Lebanon's Insurance Sector: From Collapse to Gradual Recovery

September 29, 2026
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Insurance firms are still quietly fighting to recover from Lebanon's financial turmoil. *Lebanon Opportunities (LO)* evaluated the sector's performance in 2025, providing context on how the crisis shaped its trajectory. The findings suggest that recovery is underway, though gradual. The sector continues to face mounting costs, with medical policies and motor insurance leading the rise, while insurers struggle to adjust premiums at a matching pace. In this paper, we will discuss the sector's gradual recovery, pressures on life, motor and medical coverage, the rise of mutual funds, insurers' ties to banks, the role of AI, and the reform plans of the *Ministry of Economy and Trade (MoET).*

Insurance Premiums Climb Back, But Not All the Way

Insurance premiums recovered in 2025, rising by 16% to \$1.3 billion, but still below 2019's \$1.6 billion level, largely due to the sharp contraction in life insurance.

Table 1: Insurance Premiums (USD million)

Insurance Type	2025	Change 2024-2025 (%)	Change 2019-2025 (%)
Health	661	16%	23%
Motor	280	22%	-16%
Property and Casualty	261	6%	-2%
Life	111	22%	-77%
Total	1,313	16%	-19%

Sources: Insurance Control Commission (ICC), InfoPro, BLOM Bank

Table 2: Premiums as % of Total

Insurance Type	2019	2025
Life	29%	8%
Motor	21%	21%
Health	34%	50%
Property and Casualty	17%	20%

Sources: ICC, InfoPro, BLOM Bank

Life Insurance

Life insurance in Lebanon was traditionally purchased either to meet bank requirements or as an investment tool. With bank lending collapsing after the crisis, the first motive disappeared. At the same time, insurers struggled to honor commitments because Lebanese law obliges them to invest at least 50% of life insurance funds locally. These investments — in Eurobonds, stocks, and other assets — were severely hit by the crisis, with Eurobonds defaulting, stocks converted into “lollars” and others losing most of their value. As insurers failed to honor claims and as the sector’s credibility weakened, households no longer viewed life insurance as a viable investment. With purchasing power also deteriorating, for many, insurance stopped being a priority altogether. Together, these factors eliminated the rest of the major motives as well.

In response, the *Association des Compagnies d'Assurances au Liban (ACAL)* proposed repaying pre-crisis life policies at 40% in fresh USD, though the *MoET* has yet to approve. Meanwhile, insurers are finding ways around the 50% rule. Some companies, having exceeded the quota before the crisis, now channel new investments abroad to rebalance portfolios, while still keeping a minimum of 50% of their overall investments (old + new) in Lebanon. Others encourage clients to shift old policies into new programs that invest premiums entirely overseas. *Anecdotal evidence points to additional workarounds such as using offshore subsidiaries to issue policies abroad, this way companies wouldn’t have to abide by the 50% minimum investment law in Lebanon, or leveraging reinsurance structures where the foreign reinsurer’s share is invested outside Lebanon, where Lebanese regulations do not apply.*

Motor Insurance

Insurance companies told *LO* that motor insurance is no longer profitable, as costs keep rising and accidents are increasing. Spare parts, mechanic fees, and accident-expert charges are all going up. *LO* also found that the increase in motorcycles use, especially for deliveries, and higher mobile usage is leading to more car accidents. The fact that 1 million out of 2.6 million cars in Lebanon do not have mandatory insurance is also pressuring the sector’s profitability. *Anecdotal evidence points to several other factors behind the rise in car accidents. These include the growing absence of street lighting and the spread of potholes, due to limited government investment after the financial crisis and compounded by further neglect following the war, as resources were diverted to urgent priorities and infrastructure got damaged. Random and double parking has also increased, while the number of vehicles in general not just motorcycles surged in certain areas, particularly with internal displacement after the war. Most critically, the government’s suspension of vehicle inspections — once carried out during mechanical checks — has removed an important safeguard.*

Medical Insurance

The health insurance's 16% growth in 2025 reflects the rise in premium values following higher medical costs, as the number of insured dropped by 200,000 after the crisis to stand at 700,000 in 2025. Medical insurance costs have risen due to higher hospitalization and doctor fees, increased prices of medical supplies and equipment, the removal of government subsidies, and the aging of the insured population.

