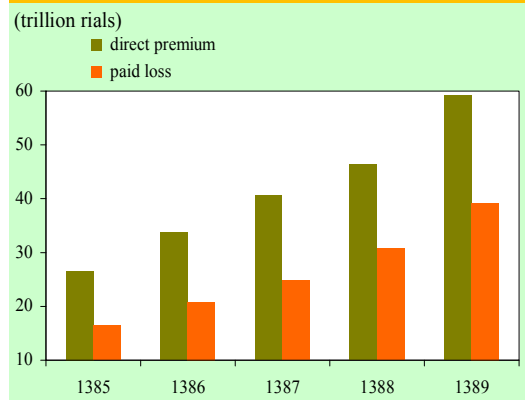


Performance of the insurance market^{1 2} in 1389 revealed a continued upward trend in the number of insurance companies, especially private insurance companies. Share of private insurance companies in total direct premiums³ reached 53.9 percent in 1389 year-end. In this year, total direct premiums issued by public and private companies rose by 27.4 percent to Rls. 59,162 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 picked up by 25.6 percent from Rls. 630.5 thousand in 1388 to Rls. 791.6 thousand in 1389. Of this amount, Rls. 728.9 thousand (92.1 percent) belonged to non-life insurance premium per

capita and the remaining to life insurance premium per capita.

Figure 16.1. Performance of insurance market



In 1389, insurance penetration ratio⁵ slightly increased to 1.4 percent compared with the previous year. This ratio was 1.3 percent for non-life insurance, and 0.1 percent for life insurance. It is to be noted that Dana Insurance Company was privatized in this year.

Performance of Insurance Market

The activities of insurance companies could be assessed through the study of the

¹ Based on the "Statistical Yearbook of Insurance Market Performance, 1389" published by Central Insurance of Iran

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

³ Includes insurance policies issued in 1389. Figures for life insurance premiums are based on received premiums, and for non-life on issued premiums.

⁴ Insurance 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.

⁵ Insurance penetration is calculated as the ratio of total insurance premiums to GDP.

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 the review year, total direct premiums issued by public and private companies reached Rls. 59,162 billion, showing 27.4 percent growth. Third party liability had the highest share in total direct premiums by 41 percent as in the past years, followed by health (18.9 percent), motor property damage (9.2 percent), life (7.9 percent), fire (5.7 percent), and liability (5.4 percent).

In 1389, Iran Insurance Company accounted for 46.1 percent of total direct premiums, and private insurance companies 53.9 percent. The highest share among private insurance companies belonged to Asia Insurance Company by 11.3 percent, followed by Dana (8.6 percent), Alborz (5.8 percent), Parsian (5.6 percent), and Tose (3.7 percent).

Paid Loss

In the review year, the amount of paid loss rose by 27.5 percent to Rls. 39,223.1 billion, compared with last year. As in previous years, over half of the compensation (51.1 percent) was paid as third party liability, followed by health (24.9 percent), motor property damage (9.0 percent), and life (4.3 percent). Of total amount of loss paid in this year, 61.4 percent was related to motor (third party liability, passenger accidents, and property damage).

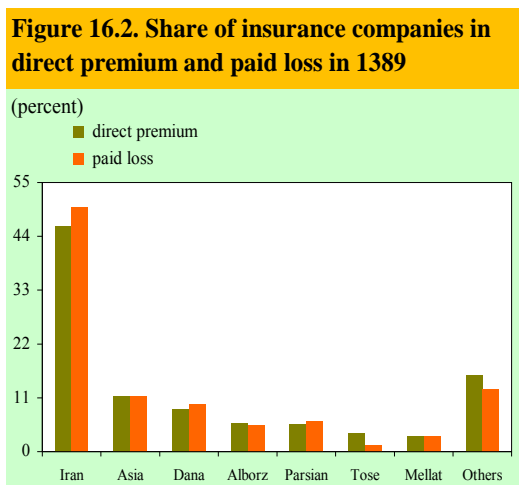


Table 16.1. Performance of Insurance Market

	1388▲	1389	Percentage change
Direct premiums (billion rials)	46,438.2	59,162.0	27.4
Paid loss (billion rials)	30,753.4	39,223.1	27.5
Loss ratio (percent)	74.8	78.5	3.7 ¹

Source: Statistical Yearbook of Insurance Market Performance, 1389, Central Insurance of Iran

¹ In percentage points

Loss Ratio

Loss ratio¹ rose by 3.7 percentage points to 78.5 percent in 1389. Loss ratio for third party liability reached 91.9 percent, up by 0.9 percentage point, compared with 1388.

