

Structure of Iran Insurance Company: History and perspective

*Farzaneh Haghghat Nia, #Dr. R.Thimmarayappa

*Research Scholar, Department of studies in Commerce, University Of Mysore, Mysore, India.

#Associate Professor and Head of the Department of studies in Commerce, Maharajas College, University Of Mysore, Mysore, India.

*f.haghghat67@gmail.com

Abstract - The insurance industry helps to eliminate risks, spreads risks from the individual to the larger community, and provides an important source of long-term finance for both the public and private sectors. The insurance industry is generally profitable and provides attractive employment opportunities for workers. In this paper, we investigate that the growing trend of the insurance industry in Iran and the insurance structure of Iran as the largest insurance company in Iran, and we will see the progress and performance of Iran's insurance industry and its benefits.

Keywords: Insurance, Iran Insurance Company, Structure, Performance.

I. INTRODUCTION

Insurance is a risk exchange system whereby the person or then again the business venture can move a insurance of the vulnerabilities of life on the shoulder of the other (Palmer, S. 2007). Every one of the general population will want to live a cleaner, more beneficial, agreeable and simple life. To meet this requirement different enterprises produce and provide goods and services.

They make development and innovations, which go out on a limb. The expansive obligation falls on the shoulder of trend-setters and designers. A little blunder or pass may cause various symptoms and cause demise or incapacity. These sorts of dangers feature the significance of insurance. In the event that there had not been protection at the back of all pioneers the world would have never advanced.

In the wake of guaranteeing this weakness factor the undertakings began searching for new and all the more cutting edge machines, robots, and contraptions, nuclear innovation, space travel, PCs, remote ocean investigation, advancement of Accords and Jumbos and restorative innovation[2].

All these improvements could be conceivable with the help of insurance (Joseph, A, M., & Calvin, J, K. 1997). Insurance provides financial support and reduces uncertainties in business and human life. It provides safety and security against the particular event. There is always a fear of sudden loss. Insurance provides a cover against any sudden loss.

II. BACKGROUND

The background of insurance activities in the country has been informally for more than a century. Insurance history in Iran comes back to Achaemenes times; because in the writings found in Persepolis, all those who worked there

and paid were insured (Nageswar Rao, S.B., & Madhavi, C. 2005). The traditional and old-fashioned insurance is a form of social co-operation that pays off people at every level of society.

Insurance in Iran was formally introduced today in 1890. During this year, talks between the Iranian government and the Russian embassy followed and the privilege of insurance and transportation activities for a period of 75 years was assigned to a Russian citizen, Lazar Polyakov. Lazar Polyakov was not able to set up the insurance company for the 3 years he started to start the insurance business, so he was taken away (Karimi, A. 2014).

Subsequently, in the year 1910, two Russian insurance companies, Nadeqda and Kafkazemkar Kori, established insurance companies to pay damages in Iran.

A few years later, in 1931, with the enactment of the law of registration of companies in Iran, British, German, Austrian, Swiss and similar insurance companies such as: Expanding, Alliance, Eagles Star, Yorkshire, Royal, Victoria, National Switzerland, Phoenix, Al-Watani, and ... , they began to establish insurance companies and branches In Iran[7].

Until the year 1935, there was no domestic or semi-domestic insurance company in Iran, and the country's insurance market was fully in the hands of foreign insurance dealers. These dealers provided their insurance at the rates and conditions that they considered appropriate, and provided the people with supplies and proceeds from the country.

Obviously, these agencies did not feel for themselves the task of developing and generalizing the insurance industry, as it was related to the public interest and contributing to the development of the country's economy, and it was only

the business and profit oriented ones. In the same vein, they took maximum advantage of the absence of an internal insurance company, and the establishment of an internal insurance institution was by no means pleasing to them, and thus, in relation to the establishment of such a company, expressed any opposition and in order to prevent it would have prevented its formation if possible.[7]

The first law that was passed in Iran regarding insurance companies was the Law on Companies Registration dated Dec. 2, 1931, which in Article 8 of the Law on Insurance Companies, both Iranian and foreign, is subject to a system established by the Ministry of Justice.

