

Performance of insurance market^{1,2} in 1395 revealed a continued upward trend in the number of insurance companies, especially private insurance companies whose share in total direct premiums³ reached 62.0 percent at year-end. In this year, total direct premiums issued by public and private companies amounted to Rls. 280.2 trillion, indicating 22.6 percent increase compared with 1394. Comparing the upward trend in direct premiums with the pace of population growth indicates an uptrend in the insurance premium per capita⁴, going up by 20.7 percent from Rls. 2.9 million in 1394 to Rls. 3.5 million in 1395. Of this amount, Rls. 3.0 million (86.5

percent) belonged to non-life insurance premium per capita and the remaining to life insurance premium per capita. In 1395, insurance penetration ratio⁵ increased by 0.1 percentage point compared with 1394, to 2.2 percent. This ratio was 1.9 percent for non-life and 0.3 percent for life insurances.

Performance of Insurance Market

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

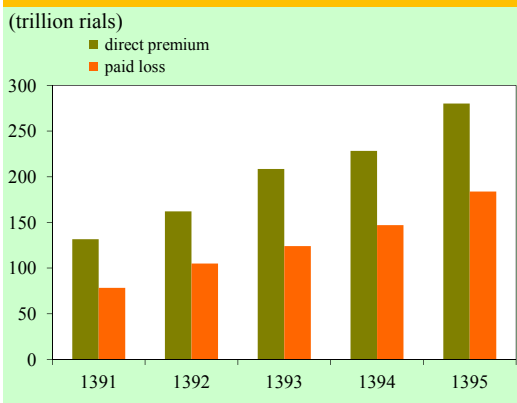
¹ Figures are based on the "Statistical Yearbook of Insurance Market Performance, 1395", published by Central Insurance of Iran. Due to revisions made in this statistical yearbook, figures for previous years, referred to in Balance Sheet 1395, are not comparable with previous balance sheets.

² In 1395, the insurance market included Iran Insurance Company (public), 23 private insurance companies in the main land (Dana, Asia, Alborz, Moallem, Parsian, Tose, Razi, Karafarin, Sina, Mellat, Day, Saman, Novin, Pasargad, Mihan, Kowsar, Ma, Arman, Taavon, Sarmad, Tejarat, Hekmat Saba, and Middle East Life Insurance), and 6 private companies in Free Economic Zones (Hafez, Omid, Iran Moein, Kish Protection and Indemnity Club, Qeshm, and Asmari). Amin and Iranian Companies rendered reinsurance services, bringing the total number of active insurance companies to 32. The work permit for Tose Insurance Company in life and car insurance classes was cancelled in Bahman 1393. Tejarat, Hekmat Saba, and Middle East Life Insurance companies received work permits from Central Insurance in 1395.

³ Includes insurance policies issued in 1395. Figures for life insurance premiums are based on received premiums and for non-life, on issued premiums.

⁴ Insurance premium per capita is computed through dividing the direct premium by the total population.

Figure 15.1. Performance of insurance market



⁵ Calculated as the ratio of total direct premiums to GDP at current prices.

Direct Premium

Total direct premiums issued by public and private insurance companies reached Rls. 280.2 trillion in 1395, showing 22.6 percent growth compared with the year before. As in previous years, third party liability had the highest share in total direct premiums (39.1 percent), followed by health with 23.3 percent, life with 13.5 percent, motor property damage with 5.3 percent, liability with 4.8 percent, fire with 4.3 percent and driver accidents with 3.6 percent.

In 1395, Iran Insurance Company (public) accounted for 38.0 percent and private insurance companies, 62.0 percent of total direct premiums. The highest share among private insurance companies belonged to Asia Insurance Company by 9.9 percent, followed by Dana (7.8 percent), Alborz (6.7 percent), Parsian (6.3 percent), Pasargad (4.1 percent), and Kowsar (3.6 percent).

Paid Loss

The amount of paid loss rose 25.0 percent to Rls. 183.8 trillion. As in previous years, the highest share of the paid loss in 1395 was related to the third party liability by 43.1 percent, followed by health, life, motor property damage, liability, and driver accidents with 30.4, 6.6, 5.2, 4.1, and 3.9 percent, respectively. In this year, 52.2 percent of total paid loss was related to car insurance (third party liability, driver accidents, and motor property damage). Iran Insurance Company accounted for 43.7 percent of total paid loss in this year.

Loss Ratio

Loss ratio¹ increased by 0.3 percentage point to 83.4 percent in 1395. Loss ratios of credit, third party liability, and health, at

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

respectively 761.2, 95.7, and 94.3 percent, were higher than the total loss ratio of the insurance market while for other classes, this ratio was between 10.2 and 77.1 percent, which was lower than total. The loss ratio of Iran public insurance company was 87.1 percent, as against 80.7 percent for the private companies.

