

INSURANCE

RESEARCH AND ANALYSIS
REPORT OF THE EXHIBITION OF
FINANCIAL INDUSTRY, INSURANCE



IN THE NAME OF GOD

Research and analytical report on the financial industry exhibition (insurance)

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1

AN INTRODUCTION TO THE INSURANCE INDUSTRY

An Introduction to the Insurance Industry

The insurance industry is the backbone of financial sustainability in the modern world and one of the oldest and most vital branches of economics, which plays an unparalleled role in managing risks, preserving wealth, and creating peace of mind for individuals, organizations, and communities. The roots of this concept go back to past centuries and even ancient civilizations, where merchants and merchants used to reduce the risks of sea and land travel, They set up mutual funds to compensate for possible losses. With the passage of time and the complexity of economic and social activities, this primitive mechanism evolved and during the Renaissance and the Industrial Revolution, with the emergence of modern marine insurance in Lloyd's of London, it took a more institutional and structured form . Today, insurance has become one of the basic foundations of dynamic and developed economies.

► Vital role in the economy and society

Insurance is not merely a financial tool, but a social mechanism that allows individuals and businesses to operate more reliably. At the micro level, insurance protects against sudden expenses caused by accidents (such as traffic accidents), diseases, natural disasters (floods, earthquakes), and even sudden deaths. This financial support not only prevents the economic collapse of households, but also allows for long-term planning and capital it provides a transition for the future. At the macro level, the insurance industry, as an important financial institution, attracts micro-capitals and invests them in productive sectors of the economy (such as infrastructure, industry, and services). This dual role – capital attraction and reinvestment – contributes significantly to economic growth, job creation, and infrastructure development.

► Risk Management: The Essence of Insurance

The essence of insurance activity is «risk management». Risk is the uncertainty about the occurrence of a harmful accident. Insurance makes it possible for certain and predictable risks (statistically speaking) to be transferred from the shoulders of an individual or organization to an insurance company. In exchange for a small amount of money (premium) paid by a large number of people who are exposed to the same risk, the insurance company undertakes to commit in the event of an accident Damages to compensate the insured for the damage. This risk aggregation model, through the Law of Large Numbers, allows insurance companies to maintain financial stability by paying damages to a limited number of affected insurers. This approach reveals the fundamental difference between insurance and other financial institutions that focus more on direct profitability from investments.

► Global Dimensions and International Connections

The insurance industry is not confined to the borders of a country. Large and complex risks (such as massive oil and gas projects, airlines, or large-scale natural disasters) require insurance coverage that is beyond the financial capacity of an insurance company in a particular country. Here is the role of «reinsurance»), a mechanism in which insurance companies transfer some of their major risks to global reinsurance companies. These international connections contribute to the sustainability of the global insurance market, spread risk on a wider scale, and ensure the necessary coverage for critical projects around the world.

► Variety of products and services

Today's insurance industry encompasses a wide range of products and services that go beyond traditional insurances such as life, automobile, and fire insurance. With rapid social, economic, and technological developments, new needs have emerged, leading to the creation of innovative insurance products. Cyber insurance for protection against online attacks, professional liability insurances for various businesses, travel insurance, personal accident insurance, Credit insurance, and even dedicated insurance for digital products and services, are just some of this vast variety. This diversity shows the flexibility of the insurance industry in responding to the changing needs of society and businesses.

Overall, the insurance industry is not only a tool for compensating for losses, but also an important factor in reducing uncertainties, building confidence, supporting economic growth, and ensuring sustainability against unforeseen challenges. Relying on the principles of risk management, capital aggregation, and continuous innovation, this industry plays a pivotal role in the economic and social structure of any country, and its future prospects, relying on technology and new needs, are to development and transformation.

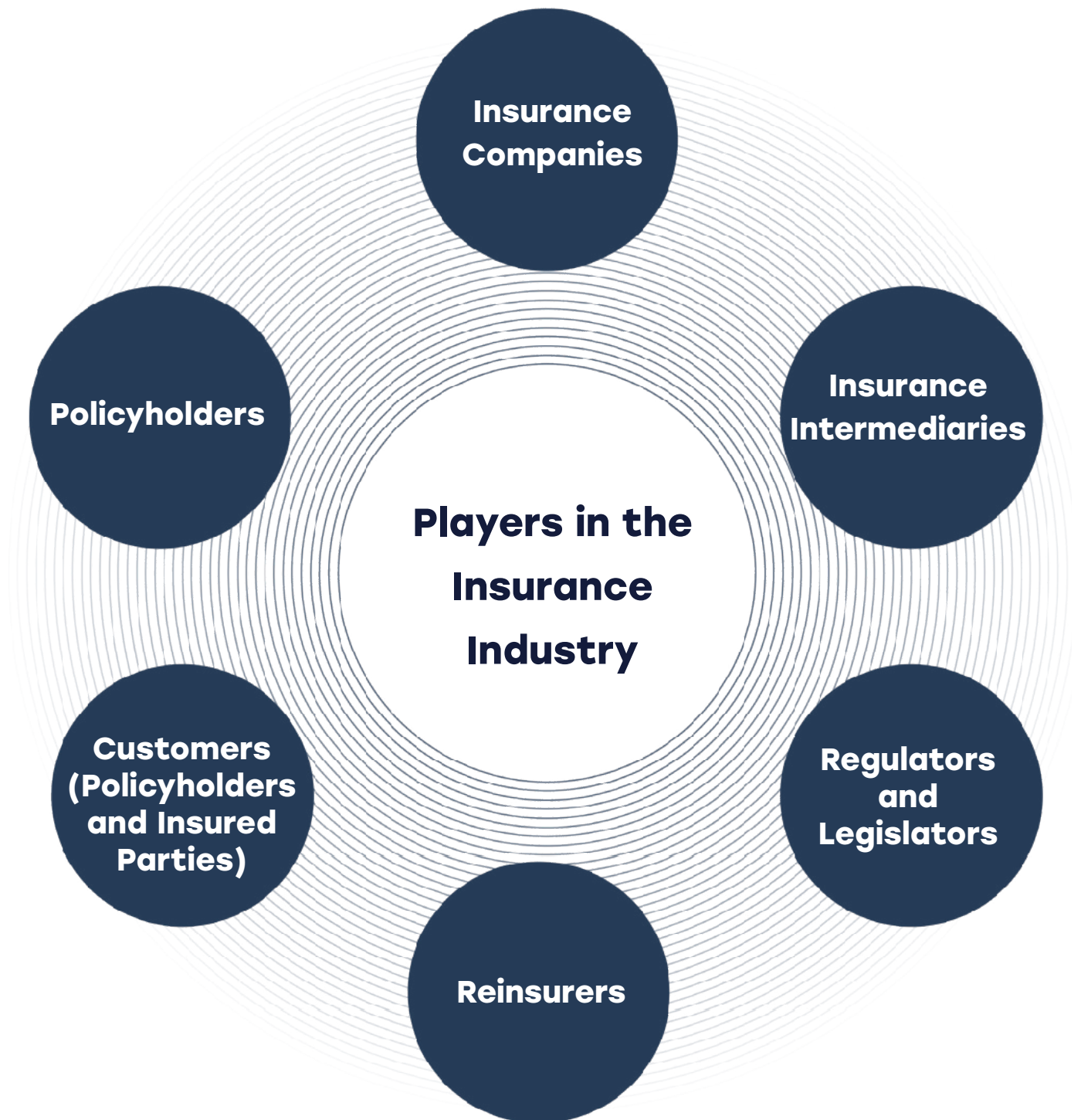


2

PLAYERS IN THE INSURANCE INDUSTRY

—● Players in the Insurance Industry ●—

The insurance industry is considered one of the vital pillars of any country's economy, acting as an economic safeguard for individuals and companies against various risks and hazards. This industry operates with the goal of managing and mitigating the financial impacts of potential accidents and damages, thereby playing a crucial role in ensuring the economic and psychological security of society. The main players in the insurance industry are:



► Insurance Companies

insurance companies are the primary players in this industry, providing insurance coverage in exchange for premiums to cover various risks such as natural disasters, road accidents, illnesses, financial losses, and more. these companies are categorized into different types, including life insurance, non-life insurance (such as auto insurance, fire insurance, etc.), and health insurance.

