

Performance of the insurance market^{1 2} in 1388 revealed a continued upward trend in the number of insurance companies, especially private insurance companies. Share of private insurance companies in total direct premiums³ reached 47.8 percent at end-1388. In 1388, total direct premiums issued by public and private companies grew by 14.5 percent to Rls. 46,459.7 billion. Meanwhile, the upward trend of direct premium compared with the relatively constant growth of the population raised the insurance premium per capita⁴ in the review year. In this respect, insurance premium per capita went up by 12.9 percent from Rls. 558.8 thousand in 1387 to Rls. 630.8 thousand in 1388. Of this amount, Rls. 587.3 thousand (93.1 percent) belonged to non-life insurance premium per capita and the remainder to life insurance premium per capita.

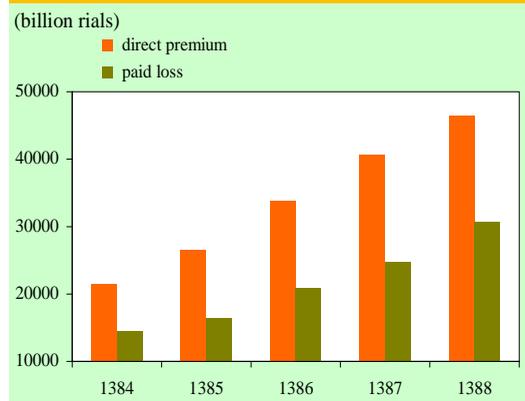
¹Based on the "Statistical Yearbook of Insurance Market Performance, 1388" published by Central Insurance of Iran

²Includes Central Insurance of Iran (government's agent in the insurance market and performer of commercial insurance), public insurance companies (Iran and Dana) and private insurance companies (Asia, Alborz, Moallem, Parsian, Karafarin, Sina, Razi, Mellat, Omid, Hafez, Tose-eh, Dey, Saman, Novin, Iran Moein, Pasargad, and Mihan). Iran Moein, Omid, and Hafez Insurance Companies are authorized to work in Free Special Economic Zones only. Moreover, Amin Reinsurance Company renders reinsurance services.

³Including insurance policies issued in 1388, whether still valid or not

⁴Insurance premium per capita is the amount of premium which is paid on average by each person, and is computed through dividing the direct premium by total population.

Figure 16.1. Performance of insurance market



Performance of Insurance Market

The activities of insurance companies could be assessed through the study of the value of direct premium issued and amount of compensation paid in each insurance policy. Comparing these indices with the number of insurance policies and paid losses could be an indicator of the volume of insurance companies' activities.

Direct Premium

In 1388, total direct premiums issued by public and private companies reached Rls. 46,459.7 billion, showing 14.5 percent growth. Third party liability had the lion's share in total direct premiums by 43.2 percent as in previous years, followed by motor property damage (11.7 percent), health (11.6

percent), life (6.9 percent), fire (6.3 percent), and liability (5.6 percent). In this year, direct premium issued by insurance companies in the fields of credit, cargo, oil and energy, and hull declined, while in other fields, the amount of issued direct premium experienced a rise.

In the review year, public and private insurance companies constituted 52.2 and 47.8 percent of total direct premiums, respectively. The highest shares among private insurance companies belonged to Asia Insurance Company by 12.0 percent, followed by Parsian (7.0 percent), Alborz (6.6 percent), Moallem (4.0 percent), and Mellat (3.6 percent).

Paid Loss

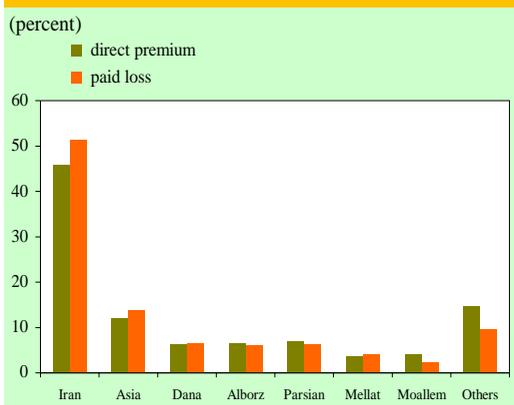
In 1388, the amount of paid loss grew by 24.2 percent to Rls. 30,752.3 billion, compared with the year before. As in the preceding years, over half of the compensation (56.6 percent) was paid as third party liability, followed by health (16.1 percent), motor property damage (10.0 percent) and life (4.4 percent). Of total amount of loss paid in this year, 67.9 percent was related to motor (third party liability, passenger accidents, and property damage). Moreover, public insurance companies accounted for 57.8 percent of total amount of paid loss. As in previous years, Iran public insurance company had the biggest share in the loss paid by the insurance market. The share of private insurance companies in paid loss was 42.2 percent.