The attempt to establish Iran's insurance with the state capital since late 1934 and with the forecast budget in the budget law 1935 of the entire country began, which is discussed below. Thus, in 1935, Iran's insurance company started with a 100% state-owned capital. Establishment of Iran Insurance Company on November 15, 1935 and approval of the Insurance Law on May 7, 1937 should be regarded as the starting point for the development of the insurance market of the country. So after Two years of establishment the Iran Insurance Company, in 1937, the insurance law was approved by the National Assembly in 36 articles. Subsequently, other regulations for controlling and monitoring the activities of insurance institutions and the obligation to assign 25% of the insurance policies were reassessed to the Iranian insurance company (Karimi, A. 2014).

The Iranian insurance company, with the government's support and the advances made, has slowly halted foreign insurance companies to the extent that in 1939 more than 75 percent of the country's insurance market was insured by Iran and 25 percent was provided to companies' External insurance.

With the passage of this law, about 10 foreign insurance companies registered their branches and representative offices in Iran. In 1950, the first Iranian private insurance company, called "Shargh Insurance", was established, and then in the following decades a number of other Iranian private insurance companies or with joint Iranian and foreign joint ventures began operating in Iran.

In 1952, according to the government's order, all foreign companies have been obliged to deposit \$ 250,000 to the National Bank of Iran to continue their activities, and should pay this amount to \$ 500,000 each year, adding up to this amount each year [8].

This decree suspends all foreign insurance companies except two companies; Insurance of Yorkshire and Interstellar, and provided the conditions for the expansion of the activities of Iranian insurance companies.

By the year 1964, seven other private insurance companies, Aria, Pars, National, Asia, Alborz, Omid, Building and Work, were established.

As stated above, in 1937, all companies were obliged to hand over 25% of the insurance policies reliant on Iran's insurance, after this law all insurance claims and damages should be reported to Iran's insurance company with the consent of the company Insurance was not. In 1967, civil liability insurance for third-party motor vehicle owners, known as third-party insurance, was approved [8].

The supervision and insurance of the joint stock insurance company of Iran in the insurance market caused policy makers to seek to distinguish between policy making and supervision in the insurance market and accelerated with the establishment of the central insurance industry.

The law on the establishment of Iran's central insurers and insurers was approved on May 30, 1971, in 77 articles, and outlined the way in which insurance companies operate and operate for domestic and foreign companies.

So with the increase of insurance activities in the year 1371, Iran's central insurance company was established and duties such as regulating the insurance market, developing insurance, monitoring the activities of insurance companies and making compulsory reinsurance for private insurance companies with the names of Tehran, Hafiz, Tavana and Dana Was responsible for the central insurance [8].

During the years 1971 and 1978, four private insurance companies were established, namely Tehran, Hafiz, Tavana and Dana. By 1994, four insurance companies, Iran, Asia, Aliborz, Dana Insurance, were engaged in a specialized insurance company called Iran insurance [8].

In 2002, the law on the establishment of a non-governmental organization was approved by the Islamic Consultative Assembly. Thus, in 2002, the number of insurance companies was on the rise as well.

2.1 Famous Dates in Iran Insurance Industry

There are important dates in Iran Insurance Industry:

- 1890 - Transferring the Scoreboard to the Lazar Polycakov Russian for 70 years.
- 1910 - Establishment of branches of the Russian insurance company Nadezhda and Kafkaz.
- 1931 - Approval of the Companies Registration Act in Iran and the Activities of Foreign Insurance.
- 1935- The founding of the Iranian Insurance Company, Iran Insurance.
- 1937 - Approval of the Insurance Act in 36 articles.
- 1950 - Established the first private insurance company called Shargh Insurance.

- 1967 - Approval of the civil liability of the civil liability of owners of motor vehicles against third parties.
- 1971 - Establishment of Central Insurance of Iran.
- 1980 - Nationalization of 12 private insurance companies with the approval of the Revolutionary Council.
- 1988 - Approval of the Law on the Management of Insurance Companies.
- 1991 - Approval of regulations and regulations of insurance companies in free trade zones.
- 2002 - Approval of the plan for the establishment of non-governmental insurance institutions [7].