► Insurance Intermediaries

insurance intermediaries include brokers and agents who act as a bridge between insurance companies and policyholders. they are responsible for providing advice to customers, explaining the different types of insurance coverage, and helping to choose the best option. insurance intermediaries play a crucial role in increasing public awareness and facilitating the insurance purchase process.

► Policyholders

policyholders, whether individuals or entities, are customers who purchase insurance policies to protect themselves against potential risks and hazards. by paying premiums to insurance companies, they receive insurance coverage and, in the event of an accident or loss, they receive financial compensation from the insurance company.

► Regulators and Legislators

Regulatory and legislative bodies, such as central banks or relevant government agencies, are responsible for setting regulations, overseeing the operations of insurance companies, and protecting the rights of policyholders. These bodies help create a stable and secure environment for the insurance industry by enacting laws and regulations, ensuring compliance with financial and ethical standards.

► Reinsurers

Reinsurers are companies that provide insurance to cover risks that exceed the capacity of primary insurance companies. This practice helps insurance companies mitigate the impact of large and potentially destabilizing losses by transferring a portion of their risks to reinsurers, thereby maintaining their financial stability.

► **Customers (Policyholders and Insured Parties)**

Customers play a crucial role in this industry, as their needs and expectations determine the type and extent of insurance services provided by insurance companies. Continuous and effective communication with customers and understanding their needs is vital for the success of insurance companies.

In summary, the insurance industry plays a key role in the economy through the collaboration and interaction among these various players. By offering a wide range of insurance coverages, the industry ensures the economic and psychological security of individuals and businesses, thereby contributing to economic development and stability. Additionally, effective cooperation among different players in the industry can lead to innovation, improved services, and increased public trust in insurance.

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3

THE CURRENT STATE OF THE INSURANCE INDUSTRY IN IRAN

● The Current State of the Insurance Industry in Iran ●

The insurance industry in Iran, despite its relatively long history, is still on the path of development and reaching its true position in the national economy. The roots of modern insurance in Iran go back to the late Qajar era and the early Pahlavi era, when foreign insurance companies such as Great Asia and Alliance began to operate. But the real turning point was the establishment of the first national insurance company, namely Iran Insurance Company was formed in 1935 with the aim of nationalism and the creation of an independent institution to cover risks and get the monopoly out of the hands of foreign companies. After the Islamic Revolution and with the structural changes in the economy, the law on interest-free banking operations and the laws related to insurance also underwent changes, and the activities of private insurance companies began in the early 2000s with economic openings.

► Economic Status and Importance

Today, Iran's insurance industry, with the presence of more than 30 active insurance companies (including governmental, private, and free zones) and a reinsurance company and brokerage institutions, plays an important role in covering risks, attracting and directing micro and macro capitals, and contributing to the financial stability of the society. This industry provides a variety of insurance coverages including life, treatment, third party, body, fire, liability, engineering, Freight and... It provides a significant part of the protection and protection needs of individuals and organizations. However, the share of the insurance industry in the Gross Domestic Product (GDP) in Iran, which is mainly measured by the criterion of «insurance penetration rate» (the ratio of premiums produced to GDP), is still low compared to global and even regional standards. This figure has fluctuated around %2.5 in recent years, which indicates the very high potential for growth and development of this industry in the country. The importance of this industry is not only in the Compensation is also in its role as an important financial institution in attracting liquidity and directing it towards productive investments in the economy.

► Market Structure and Players

The Iranian insurance market currently consists of:

- **Iran Insurance Company:** The only state-owned insurance company that has a significant share of the market (about 30 to 40 percent) and is also responsible for providing compulsory insurance (such as third parties).
- **Private insurance companies:** A large number of private companies that have grown significantly in recent years and have increased competitiveness in the market. These companies are trying to gain a larger share of the market by innovating in products and services.
- **Reinsurance companies:** such as Amin Reinsurance and Iranian Reinsurance, which play an important role in distributing large risks among domestic insurance companies and facilitating international activities.
- **Central Insurance of the Islamic Republic of Iran:** The main supervisory body and regulator of the insurance industry, which is responsible for regulating, supervising the performance of companies, developing insurance culture, and issuing licenses.



► The main challenges facing the Iranian insurance industry

Despite its many potentials, Iran's insurance industry faces several challenges that have prevented it from growing rapidly and reaching its true position:

● Low penetration rate and poor insurance culture

One of the most prominent challenges is the low insurance penetration rate compared to the global average. There are several reasons for this, including:

- **Lack of public awareness:** A significant part of the society is not sufficiently familiar with the importance and functions of insurance and considers insurance only as an expense and not an investment for the future.
- **Lack of a managed risk-taking culture:** Due to cultural and economic factors, people are less likely to actively manage their risks through insurance.
- **Focus on compulsory insurance:** A large volume of premiums produced in the country is related to compulsory insurance (such as third party), which indicates a sufficient unwillingness to purchase optional insurance.

● Regulation and supervision

Although central insurance has a vital regulatory role, sometimes existing regulations do not meet the needs of the market or provide sufficient flexibility for innovation. The need to revise and update laws and regulations is essential to support the growth and development of the industry as well as maintain the health of the market. Transparency in monitoring and preventing violations is also of utmost importance.

● Unhealthy competition and market health

competition over rate-breaking in some fields, especially third-party insurance, harms the financial health of companies and affects their profitability. This can lead to a decrease in the quality of services, delay in payment of damages, and ultimately a decrease in public trust in the industry.

● Challenges of Investment and Asset Management

Insurance companies, as financial institutions, have a significant amount of liquidity and technical reserves. However, the economic conditions of the country such as high inflation, capital market fluctuations, and investment restrictions create challenges for the optimal management of assets and obtaining appropriate returns for insurance companies. This issue affects the ability of companies to fulfill long-term obligations and the development of their activities.

● Inflation and technical rates

The high inflationary economic environment makes it difficult for insurance companies to accurately assess risk and determine appropriate technical rates. Rising compensation costs (due to inflation) can lead to losses for companies unless premium rates are continuously adjusted, which is also met with market resistance.

● Impact of International Sanctions

International economic sanctions have had a significant impact on Iran's insurance industry, especially in the field of «international reinsurance». Domestic insurance companies have faced limitations in covering major industrial, oil, and maritime risks that require global reinsurance capacities. This has not only slowed down the transfer of new insurance knowledge and technologies, but also domestic risks. as well.

● **Slow adoption of technology and digitalization**

Despite global advances in the field of «insurtech» and the digitization of insurance services, Iran's insurance industry is still in the early stages of full adoption of new technologies. Many processes are still performed in a traditional way, which leads to inefficiencies, increased costs, and failure to provide a desirable user experience to customers. in this field.

