

CHAPTER FOURTEEN

INSURANCE

The performance of insurance industry was noticeable in 1383. This was mostly due to ongoing efforts of the private insurance companies in the various fields of insuring services which caused the value-added of this industry to increase by 15.7 percent to Rls. 1,455 billion (at constant 1376 prices). The upward trend of insurance premium, as compared to relatively stable population growth over the recent years, helped per capita insurance premium index have an upward trend as well. Thus, per capita insurance premium, with a growth of 35.8 percent, reached Rls. 256.5 thousand in 1383 from Rls. 188.9 thousand in 1382. Of this amount, Rls. 240.8 thousand (93.9 percent) belonged to per capita of non-life and the remainder to per capita of life insurances⁽¹⁾.

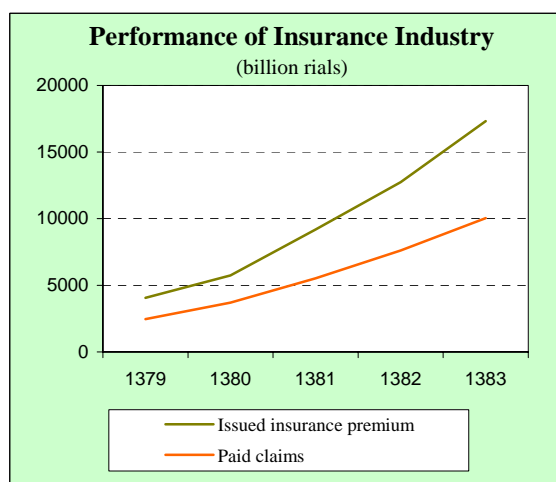
Furthermore, during the recent years, due to the rise in insurance premiums as compared to GDP growth, the ratio of insurance premium to GDP went up from 1.13 percent in 1382 to 1.25 percent in the review year. This ratio was 1.17 percent for non-life and 0.08 percent for life insurances.

Performance of Insurance Industry

The activities of insurance companies could be assessed through the study of the number of insurance premiums issued and the amount of compensation paid in each insurance policy.

Direct Premium⁽²⁾

In 1383, a total of 15.4 million insurance policies with Rls. 17,310.7 billion insurance premiums were issued by insurance companies (public and private), up by 5.4 and 35.8 percent respectively, as compared with the previous year. Third party liability with 40.4 percent had the highest share in the total direct premiums. Auto property damage, health, fire, life and transportation ranked next, respectively.



(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.

Out of the total insurance policies issued, 39.8 percent were related to third party liability. Taking into account the issued policies for the passenger accidents and the auto property damage, 75 percent of the total insurance policies were issued for the auto insurance (third party liability, passenger accidents, and auto property damage). In this year, the issuance of health policy had the highest growth (41.3 percent) among other insurance fields.

Compensation Paid

In 1383, the number of losses paid by insurance companies (public and private) with 11.9 percent rise, reached 2.9 million and the amount of compensation increased by 31.7 percent as compared to the previous year to Rls. 10,033.5 billion. As in the previous years, more than half of the compensation (58.3 percent) was paid as third party liability, in 1383. Auto property damage, health and life, with respective shares of 12.1, 11.2 and 6.1 percent, had the highest shares of the compensation paid. Out of total compensation, the number of health insurance had the highest share of 58.6 percent, up by 18.9 percent as compared with the respective period of the previous year.

Moreover, loss ratio⁽¹⁾ reached 75.4 percent, up by 3.3 percentage points as compared to the previous year. Loss ratio for third party liability, with 7 percentage points reduction compared to the year before, amounted to 102.7 percent. Loss ratio for money, life, health and oil and energy ranged between 86 and 100 percent, higher than the loss ratio in the insurance market, and for other fields was less than the figure for the insurance market, ranging within 4.7 and 61.1 percent.

PERFORMANCE OF INSURANCE INDUSTRY

	1382	1383	Percentage change 1383
Earned premiums (billion rials)	12,743.4	17,310.7	35.8
Compensation (billion rials)	7,617.5	10,033.5	31.7
Loss ratio (percent)	72.1	75.4	3.3 ⁽¹⁾

Source: Statistical report on performance of insurance industry, 1383, Iran Central Insurance

(1) Change in unit

Assets and Liabilities of Insurance Companies

Assets and liabilities of the insurance companies grew by 61.6 percent in 1383 to Rls. 23,454.7 billion. This was largely due to 1,094.0 percent rise in long-term investments in assets side and 143.8 percent increase in the right of shareholders in liabilities side. Short-term and long-term banking deposits of insurance companies were reduced by 77.8 and 84.5 percent to Rls. 126.0 and 439.5 billion, respectively. Insurance companies' short- and long-term investments rose by 162.1 and 1,094.0 percent to Rls. 4,717.6 and 5,237.1 billion, respectively. Obviously, in 1383, insurance companies channeled their investment resources towards short-term and long-term investments rather than short-term and long-term banking deposits. Moreover, their net assets, less their current liabilities (equal to the sum of capital resources), with a remarkable rise of 61.6 percent, increased to Rls. 19,261.2 billion.

(1) It is the ratio of "compensation" to "earned premiums".

ASSETS AND LIABILITIES OF INSURANCE COMPANIES

(billion rials)

	Year-end		Percentage change
	1382(1)▲	1383(2)	1383
Assets			
Current	7,514.7	13,488.2	79.5
Inventories	11.3	10.9	-3.5
Receivables	4,024.7	6,459.6	60.5
Short-term bank deposits	567.3	126.0	-77.8
Short-term investments	1,799.7	4,717.6	162.1
Cash and cash equivalent	1,111.7	2,174.1	95.6
Non-current	6,996.9	9,966.5	42.4
Fixed assets	2,682.5	3,127.1	16.6
Long-term bank deposits	2,843.6	439.5	-84.5
Participation papers	384.2	417.0	8.5
Long-term investments	438.6	5,237.1	□
Long-term claims	648.0	745.8	15.1
Total assets = total liabilities	14,511.6	23,454.7	61.6
Liabilities			
Current	2,596.3	4,193.5	61.5
Long-term	8,946.3	12,022.7	34.4
Right of shareholders	2,969.0	7,238.5	143.8

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

(2) Includes private and public insurance companies. The share of private insurance companies in the insurance market reached 11 percent in 1383 year-end.