المال وكان حياً فيأخذ ما يكون له من مال مع ما يخصه من الارباح واذا مات في اثناء تلك المدة فيكون لورثته او لمن له حق الولاية في ماله ان يأخذوا المبلغ تعلق مورثهم مع الارباح . فهل مثل هذا التعاقد الذي يكون مفيداً لاربابه بما ينتجه لهم من الربح جائز شرعاً ؟ نرجوكم التكرم بالافادة مقدموه

اول صفر ١٣٢١ و ٢٩ ابريل ١٩٠٢ هور ورسل

الحمد لله وحده

لو صدر مثل هذا التعاقد بين ذلك الرجل وهؤلاء الجماعة على الصفة المذكورة كان ذلك جائزاً شرعاً ويجوز لذلك الرجل بعد انتهاء الاقساط والعمل في المال وحصول الربح ان يأخذ لو كان حياً ما يكون له من المال مع ما يخصه في الربح . وكذا يجوز لمن يوجد بعد موته من ورثته او من له ولاية التصرف في ماله بعد موته ان يأخذ ما يكون له من المال مع ما انتجه من الربح والله اعلم .

٤ صفر سنة ١٣٢١

نمرة ١٣٧ فتاوي

مفتي الديار المصرية

الامضاء : محمد عبده

APPENDIX III

TYPES OF LIFE INSURANCE POLICIES WRITTEN BY
ARABIA INSURANCE COMPANY S.A.L.
IN LEBANON

I. Whole Life Assurance Plans.

Whole Life Assurance - premium payable throughout life.
Limited Payment Life Assurance.
Convertible Whole Life Assurance.

II. Endowment Assurance Plans.

Ordinary Endowment Assurance Plan.
Endowment Assurance with Decreasing Premiums.
Joint Life Endowment Assurance Plan.
Pure Endowment Assurance Plan - without profits.
Double Endowment Assurance Plan - without profits.
Guaranteed Bonus Endowment Assurance - without profits.
Children's Educational Annuity Plan - without profits.
Children's Marriage Endowment Assurance Plan - without profits.
Children's Deferred Endowment Assurance Plan - without profits.
Planned Protection Policy.

III. Term Insurance.

One year plan (renewable upto maturity at age 65).

Source: Arabia Insurance Company, Life Prospectus (no date available), p.2.

APPENDIX IV

TYPES OF LIFE INSURANCE POLICIES WRITTEN BY
AMERICAN LIFE INSURANCE COMPANY
IN LEBANON

I. Whole Life Plans.

Economic Protector.
Ordinary Life.
Limited-Payment Life.
Ordinary Life Preferred (Executive)

II. Endowment.

Ordinary Endowment Plans.
Endowment Annuities.
Joint Life Endowment.
Double Endowment.

III. Term Insurance.

Five, Ten, Fifteen and Twenty years Term.
Reducing Term.

Source: American Life Insurance Company.

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B I B L I O G R A P H Y

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