► **Growth Opportunities and Potentials**

Despite the challenges, Iran's insurance industry has numerous opportunities for growth and development:

- **The potential of new markets and new insurances:** Insurance needs in Iranian society are very extensive and evolving. Entering new markets such as cyber insurance (due to the increase in cyber attacks), professional liability insurance (for various businesses), civil liability insurance for managers, agricultural insurance (to support national production), credit insurance (to facilitate business transactions) and microinsurance for low-income groups can open new paths for the growth of the industry.
- **Focus on digitalization and insurtech:** Due to the growing use of the internet and smartphones, investing in new technologies such as artificial intelligence (AI) for risk assessment and product personalization, blockchain to increase transparency and reduce fraud, and the Internet of Things (IoT) for data collection and accident prevention, can help increase productivity. Reduce costs, and improve the customer experience. Providing online services (sales, issuance, and compensation) is a necessity for future competitiveness.
- **Increasing public awareness and education:** Targeted programs for education and culture building at the national level can help increase public awareness about the importance of insurance and its role in individual and social life. Media, education, and universities can play an important role in this regard. This will naturally increase the penetration rate of insurance.
- **Inter-sectoral cooperation (banking, stock exchange, insurance):** Due to the holding of the bank, stock exchange and insurance exhibition, these three main pillars of the Iranian economy can create new opportunities by synergy. Cooperation with banks to provide insurance services through banking channels (Bancassurance), as well as cooperation with the capital market (stock exchange) to develop insurance financial instruments (such as disaster bonds) - Catastrophe Bonds) and joint ventures can help strengthen all three sectors and develop the national economy.

- **Improving the quality of service and customer orientation:** Focusing on providing high-quality services, speed in paying damages, and transparency in processes, helps to increase public trust in the insurance industry. Customer-centricity and offering personalized products can create a significant competitive advantage for companies.

Overall, the insurance industry in Iran is at a turning point; the challenges are real but the opportunities are also numerous. With a strategic planning, the use of new technologies, the development of an insurance culture, and effective intersectoral cooperation, the industry can grow rapidly and play a more pivotal role in the sustainable development and economic stability of the country.



4

THE IMPACT OF TECHNOLOGY AND INNOVATION ON THE INSURANCE INDUSTRY

— ● The Impact of Technology and Innovation on the Insurance Industry ● —

In today's world, there is hardly an industry that has been unaffected by the wave of digital transformations and technological innovations. The insurance industry is no exception to this rule, and in recent years, with the emergence of a phenomenon called «Insurtech», it has witnessed profound and fundamental changes in business models, processes, and the way of interacting with customers. Insurtech, a combined word of «insurance» and «technology» refers to a set of companies, start-ups, and emerging technologies that are transforming the traditional face of the insurance industry with the aim of increasing efficiency, reducing costs, improving customer experience, and developing new insurance products.

► Information Technology and Fundamental Transformation

As mentioned in the original text, the introduction of new technologies into the insurance industry can improve efficiency and reduce costs. This is not just an assumption, but an ongoing reality. Using information technology to provide online services, analyze data for risk assessment, and offer personalized products can help improve the customer experience and increase the productivity of insurance companies. is the tip of the iceberg. Insurtech has gone beyond simply putting processes online and is redefining the essence of insurance operations.

► Key Technologies and Their Transformative Impacts

● Artificial Intelligence (AI) and Machine Learning (ML)

- **Risk assessment and pricing:** AI algorithms can analyze huge amounts of data (such as driving records, medical records, lifestyle habits, sensor data) and predict risks with unprecedented accuracy. This allows insurance companies to offer much more accurate and personalized premiums that are both fairer for the policyholder and more profitable for the insurance company.
- **Product Personalization:** Using machine learning, it is possible to identify the needs of policyholders and tailor insurance products perfectly to individual lifestyles, habits, and risks. This moves away from the «one size fits all» approach.

- **Customer Service and Chatbots:** AI-powered chatbots can answer customer queries 7/24, facilitate purchasing processes and even record initial damage, significantly improving the customer experience.
- **Fraud detection and prevention:** AI algorithms can detect suspicious patterns in damage claims and prevent fraud from occurring, leading to billions of dollars in savings for the insurance industry.

● **Big Data and Data Analysis**

Collecting, storing, and analyzing huge amounts of data (including structured and unstructured data) helps insurance companies to understand customer behavior more deeply, identify market trends, improve forecasting models, and develop targeted marketing strategies. These analyses provide the foundation for data-driven decision-making.

● **Internet of Objects (IoT)**

Internet-connected devices (such as smart sensors in cars, homes, wearables, and even industrial equipment) can collect real-time data. This data is very valuable for Usage-Based Insurance (UBI). For example, in car insurance, drivers with safer driving behaviors can pay lower premiums (Pay-How-You-Drive)). In health insurance, wearables can monitor physical activity and give more active people a discount (Pay-As-You-Live). Also, IoT plays a significant role in preventing damage; for example, water leak sensors in a home can warn before major damage occurs.

● **Blockchain and Smart Contracts**

- **Increased transparency and trust:** The blockchain can record all transactions and data of the insurance policy as a distributed and immutable ledger. This increases transparency for all parties (insurer, insured, damage assessor) and reduces the need for intermediaries.
- **Reduce costs and speed up processes:** Smart contracts that run on the blockchain can automate the compensation payment process without the need for human intervention, if the predetermined conditions are met. For example, in flight delay insurance, the damage is automatically credited to the insurer's account as soon as the delay is confirmed by a reliable source. This helps to reduce payment time damages lead to reduced administrative costs and increased customer satisfaction.

● Cloud Computing

Moving insurance infrastructure and applications to the cloud will enable companies to enjoy higher scalability, flexibility, and security, drastically reducing the costs of maintaining servers and hardware. This is especially critical for insurtech startups with less initial capitalization.

● Robotics and Process Automation (RPA)

RPA allows software bots to perform repetitive, rule-based tasks (such as data entry, form processing, data matching) with high accuracy and speed. This reduces human errors and allows employees to focus on more complex and strategic tasks.

► Advantages of the introduction of technology into the insurance industry for policyholders and insurers

The entry and development of technology in the insurance industry brings dual benefits to both customers (policyholders) and service providers (insurers):

● For policyholders

- **Easier and Faster Access:** Online platforms and mobile apps allow policyholders to easily purchase an insurance policy, manage their insurance information, and even record their losses, anytime and anywhere.
- **Better User Experience:** Simplified processes, 7/24 responsiveness through chatbots, and speed in paying damages significantly increase customer satisfaction.
- **More personalized and equitable products:** By analyzing data and using artificial intelligence, policyholders can get products that exactly match their individual needs and risks, and pay a premium that fits their behavior and characteristics.
- **Cost reduction:** With the increase in efficiency and competitiveness caused by technology, there is a possibility of reducing premiums for some disciplines and policyholders (especially in behavior-based models).

- **Greater transparency:** Blockchain and integrated data systems increase transparency in policy terms, compensation and liability payment processes, and gain the trust of policyholders.
- **Improved security and privacy:** While technology poses privacy challenges, cryptographic-based solutions (such as blockchain) and advanced cybersecurity standards allow insurance companies to protect policyholders' sensitive data. By using robust security architectures and adhering to data protection regulations, companies can provide a high level of security and privacy. Guarantee a person for customers' information.