III. IRAN INSURANCE COMPANY

November 06, 1935 is regarded as a memorable date in Iran's insurance industry. This occasion marks the establishment of Iran Insurance Company as the first Iranian insurance enterprise and thus, the founding of this country's national insurance industry[8].

This company started issuing policies in various branches just within a couple of weeks after being launched, concurrent with setting up its agencies in Mashhad, Shiraz, Isfahan, Hamadan, Ahvaz and Bushehr in the first year of its professional operation. Meanwhile, the newly formed company took up the initiative to extend grants and scholarships to a dozen of students of Economics and Business-related fields, aimed at being subsequently trained in insurance, in a number of credible European universities and other institutes of higher education.

Absorbing 62% of the local market share in competition with its long-established foreign rivals, increasing its retention capacity from 10% to 56% and reducing the prevailing premium rates in some branches up to 50% were among the immediate achievements scored and the urgent measures adopted by Iran insurance during the early years of its professional performance [7].

Furthermore, the effective role assumed by Iran insurance in introducing and promoting the basic insurance concepts granted it with a solid national and international reputation and legitimacy quite rare for a newly emerged enterprise. These are among the features widely believed to be associated with the name and emblem of this company up to the present time despite the numerous challenges and developments unfolding in the local and international markets during the past eight decades.

With market share of 40%, Iran Insurance Company is the most influential insurance company amongst its competitors whose significant role in spreading the insurance culture could never is neglected. In addition, 43% and 37% of market share respectively belong to Engineering and Liability classes which are noticeable

considering the existence of 31 other insurers in the market [8].

3.1 Fields of Activity

Iran Insurance Company provides all types of commercial and social covers. Moreover, Iran Insurance Company has underwritten the risks involved in the majority of Iran's infrastructural projects, such as those in oil, natural gas, petrochemical and aviation industries, dams and power-plants.

The company would naturally secure the required reinsurance coverage from the international markets for the risks it initially underwrites, at its own discretion. It is also notable that not only more than 70% of the total numbers of Iranian airplanes are under Iran's insurance company coverage, but also during last 10 years Iran Insurance Company has insured all crude oil and oil product cargos being shipped to various destinations throughout the world.

3.2 Human Resources

Human resources are one of the most important "assets" of business. Over 4200 people work for Iran Insurance Company, 64% of them with higher education and 25% of them being female.

3.3 Sales Networks

With over 203 branches and 8962 agencies, spreading all over the country, Iran Insurance Company is equipped with the largest sales networks in Iran.

3.4 Investments

In line with the Investment Regulations adopted by the country's High Council of Insurance, Iran Insurance company's technical provisions, capital and reserves are invested in various forms and means such as bank deposits, partnership bonds, stocks and shares. The renowned Abbasi Hotel located in the ancient city of Isfahan and Aban Hotel in the holly city of Mashhad belongs to Iran insurance co and other business companies [8]. By virtue of the investments it has made in more than 62 companies inside and 26 companies outside the Stock Exchange Market as well as offering reasonable rates and conditions, Iran Insurance Company has managed to secure a firm and reliable status among the top ten Iranian commercial enterprises during the past several years.

3.5 Iran Insurance Objectives and Business Issues

Iran Insurance has established clear objectives in motivation for customer satisfaction and the company's goals: Sustained profitability and rigorous management of our business. Carrying risks has been our business for over 70 Years. With our competence and in novated capacity, we now actively work for successful solutions in the dynamically growing markets of Europe, Asia and Africa. Main values for Iran insurance company include:

- Customer Orientation
- Commitment and Loyalty
- Creativity and Innovation

3.6 Strategies

Iran insurance co as a largest insurance has some strategies to improve the position in the world. Main strategies mentioned here:

- Developing the portfolio in a balanced way (emphasizing on West Asia market, increasing the market share and risk management)
- Developing and optimizing investments
- Developing Life Insurance
- Developing Reinsurance (local and international)
- Developing Human Resource's knowledge and competence
- Making organization intelligent and agile based on information-technology
- Improving the quality of insurance services in order to increase customer satisfaction
- Developing insurance culture, supporting customers and improving public trust in insurance industry