Figure 15.2. Share of insurance companies in direct premium and paid loss in 1395

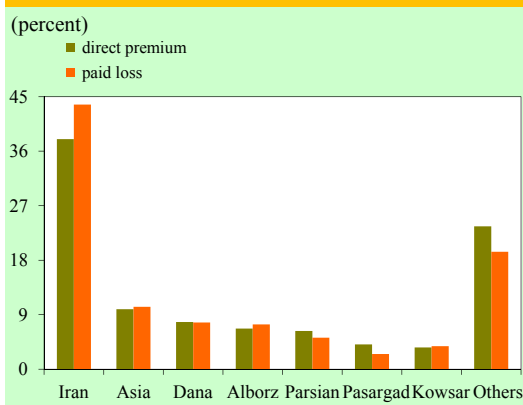


Table 15.1. Performance of Insurance Market

	1394	1395	Percentage change
Direct premiums (trillion rials)	228.4	280.2	22.6
Paid loss (trillion rials)	147.1	183.8	25.0
Loss ratio (percent)	83.1	83.4	0.3 ¹

Source: Statistical Yearbook of Insurance Market Performance for 1395, Central Insurance of Iran. ¹In percentage points.

Issued Insurance Policies

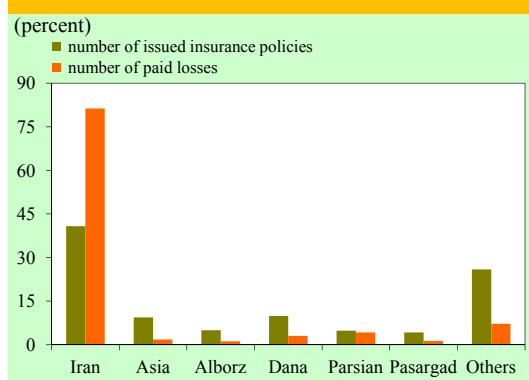
In 1395, about 56.3 million insurance policies were issued, up by 14.2 percent compared with 1394. Of total issued insurance policies, 35.7 percent was related to third party liability, with 76.9 percent being related to car insurance in general (third party liability, driver accidents, and motor property damage).

Health insurance policies held the highest share of growth by 3.8 percentage points and Iran Insurance Company issued 40.8 percent of total insurance policies. The number of policies issued by private companies increased by 13.6 percent to 33.3 million, accounting for 59.2 percent of total issued policies.

Number of Paid Losses

The number of paid losses grew by 38.8 percent to 35.3 million. Health insurance, which grew by 40.1 percent compared with 1394, had the highest share in the number of paid losses by 93.6 percent. Third party liability, with 32.6 percent rise, had 2.7 percent share in the total number of paid losses. These two classes, together with life insurance, enjoyed 98.0 percent share in the total number of paid losses. In 1395, Iran Insurance Company (public) paid 81.3 percent of total losses. The number of losses paid by private insurance companies grew by 14.7 percent to 6.6 million, accounting for 18.7 percent of total number of paid losses.

Figure 15.3. Share of insurance companies in number of issued insurance policies and paid losses in 1395



Insurance Companies

Considering the change in the rating of insurance companies in 1395 in terms of issued

direct premium, top insurance companies in this regard included Iran, Asia, Dana, Alborz, Parsian, Pasargad, and Kowsar, with 38.0, 9.9, 7.8, 6.7, 6.3, 4.1, and 3.6 percent. Shares of Iran, Asia, Dana, Alborz, Parsian, Kowsar, and Moallem companies in total paid losses were 43.7, 10.3, 7.7, 7.4, 5.2, 3.8, and 3.3 percent, respectively.

Assets and Liabilities of Insurance Companies

Assets and liabilities of insurance companies rose 23.3 percent to Rls. 432.3 trillion in 1395, mainly due to 32.4 percent rise in claims on insured parties and insurers and 35.7 percent increase in short-term investments on the assets side as well as 28.3 percent rise in premium reserves and 53.7 percent increase in other accounts payable on the liabilities side. Long-term investments of insurance companies increased by 25.0 percent. Claims on insured parties and insurers had the highest share in the assets of insurance companies.