● For insurers

- **Increasing efficiency and reducing costs:** Automating processes, reducing the need for human intervention in repetitive tasks, and optimizing operations, leads to a significant reduction in operational and administrative costs.
- **More accurate risk assessment and profitability:** AI-powered data analysis helps companies assess risks more accurately and set premium rates in a way that is both competitive and ensures the company's profitability.
- **Increase customer acquisition and retention:** By providing innovative services and a desirable user experience, companies can attract new customers and increase the loyalty of existing customers.
- **Product Innovation and Marketing:** Technology allows companies to design entirely new and innovative insurance products and enter markets that were not previously accessible (Manla Microinsurance).
- **Damage prevention:** Using IoT data and predictive analytics, insurance companies can suggest preventative measures before accidents occur, leading to a reduction in the number and severity of paid damages.
- **Better management of claims and compensation payments:** By automating and clarifying compensation processes (such as smart contracts), payment speeds are increased and customer satisfaction and internal efficiency are improved.

► New Business Models and Innovative Products

Technology is not limited to optimizing processes, but has also led to the emergence of entirely new business models and insurance products:

Parametric insurances: In this type of insurance, the payment of damages depends on the occurrence of a specific and predefined event (such as an earthquake of a certain intensity, or a decrease in rainfall less than a certain limit) and there is no need to evaluate the traditional damage. These insurances greatly increase the speed and transparency of payment by relying on accurate and automated data.

Technology-based microinsurance: Using mobile platforms and low-cost technologies, it has become possible to provide small and affordable insurance coverage to low-income segments of society.

Online platforms and Insurtech Startups: Startups are using technology to provide insurance services in completely new ways, from insurance comparison platforms to companies that do the entire insurance process online without the need for a traditional intermediary.

On-Demand (On-Demand) Insurances: This model allows policyholders to get insurance coverage for very short periods of time (e.g., a few hours or a few days) or for certain occasions (such as renting an item).

Implementation Challenges and Opportunities in Iran

Despite the enormous potential, the full implementation of these developments in the Iranian insurance industry faces challenges:

- **Technology infrastructure:** The need for more investment in ICT infrastructure in insurance companies and regulatory bodies.
- **Rules and regulations:** The speed of innovation in insurtech is very high, and regulation should be in a way that both supports innovation and protects the rights of policyholders. Central insurance must keep pace with global developments and define more flexible legal frameworks.
- **Organizational Culture:** Resistance to change and the need to train and empower human resources to use new technologies.
- **Cybersecurity and data privacy:** With the increase in data collection, ensuring cybersecurity and protecting the privacy of customers' information is of vital importance. This issue is of double importance, especially in Iran, due to infrastructure limitations and cyber threats, and requires investment and compliance with international standards.

However, there are also many opportunities. Iran's insurance market has a high growth potential with a low penetration rate, and the use of technology can quickly make this potential a reality. The entry and development of electronic and cyber insurance, which is also mentioned in the main text, is one of the clear examples of these opportunities. Digitization of processes and the provision of online services not only leads to increased efficiency and reduction of costs, but also By improving the customer experience and making insurance services more accessible, it can help increase awareness and education, and ultimately grow the overall market.

A recent survey focused on the role of technology and innovation in the insurance industry. The survey, titled «The Pulse of the European Insurance Industry», was conducted in the fourth quarter of 2023 and surveyed nearly 270 business decision-makers and IT leaders in the European insurance sector. The results showed that two-thirds of respondents are planning to accelerate their investment in their digitization process in two years. The next year will focus on improving payment channels, cybersecurity, augmented reality, and virtual reality and artificial intelligence (AI). Key strategic priorities identified by survey participants include attracting new customers and using digital channels to explore new business opportunities. The emphasis is on digital offerings and personalized services aimed at advancing customer acquisition and retention in an increasingly competitive landscape. Steve Hall, Director of ISG EMEA and Chief Artificial Intelligence Officer, prioritized the shift towards a «digital priority» approach among European insurers, emphasizing the role of next-generation technologies in reshaping business operations and improving market positioning. In particular, AI has seen a significant increase in allocation Budgets and a focus on the use of advanced AI methods such as natural language processing and machine learning are experiencing significant growth. Despite the growing interest in AI, the survey noted that AI development is still in its early stages for many respondents, with only a fraction of them actively developing large-scale solutions at the enterprise level. In addition, Challenges such as data silos and cybersecurity remain areas of concern, driving increased investment in digital risk management and IT security. Strategic partnerships are critical in order to achieve digital capabilities and specialized talent while reducing development risks. In addition, insurers strive to strike a balance between insurance outsourcing and outsourcing to address the evolving dynamics of the labor market and the challenges of talent retention. As traditional transportation companies face competition from tech companies and tech insurance startups for top talent, effective talent management strategies help meet the demands of transformative technologies are becoming increasingly vital.

Overall, the technology and innovation ecosystem is the main driving force for the future of the insurance industry. Companies that have the ability to adapt to these changes and exploit the capacities of insurtech will be the leaders and will provide insurance services in a more efficient, personalized, and accessible way for everyone.



5

SIZE AND FINANCIAL SCALE OF THE INSURANCE INDUSTRY

Size and Financial Scale of the Insurance Industry

Understanding the financial size and scale of the insurance industry is not only vital for assessing its position in the national and global economy, but also provides a clear picture of the growth potentials, challenges, and opportunities ahead. Key financial indicators such as insurance penetration rate, production premiums, per capita premiums, and loss ratios are key tools for analyzing and comparing the performance of the industry at the domestic and international levels. The level of public trust in the industry, the amount of risk coverage in the society, and the financial ability of insurance companies to fulfill their obligations.

► The status of the insurance industry in Iran (focusing on the years 2023 and 2024)

Iran's insurance industry has experienced relative growth in recent years, despite macroeconomic challenges. However, there is still a long way to go to reach international standards.

● Insurance penetration rate

This index, which shows the ratio of total premiums produced to gross domestic product (GDP), is one of the most important measures of the development of the insurance industry in a country. In Iran, this figure was reported to be about %2.1 in 2023. This is while the global average insurance penetration rate in 2023 (and forecast for 2024) is about 7 to 8 percent, and in some developed countries it is even higher than %10. This stark difference shows the huge potential and high potential of the Iranian insurance market for growth. The low penetration rate in Iran has several reasons, including: insufficient public awareness about the benefits of insurance, the focus of the majority of the market on compulsory insurance (such as third party insurance), and economic fluctuations and inflation that make it difficult to purchase optional insurance. However, the central insurance targeting and development plans focus on increasing this factor in the coming years (including in 2024).

● Production premiums

This index refers to the total amount of premiums that insurance companies have collected in a specific period of time. According to the latest reports of the Central Insurance, in the 11 months of 2023, the production premium of the Iranian insurance industry has reached about 248.7 thousand billion Rials and in the first 8 months of 1403 it has reached about 167.6 thousand billion Rials. These figures show a significant growth (more than %60 in the 11 months of 2023 compared to the same period of the previous year), which is partly due to the real growth of the market and partly affected by the inflation rate and price adjustments.

- **Portfolio Composition of Premiums:** In the structure of premiums produced in Iran, compulsory and high-risk insurance fields have a major share. In 2024, health insurance with a share of about %31.5 and third-party and surplus insurance with a share of about %27.4 accounted for the largest share of the produced premiums. While life insurance with a share of about %14.1, and car body insurance with a share of %6.9, are placed in the next ranks. This combination shows that a large portion of the market still relies on insurance, which is mainly purchased due to legal requirements.