3.7 Types of Covers in Iran Insurance co

Iran insurance company covers all types of insurance include life and non-life insurance produces. Some of these products mentioned in the following [8]:

- Motor insurance
- Fire insurance
- **Marine Cargo** insurance
- **Aviation** insurance
- **Liability** insurance
- **Engineering** insurance
- Travel insurance
- Personal insurance

Personal insurance is generally provided in three specific and major groups:

- Life Insurance
- Accident Insurance
- Health Insurance Life Insurance

3.8 Accident Insurance in Iran insurance Co

Mostly accident insurance is in the form of coverage of risks of accidents at all time (24 hours a day) and at any place, during the validity of the insurance policy and includes professional, occupational, sport, mission, travel and other risks:

- 24 Hours Accident.
- Work and Occupation Accident.

- Mission Accident.
- Sport Accident.
- Tourism & Travel Accident.
- Educational Accident.
- Family Accident.

3.9 Reinsurance

Reinsurance is simply another form of insurance, but this time an insurer takes out the policy. Having accepted a risk, the insurer is really in much the same position as the insured in relation to the various uncertainties associated with the risk. So, direct insurers (here, ceding company) see that they have risks that they wish to transfer to other insurance company or companies called reinsurers. It is not unusual for reinsurers to repeat the process, which is called "retrocession".

The reinsurance practice can be done in two main ways as follows, though there are some other ways which are not as important/ usual as the following are:

- **Facultative:** is when the ceding company approaches reinsurers to get their policies reinsured individually, if needed. However, reinsurers are free to accept or decline the ceding company's proposal as the ceding company is also free to decline the reinsurers' acceptance.
- **Treaty:** this is an agreement between the ceding company and, usually, a number of reinsurers who agree in advance to accept businesses, usually a huge number of policies, or some portfolios in one or more lines of business, ceded to them by the ceding company.

3.10 Vision

Iran insurance vision statement is: "Preserve our longstanding a vanguard status in the Iranian insurance market".

3.11 Mission

Iran insurance mission is "Constantly upgrade our professional capacities and capabilities to effectively respond to the insurance needs of the society and customers, particularly, by establishing a durable and reliable partnership with our staff members, agencies, brokers and reinsurers, and conducting constructive interactions with other players in the insurance industry.

3.12 Performance of Iran insurance company

Performance of an organization is the outcome of activities of individuals and units of the organization. Except for the external influences on individual behaviour and personal traits, organizations can either influence or control all factors affecting the performance of individuals and units through formal and informal means. Some of the formal means of controlling units' activities are structure,

operating manuals, standard operating procedures, charters, and budgets. Greater influence on individuals can be exercised informally through communication, work culture, management style. An effective control over the performance requires insurance companies to operate the organization divisions and subdivisions. Within each division or subdivision, there can be units responsible for separate activities. It may not be possible for all units to exercise control over several factors influencing profits. Financial, marketing and human resource policies of the corporations influence the unit managers to make decisions that are in the best interest of the company. Output or

performance of insurance company depends on the effectiveness of such policies.

The annual report of key figures of Iran insurance company for 10 years from 2007 till 2016 showed in table 1. In this table value of important keys like gross written premium, paid losses, total assets, net profit, number of employees, number of domestic branches and number of domestic agencies mention.

Table 2 show the written premium for 10 years in different classes of insurance and table 3 shows the paid claims in these classes.

