

Performance of insurance market<sup>1,2</sup> in 2017/18 revealed a continued upward trend in the number of insurance companies, especially the private insurance companies whose share in total direct premiums<sup>3</sup> reached 66.7 percent in March 2018. In this year, total direct premiums issued by public and private companies amounted to Rls. 345.3 trillion, indicating 23.2 percent increase compared with 2016/17. Comparing the upward trend in direct premiums with the pace of population growth indicated an uptrend in the insurance premium per capita<sup>4</sup>, increasing by 22.9 percent from Rls. 3.5 million in 2016/17 to Rls. 4.3 million in 2017/18. Of this amount, Rls. 3.7 million (85.2 percent) belonged to

<sup>1</sup> Figures are based on the "Statistical Yearbook of Insurance Market Performance, 2017/18", published by Central Insurance of Iran. Due to revisions made in this statistical yearbook, figures for previous years, referred to in Balance Sheet 2017/18, are not comparable with previous balance sheets.

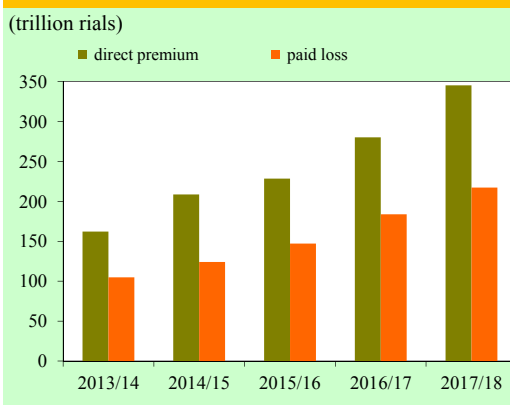
<sup>2</sup> In 2017/18, the insurance market included Iran Insurance Company (public), 23 private insurance companies in the main land (Dana, Asia, Alborz, Moallem, Parsian, Tose, Razi, Karafarin, Sina, Mellat, Day, Saman, Novin, Pasargad, Mihan, Kowsar, Ma, Arman, Taavon, Sarmad, Tejarat, Hekmat Saba, 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 February 2015. Tejarat, Hekmat Saba, and Middle East Insurance companies received work permits from Central Insurance in 2016/17.

<sup>3</sup> Includes insurance policies issued in 2017/18; figures for life insurance premiums are based on received premiums and for non-life, on issued premiums.

<sup>4</sup> Insurance premium per capita is computed through dividing the direct premium by the total population.

non-life insurance premium per capita and the remaining to life insurance premium per capita. In 2017/18, insurance penetration ratio<sup>5</sup> increased by 0.1 percentage point compared with 2016/17 to 2.3 percent. This ratio was 2.0 percent for non-life and 0.3 percent for life insurance.

**Figure 15.1. Performance of insurance market**



### Performance of Insurance Market

The activities of the insurance companies are evaluated through the study of the value of the 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.

<sup>5</sup> 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. 345.3 trillion in 2017/18, showing 23.2 percent growth compared with the year before. As in previous years, third party liability had the highest share in total direct premiums (36.5 percent), followed by health with 24.1 percent, life with 14.8 percent, motor property damage with 5.0 percent, driver accidents with 4.8 percent, liability with 4.6 percent, and fire with 4.3 percent.

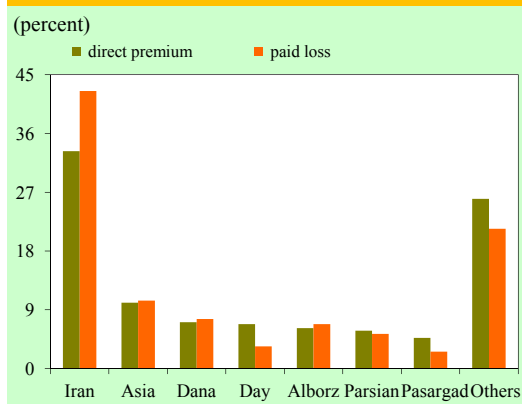
In 2017/18, Iran Insurance Company (public) accounted for 33.3 percent and private insurance companies, 66.7 percent of total direct premiums. The highest share among private insurance companies belonged to Asia Insurance Company by 10.1 percent, followed by Dana (7.1 percent), Day (6.8 percent), Alborz (6.2 percent), Parsian (5.8 percent), and Pasargad (4.7 percent).

**Paid Loss**

The amount of paid loss rose by 18.2 percent to Rls. 217.3 trillion. As in previous years, the highest share of the paid loss in 2017/18 was related to the third party liability by 41.3 percent, followed by health, life, motor property damage, liability, and driver accidents with 33.3, 6.7, 5.1, 4.0, and 3.7 percent, respectively. Totally, 50.1 percent of the paid loss was related to car insurance

(third party liability, driver accidents, and motor property damage). Iran Insurance Company accounted for 42.5 percent of total paid loss in this year.

**Figure 15.2. Share of insurance companies in direct premium and paid loss in 2017/18**



**Loss Ratio**

Loss ratio<sup>1</sup> decreased by 5.7 percentage points to 83.5 percent in 2017/18. Loss ratios of health and third party liability, at respectively 98.5 and 93.1 percent, were higher than the total loss ratio of the insurance market while for other classes, this ratio was between 12.4 and 82.4 percent, which was lower than total. The loss ratio of Iran public insurance company was 88.5 percent, as against 80.5 percent for the private companies.