● Per capita premiums

This index shows the amount of premiums produced divided by the population of the country and somehow reflects the average cost of insurance per person. According to the figures of premiums produced and the population of the country, the per capita insurance premium in Iran is far lower than the global average and indicates Iran's low position in the consumption of insurance services per person., the development of products in accordance with the needs of society and the improvement of people's purchasing power.

● Loss ratio

This ratio is obtained by dividing the amount of damages paid by the production premiums and indicates the profitability of insurance operations and the risk management ability of companies. In the 11 months of 2023, the loss ratio of the insurance industry reached %56.2 and in April 2024, this ratio was %46.8. Although this ratio has improved compared to some previous time periods, but in some insurance fields (such as treatment and third party) the loss ratio can be much higher than the industry average (for example, in the first 8 months of 2024, the loss ratio in the field of treatment was about 20.9 units). This indicates challenges in managing risk and determining appropriate technical rates in these fields. Optimal management of damages, increasing the accuracy of risk assessment, and reducing fraud are among the strategies to improve this ratio.

● Investment of insurance companies

Insurance companies, as important financial institutions, have a significant amount of technical reserves and reserves, a major part of which must be invested. These investments can be made in various economic sectors, including the money market, capital market, and real estate. Optimizing the investment portfolio is challenging for insurance companies. However, the role of the insurance industry in financing civil and economic projects, especially in the framework of cooperation with banks and stock exchanges, is of great importance and can contribute to the development of the country.

► Global scale of the insurance industry (end of 2024)

The global insurance market is a huge and growing market that is influenced by several factors, including global economic growth, demographic changes, climate change, and technological advancements.

● Global market volume

According to reports from reputable international institutions (such as the Swiss Re Institute Sigma), the global insurance industry is projected to return to average premium growth of around %1.2 in real figures in 2023 and 2024. The total volume of premiums produced globally (life and non-life) is in the trillions of dollars, reflecting the industry's unparalleled scale in the global economy.

● Global growth trends and drivers

- **Increased awareness of new risks:** Cyber risks, pandemics, and natural disasters have increased the need for new insurance coverages.
- **Greater Role of Life and Health Insurance:** With increasing life expectancy and concerns about health care costs, life and health insurance are constantly growing.
- **Technological Developments (Insurtech):** As a key catalyst, Insurtech is improving the efficiency, accessibility and innovation of insurance products globally.
- **Emerging Markets:** Countries with large populations and high economic growth have a high potential for growth in insurance penetration rate and increasing market size.

● Iran's position on a global scale

Due to its low penetration rate and the volume of premiums produced (in dollars), Iran has a low position in the global ranking of the insurance industry (some reports place Iran in the ranks of 120 onwards). The development of insurance culture and the use of new technologies can quickly improve its position in the global market.

► Future Prospects and Growth

Due to the existing challenges and opportunities, Iran's insurance industry is on the verge of a major transformation. Increasing public awareness, improving laws and regulations, developing innovative products (especially in the field of micro and digital insurance), and utilizing technological capacities (insurtech) can lead to a significant growth in the penetration rate and market volume. Central Insurance Goals to Achieve a Higher Penetration Rate and Increase the Share Life insurance shows the will to transform this industry. Intersectoral cooperation with banks and stock exchanges can also help attract more capital and provide more integrated financial services, and further demonstrate the scale and importance of the insurance industry in the national economy.



6

STATUS OF LAWS AND REGULATIONS IN THE INSURANCE INDUSTRY

Status of Laws and Regulations in the Insurance Industry

The status of laws and regulations in the insurance industry is highly complex and diverse due to the importance of this industry in both global and national economies. These regulations are designed to maintain financial stability, protect consumers, and promote transparency. Here, we examine the status of laws and regulations in the insurance industry on both global and Iranian levels:

► Global Laws and Regulations in the Insurance Industry

General Principles and Global Frameworks

● Basel Frameworks

Although Basel standards are specifically designed for banks, some principles, such as risk management and capital requirements, have been extended to the insurance industry.

● International Association of Insurance

IAIS is a global organization that coordinates and develops international standards for insurance industry supervision. It provides recommendations for oversight, risk management, and strengthening the financial soundness of insurers.

● IFRS 17 Regulations

The International Financial Reporting Standards (IFRS 17), set by the International Accounting Standards Board (IASB), are designed for financial reporting and transparency in the insurance industry, setting the rules for accounting and reporting for insurance contracts.

● Solvency II Guidelines

This legal framework, implemented in the European Union, addresses risk management and capital requirements for insurance companies. Solvency II consists of three main pillars: (1) capital requirements, (2) regulatory and reporting requirements, and (3) risk management requirements.

Laws and Regulations in Various Countries

usa

● United States

In the US, the insurance industry is regulated by the National Association of Insurance Commissioners (NAIC), which creates a set of laws and regulations for state-level oversight of insurance companies. Diverse regulations across states generally include financial requirements and consumer protection laws.

UK

● United Kingdom

Insurance industry regulation in the UK is overseen by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). UK laws include comprehensive regulations on risk management, capital requirements, and consumer rights.

DE

● Germany

In Germany, insurance industry oversight is conducted by the Federal Financial Supervisory Authority (BaFin). The regulations include stringent rules on insurance reserves, capital requirements, and consumer protection laws.

Legal and Regulatory Framework

Laws and Regulations in the Insurance Industry in Iran

● Insurance Law Amendments

Recent amendments to insurance laws aim to improve regulatory and financial conditions in the industry. These reforms include increasing capital requirements, improving regulatory processes, and strengthening consumer protection.

● Central Insurance of the Islamic Republic of Iran (CII)

The Central Insurance is the main regulatory body in Iran, responsible for regulating and supervising the insurance industry. Its duties include licensing insurance companies, overseeing their activities, and setting standards and regulations. Specific Regulations and Supervision

● Insurance Law

The Iranian Insurance Law, first enacted in 1954 and revised several times, sets the primary framework for insurance industry supervision. This law covers financial requirements, rights and obligations of insurers and policyholders, and insurance and claims processes.

Specific Regulations and Supervision

• Reporting Regulations

Insurance companies in Iran must submit financial and performance reports to the Central Insurance. These reports include information on financial status, insurance reserves, and investment activities.

• Supervision of International Activities

With the expansion of international insurance trade, the Central Insurance also oversees the international activities of Iranian insurance companies and ensures compliance with international regulations.

• Capital Requirements

Iranian insurance companies are required to maintain financial reserves and capital to cover risks and pay claims. The Central Insurance closely monitors compliance with capital requirements.

• Consumer Protection

Consumer protection regulations in the Iranian insurance industry ensure policyholder rights and prevent misconduct and fraud in the insurance process. This includes rules for transparency, customer information, and handling complaints.

The laws and regulations in the insurance industry are continually evolving globally and nationally to align with economic changes, technological advancements, and consumer needs. Globally, the focus is on international standards, financial transparency, and risk management, while in Iran, regulatory laws focus on market regulation, consumer protection, and strengthening the financial health of the insurance industry. Continuous changes and improvements in these areas help enhance the performance of the insurance industry and maintain its financial stability.



7

REGULATOR IN THE NEW INSURANCE INDUSTRY

Regulator in the New Insurance Industry

The rapid entry of new technologies into all economic fields has also undergone profound changes in the insurance industry. These developments, known as «Insurtech», while opening new horizons of efficiency, personalization, and accessibility for this industry, have also created new challenges and requirements for regulatory bodies. The insurance industry is no longer just a traditional financial institution, but rather a complex and data-driven ecosystem that requires innovative and agile regulatory frameworks that can both support innovation and protect the interests of stakeholders, especially policyholders.

