

CHAPTER FOURTEEN

INSURANCE

With the rise in the number of insurance companies in Iran, supervising their activities and formulating standard criteria deemed necessary. Accordingly, “Central Insurance of Iran” was established in 1350 and its “High Council of Insurance” approved criteria and regulations pertaining to the mechanism of implementation of insurance operations, and the terms and conditions of various insurance policies. With the approval of the Constitution in 1358, the insurance industry was nationalized and regarded as a public entity.

At present, four insurance companies, namely Iran, Asia, Alborz and Dana are active in Iran. Moreover, “Export and Investment Insurance Company” was established in 1373 with the collaboration of “Central Insurance of Iran”, insurance companies and some banks, and acts in the areas of credit and guarantee insurances. Approval of the Law on “Establishment of Private Insurance Companies” paved the ground for private sector contribution to insurance industry. “Karafarin Insurance Company” is the first and “Mellat Insurance Company” is the biggest private insurance company. Other private insurance companies are: Tose’e, Parsian, Razi, reinsurance “Amin”, and Hafez and Omid (active in the free-trade and special economic zones).

In 1381, insurance services activities of insurance companies in the area of common types of insurance caused the value-added of insurance activities to reach Rls. 2,442.6 billion (at current prices) and Rls. 1,027 billion (at constant 1376 prices). The upward trend of insurance premium compared to population growth raised per capita insurance premium by 56.1 percent from Rls. 88.9 thousand in 1380 to Rls. 138.8 thousand in 1381. Of this amount, Rls. 125.2 thousand (equal to 90.2 percent) was related to per capita of non-life insurances and the remainder to per-capita of life insurances.

Moreover, during the recent years, in the wake of rise in the ratio of growth of insurance premiums compared to GDP growth, the ratio of insurance premium to GDP has been increasing. Thus, the mentioned ratio edged up from 0.86 percent in 1380 to 0.99 percent in 1381, of which 0.9 percent was attributed to non-life and 0.1 percent was that of life insurances.

Performance of the Insurance Industry

Insurance companies issued a total of 11.5 million insurance policies in 1381, up by 27.6 percent compared to the previous year. Out of total insurance policies issued 33.3 percent was related to third party liability insurance. Considering the share of insurance policies issued for passenger accidents and automobile frame, 68.7 percent of the total insurance policies was issued for insurance of automobile. Fire insurance issuing 2.3 million insurance policies registered the highest growth of 81.2 percent in issuing insurance policies among various insurance fields.

Data on insurance companies denotes that “Iran” and “Asia” Insurance Companies issued 56.3 and 24.7 percent of the total insurance policies, respectively.

Number of Claims

Number of claims paid out in the review year, with 2.9 percent decline, reached 2 million. Medical insurance field with a share of 48.6 percent had the highest number of paid claims with 18.6 percent reduction compared with the previous year. Third party liability insurance with a share of 36.2 percent and a growth of 18.5 percent ranked the second. With the inclusion of automobile frame and accidents insurance fields, the four above mentioned fields accounted for 96.4 percent of the total claims paid out in the review period.

“Iran” and “Dana” Insurance Companies paid totally 70.1 percent of insurance claims.

Issued Insurance Premium⁽¹⁾

In 1381, the amount of insurance premium issued by insurance companies with 58.5 percent rise compared to the previous year reached Rls. 9,097.5 billion. The highest share of 33.8 percent of issued insurance premium belonged to third party liability insurance field. Medical, automobile frame, life and fire insurance fields had respectively the highest shares. The insurance premium for all insurance fields surged, among which insurance premium for credit, aeroplane, engineering, hull and other types⁽²⁾ of insurance had the highest, and passenger accidents field with 19 percent growth had the least growth among insurance fields. “Iran” and “Asia” Insurance Companies issued 81 percent of the total insurance premiums issued.

