

A review on the performance of the insurance market^{1,2} in 2019/20 reveals the continued upward trend in the number of insurance companies. Direct premiums³ issued by public and private companies amounted to Rls. 602.0 trillion in the year under study, up by 31.6 percent compared with the previous year. A comparison of the upward trend in direct premiums with the pace of population growth indicates an uptrend in the insurance premium per capita⁴ in 2019/20, increasing by 28.6 percent from Rls. 5.6 million in 2018/19 to Rls. 7.2 million in the year under review. Out of the mentioned amount, a sum of Rls. 6.2 million (equal to 85.7 percent) belonged to non-life insurance premiums per capita, and the remaining amount was related to life insurance premiums per capita.

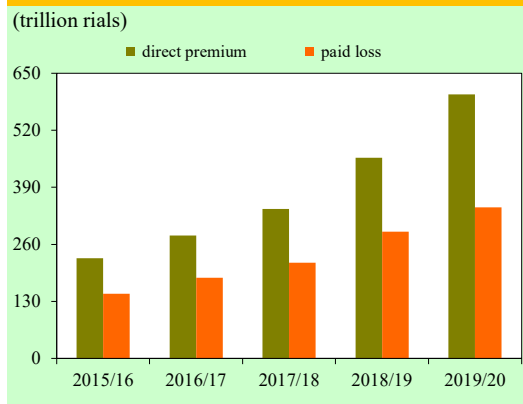
¹ Figures are based on the Statistical Yearbooks of the Insurance Industry for 2018/19 and 2019/20, published by the Central Insurance of Iran.

² In 2019/20, the insurance market included Iran Insurance Company (public), 24 private insurance companies in the main land (Asia, Alborz, Dana, Moallem, Parsian, Tose, Razi, Karafarin, Sina, Mellat, Day, Saman, Novin, Pasargad, Mihan, Kowsar, Ma, Arman, Taavon, Sarmad, Tejaratno, Hekmat Saba, Middle East Life Insurance, and Baran 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 33. Baran Life Insurance Company received work permit from Central Insurance of Iran in April 2020.

³ Data on direct premiums include insurance policies issued in 2019/20. 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 premiums by the total population.

Figure 15.1. Performance of Insurance Market



In 2019/20, the insurance penetration ratio⁵ increased by 0.1 percentage point compared with the year before to reach 2.5 percent. For non-life insurances, this ratio stood at 2.1 percent and for life insurances, at 0.4 percent.

15.1. Performance of Insurance Market

The activities of insurance companies are evaluated through the study of the value of the direct premiums issued and the amount of compensation paid on each insurance policy. Comparing these indices with the number of insurance policies and paid losses is a good index of the activities of insurance companies.

⁵ This ratio is calculated through dividing direct premiums by GDP at current prices, multiplied by 100. The ratio reported here is based on unrevised GDP figures, not matching the ones mentioned in Table 1 in the Appendix.

15.1.1. Direct Premium

Direct premiums issued by public and private insurance companies amounted to Rls. 602.0 trillion in 2019/20, indicating a growth rate of 31.6 percent compared with the year before. As in previous years, third party liability had the highest share in total direct premiums by 34.1 percent, followed by health with 22.9 percent, life with 14.3 percent, motor property damage with 7.3 percent, liability with 4.6 percent, fire with 4.4 percent, and driver accidents with 4.4 percent.

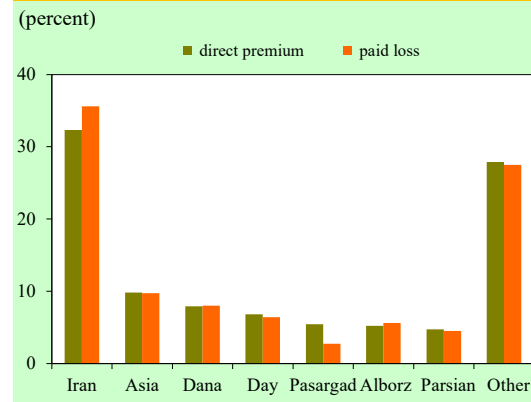
Iran Insurance Company (public) accounted for 32.3 percent of direct premiums and private insurance companies constituted 67.7 percent of total. The highest share among private companies belonged to Asia Insurance Company by 9.8 percent, followed by Dana by 7.9 percent, Day by 6.8 percent, Pasargad by 5.4 percent, Alborz by 5.2 percent, and Parsian by 4.7 percent.