Loss Ratio

Loss ratio¹ remained relatively unchanged at 74.7 percent in the review year. Loss ratio for third party liability fell by 3.4 percentage points to 91.0 percent in 1388, compared with the previous year. In the fields of hull,

life, health, and third party insurances, the loss ratio was higher than the loss ratio of the insurance market (between 91.0 and 141.0 percent). In other fields, the loss ratio was lower than the loss ratio of the insurance market (19.5 and 65.2 percent). A comparison of insurance companies in terms of loss ratio indicates that the loss ratios of Iran and Dana insurance companies were 78.5 and 76.3 percent, respectively. The loss ratio of private insurance companies was 70.6 percent.

Figure 16.2. Share of insurance companies in direct premium and paid loss in 1388



Performance of Insurance Market

	1387	1388	Percentage change
Direct premiums (billion rials)	40,561.0	46,459.7	14.5
Paid loss (billion rials)	24,752.6	30,752.3	24.2
Loss ratio (percent)	74.7	74.7	0.0 ¹

Source: Statistical Yearbook of Insurance Market Performance, 1388, Central Insurance of Iran ¹In percentage points

Issued Insurance Policies

In 1388, a total of 32.7 million insurance policies were issued by insurance companies, indicating 6.7 percent growth compared with

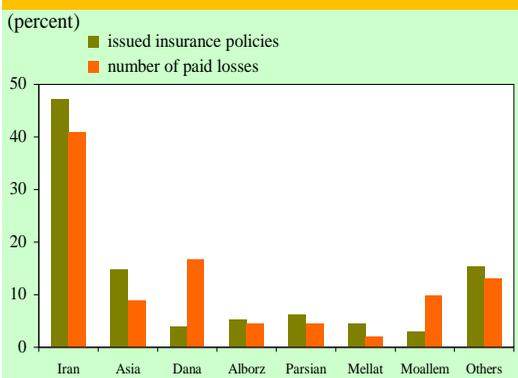
¹It is the ratio of "incurred loss" to "earned premium".

the year before. Of total issued insurance policies, 44.7 percent was related to third party liability. Moreover, a total of 84.0 percent of insurance policies were related to motor (third party, passenger accidents, and property damage). In this year, insurance policies related to "other types of insurance" experienced the highest growth (192.5 percent). Meanwhile, Iran and Dana insurance companies issued 47.1 and 3.9 percent of total insurance policies, respectively.

Number of Paid Losses

The number of losses paid by insurance companies rose 10.2 percent to 4.0 million. Out of total compensation, the number of health insurances had the lion's share by 56.3 percent, registering 39.6 percent growth compared with the preceding year. Third party liability, with 20.3 percent decline compared with the previous year, accounted for 29.2 percent of total shares. These two fields, together with motor property damage, constituted 93.5 percent of total number of paid losses. In this year, public insurance companies paid 57.4 percent of total losses. Number of losses paid by Asia and Alborz private insurance companies grew by 178.2 percent to 1.7 million, constituting 42.6 percent of total number of paid losses.

Figure 16.3. Share of insurance companies in issued insurance policies & number of paid losses in 1388



Assets and Liabilities of Insurance Companies

In the review year, assets and liabilities of insurance companies reached Rls. 72,494.7 billion, up by 13.3 percent. This was mainly attributable to 430.5 percent growth in long-term claims in the assets side, and 17.2 percent rise in premium reserves in the liabilities side. Short- and long-term investments of insurance companies grew by 16.4 and 8.4 percent, respectively. In 1388, long-term investments had the highest share in the assets of insurance companies as in the previous year. Shareholders' equity increased by 16.7 percent.

4th Five-Year Development Plan

During the course of the 4th Plan, insurance market had a favorable performance. The most important achievements of the insurance market during the mentioned period were as follows:

- Increase in the number of private insurance companies from 13 at end-1384 to 17¹ in 1388 year-end;
- Implementation of part of the Law on General Policies of Article 44 of the Constitution; according to Article 2 of this Law, the government was required to privatize all public insurance companies, excluding Central Insurance of Iran and Iran Insurance Company, by the end of the 4th Plan. Therefore, in 1388, Asia and Alborz insurance companies were privatized.