I. Requirements, Threats and New Conditions Resulting from the Introduction of New Technologies

Advanced technologies such as artificial intelligence (AI), big data, Internet of Things (IoT), blockchain, and cloud computing have transformed the nature of the insurance industry. This transformation has created new requirements for industry players as well as regulatory bodies, introduced new security and legal threats, and created completely different conditions for activity in this field:

A) New Requirements

- **Data-driven management and privacy:** The beating heart of Insurtech is data. Huge amounts of personal, financial, and even behavioral data are collected and analyzed through IoT sensors, wearable devices, online platforms, and social networks. This requires the development and implementation of strict regulations for data privacy, data security, and transparency in how we collect and Their use is (Data Transparency). Regulators must ensure that companies use data responsibly and ethically, and that consumer rights about their data are respected (such as the right to access, rectify, or delete data).
- **Cybersecurity:** With the increase in reliance on digital systems, the risk of cyberattacks (e.g., ransomware, data leaks, DDoS attacks) has increased drastically. Insurance companies are an attractive target for cybercriminals due to their storage of huge amounts of sensitive financial and personal information. Regulators are required to develop strict cybersecurity standards, require companies to conduct regular security assessments, and have cyber resilience plans in place. (Cyber Resilience Plans).

- **New business models and product complexity:** The advent of behavior-based insurance (UBI), parametric insurance, P2P insurance (peer-to-peer), and on-demand products (on-demand) has created a need for new regulatory frameworks for licensing, product design monitoring, and transparency of terms and obligations. Traditional regulatory models may not be suitable for these innovative products and require more flexibility.
- **Monitoring of emerging technologies:** The performance and risks inherent in technologies such as artificial intelligence and machine learning (in decision-making, pricing, and compensation), blockchain (in the execution of smart contracts), and the Internet of Things (in data collection) must be monitored. Regulators must ensure transparency of algorithms, fairness in decision-making, and non-discrimination, and accountability in the event of errors in systems. They should specify the pen.
- **Multimodal interactions and a broader ecosystem:** Insurtech has pushed the traditional boundaries of the insurance industry. Insurance companies are now collaborating with tech startups, Big Tech companies, and other financial players (Fintech). This complex ecosystem requires coordination between different regulators (insurance, banking, stock exchange, technology) to avoid systemic risks and regulatory gaps.
- **Changing the role of intermediaries and distribution channels:** Online platforms, applications, and digital distribution channels have changed the role of traditional intermediaries (agents and brokers). Regulators should also monitor these new channels to ensure that insurance sales are fair and transparent, and that consumer rights are protected at all stages.

► B) New threats

- **Operational and technical risks:** Heavy dependence on software and hardware systems increases the risks of coding errors, malfunctions in systems, or failure of technology infrastructure, which can lead to disruption of service delivery and payment of damages.
- **Cyber Risks:** As mentioned earlier, cyber threats, from breaches of customer data to ransomware attacks that cripple the entire company's operations, are among the most serious emerging threats. These attacks can cause serious damage to the company's reputation and cause heavy financial losses.
- **Legal and ethical risks:**
 - **Algorithmic discrimination:** The use of AI in pricing can inadvertently lead

to discrimination against certain groups of people that is not legally and ethically acceptable.

- **Artificial Intelligence Accountability:** In case of errors or damages caused by algorithmic decisions, who is responsible for it? (Company, Developer AI, data?).
- **Data Ownership and Use:** How the data collected by IoT devices or platforms is owned and used can create legal ambiguities.
- **Financial risks and market stability:** The emergence of insurtech startups with innovative but unproven business models can create new financial risks for the market. Also, an overemphasis on cost reduction through technology can affect companies' ability to maintain sufficient reserves to pay for large losses.
- **Market Abuse and Fraud Risks:** Although technology can help detect fraud, it can also provide new tools for more sophisticated and widespread frauds that are more difficult to monitor.

► C) New Conditions

- **High speed of change:** The speed of technological changes is much faster than the speed of formulating and updating traditional laws. This requires an agile and flexible approach in the regulator.
- **Diversity of players:** The insurance ecosystem includes traditional insurance companies, insurtech startups, big tech companies, and even digital intermediaries, each of which requires appropriate regulatory approaches.
- **Globalization:** Many insurtech technologies and players are global in nature. This necessitates the need for international cooperation of regulators to prevent regulatory gaps and cross-border risks.
- **High customer expectations:** Digital customers expect insurance services to be delivered as quickly and easily as other digital sectors (such as online banking). This puts additional pressure on companies and regulatory bodies to comply faster.
- **The need for specialization in the regulator:** Regulatory bodies must acquire sufficient knowledge and expertise in the fields of information technology, artificial intelligence, data analysis, and cybersecurity to be able to effectively monitor this new industry.

▶ II. Characteristics of the new regulators and points to consider to improve the conditions of the insurance industry

Due to the new requirements, threats, and conditions, the regulator in the modern insurance industry must go beyond traditional approaches and incorporate certain features to ensure the health of the market, protect the consumer, and support innovation:

▶ A) Agile & Risk-Based Regulation

Regulatory Sandbox: One of the most important tools to support innovation is the creation of a «regulatory sandbox». This space allows innovative companies (especially insurtech startups) to launch their new products and services in a controlled environment with less regulatory supervision and with a limited number of customers, on a trial basis. This approach allows companies to test their ideas without facing the full burden of traditional regulations, and it also gives the regulator the opportunity to understand the risks and benefits of the new technology before developing permanent regulations.

- **Proportional Regulation:** The regulatory approach should be proportional to the size, complexity, and risks of companies and products. It is unfair and inefficient to apply the same regulations to a small insurtech startup and a large traditional insurance company. The regulator should have the flexibility to separate companies based on their business model and risk scale.
- **Mechanisms for rapid updating of regulations:** Laws and regulations should be developed in such a way that they are able to be updated and adapt quickly to technological developments. This can include the use of «general principles» instead of «minor and strict rules», which provides more flexibility.

▶ B) Focus on consumer protection and privacy

- **Full transparency and informed consent:** The regulator must require companies to be fully transparent about how personal data is collected, used, and shared, especially in data-driven products (such as behavior-based insurance). Insurers must authorize the use of their data with their informed and explicit consent and have the right to access, rectify, or delete the data.

- **Tackling algorithmic discrimination and ensuring fairness:** AI algorithms may inadvertently lead to discrimination in pricing or service delivery (e.g., based on race, gender, socioeconomic status). The regulator must ensure that AI-powered decision-making processes are fair, transparent, and explainable, and that any unfair discrimination is avoided.
- **Consumer education and empowerment:** As insurance products and digital processes become more sophisticated, regulators and companies should play a more active role in educating consumers and increasing digital financial and insurance literacy so that people can make more informed decisions and defend their rights .

► C) Strengthening cybersecurity and operational resilience

- **Develop strict cybersecurity standards:** The regulator should make strong cybersecurity frameworks and standards mandatory for all companies operating in the insurance industry (including insurtechs). These standards should include such things as data encryption, access management, network protection, regular penetration tests, and cyber incident response plans.
- **Operational Resilience Monitoring:** The regulatory body must ensure that companies are able to continue to provide critical services even in the event of technical disruptions, cyberattacks, or other crises. This includes having backup systems, disaster recovery plans, and regular resilience tests.
- **Third-party risk management:** Because many insurance companies outsource their technology services to external providers (such as cloud companies), the regulator must also monitor the security and resilience of these third-party providers.