15.1.2. Paid Loss

The amount of paid loss rose by 19.0 percent to Rls. 344.1 trillion. As in previous years, the highest share of the paid loss in 2019/20 was related to the third party liability by 40.5 percent, followed by health, life, motor property damage, driver accidents, and liability with 30.5, 7.7, 6.6, 5.5 and 3.7 percent, respectively. Car insurance (third party liability, driver accidents, and

motor property damage) accounted for 52.6 percent of total paid loss. Iran Insurance Company covered 35.6 percent of the total value of paid loss in this year. The share of private insurance companies in paid loss was 64.4 percent, with the highest shares being related to Asia (9.7 percent), Dana (8.0 percent), Day (6.4 percent), Alborz (5.6 percent), Parsian (4.5 percent), and Pasargad (2.7 percent).

Figure 15.2. Share of Insurance Companies in Direct Premium and Paid Loss in 2019/20



15.1.3. Loss Ratio

Loss ratio¹ decreased by 5.1 percentage points to 83.8 percent in 2019/20. The loss ratios of ship, transportation, third party liability, driver accidents, and health insurances were respectively 133.8, 111.8, 107.0, 97.4 and 85.4 percent.

Table 15.1. Performance of Insurance Market

| | 2018/19▲ | 2019/20□ | Percentage change |
|----------------------------------|----------|----------|-------------------|
| Direct premiums (trillion rials) | 457.3 | 602.0 | 31.6 |
| Paid loss (trillion rials) | 289.1 | 344.1 | 19.0 |
| Loss ratio (percent) | 88.8 | 83.8 | -5.1 ¹ |

Source: Statistical Yearbook of the Insurance Industry, Central Insurance of Iran, 2019/20. ¹In percentage points.

¹ Loss ratio is calculated through dividing "incurred loss" to "earned premium" in the same year, multiplied by 100.

The mentioned ratios were all higher than the total loss ratio of the insurance market, which was 83.8 percent. For other classes, however, the ratios were lower (between -13.8 and 63.7 percent). The loss ratio of Iran insurance company was 87.3 percent, as against 82.0 percent for private companies.

15.1.4. Number of Issued Insurance Policies

In 2019/20, about 63.0 million insurance policies were issued, indicating an increase of 2.7 percent compared with the year before. It is important to note that 36.4 percent of the issued insurance policies were related to third party liability, with 78.7 percent being related to car insurance as a whole (including third party liability, driver accidents, and motor property damage). Third party liability insurance policies held the highest share of growth by 1.0 percentage point.

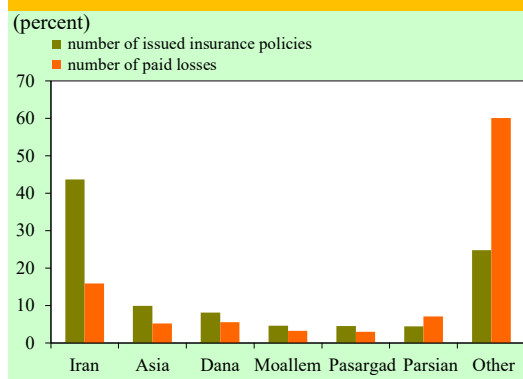
Iran Insurance Company (public) issued 43.7 percent of all insurance policies in 2019/20. The number of insurance policies issued by private companies increased by 4.8 percent, compared with the year before, to reach 35.5 million. This accounted for 56.3 percent of all the insurance policies issued in 2019/20.

15.1.5. Number of Paid Losses

The number of paid losses decreased by 10.9 percent to 54.2 million in 2019/20. The number of losses paid on health insurance, which declined by 9.5 percent compared with 2018/19, enjoyed the highest share in the number of paid losses by 94.8 percent. Third party liability, with an increase of 3.7 percent, had a share of 1.9 percent in the number of paid losses. These two classes, together with life insurance, enjoyed a share of 98.5 percent in the total number of

paid losses. In 2019/20, Iran Insurance Company (public) paid 15.9 percent of all losses. Meanwhile, the number of losses paid by private insurance companies decreased by 3.3 percent compared with 2018/19 to reach 45.6 million, which accounted for 84.1 percent of the total number of paid losses.