Issued Insurance Policies

In 1389, more than 32.4 million insurance policies were issued by insurance companies, showing a rise of 10 percent compared with last year. Of total issued insurance policies, 41.8 percent were related to third party liability. Furthermore, 79.3 percent of insurance policies were related to motor (third party liability, passenger accidents, and property damage). In this year, insurance policies related to "other types of insurance" experienced the highest growth (324.5 percent). Meanwhile, Iran Insurance Company issued 48.2 percent of total insurance policies.

Number of Paid Losses

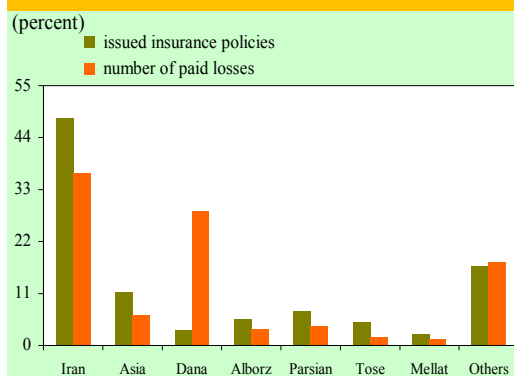
The number of losses paid by insurance companies grew by 49 percent to 6 million. Out of total compensation, the number of health insurances, with 79 percent growth compared with last year, had the highest share in total number of paid losses by 68.3 percent. Third party liability, with 6.6 percent growth compared with the preceding year, constituted 20.5 percent of total paid losses. These two classes, together with motor property damage, accounted for 94.8 percent of total number of paid losses. In 1389, Iran Insurance Company paid 36.6 percent of total losses. Number of losses paid by Dana, Asia and Alborz private insurance companies rose by 120.6 percent to 3.8 million, constituting 63.4 percent of total number of paid losses. Performance of

insurance companies shows that the loss ratios of Dana, Hafez, Mellat, Iran, Moallem and Sina companies exceeded the loss ratio of the insurance market. The loss ratios of Asia, Omid, Day and Saman private insurance companies decreased compared with 1388, while the loss ratios of other companies increased.

Assets and Liabilities of Insurance Companies

In 1389, assets and liabilities of insurance companies totaled Rls. 91,935.8 billion, up by 26.8 percent. This was mainly attributable to 35.6 percent increase in claims on insured parties and insurers on the assets side, and 22.8 percent rise in premium reserves on the liabilities side. Short- and long-term investments of insurance companies picked up by 49.6 and 14.2 percent, respectively. In this year, long-term investments had the highest share in the assets of insurance companies as in the previous year. Shareholders' equity rose by 26.7 percent.

Figure 16.3. Share of insurance companies in issued insurance policies & number of paid losses in 1389



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

Chapter 16 INSURANCE

Table 16.2. Assets and Liabilities of Insurance Companies¹ (billion rials)

	Year-end		Percentage change
	1388	1389	
Assets			
Intangible assets	149.6	148.6	-0.6
Fixed tangible assets	5,986.5	7,425.6	24.0
Long-term investments	19,252.6	21,983.8	14.2
Long-term claims	3,157.7	3,963.2	25.5
Other receivables	6,564.6	8,065.1	22.9
Short-term investments	6,497.6	9,723.5	49.6
Claims on insured parties and insurers	13,785.5	18,697.7	35.6
Reinsurers' contribution to technical reserves	13,027.5	16,077.9	23.4
Cash and cash equivalent	3,180.3	3,590.4	12.9
Others	892.9	2,259.9	153.1
Total assets = total liabilities	72,494.7	91,935.8	26.8
Liabilities			
Insured parties' and insurers' claims	749.9	1,088.8	45.2
Insurers' and reinsurers' claims	3,511.7	5,936.7	69.1
Other accounts payable	7,302.2	9,543.5	30.7
Premium reserves	27,501.3	33,764.6	22.8
Deferred loss reserve	8,160.5	10,243.1	25.5
Reserve for current risks	1,214.7	1,375.7	13.3
Other technical reserves	4,900.0	5,536.6	13.0
Future premiums	1,487.3	1,408.3	-5.3
Other liabilities ²	4,186.1	5,963.0	42.4
Shareholders' equity	13,481.0	17,075.6	26.7

Source: Central Insurance of Iran

¹ Includes public and private insurance companies.

² Includes reserves for income tax, dividend, retirement benefits, and other liabilities.