► D) Facilitating innovation and healthy competition

- **Reducing barriers to entry for innovators:** The regulator should be in a way that reduces unnecessary barriers to the entry of insurtech startups and new companies and provides a healthy competitive environment.
- **Encouraging collaboration:** The regulator can encourage traditional insurance companies to collaborate with insurtech startups by creating support frameworks so that both innovation reaches the market faster and traditional companies benefit from the benefits of technology.
- **Anti-monopoly policies:** With the emergence of big tech players in the field of insurance, the regulator must be careful not to form monopolies in the market and to maintain fair competition.

► E) Development of Supervisory Capacities

- **Recruiting and training specialized manpower:** Regulatory bodies themselves must invest significantly in attracting and training experts with in-depth knowledge in the areas of information technology, data science, artificial intelligence, and cybersecurity so that they can understand and monitor technical challenges.
- **Using Regtech:** Regulators can use Regtech themselves to improve the efficiency and effectiveness of their regulatory processes. This includes automating the collection and analysis of regulatory data, using artificial intelligence to identify risks, and improving reporting.
- **International cooperation and sharing of experiences:** Given the global nature of technology, regulators of countries should strengthen their cooperation, share successful experiences and, if necessary, develop common regulatory standards to address cross-border risks.

► F) Corporate Responsibility and Governance

- **Governance frameworks for technology:** Companies must establish strong governance frameworks for managing technology-related risks, especially artificial intelligence and data. The board of directors and senior management must take responsibility for overseeing technology strategies and related risks.
- **Transparent reporting:** Companies should be required to regularly report their cybersecurity status, use of artificial intelligence, and management of their data to regulatory bodies.

Conclusion: The Path Ahead for Smart Regulation in Iran

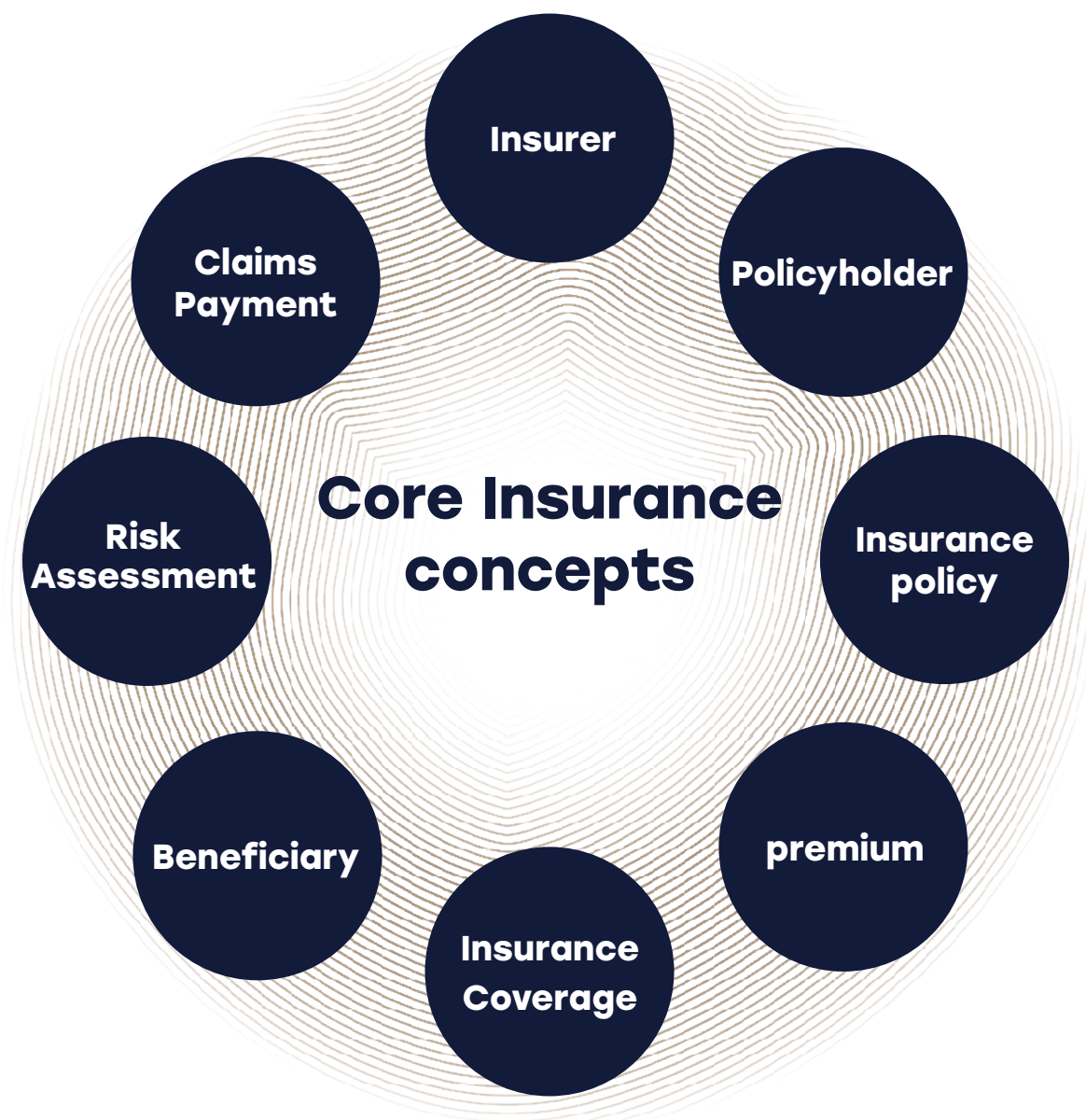
Iran's insurance industry, in the face of global technological developments, needs a forward-thinking and intelligent regulatory approach. The Central Insurance of the Islamic Republic of Iran, as the supervisory body, plays a pivotal role in guiding this transformation. With a deep understanding of the requirements, threats, and new conditions arising from Insurtech, and with a focus on agile and risk-based regulatory features, supporting innovation, protecting consumers, strengthening cybersecurity, and developing capacityRegulatory policies can pave the way for the sustainable and competitive growth of the country's insurance industry in the digital age. This path will not only help to modernize the insurance industry, but will also lead to increasing public confidence and improving its position in the national economy. Close cooperation with industry players, academic institutions, and other regulators will be the key to success in this challenging and at the same time opportunity-filled path.



8

CORE CONCEPTS OF THE INSURANCE INDUSTRY

● Core Concepts of the Insurance Industry ●





0

INSURER

Insurer

An insurer is an organization or company that issues insurance policies and is responsible for paying claims or providing related services in the event of a covered incident. These entities may include commercial insurance companies, government insurance companies, or mutual organizations (such as cooperative insurance).

**Insurers Function
and Duties**

**The Economic
Role of the
Insurer**

**Diversity in
insurers**

**Supervision &
Regulation**

Insurer Functions and Duties

The insurer uses statistical and analytical methods to assess the various risks that policyholders face. This assessment includes a review of the policyholder's history, current circumstances, and type of risk.

Insurers conduct a risk assessment process in order to determine the amount of risk associated with each policyholder. This assessment includes:

Utilization of statistical models

Utilization of statistical data and predictive models to estimate the probability of damage occurrence

Assessment of the current situation

Review of health conditions, property conditions, geographic location, and other relevant factors.

Insurance history review

Analysis of the policyholder's previous records, including reported damages and past claims.