Figure 15.3. Share of Insurance Companies in Number of Issued Insurance Policies and Paid Losses in 2019/20



15.2. Insurance Companies

In 2019/20, the ratings of insurance companies in terms of the issued direct premiums underwent revision compared with the year before. Consequently, top insurance companies in this regard included Iran, Asia, Dana, Day, Pasargad, Alborz, and Parsian with shares of respectively 32.3, 9.8, 7.9, 6.8, 5.4, 5.2 and 4.7 percent. Shares of Iran, Asia, Dana, Day, Alborz, Parsian, and Moallem companies in paid losses were 35.6, 9.7, 8.0, 6.4, 5.6, 4.5 and 4.4 percent, respectively.

Comparing insurance companies in terms of the loss ratio indicates that the loss ratios of Mellat, Mihan, Iran Moein, Novin, Razi, Moallem, Alborz, Iran, Asia, Tejaratno, and Sarmad companies were higher than the loss ratio of the whole insurance market in 2019/20.

15.3. Assets and Liabilities of Insurance Companies

The assets and liabilities of insurance companies increased by 38.9 percent compared with March 2019 to reach Rls. 1,001.3 trillion in March 2020. This was mainly due to a rise of 51.8 percent in "investment in securities and bank deposits" and an increase of 30.6 percent in "claims on

insured parties and representatives" on the assets side. Meanwhile, an increase of 40.4 percent in "mathematical reserve, life insurance, and capital formation" and a growth rate of 29.8 percent in "unearned premium reserves" contributed to the rise of liabilities.

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

| | March | | Percentage change |
|---|--------------|----------------|-------------------|
| | 2019▲ | 2020 | |
| Assets | | | |
| Cash and cash equivalents | 19.8 | 33.1 | 66.8 |
| Claims on insured parties and representatives | 187.3 | 244.6 | 30.6 |
| Claims on insurers and reinsurers | 21.7 | 23.4 | 8.0 |
| Share of reinsurers in technical reserves | 133.1 | 178.3 | 33.9 |
| Premiums receivable and prepayment of premiums | 30.4 | 49.8 | 63.9 |
| Facilities extended to natural and legal persons | 25.7 | 33.5 | 30.5 |
| Investment in securities and bank deposits | 220.7 | 334.9 | 51.8 |
| Investment in real estate and property | 3.5 | 4.6 | 29.4 |
| Other investment | 2.8 | 2.7 | -3.8 |
| Non-current assets held for sale | 1.6 | 1.6 | 0.4 |
| Tangible fixed assets | 71.7 | 91.8 | 27.9 |
| Intangible assets | 0.8 | 1.0 | 22.8 |
| Other | 1.9 | 2.1 | 9.9 |
| Assets = Liabilities + Equity | 721.0 | 1,001.3 | 38.9 |
| Liabilities and shareholders' equity | | | |
| Debt to insured parties and representatives | 25.4 | 30.5 | 20.0 |
| Debt to insurers and reinsurers | 51.9 | 72.4 | 39.6 |
| Accrued taxes | 10.1 | 10.0 | -1.1 |
| Dividends payable | 1.3 | 1.3 | 1.0 |
| Facilities | 0.9 | 0.3 | -72.4 |
| Other payables | 61.8 | 76.4 | 23.6 |
| Deferred loss reserves | 105.1 | 155.7 | 48.2 |
| Reserve for current risks | 17.6 | 20.1 | 14.5 |
| Unearned premium reserves | 181.0 | 234.9 | 29.8 |
| Mathematical reserve, life insurance, and capital formation | 162.6 | 228.3 | 40.4 |
| Other technical reserves | 53.4 | 67.5 | 26.3 |
| Pension reserve funds | 6.4 | 9.6 | 50.2 |
| Shareholders' equity | 43.4 | 94.2 | 116.9 |

Source: Central Insurance of Iran

¹ Includes public and private insurance companies.