

A review on the performance of the insurance market<sup>1,2</sup> in the year 2020/21 reveals the continued upward trend in the number of insurance companies. The direct premiums<sup>3</sup> issued by both public and private companies amounted to Rls. 820.3 trillion in the year under study, up by 37.9 percent compared with the previous year. A comparison of the upward trend in direct premiums with the pace of population growth indicates an up-trend in the insurance premium per capita<sup>4</sup> in 2020/21, increasing by almost 36.3 percent from Rls. 7.2 million in 2019/20 to Rls. 9.8 million in the year under review. Out of the mentioned amount (Rls. 9.8 million), a sum of Rls. 8.3 million (equal to 84.7 percent) belonged to the non-life insurance premiums per capita, and the remaining amount was related to the life insurance premiums per capita.

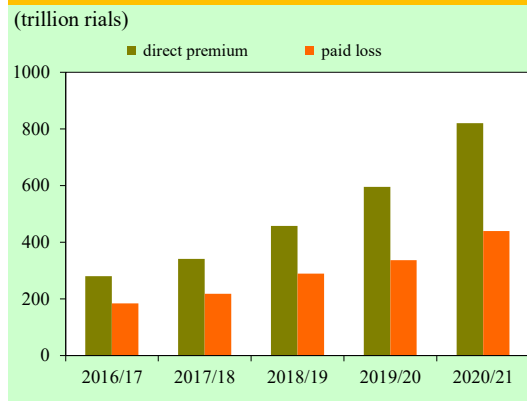
<sup>1</sup> Figures are based on the Statistical Yearbooks of the Insurance Industry for 2019/20 and 2020/21, published by the Central Insurance of Iran.

<sup>2</sup> In 2020/21, 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, Miham, 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.

<sup>3</sup> Data on direct premiums include insurance policies issued in 2020/21. 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 premiums by the total population.

**Figure 16.1. Performance of Insurance Market**



The insurance penetration ratio remained unchanged at 2.5 percent<sup>5</sup> in 2020/21 when compared with the year before. The insurance penetration ratio stood at 2.1 percent for non-life insurances and 0.4 percent for life insurances.

### 16.1. 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.

<sup>5</sup> 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. Based on the revised figures, the insurance penetration ratio equals 2.1 percent (Table (99) in the Appendix).

**16.1.1. Direct Premium**

Direct premiums issued by public and private insurance companies amounted to Rls. 820.3 trillion in 2020/21, up by 37.9 percent compared with 2019/20. As in previous years, third party liability had the highest share in total direct premiums by 33.6 percent, followed by health with 19.3 percent, life with 15.3 percent, motor property damage with 8.9 percent, fire with 4.6 percent, liability with 4.5 percent, and driver accidents with 4.1 percent.

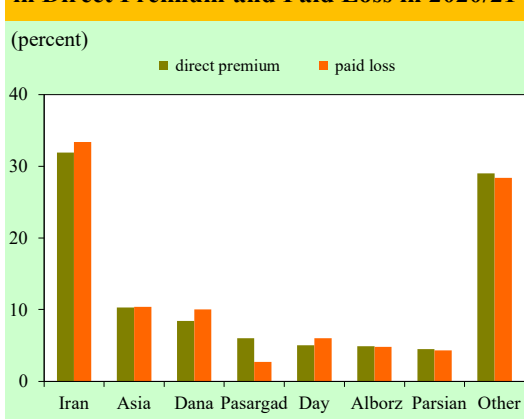
Iran Insurance Company (public) accounted for 31.9 percent of direct premiums and private insurance companies constituted 68.1 percent of total. The highest share among private companies belonged to Asia Insurance Company by 10.3 percent, followed by Dana by 8.4 percent, Pasargad by 6.0 percent, Day by 5.0 percent, Alborz by 4.9 percent, and Parsian by 4.5 percent.

**16.1.2. Paid Loss**

The amount of paid loss rose by 30.5 percent to Rls. 439.6 trillion. As in previous years, the highest share of the paid loss in 2020/21 was related to the third-party liability by 40.0 percent, followed by health, life, motor property damage, driver accidents, and liability with 27.0, 9.5, 6.5, 5.6 and 4.3 percent, respectively. Car insurance (third party liability, driver accidents, and

motor property damage) accounted for 52.1 percent of total paid loss. Iran Insurance Company covered 33.4 percent of the total value of paid loss in this year. The share of private insurance companies in paid loss was 66.6 percent, with the highest shares being related to Asia (10.4 percent), Dana (10.0 percent), Day (6.0 percent), Moallem (5.0 percent), Alborz (4.8 percent), and Kowsar (4.7 percent).

**Figure 16.2. Share of Insurance Companies in Direct Premium and Paid Loss in 2020/21**



**16.1.3. Loss Ratio**

Loss ratio<sup>1</sup> decreased by 1.3 percentage points to 82.3 percent in 2020/21. The loss ratios of "ship", "third party liability", and "driver accidents" classes were 193.9, 108.8 and 86.3 percent, respectively.

**Table 16.1. Performance of Insurance Market**

	2019/20 ▲	2020/21 □	Percentage change
Direct premiums (trillion rials)	594.6	820.3	37.9
Paid loss (trillion rials)	336.8	439.6	30.5
Loss ratio (percent)	83.6	82.3	-1.3 <sup>1</sup>

Source: Statistical Yearbook of the Insurance Industry, Central Insurance of Iran, 2020/21.

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

<sup>1</sup> Loss ratio is calculated through dividing "incurred loss" into "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 82.3 percent. For other classes, however, the ratios were lower (between 2.5 and 81.6 percent). The loss ratio of Iran insurance company was 85.5 percent, as against 80.8 percent for private companies.

