

A review of Dr. Abdolnasser Hemmati's performance from the beginning till the end of his tenure as the head of the Central Insurance Authority of Iran (CIAI) confirms his huge contribution to the development of Iran's insurance industry. He implemented laudable measures in the partial liberalization and privatization of the insurance industry.

However, Hemmati and his team know that there is a vast scope for further developing the industry. According to the quarterly Iran Insurance Market Report, the initiatives taken by Hemmati in his three four-year terms have endured and make him a leading figure in the 70-year history of Iran's insurance industry. Insurance experts believe he will be sorely missed. The following statistics highlight his performance:

Major Indicators During 1994-2005

According to statistics provided by CIAI, the insurance industry has been on the rise over the last 12 years.

58-Fold Rise in Premium

The insurance industry generated 21,986 billion rials in premium in 2005 compared to 380 billion rials in 1994.

The industrial, economic and social development of societies and their growing complexities have made liability an inevitable aspect of the business of industrialists, contractors and other professionals

Loss Coefficient

Loss coefficient grew from 51.4% in 1994 to 78.8% by the end of last Iranian year (March 20, 2006), with a rise of 27.4%.

Insurance Penetration

The coefficient of insurance penetration or the rate of premium to GDP increased by 3.3%, up from 0.4% in 1994 to 1.3% last year.

Expansion of Sales and Services Network

- 13.3% increase in the number of insurance agents
- The number of insurance agents soared to 8,390 from 632 in 1994, posting a rise of 13%. Official insurance brokers increased by 17.1% in the same period, reaching 348 at the end of 2005 from 20 in early 1994.

- Private Insurance Firms

- In 2002, there was no private insurance company in the mainland. The only private insurance company was active in a free trade zone whose premium amounted to 81 billion rials or 0.9% of the market share.

- One year later, there were six private insurance companies in the mainland and two in the free trade zone. Their premium totaled 362 billion rials, holding 2.8% of the market share.

- In 2005, there were 11 private insurance companies operating in the mainland and three in free trade zones, generating premium worth 3,417 billion rials and increasing their market share to 15.4%. Over the last four years, the private sector absorbed 4,500 billion rials into the insurance industry and increased the risk management volume.

Insurance Policies

- Insurance companies issued 17 million policies in 2005 and registered an increase of approximately 5.4%, as they sold 3.2 million policies in 1994.

Global Status

- In 2005, Iran's share of the global insurance market grew sixfold to 0.06% from a meager 0.01% in 1994.

- At the same time, Iran boosted its share of the Asian insurance market from 0.04% in 1994 to 0.26%.

- In the Middle East, the insurance industry increased its share from 3.24% in 1994 to 13.38%, marking an increase of 4.1%.

- In the same period, Iran improved its global ranking for premium generation from 61 to 46.

Technical Assets

- The technical assets of insurance companies soared from 447 billion rials in 1994 to 18,780 billion rials in 2005, confirming the expansion of insurance investments.

Liability Insurance

- The industrial, economic and social development of societies and their growing complexities have made liability an inevitable aspect of the business of

Focus on Iran's Insurance Industry



Credit insurance provides group coverage to banks, financial institutions or credit unions against the risks of default on the repayment of credits or facilities extended to clients as well as the goods sold in non-cash deals



Major areas of the energy sector are now seeking insurance against risks in petrochemical complexes, gas plants, oil refineries, shipment of equipment and implementation of oil and gas projects.



The losses paid in health sector amounted to 1,250 billion rials in 2005 compared with 2.6 billion rials in 1994, a dramatic rise of 480%.

industrialists, contractors and other professionals.

One of the key moves was the introduction of liability insurance which reached one billion rials in 1994, comprising 0.3% of the market share. The insurance industry now holds 4% of the market share valued at 900 billion rials.

Credit Insurance

This type of insurance provides group coverage to banks, financial institutions or credit unions against the risks of default on the repayment of credits or facilities extended to clients as well as the goods sold in non-cash deals. Approved by the Supreme Insurance Council, credit insurance triggered mounting demand by institutions and contributed to

Premium generated from energy insurance rose from 25 billion rials in 1999 to 553 billion rials in 2004, showing an increase of 202%

economic growth. Credit insurance now comprises 1.1% of the country's insurance market.

Health Insurance

The creation of an extensive health insurance, alongside the basic coverage, was an important development. Currently, over 10 million people, either directly or indirectly, are covered by insurance companies through more than 115,000 agreements.