5th Five-Year Development Plan (1390-1395)

The insurance industry of the country enjoyed favorable growth over the course of the 5th Plan. The most important achievements of this sector during this period were as follows:

The number of private insurance companies increased from 24 at end-1390 to 31 in 1395 year-end¹, with their share from total industry rising by 8.7 percentage points from 53.3 percent in the first year of the Plan to 62.0 percent at end-1395. The share of private insurance companies in total paid loss rose by 8.0 percentage points from 48.3 percent in 1390 to 56.3 percent in 1395.

¹ Taavon, Sarmad, Asmari, Qeshm, Tejarat, Hekmat Saba, and Middle East private insurance companies started operation during the 5th FYDP period.

Table 15.2. Assets and Liabilities of Insurance Companies¹ (trillion rials)

	Year-end		Percentage change
	1394	1395	
Assets			
Intangible assets	0.4	0.6	30.2
Fixed tangible assets	63.8	65.5	2.7
Long-term investments	39.2	48.9	25.0
Long-term claims	12.7	13.6	6.8
Other accounts receivable	24.8	30.7	23.8
Short-term investments	55.4	75.2	35.7
Claims on insured parties and insurers	84.7	112.1	32.4
Claims on insurers and reinsurers	5.9	8.7	48.1
Reinsurers' contribution to technical reserves	57.1	69.0	20.9
Cash and cash equivalents	6.5	7.4	13.0
Others	0.2	0.6	225.9
Total assets = total liabilities and shareholders' equity	350.7	432.3	23.3
Liabilities and shareholders' equity			
Insured parties' and insurers' claims	5.8	7.8	35.2
Insurers' and reinsurers' claims	10.6	11.2	5.5
Other accounts payable	34.0	52.2	53.7
Premium reserves	150.6	193.2	28.3
Deferred loss reserve	60.3	60.2	-0.1
Reserve for current risks	6.9	6.7	-3.4
Other technical reserves	20.7	27.2	31.4
Future premiums	3.5	4.4	22.6
Other liabilities ²	9.4	10.0	7.1
Shareholders' equity	48.9	59.4	21.4

Source: Central Insurance of Iran.

¹ Includes public and private insurance companies.

² Includes income tax allowance, dividend, retirement benefits, and others.

Loss ratio of private insurance companies increased from 71.4 percent to 80.7 percent in the same period. The number of insurance policies issued and losses paid by the private sector rose from respectively 18.9 million and 4.1 million in 1390 to 33.3 million and 6.6 million, respectively, in 1395. The premium per capita, indicating the premium paid by each person, increased more than three times as much as 1390 to reach Rls. 3.5 million in 1395, up from Rls. 1.1 million in 1390. In the class of life insurance, as a sign of cultural development and welfare level in the society, direct premium increased from Rls. 6.9 trillion to Rls. 38.0 trillion in the mentioned period (over five times as much). Insurance penetration coefficient, as an important indicator of financial development and the

pace of insurance market as compared to the whole economy, increased from 1.4 percent to 2.2 percent during the course of the 5th FYDP.

Direct premiums on insurance policies issued by insurance companies increased from Rls. 86.1 trillion in 1390 to Rls. 280.2 trillion in 1395, indicating an annual average growth rate of 26.6 percent. Third party liability accounted for the highest share in total direct premiums in this period. The amount of paid loss reached Rls. 183.8 trillion in 1395, up from Rls. 53.7 trillion in the first year of the Plan and showing an annual average increase of 27.9 percent. About half of the paid loss in this period was related to third party liability.

Loss ratio followed a fluctuating trend over the course of the 5th FYDP. The lowest loss ratio by 76.3 percent was related to 1390 and the highest by 89.3 percent, to 1392.

The number of issued insurance policies increased from approximately 35.9 million in 1390 to 56.3 million in the last year of the 5th Plan. "Third party liability" and "driver

accidents" policies accounted for the largest number of insurance policies issued during the 5th FYDP years.

Over the 1390-1395 period, the number of paid losses rose from 8.9 million to 35.3 million. The highest share of the number of paid losses was related to health and third party liability classes.

Table 15.3. Insurance Market Performance during the 5th FYDP

	1390	1391	1392	1393	1394	1395	Annual average growth (percent)
Direct premium (trillion rials)	86.1	131.6	162.1	208.6	228.4	280.2	26.6
Paid loss (trillion rials)	53.7	78.4	104.9	124.0	147.1	183.8	27.9
Loss ratio (percent) ¹	76.3	82.6	89.3	86.3	83.1	83.4	–
Number of issued insurance policies (million)	35.9	39.4	42.8	47.9	49.3	56.3	9.4
Number of paid losses (million)	8.9	13.4	17.7	18.9	25.4	35.3	31.7

¹ Loss ratio was 83.5 percent, on average, during the 5th FYDP years.