#### 16.1.4. Number of Issued Insurance Policies

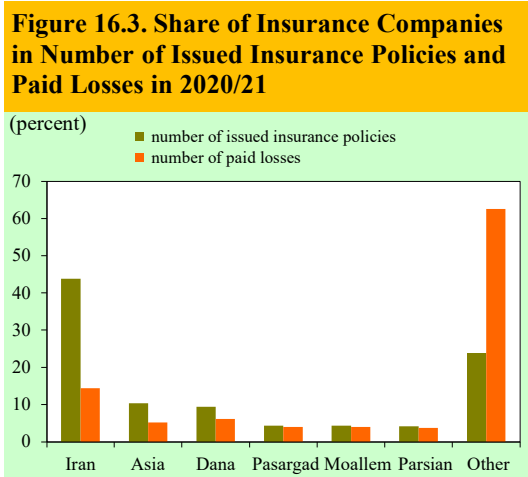
In 2020/21, about 64.0 million insurance policies were issued, indicating an increase of 1.3 percent compared with 2019/20. It is important to note that 37.2 percent of the issued insurance policies were related to third party liability, with 80.5 percent being related to car insurance as a whole (including third party liability, driver accidents, and motor property damage). Life insurance policies held the highest share of growth by 2.4 percentage points.

Iran Insurance Company (public) issued 43.8 percent of all insurance policies in the year under review. The number of insurance policies issued by private companies rose by almost 0.9 percent compared with 2019/20, to reach 36.0 million. Private insurance companies issued 56.2 percent of all the insurance policies in 2020/21.

#### 16.1.5. Number of Paid Losses

The number of paid losses decreased by about 9.8 percent to 50.5 million in 2020/21. The number of losses paid on health insurance, which declined by 9.9 percent compared with 2019/20, enjoyed the highest share in the number of paid losses by 93.7 percent. Third party liability, with a decrease of 12.6 percent, had a share of 2.5 percent in the number of paid losses. These two classes, together with life insurance, enjoyed a share of 98.3 percent in the total number of

paid losses. In 2020/21, Iran Insurance Company (public) paid 14.4 percent of all losses. Meanwhile, the number of the losses paid by private insurance companies decreased by 7.1 percent to 43.2 million. Private insurance companies accounted for 85.6 percent of the total number of paid losses.



#### 16.2. Insurance Companies

In 2020/21, the ratings of insurance companies in terms of the issued direct premiums changed compared with the year before. Consequently, top insurance companies in this regard included Iran, Asia, Dana, Pasargad, Day, Alborz, and Parsian with shares of respectively 31.9, 10.3, 8.4, 6.0, 5.0, 4.9 and 4.5 percent in total direct premiums. Shares of Iran, Asia, Dana, Day, Moallem, Alborz, and Kowsar companies in paid losses were respectively 33.4, 10.4, 10.0, 6.0, 5.0, 4.8 and 4.7 percent. A comparison of insurance companies in terms of the loss ratio indicates that the loss ratios of Moallem, Hafez, Mihan, Mellat, Sina, Omid, Qeshm, Dana, Asia, and Iran insurance companies were higher than the loss ratio of the whole insurance market, which was 82.3 percent in the year under study.

### 16.3. Assets and Liabilities of Insurance Companies

The assets and liabilities of insurance companies rose by 68.5 percent compared with March 2020 to reach Rls. 1,687.4 trillion in March 2021. This was mainly due to an increase of 76.4 percent in "investment in securities and banking deposits" and a rise

of 235.0 percent in "fixed tangible assets" on the assets side. Meanwhile, an increase of 179.9 percent in "unearned premium reserves" and a growth rate of 334.0 percent in "shareholders' equity" contributed to the rise of liabilities.

**Table 16.2. Assets and Liabilities of Insurance Companies<sup>1</sup>** (trillion rials)

	March		Percentage change
	2020	2021□	
<b>Assets</b>			
Cash and cash equivalents	33.1	57.7	74.6
Claims on insured parties and representatives	244.6	317.0	29.6
Claims on insurers and reinsurers	23.4	39.5	68.6
Share of reinsurers in technical reserves	178.3	244.3	37.0
Premiums receivable and prepayment of premiums	49.8	59.4	19.2
Facilities extended to natural and legal persons	33.5	45.9	36.9
Investment in securities and banking deposits	334.9	590.7	76.4
Investment in real estate and property	4.6	14.4	215.8
Other investment	2.7	3.5	30.8
Non-current assets held for sale	1.6	2.9	84.2
Fixed tangible assets	91.8	307.4	235.0
Intangible assets	1.0	1.6	62.7
Other	2.1	3.1	52.7
<b>Assets = Liabilities + Equity</b>	<b>1,001.3</b>	<b>1,687.4</b>	<b>68.5</b>
<b>Liabilities and shareholders' equity</b>			
Debt to insured parties and representatives	30.5	34.7	13.7
Debt to insurers and reinsurers	72.4	83.8	15.7
Accrued taxes	10.0	18.6	87.1
Dividends payable	1.3	3.5	168.0
Facilities	0.3	6.4	#
Other payable items	76.4	108.1	41.4
Deferred loss reserves	155.7	232.0	48.9
Reserve for current risks	20.1	15.9	-21.2
Unearned premium reserves	234.9	657.5	179.9
Mathematical reserve, life insurance, and capital formation	228.3	0.0	-100.0
Other technical reserves	67.5	105.7	56.7
Pension reserve funds	9.6	12.4	28.5
Shareholders' equity	94.2	408.8	334.0

Source: Central Insurance of Iran

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