**Table 15.1. Performance of Insurance Market**

	2016/17 ▲	2017/18 □	Percentage change
Direct premiums (trillion rials)	280.2	345.3	23.2
Paid loss (trillion rials)	183.8	217.3	18.2
Loss ratio (percent)	89.2	83.5	-5.7 <sup>1</sup>

Source: Statistical Yearbook of Insurance Market Performance for 2017/18, Central Insurance of Iran.

<sup>1</sup> In percentage points.

<sup>1</sup> It is the ratio of "incurred loss" to "earned premium".

### Issued Insurance Policies

In 2017/18, about 58.3 million insurance policies were issued, up by 2.9 percent compared with 2016/17. Of total issued insurance policies, 36.7 percent was related to third party liability, with 79.4 percent being related to car insurance in general (third party liability, driver accidents, and motor property damage).

Third party liability insurance policies held the highest share of growth by 2.3 percentage points and Iran Insurance Company issued 43.5 percent of total insurance policies in 2017/18. Meanwhile, the number of insurance policies issued by private companies decreased by 2.2 percent to 32.9 million, accounting for 56.5 percent of total issued policies.

### Number of Paid Losses

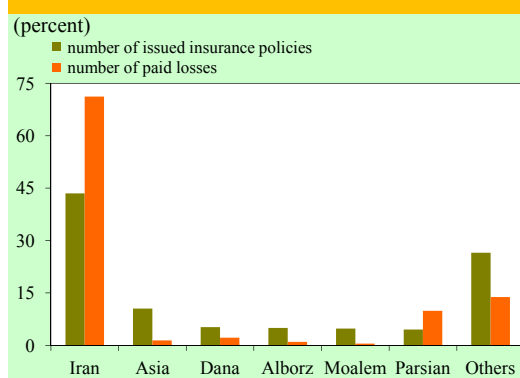
The number of paid losses grew by 38.9 percent to 49.0 million in 2017/18. Health insurance, which grew by 40.4 percent compared with the year before, had the highest share in the number of paid losses by 94.6 percent. Third party liability, with 0.3 percent decrease, had 1.9 percent share in the total number of paid losses. These two classes, together with life insurance, enjoyed 98.3 percent share in the total number of paid losses. In 2017/18, Iran Insurance Company (public) paid 71.2 percent of total losses. Moreover, the number of losses paid by private insurance companies grew by 113.6 percent compared with 2016/17 to reach 14.1 million, which accounted for 28.8 percent of the total number of paid losses.

### Insurance Companies

Given the change in the rating of insurance companies in 2017/18 in terms of the issued direct premium, top insurance companies in

this regard included Iran, Asia, Dana, Day, Alborz, Parsian, and Pasargad, with respectively 33.3, 10.1, 7.1, 6.8, 6.2, 5.8, and 4.7 percent. Shares of Iran, Asia, Dana, Alborz, Parsian, Kowsar, and Day companies in total paid losses were 42.5, 10.4, 7.6, 6.8, 5.3, 3.5, and 3.4 percent, respectively.

**Figure 15.3. Share of insurance companies in number of issued insurance policies and paid losses in 2017/18**



### Assets and Liabilities of Insurance Companies

Assets and liabilities of insurance companies increased by 25.7 percent compared with the year before to reach Rls. 541.7 trillion in 2017/18. This was mainly due to 31.0 percent rise in claims on insured parties and insurers and 37.9 percent increase in reinsurers' contribution to technical reserves on the assets side. Meanwhile, 32.7 percent rise in premium reserves and 152.5 percent increase in insurers' and reinsurers' claims contributed to the rise of liabilities.

Long-term investments of insurance companies increased by 26.0 percent in 2017/18. Claims on insured parties and insurers had the highest share in the assets of insurance companies.

## Chapter 15 INSURANCE

**Table 15.2. Assets and Liabilities of Insurance Companies<sup>1</sup>** (trillion rials)

	Year-end		Percentage change
	2016/17▲	2017/18	
<b>Assets</b>			
Intangible assets	0.5	0.6	20.0
Fixed tangible assets	65.1	70.0	7.5
Long-term investments	46.5	58.6	26.0
Long-term claims	13.6	20.4	50.0
Other accounts receivable	31.7	32.7	3.2
Short-term investments	74.5	96.2	29.1
Claims on insured parties and insurers	112.4	147.3	31.0
Claims on insurers and reinsurers	7.2	10.7	48.6
Reinsurers' contribution to technical reserves	70.7	97.5	37.9
Cash and cash equivalents	8.0	7.4	-7.5
Others	0.6	0.3	-50.0
<b>Total assets = total liabilities and shareholders' equity</b>	<b>430.8</b>	<b>541.7</b>	<b>25.7</b>
<b>Liabilities and shareholders' equity</b>			
Insured parties' and insurers' claims	7.1	9.1	28.2
Insurers' and reinsurers' claims	12.0	30.3	152.5
Other accounts payable	51.6	61.9	20.0
Premium reserves	189.8	251.9	32.7
Deferred loss reserve	73.6	79.9	8.6
Reserve for current risks	12.4	7.3	-41.1
Other technical reserves	27.1	33.5	23.6
Future premiums	4.3	5.6	30.2
Other liabilities <sup>2</sup>	11.7	11.8	0.9
Shareholders' equity	41.2	50.4	22.3

Source: Central Insurance of Iran.

<sup>1</sup> Includes public and private insurance companies.

<sup>2</sup> Includes income tax allowance, dividend, retirement benefits, and others.