

Performance of the insurance industry<sup>1 2</sup> in 1387 revealed a continued upward trend in the number of insurance companies, especially private insurance companies. Share of private insurance companies in total direct premium<sup>3</sup> reached 25.1 percent at end-1387. In 1387, total direct premium issued by public and private companies went up by 19.9 percent to Rls. 40,561 billion. Meanwhile, the upward trend of direct premium compared with the relatively constant growth of the population raised the per capita insurance premium index<sup>4</sup> in the review year. In this respect, per capita insurance premium picked up by 18.2 percent from Rls. 472.9 thousand in 1386 to Rls. 558.8 thousand in 1387. Of this amount, Rls. 529.7 thousand (94.8 percent) belonged to per capita of non-life and the remainder to per capita of life insurance.

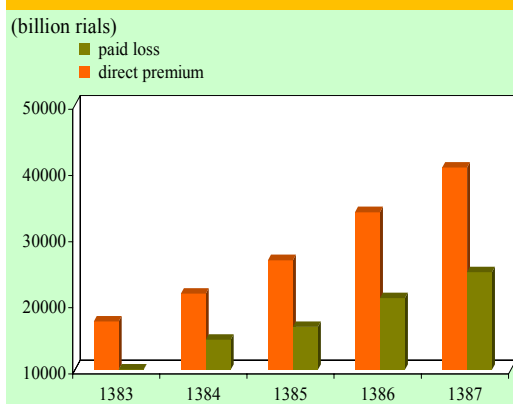
<sup>1</sup>Based on the "Statistical Yearbook of Insurance Industry Performance, 1387" published by Central Insurance of Iran

<sup>2</sup>Includes Central Insurance of Iran (government's agent in the insurance market and performer of commercial insurances), public insurance companies (Iran, Asia, Alborz, and Dana) and private insurance companies (Moallem, Parsian, Karafarin, Sina, Razi, Mellat, Omid, Hafez, Tose-eh, Dey, Saman, Novin, Iran Moein, Pasargad, and Mihan). Iran Moein, Omid, and Hafez Insurance Companies are authorized to work in Free Special Economic Zones only. Moreover, Amin Reinsurance Company renders reinsurance services.

<sup>3</sup>Includes insurance policies issued in 1387, whether still valid or not.

<sup>4</sup>Per capita insurance premium is the amount of premium which is paid on average by each person, and is computed through dividing the direct premium by total population.

**Figure 16.1. Performance of insurance industry**



In 1387, despite a growth in insurance premium compared with the previous year, penetration coefficient<sup>5</sup> rose slightly from 1.18 percent to 1.20 percent. This coefficient was 1.14 percent for non-life insurance and 0.06 percent for life insurance. It is worth mentioning that Mihan Insurance Company, which was licensed in 1387, started its operations in various classes of insurance in this year.

### Performance of Insurance Market

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

<sup>5</sup>Insurance penetration index (coefficient), defined as the ratio of the insurance premium receipts to GDP, manifests the degree at which insurance industry grows compared to national economy (indicating whether the industry is growing slower or faster than the national economy).

### Direct Premium

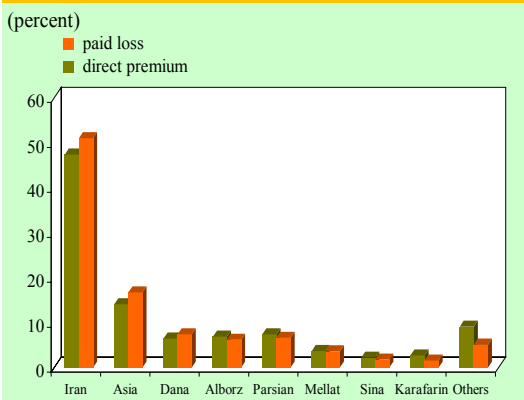
In 1387, total direct premium issued by public and private companies reached Rls. 40,561 billion, up by 19.9 percent. Third party liability had the highest share in total direct premium by 45.3 percent as in previous years, followed by motor property damage (12.3 percent), health (9.0 percent), fire (6.4 percent), liability (5.9 percent), and life (5.2 percent).

In the review year, Iran and Asia insurance companies together constituted 61.5 percent of total direct premium. The premium issued by private insurance companies accounted for 25.1 percent of total premium, with the shares of Parsian and Mellat insurance companies at 7.4 and 3.7 percent, respectively.

### Paid Loss

In 1387, the amount of paid loss grew by 18.9 percent to Rls. 24,752.6 billion, compared with the year before. As in the preceding years, over half of the compensation (60.5 percent) was paid as third party liability, followed by health (11.7 percent), motor property damage (10.9 percent) and liability (3.9 percent).