Table 1. Annual report of Iran insurance company from 2007 till 2016

KEY FIGURES	Million IRR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross Written Premium	7,058,223	9,734,215	11,788,297	14,199,516	16,188,268	19,904,772	21,941,837	72,690,055	85,766,258	91,546,805
Net Retained Premium	4,937,013	6,809,815	8,284,080	13,322,004	15,373,309	3,917,825	5,675,230	56,711,687	66,689,578	75,964,133
Paid Losses	4,180,356	5,596,549	7,724,597	9,220,247	11,864,532	13,546,184	16,138,216	52,925,240	60,846,952	65,892,314
Net Technical Reserves	1,370,143	1,798,552	1,329,045	2,622,897	1,440,399	1,283,312	1,312,279	2,153,141	3,501,928	3,119,165
Total Assets	9,295,296	12,265,004	13,860,626	16,793,311	19,672,469	27,692,099	32,367,044	75,815,548	116,143,306	124,246,744
Total Investments	4,687,351	6,744,709	7,828,915	9,495,881	11,684,213	13,340,753	15,865,770	16,277,700	19,020,052	20,849,768
Investment Income	489,156	692,085	749,364	1,031,246	1,085,896	851,508	2,675,809	3,486,947	3,757,949	3,455,638
Personnel and Administrative Expenses	353,829	511,846	584,739	642,512	805,487	1,060,768	1,264,060	2,749,447	3,541,402	4,361,444
Net profit	318,747	692,049	736,673	198,721	566,896	835,362	2,339,659	14,809,559	7,919,362	578,635
Shareholders' equity	2,699,874	3,019,677	3,249,508	3,241,174	4,160,121	4,112,459	4,721,844	3,429,426	6,900,159	7,328,533
Technical Provisions	4,598,820	6,353,668	7,682,713	10,305,610	11,745,876	13,761,091	15,073,441	734,129	734,129	734,129
Number of Employees	2,309	2,035	2,111	2,109	2,316	3,140	3,578	3,594	3,585	3,570
Number of Domestic branches	205	202	203	203	205	205	205	207	207	206
Number of Domestic Agencies	4,075	3,965	4,154	4,122	5,797	5,797	5,989	8,201	9,015	9,615

Source of Central insurance of Iran (CII).

Table 2. Performance of written premium in Iran insurance Co

Underwriting performance for Written Premium (Million IRR)					
year	2007	2008	2009	2010	2011
Fire	663,513	730,014	775,108	1,176,680	1,517,183
Marine	455,360	497,637	390,904	505,549	407,729
Accident	376,790	507,135	580,544	810,720	960,772
Life	588,909	619,955	692,635	857,400	869,795

Health	500,504	560,091	823,135	1,318,001	1,424,757
Auto(T.P.L)	2,695,922	4,050,274	5,309,323	5,908,092	7,460,572
Auto(P.D)	813,493	1,279,727	1,731,137	1,929,341	2,026,210
Marine Hull	32,867	33,597	44,806	12,357	182,007
Aviation	260,339	213,475	202,412	208,495	182,007
Eng.	216,141	380,518	303,405	445,208	576,342
Liability	371,545	483,866	559,581	678,487	1,005,085
Energy	0	135,066	26,527	44,627	0
Total	6,975,383	9,491,355	11,429,517	13,894,957	16,448,698
year	2012	2013	2014	2015	2016
Fire	1,503,508	1,743,198	3,271,877	3,792,773	4,314,360
Marine	472,220	344,407	448,375	546,968	473,924
Accident	1,519,701	1,524,685	3,953,124	4,591,615	4,862,619
Life	0	0	3,665,499	4,543,951	4,570,462
Health	782,720	1,045,419	15,676,220	19,846,086	26,555,820
Auto(T.P.L)	1,657,331	2,141,302	32,803,253	38,095,408	37,188,475
Auto(P.D)	9,335,157	9,992,208	5,507,245	6,325,394	5,763,294
Marine Hull	2,226,984	2,575,695	37,097	56,162	60,565
Aviation	29,908	24,562	889,295	725,163	776,436
Eng.	251,650	286,602	1,614,775	1,853,482	1,915,894
Liability	541,582	612,879	3,885,103	4,193,501	3,901,478
Energy	1,186,522	1,228,908	0	0	0
Total	19,572,107	21,604,470	71,751,866	84,570,503	90,383,327

Source of Central insurance of Iran (CII).