Premium in the health sector topped 1,800 billion rials in 2005 compared with 6 billion rials in 1994, registering a 300-fold increase.

The losses paid in health sector amounted to 1,250 billion rials in 2005 compared with 2.6 billion rials in 1994, showing a dramatic rise of 480%.

Other initiatives of CIAI include: expansion of residential insurance against natural disasters, introduction of the bill on the occupational liability insurance of constructors, collation of third-party liability insurance (TPL) up to blood money level, establishment of a syndicate of insurers, a loss appraisal network, an auto insurance information system to inform car sales network and an insurance research center, and ratification of regulations for administration of state-run insurance firms and CIAI to strengthen human resources and boost the expertise of insurance industry.

International Presence

The CIAI president has been the chairman of the

board of directors and executive council of Asian Re for four years.

The two bodies have been dominated by east and south Asian representatives.

CIAI is also an active member of the Federation of Afro-Asian Insurers and Reinsurers (FAIR), representing the executive committee—the highest-ranking body of the Federation—and is a member of the board of directors of the aviation pool, syndicate of oil and energy, and the subcommittees of educational and agricultural insurance, risk management, loss prevention, development and cooperation of CIAI.

"The CIAI has set up provincial offices to broaden supervision over the insurance industry," Hemmati said.

Reinsurance Activities

Reinsurance premium increased from 119 billion rials in 1994 to 4,452 billion rials in 2005, indicating a 37-fold jump.

The net paid losses rose to 2,656 billion rials in 2004, compared with 56 billion rials in 1994, registering a 47% increase. The ratio of transferred premium to accepted premium plunged to 6.36% in 2005, 3% lower than 9.39% in 1994.

Commenting on the transfer of the portfolio of state-run insurance companies to the private sector, he pointed out that if an economic corporation owning an insurance company wishes to insure its own portfolio, no entity can prevent it.

"With the arrival of the private sector, the transfer has already happened," he said, stressing that even with the entry of private companies, if the share of

A review of Iran's insurance sector indicates that its global share rose from 0.01% in 1994 to 0.06% in 2005

state-run companies remains a fixed 90% and that of private sector 10%, the main purpose of privatization would be defeated.

Hemmati believes that reasonable rates, proper conditions and good service will guarantee the clientele.

"The Central Insurance Authority will look into any unprofessional conduct in the attraction of corporate portfolio," he said.

Sixfold Rise in Int'l Standing

A review of Iran's insurance industry indicates that its global share rose from 0.01% in 1994 to 0.06% in 2005, posting a sixfold growth. He added that Iran's share of the Asian insurance market increased to 0.26% in early 2005 from 0.04% in 1994. The trend indicates a 6.5-fold rise.

"In 1994, Iran's share of the Middle East market stood at 3.24% and showed a 4.1-fold increase by reaching 13.38% in 2005," he said.

Iran's global ranking in premium generation improved from 61 in 1994 to 46 in 2005. Its (technical) reserves for investment in insurance industry grew to 18,780 billion rials in 2005 compared with 447 billion rials in 1994.

"The rise confirms the expansion of the insurance industry's financial assets for investment," he said.

New Coverage

Since 1999, major areas of the energy sector have sought insurance coverage against risks in petrochemical complexes, gas plants, oil refineries, shipment of equipment and implementation of oil and gas projects.

Insurance companies generated 21,986 billion rials in premium in 2005 compared to 380 billion in 1994

This materialized through the continuous follow-up of the Central Insurance Authority of Iran.

Premium generated from energy insurance rose from 25 billion rials in 1999 to 553 billion rials in 2004, showing an increase of 202%.

The share of such sectors in the insurance portfolios jumped to 3.2% in 2004, posting a fourfold rise from 0.8% in 1999. The insured capitals increased to \$15.7 billion in 2004 from \$4.6 billion in early 1994, posting a growth of 3.4%.

Insurance coverage registered a 3.4-fold rise from \$4.6 billion in 1999 to \$15.7 billion in 2004.

The CIAI chief noted that the Congress of Insurers of Developing Countries will be held in Tehran for the first time in 2008.

Dr. Abdolnasser Hemmati has bid farewell to the insurance industry, leaving behind a good record. Championing moves for building a constructive infrastructure and steering clear of any hue and cry, he leaves a lasting legacy to be appreciated by the young generation. However, the full extent of his admirable services and high status will only be better appreciated in future.