**Figure 16.2. Share of insurance companies in direct premium and paid loss in 1387**



### Loss Ratio

Loss ratio<sup>1</sup>, which declined in 1386, went up by one percentage point to 74.7 percent in the review year. Loss ratio for third party liability fell by 9.5 percentage points to 94.4 percent in 1387, compared with the previous year.

#### Performance of Insurance Market

	1386▲	1387	Percentage change
Direct premium (billion rials)	33,824.1	40,561.0	19.9
Paid loss (billion rials)	20,823.5	24,752.6	18.9
Loss ratio (percent)	73.7	74.7	1.0 <sup>1</sup>

Source: Statistical Yearbook of Insurance Industry Performance, 1387, Central Insurance of Iran <sup>1</sup>In percentage points

### Insurance Policies

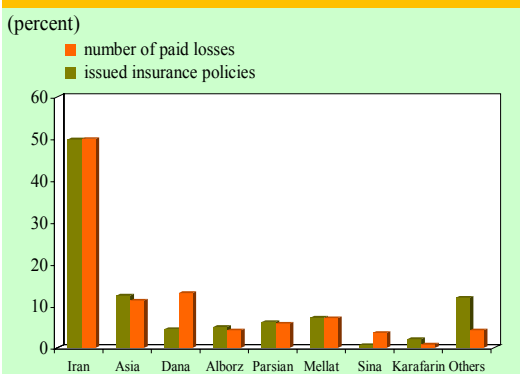
In 1387, a total of 30.8 million insurance policies were issued by public and private insurance companies, indicating 27.5 percent growth compared with the year before. Of total insurance policies, 43.6 percent was related to third party liability, which together with passenger accidents and motor property damage constituted 82.8 percent of total insurance policies. Iran and Asia public insurance companies issued 49.8 and 12.5 percent of total insurance policies, respectively.

### Number of Paid Losses

The number of losses paid by insurance companies rose 14 percent to 3.9 million. Out of total compensation, the number of health insurances had the lion's share by 42.7 percent, up by 26.9 percent compared with the preceding year. Third party liability insurance constituted 42.1 percent of total shares, up by 10.6 percent compared with 1386. These two classes, together with motor property damage, accounted for 94.2 percent of total number of paid losses. Iran, Dana and Asia insurance companies collectively constituted 74.4 percent of total number of paid losses.

<sup>1</sup> It is the ratio of "incurred loss" to "earned premium".

**Figure 16.3. Share of insurance companies in issued insurance policies and number of paid losses in 1387**



### Assets and Liabilities of Insurance Companies

In the review year, assets and liabilities of insurance companies reached Rls. 64,011.1 billion, up by 23.5 percent. This was mainly attributable to 38.6 percent growth in long-term investments on the assets side, and 45.2 percent rise in premium reserves on the liabilities side. Short-term investments of insurance companies were reduced by 22.5 percent to Rls. 5,581.3 billion. In 1387, insurance companies channeled their investment resources toward long-term investments rather than short-term ones. Rights of shareholders increased by 16 percent.

### Assets and Liabilities of Insurance Companies<sup>1</sup>

(billion rials)

	Year-end		Percentage change
	1386	1387	
<b>Assets</b>			
Intangible assets	103.8	124.6	20.0
Fixed tangible assets	4,490.7	4,943.8	10.1
Long-term investments	12,809.5	17,758.1	38.6
Long-term claims	503.9	595.2	18.1
Other receivables	3,414.8	4,919.4	44.1
Short-term investments	7,205.8	5,581.3	-22.5
Claims on insured parties and insurers	12,733.9	15,093.7	18.5
Reinsurers' contribution to technical reserves	7,453.1	11,647.7	56.3
Cash and cash equivalent	2,261.1	2,341.2	3.5
Others	842.6	1,006.1	19.4
<b>Total assets = total liabilities</b>	<b>51,819.2</b>	<b>64,011.1</b>	<b>23.5</b>
<b>Liabilities</b>			
Insured parties' and insurers' claims	376.5	427.3	13.5
Insurers' and reinsurers' claims	2,486.4	3,372.7	35.6
Other accounts payable	3,883.9	4,919.7	26.7
Premium reserves	16,161.4	23,461.0	45.2
Deferred loss reserve	6,781.0	7,800.0	15.0
Reserve for current risks	956.2	1,041.3	8.9
Other technical reserves	5,124.7	4,239.2	-17.3
Future premium	4,207.4	4,359.5	3.6
Other liabilities <sup>2</sup>	1,888.8	2,841.2	50.4
Rights of shareholders	9,952.9	11,549.2	16.0

Source: Central Insurance of Iran

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

<sup>2</sup> Includes reserves for income tax, dividend, retirement benefits, and other liabilities.