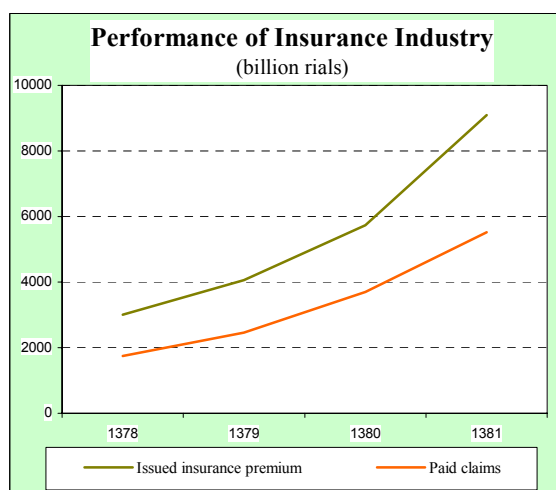
Paid Claims

The amount of paid out claims amounted to Rls. 5,526.6 billion, up by 49.6 percent compared to the previous year. More than half of the paid claims, i.e. 56.5 percent was paid as third party liability insurance. Medical, life and fire insurance with 14.2, 8 and 7.8 percent share, respectively had the highest shares of paid claims after third party liability insurance. Paid claims in third party liability and medical insurance surged by 56.1 and 22.7 percent, respectively compared to 1380.

“Iran”, “Asia”, “Dana” and “Alborz” Insurance Companies paid 57.4, 25.6, 12.7 and 4.3 percent of the total claims paid, respectively.

Claim Coefficient

In 1381, claim coefficient edged down by 1.7 percentage points to 79.7 percent. It has been fluctuating during the past five years. Claim coefficient for third party liability, hull and credit insurance was more than 100 percent, in that third party liability insurance with a claim coefficient of 127.5 percent and due to its noticeable share in insurance market had the greatest effect on claim coefficient. The claim coefficient for property, medical, engineering and life insurance ranged between 70 to 100 percent, and for transportation, fire, passenger accidents and liability insurance less than 45 percent.



(1) It includes insurance policies issued in the review year, whether they are valid or not.

(2) Includes fidelity bond, deposit, livestock and poultry and various other insurance fields in insurance companies' portfolio.

Claim coefficients for “Asia”, “Iran”, “Dana” and “Alborz” insurance companies were 91, 78.9, 71.4 and 64.1 percent, respectively.

PERFORMANCE OF INSURANCE INDUSTRY

	1380	1381	Percentage change
Issued insurance premium (billion rials)	5,739.7	9,097.5	58.5
Paid claim (billion rials)	3,694.3	5,526.6	49.6
Claim coefficient (percent)	81.4	79.7	-1.72 ⁽¹⁾

Source: Central Insurance of Iran

(1) Change in unit

Act on Establishment of Private Insurance Companies

(Approved in Shahrivar, 1380)

In order to expand and develop the insurance industry, enhance competition and efficiency in insurance market, promote public welfare, increase social and economic security, enhance insurance role in economic growth and prevent damages and losses to the society, considering Article 44 of the Constitution and in the framework of the following specified rules and conditions, permits for the establishment of private insurance companies are given to legal local entities:

1. Policymaking in insurance industry, supervising insurance activities and issuing insurance activity permit will remain within the authority of the government to ensure sovereignty.

2. Regulations pertaining to procedures of establishment and activity of the local insurance companies, such as condition of acquiring license to establish and its abolition, the procedures to transfer portfolio and merger, dissolving and bankruptcy of insurance companies, the scope of insurance activity and reinsurance including types of insurance transactions, premium and commission related to different fields of insurance, the amount of technical reserves and legal reserves and type of its investment will be subject to the “Establishment Act of Central Insurance of Iran of 1350” and the “Insurance Act of 1316”.

3. The minimum capital of insurance companies subject of Article 36 of the “Establishment Act of Central Insurance of Iran Approved on 30.3.1350” is specified according to the proposal of Central Insurance of Iran, confirmed by the Ministry of Economic Affairs and Finance, being approved by the Cabinet.

The minimum capital required for the establishment of non-public insurance companies is as follows:

Life Insurance Company: Rls. 80 billion

Non-life Insurance Company: Rls. 80 billion

Mixed (life and non-life) Insurance Company: Rls. 140 billion

Reinsurance Company: Rls. 200 billion