Table 3. Performance of Paid Claims in Iran insurance Co

Underwriting performance for Paid Claims (Million IRR)					
year	2007	2008	2009	2010	2011
Fire	121,391	191,629	317,457	230,760	241,907
Marine	37,982	38,835	73,247	85,681	52,481
Accident	120,498	139,617	196,677	243,418	303,811
Life	382,276	399,639	387,427	490,156	393,509
Health	405,188	435,527	590,331	926,202	1,416,467
Auto(T.P.L)	2,522,093	3,343,623	4,447,940	5,076,133	7,222,238

Auto(P.D)	351,851	647,729	1,156,996	1,347,345	1,256,269
Marine Hull	9,080	7,490	5,961	142,844	55,463
Aviation	31,195	95,627	48,106	32,124	123,800
Eng.	50,330	33,643	129,355	132,790	84,445
Liability	132,665	198,775	232,671	310,553	365,716
Energy	0	0	717	0	0
Total	4,164,549	5,532,133	7,586,885	9,018,026	11,516,106
year	2012	2013	2014	2015	2016
Fire	688,448	485,634	1,143,458	1,065,006	1,436,621
Marine	109,242	108,317	107,970	131,597	101,887
Accident	340,669	323,581	2,060,986	2,334,323	2,709,582
Life	0	0	1,690,015	2,545,537	3,188,018
Health	392,734	581,655	17,401,993	17,988,573	22,720,068
Auto(T.P.L)	1,824,348	2,523,262	24,208,822	28,705,505	27,804,263
Auto(P.D)	7,929,763	9,216,110	3,283,407	3,876,161	4,094,271
Marine Hull	1,318,913	1,493,463	96,759	3,373	21,901
Aviation	8,720	12,695	115,697	185,641	150,727
Eng.	125,146	301,009	236,881	749,725	637,377
Liability	79,937	275,715	2,118,424	2,718,579	2,600,699
Energy	497,434	631,553	0	0	0
Total	13,351,017	15,995,481	52,464,416	60,304,020	65,465,415

Source of Central insurance of Iran (CII).