With the establishment of new private insurance companies in the course of the 4th

¹ During the course of the 4th Plan, Pasargad and Mihan private insurance companies started their operations and Asia and Alborz public insurance companies were privatized.

Assets and Liabilities of Insurance Companies¹

(billion rials)

	Year-end		Percentage change
	1387	1388	
Assets			
Intangible assets	124.6	149.6	20.1
Fixed tangible assets	4,943.8	5,986.5	21.1
Long-term investments	17,758.1	19,252.6	8.4
Long-term claims	595.2	3,157.7	430.5
Other receivables	4,919.4	6,564.6	33.4
Short-term investments	5,581.3	6,497.6	16.4
Claims on insured parties and insurers	15,093.7	13,785.5	-8.7
Reinsurers' contribution to technical reserves	11,647.7	13,027.5	11.8
Cash and cash equivalent	2,341.2	3,180.3	35.8
Others	1,006.1	892.9	-11.3
Total assets = total liabilities	64,011.1	72,494.7	13.3
Liabilities			
Insured parties' and insurers' claims	427.3	749.9	75.5
Insurers' and reinsurers' claims	3,372.7	3,511.7	4.1
Other accounts payable	4,919.7	7,302.2	48.4
Premium reserves	23,461.0	27,501.3	17.2
Deferred loss reserve	7,800.0	8,160.5	4.6
Reserve for current risks	1,041.3	1,214.7	16.6
Other technical reserves	4,239.2	4,900.0	15.6
Future premiums	4,359.5	1,487.3	-65.9
Other liabilities ²	2,841.2	4,186.1	47.3
Shareholders' equity	11,549.2	13,481.0	16.7

Source: Central Insurance of Iran

¹ Includes public and private insurance companies.² Includes reserves for income tax, dividend, retirement benefits, and other liabilities.

Plan and privatization of Asia and Alborz insurance companies in 1388, share of private insurance companies in direct premium increased by 34.0 percentage points from 13.8 percent in 1384 to 47.8¹ percent in 1388. Share of private insurance companies in paid loss rose from 8.6 percent to 42.2 percent, up by 33.6 percentage points.

Loss ratio of private insurance companies increased from 52.3 percent in 1384 to 70.6 percent in 1388. Number of insurance policies issued by private insurance companies grew from 2 million to 16 million². Number of losses

paid by private insurance companies went up from 0.2 million to 1.7 million.

- Increase in insurance premium; insurance premium per capita is indicative of the insurance premium paid by each person on average. This variable increased more than twice from Rls. 310.3 thousand in 1384 to Rls. 630.8 thousand in 1388. Life insurance is a criterion of cultural development and social welfare. Direct premium of life insurance was more than doubled during the course of the 4th Plan, reaching Rls. 3,206.2 billion in the final year from Rls. 1,420.2 billion in 1384.

¹ Shares of Asia and Alborz private insurance companies in "direct premium" and "paid loss" were 18.6 and 19.8 percent, respectively, in 1388.

² The number of insurance policies issued and number of losses paid by Asia and Alborz insurance companies were 6.5 and 0.5 million, respectively.

- Insurance penetration coefficient, an index of financial development, is an indicator of insurance market's pace of development as compared with the whole economy. During the years of the 4th Plan, insurance penetration coefficient rose from 1.16 percent in the first year of the Plan to 1.30 percent in 1388.

The following is a summary of the performance of the insurance market during the course of the 4th Plan:

Total direct premiums issued by insurance companies reached Rls. 46,459.7 billion in 1388, from Rls. 21,529.9 billion in 1384, representing an annual average growth of 21.9 percent. Third party liability had the lion's share in total direct premiums during the review period.

The amount of paid loss grew on average by 25.5 percent to Rls. 30,752.3 billion in

1388, from Rls. 14,535.0 billion in 1384. Over half of the paid loss was related to third party liability.

During the course of the 4th Plan, loss ratio was constantly fluctuating, with the lowest amount related to 1386 by 72.1 percent and the highest to 1384 by 78.5 percent.

Number of insurance policies rose from about 17.6 million in 1384 to 32.7 million in 1388. Third party liability enjoyed the highest share of insurance policies by 42.9 percent.

During 1384-1388, the number of paid losses amounted to 4 million, rising from about 3 million in the first year. The biggest share of paid losses was related to health, followed by third party liability.