Insurance Premiums Rise is Gradual

During COVID-19, costs temporarily fell because hospitalizations dropped and car accidents decreased, leading insurers to reduce premiums. Once the pandemic ended, however, companies could not raise prices sharply despite mounting expenses, including higher hospital fees and doctors' demands for additional fees increases. To make the business sustainable, premiums will eventually need to be raised to proper levels. For now, increases remain gradual and deliberately kept below cost growth, in order to account for clients' ability to pay. Hospital fees rise tend to remain limited in such situations, as insurance companies are their largest payers. Therefore, hospitals want to ensure that insurers stay able to cover costs and do not withdraw their support.

Meanwhile, many people leaving the NSSF did not join private insurers, as they could not afford the premiums. According to *LO*, most instead turned to mutual funds, reflecting a shift toward lower-cost alternatives.

Quick explainer: Mutual health "funds" in Lebanon

What they are: Member-owned health pools (mutuelles) for specific groups (community, profession, employees), not investment funds.

Why they're often cheaper than regular insurance:

- Not for profit.
- Lower marketing and admin costs (targeted groups, simpler products).
- Tax/regulatory advantages (e.g., often exempt from the premium tax).

Insurance and banks

The insurance sector had to withdraw 70% of their 1 billion local dollars deposits at banks, at significant discounts. Yet insurers cannot fully disengage from local banks. Even if they place new funds abroad, they still need domestic banks for essential transfers, like hospital payments, as relying on large cash transactions raises money-laundering concerns. Premiums are also processed through electronic transfers facilitated by local banks. *Notably, many Lebanese insurers are themselves owned by local banks, which deepens the interdependence between the two sectors.*

Insurance and AI

AI is being widely adopted by insurance companies in different ways — through customer support and accident reporting chatbots, automated quotations and policies, and customer service tools — while also using data analysis and predictive models to improve pricing. AI is also driving demand for new types of coverage, such as cyber insurance, to protect against risks like hacking and data breaches.

Recapitalization and Reform

The MoET is working on a plan to reform, recapitalize, and strengthen the solvency of Lebanon's insurance sector, with a designated consultancy firm expected to complete the framework by mid-2027. The required minimum capital remains LBP 2.25 billion — once equivalent to $1.5 million before the crisis, but now reduced to just $25,000. MoET aims to restore this threshold to around its pre-crisis level in dollar terms. Some companies may struggle to meet it, potentially leading to mergers, but they still have until mid-2027 to find a solution.

Brokers' guarantee

The MoET is also planning to tighten the standards for the brokers' assessment and to increase the brokers' guarantee from $17,500 before the crisis to $50,000. This measure will likely limit, if not reverse, the surge in broker numbers — which rose from 450 before 2020 to 600 afterward, according to Talal Ounsi, chairman of the Lebanese Insurance Brokers Syndicate — due to the sharp drop in guarantee value following currency devaluation.

Conclusion

Lebanon's insurance sector is recovering, though at a slower pace than hoped, as old challenges are still not resolved and as new ones continue to emerge. Its adaptability, from regulatory workarounds to customer retention in a difficult market, shows resilience, but fragility persists. Without timely structural reforms, including resolution of the banking crisis and other systemic obstacles, Lebanon risks sliding further into shadow practices. The sector does benefit from mandatory lines such as motor insurance and construction insurance, which provide a steady base of demand and help sustain recovery. Yet to regain momentum, insurers must move beyond crisis survival, embrace global trends, and integrate AI with human expertise to balance efficiency and trust. Traditional practices will continue to matter for customers who value direct interaction, but innovation must lead. If regulation, recapitalization, and modernization converge, Lebanon's insurance industry can transform from a fragile survivor into a competitive player, turning crisis scars into the foundation for sustainable growth.

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