Written premium 2016

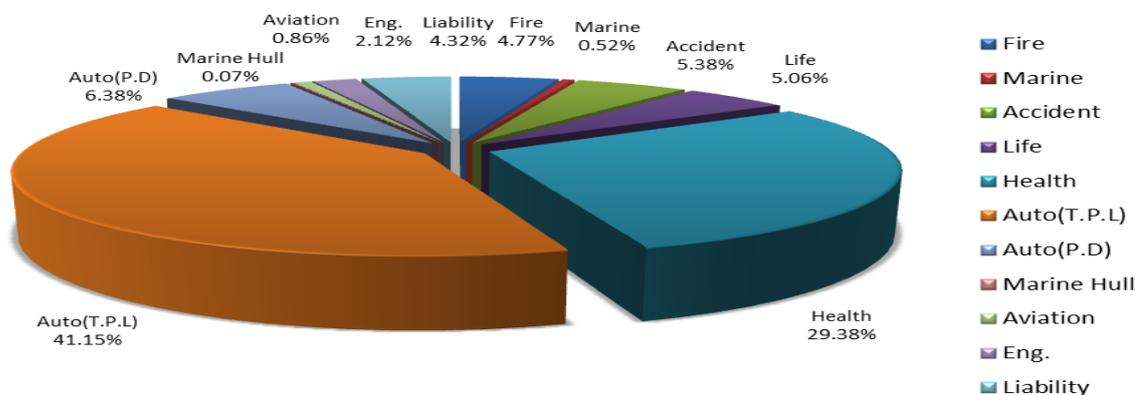


Figure 1. Written premium 2016, Iran insurance Co

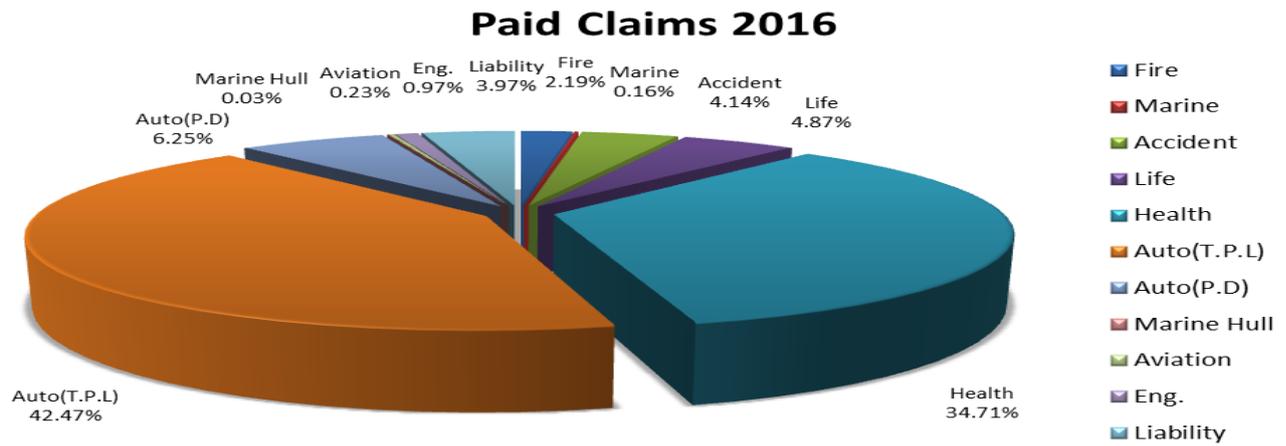


Figure 2. Paid Claims 2016, Iran insurance Co

IV. CONCLUSION

Insurance is a type of risk administration basically used to support against the danger of potential budgetary misfortune. Again insurance is characterized as the impartial exchanges of the danger of a potential misfortune, starting with one element then onto the next, in return for a premium and obligation of care.

The advantages of Iran Insurance Company are following that:

1. Insurance gives security against hazard and vulnerability.
2. It empowers the safeguarded to focus on his work without dread of misfortune because of risk and vulnerability.
3. It teaches standard investment funds propensity, as on account of extra security.
4. The insurance arrangement can be sold and finances brought up if there should arise an occurrence of budgetary prerequisites.
5. Insurance strategies, particularly benefit designs accommodate wage security amid maturity.

Continuous surveys on risks to which individuals and institutions are exposed helps identification of markets. The growing concern for insurance and social security in Iran is overwhelming the demands for insurance products. It is not exaggerating to say that there can be an exponential growth for the insurance sector as the national income and perception income are constantly rising in Iran.

Conducting surveys on risks and needs of individuals, organizations and associations helps to identify the insurance needs. Birth, education, family possessions, housing and death are common events of life and individuals face financial or emotional risk for one or more of these events. Decrease in family size over the past three decades has brought necessary changes in required needs and possessions. Family cars, motor vehicles and condominium houses in urban areas have become common feature in Iranian societies. All these changes have obviated

opportunities to the insurance sector to grow at rapid pace. Shifts in nature of risks arise out of changes in socio-economics as a result of shifts in culture or practices due to the changes in the business and social environment. Globalization of trade has created both threats and opportunities to the businesses in developing countries. One of the key factors in success of an insurance company is assessment of risks (of the insured and the insurance corporation) and estimation of losses.

From the Annual report of Iran insurance Co, indicates that and the growth of insurance penetration in the country is growing, And the amount of premium received from 2007 to 2016 is desirable for Iran Insurance Company. Given that Iran Insurance Company is the largest insurance company in the country has the potential to attract more policyholders in international markets.

REFERENCE

- [1] Central insurance of Iran. (2016). Annual report of insurance industry in Iran. Tehran: bimeh markazi Iran (central insurance of Iran).
- [2] General Insurance Personal and Commercial, (2005). Risk Assessment, Underwriting and Rate Making Management; Product Design, Development and Evaluation, ICFAI Publications.
- [3] Joseph, A, M., & Calvin, J, K. (1997). "Key Success Variables and Performance Measures" Management control Systems, Prentice Hall Publications, India.
- [4] Karimi, A. (2014). Overview of Insurance. Sixth edit, Tehran: Research centre of insurance.
- [5] Nageswar Rao, S.B., and Madhavi, C. (2005). An Overview of the Private Insurance Company; Insurance Theory and Practice, Prentice Hall, New Delhi., pp 104-115.
- [6] Palmer, S. (2007). Oxford Dictionary of National Biography. Oxford University Press. pp1648-1713.
- [7] <http://agahgroup.com/iran-insurance-segment-a-big-market-for-foreign-investors>
- [8] <https://www.centinsur.ir>