

# CHAPTER FOURTEEN

## INSURANCE

The performance of insurance industry in 1382 is indicative of the continued improvement, especially in private insurance companies. The insuring services of insurance companies in various fields led to the growth of the value-added of insurance services by 5.8 percent at constant 1376 prices compared to the previous year. The upward trend of insurance premium as compared to relatively stable population growth in recent years raised per capita insurance premium index. Therefore, per capita insurance premium rose by 36.1 percent from Rls. 138.8 thousand in 1381 to Rls. 188.9 thousand in the review year, Rls. 173.5 thousand (91.9 percent) of which was related to per capita of non-life and the remainder to per capita of life insurances<sup>(1)</sup>.

Moreover, in the wake of rise in the growth rate of insurance premiums compared to GDP growth, the ratio of insurance premium to GDP went up from 0.99 percent in 1381 to 1.13 percent in the review year. This ratio was 1.04 and 0.09 percent for non-life and life insurances, respectively.

### Performance of Insurance Industry

In the review year, 14.9 million insurance policies were issued, up by 29.6 percent compared to the previous year, 41.1 percent of which was related to third party liability. With the inclusion of insurance policies issued for passenger accidents and auto property damage, 75.1 percent of the total insurance policies were issued for auto insurance. Among the insurance policies issued, the highest growth (80.7 percent) was related to health insurance policy.

### Number of Claims

Number of claims paid out in 1382, with 10.3 percent growth, reached 2.1 million. Health insurance with 0.5 percent growth had the highest share of paid claims (44.2 percent). Third party liability insurance with 16.4 percent growth and 38.1 percent share ranked the second. Considering the share of auto property damage and accidents insurance, more than 95.8 percent of the total number of paid claims belonged to the four above mentioned fields.

### Direct Premium<sup>(2)</sup>

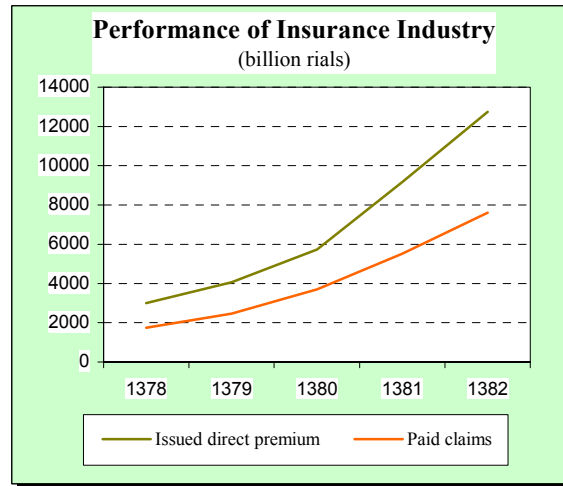
The direct premium earned by insurance companies, with 38.8 percent rise compared to the previous year, amounted to Rls. 12,743.3 billion, 36.5 percent of which was issued for third

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(1) Per capita insurance premium is the amount of premium which is paid on average for each person's insurance coverage.

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

party liability. Auto property damage, health, life and fire insurance fields had the highest share. Direct premiums issued for marine hull, aviation and aircraft, engineering and credit fields declined in the previous year. Among various fields, oil and energy, liability, money, auto property damage and third party liability insurance fields enjoyed the highest growth in the amount of issued direct premium, while engineering with 18.7 percent reduction had the least share.



### Paid Loss<sup>(1)</sup>

The amount of paid loss increased by 37.8 percent compared to the previous year to Rls. 7,617.5 billion. More than half of the paid loss (58.3 percent) was paid as third party liability. Health, auto property damage and life insurance with 14.1, 9.1 and 6.6 percent share, respectively had the highest share of the paid losses. Paid loss for third party liability and health insurance grew by 42.3 and 36.7 percent, respectively. Overall, 69.5 percent of the total losses was paid for coverage of driving risks; i.e., third party liability, passenger accidents and auto property damage insurance policies.

### Loss Ratio<sup>(2)</sup>

Loss ratio with 7.1 percentage points reduction compared to the previous year amounted to 72.1 percent in 1382. This has been fluctuating during the past five years. Loss ratio for third party liability and other types of insurance, was more than 100 percent, in that third party liability with a loss ratio of 109.7 percent and due to its noticeable share in insurance market had the greatest effect on loss ratio. Loss ratio for credit, health and life insurance ranged between 70 and 100 percent and for transportation, fire, passenger accidents, aviation and aircraft, money and oil and energy insurance fields was less than 45 percent.

#### PERFORMANCE OF INSURANCE INDUSTRY

	1381	1382	Percentage change
Earned premiums (billion rials)	9,178.7	12,743.3	38.8
Incurred losses (billion rials)	5,526.6	7,617.5	37.8
Loss ratio (percent)	79.2	72.1	-7.1 <sup>(1)</sup>

Source: Iran Central Insurance (1) Change in unit

### Assets and Liabilities of Insurance Companies

Assets and liabilities of insurance companies<sup>(3)</sup> grew by 47.2 percent in 1382 to Rls. 14,511.6 billion. This was largely due to 169.7 percent rise in the current investments in assets side and 233 percent increase in the right of shareholders in liabilities side. Short-term and long-term bank deposits of insurance companies surged by 59.5 and 4.8 percent to Rls. 567.3 and 2,843.6 billion, respectively. Insurance companies' short- and long-term investments rose by 169.7 and

(1) It includes claims paid in the review year.

(2) It is the ratio of "incurred losses" to "earned premiums".

(3) Includes Iran, Asia, Dana and Alborz Insurance Companies holding 97 percent of insurance market share.

67 percent to Rls.1,799.7 and 438.6 billion, respectively. Moreover, their net assets, less their current liabilities (equal to the sum of capital resources), with a remarkable rise of 50.3 percent increased to Rls. 11,915.3 billion.

<b>ASSETS AND LIABILITIES OF INSURANCE COMPANIES (1)</b>		(billion rials)	
	Year-end		Percentage change
	1381	1382	1382
<b>Assets</b>			
<b>Current</b>	<b>4,861.6</b>	<b>7,514.7</b>	<b>54.6</b>
Inventories	8.6	11.3	31.4
Receivables	3,161.3	4,024.7	27.3
Short-term bank deposits	355.7	567.3	59.5
Current investments	667.3	1,799.7	169.7
Cash and cash equivalent	668.7	1,111.7	66.2
<b>Non-current assets</b>	<b>4,994.8</b>	<b>6,996.9</b>	<b>40.1</b>
Fixed assets	1,471.0	2,682.5	82.4
Long-term bank deposits	2,712.2	2,843.6	4.8
Participation papers	222.4	384.2	72.8
Long-term investments	262.6	438.6	67.0
Long-term claims	326.6	648.0	98.4
<b>Total assets = Total liabilities</b>	<b>9,856.4</b>	<b>14,511.6</b>	<b>47.2</b>
<b>Liabilities</b>			
Current	1,926.5	2,596.3	34.8
Long-term	7,038.4	8,946.3	27.1
Right of shareholders	891.5	2,969.0	233.0

(1) Includes Iran, Asia, Dana and Alborz Insurance Companies.