1

Risk assessment

2

Determining the premium

3

Issuance of the insurance policy

4

Investment management

5

Payment of damages

6

Customer relationship management

7

Financial and operational management

8

Innovation and product development

9

Training and skill development

RISK ASSESSMENT

► Risk Assessment

The insurer assesses various risks faced by policyholders using statistical and analytical methods. This assessment includes examining the policyholder's history, current conditions, and the type of risk. Insurers conduct the risk assessment process to determine the level of risk associated with each policyholder. This assessment includes:

Using Statistical Models

Utilizing statistical data and predictive models to estimate the likelihood of a loss occurring.

Evaluating Current Conditions

Examining health conditions, property status, geographical location, and other relevant factors.

Reviewing Insurance History

Analyzing the policyholder's previous records, including reported claims and past losses.

PREMIUM CALCULATION

► Premium Calculation

One of the insurer's primary responsibilities is to determine the premium amount that the policyholder must pay. This amount is calculated based on risk assessment, required coverage, and other economic factors. The insurer must balance the premium amount with the ability to pay claims to ensure the policy is attractive to policyholders while remaining sustainable and profitable. Based on the risk assessment, the insurer determines an appropriate premium. The premium should provide adequate financial coverage for potential losses while covering operational costs and ensuring profitability.

POLICY ISSUANCE

► Policy Issuance

After evaluating and accepting the risk, the insurer issues the policy. This document includes all insurance terms and conditions, coverage amount, premium, and exclusions.

INVESTMENT MANAGEMENT

► Investment Management

The insurer is responsible for managing the funds received from premiums. These funds are used for paying claims and investing in financial markets to generate a suitable return.

Insurers invest the received premiums to generate income and meet future obligations. These investments are typically in bonds, stocks, real estate, and other financial instruments. Investment management is conducted in a way that maintains the ability to pay claims while achieving a satisfactory.

CLAIM SETTLEMENT

► Claim Settlement

In the event of an insured incident and claim approval, the insurer is obligated to pay for the damages in accordance with the policy terms. This process includes:

Paying Claims

Making payments to the policyholder or beneficiaries as per the policy's obligations.

Assessing Damage

Determining the actual amount of damage and calculating the payment based on the policy conditions.

Reviewing and Confirming Claims

Evaluating the documents provided by the policyholder and verifying the accuracy of the information.

CUSTOMER RELATIONSHIP MANAGEMENT

► Customer Relationship Management

The insurer is responsible for maintaining and improving relationships with policyholders, which includes:

Managing Complaints and Feedback

Handling customer complaints and feedback to improve services.

Offering Advice and Guidance

Providing advice on different insurance coverages and helping to select the best option.

Providing Support Services

Addressing policyholders' questions and issues.

FINANCIAL AND OPERATIONAL MANAGEMENT

► Financial and Operational Management

Insurers must carefully manage their expenses and revenues. This management includes:

Compliance with Regulations

Adhering to legal and regulatory requirements regarding financial reserves and other matters.

Maintaining Profitability

Balancing premiums and claims payments to ensure financial sustainability.

Controlling Operational Costs

Reducing expenses without compromising service quality.

PRODUCT INNOVATION AND DEVELOPMENT

► Product Innovation and Development

Insurers must continuously develop new products and services that meet market needs and adapt to social and economic changes. This includes market research, customer needs assessment, and creating new and flexible insurance products.

TRAINING AND SKILL DEVELOPMENT

► Training and Skill Development

Insurers should provide their employees with necessary training in areas such as risk assessment, customer service, and financial management to enhance service quality and operational efficiency.

These functions and responsibilities are interconnected and coordinated to enable the insurer to fulfill its commitments to policyholders effectively and efficiently while maintaining profitability and sustainability.

Economic Role of the Insurer

Insurers play a critical role in the economy that extends beyond providing insurance services to individuals and businesses. These roles include risk management, encouraging investment, supporting economic development, and promoting social and economic stability. Below is a comprehensive explanation of the economic role of insurers:

1

Risk management and distribution

2

Encouragement of investment and innovation

3

Job creation and industry development

4

Increasing financial and economic sustainability

5

Support for social and economic sustainability

6

Assisting in reducing public costs

7

Monitoring and prevention

► Risk Management and Distribution

One of the primary responsibilities of insurers is managing and distributing risk. They transfer financial risks from individuals and businesses to themselves through the provision of insurance coverage. This transfer of risk leads to:

Support for Businesses

In the event of a loss, insurers provide financial compensation to support businesses, aiding their quicker return to normal operations.

Reduced Financial Volatility

Individuals and businesses can plan their finances and investments with greater confidence.

► Encouragement of Investment and Innovation

Insurers help stimulate investment in new projects and businesses by mitigating the financial risks associated with investing. This is particularly important in high-risk industries such as new technologies, healthcare, and energy. Some effects of this process include:

Support for Innovation

Insurers support innovation and the development of new products and services by providing coverage for research and development.

Increased Investment Security

With reduced risk concerns, individuals and organizations are more inclined to invest.

► Job Creation and Industry Development

The insurance industry itself is a major sector of the economy, directly and indirectly creating numerous job opportunities. This includes roles in sales and marketing, claims assessment, risk management, and data analysis. Additionally:

Support for Related Industries

Insurers contribute to the growth and development of other industries such as construction, transportation, and manufacturing by providing essential services.

► Enhancing Financial and Economic Stability

Insurers play a crucial role in financial stability by creating financial reserves and engaging in various investments. These reserves act as a source of long-term capital that can be utilized in financial markets. The impact of this role includes:

Managing Economic Crises

During economic downturns, insurers can help mitigate the negative effects of crises by providing compensation and supporting businesses.

Strengthening Financial Markets

Insurers' investments in bonds, stocks, and other financial instruments contribute to the depth and stability of financial markets.

► Supporting Social and Economic Resilience

Insurers contribute to social resilience by providing coverage for events such as illness, death, natural disasters, and accidents. This role includes:

Supporting Governments and Public Entities

Insurers support the stability and effective operation of governments and public entities by offering coverage for public assets and critical infrastructure.

Supporting Families and Individuals

Insurers help families cope with financial difficulties resulting from accidents by providing compensation and financial assistance.

► Reducing Public Costs

By covering losses and bearing the costs associated with incidents, insurers alleviate the financial burden on governments and public entities. This helps reduce public expenses and optimize the use of government financial resources.

► Supervision and Prevention

Insurers are active not only in compensating for losses but also in preventing incidents. They assist individuals and businesses with specialized advice and risk management solutions to reduce the likelihood of losses.

Through their diverse and multifaceted roles, insurers contribute to economic stability and growth, risk reduction, and increased public confidence in markets. These roles are vital not only for policyholders but also for the broader economy and society.

Diversity in Insurers

In the insurance industry, diversity among insurers is evident in various aspects including ownership type, specialization, and the types of services offered. This diversity allows policyholders to choose the best insurance coverage based on their specific needs and circumstances. The following provides a comprehensive examination of this diversity among insurers.

1

Based on ownership and organizational structure

2

Based on the types of insurance policies offered

3

Based on geography and target markets

4

Based on different business models

5

Based on innovation and technology in insurers

► Ownership and Organizational Structure

MUTUAL INSURANCE COMPANIES

These companies are owned by their policyholders, who benefit from the profits rather than shareholders. The profits from these companies are returned to policyholders as dividends.

COMMERCIAL INSURANCE COMPANIES

These companies are privately owned and operate for profit. They are typically either public or private corporations and may also trade their shares in public financial markets.

SPECIALIZED INSURERS

These companies focus on specific areas of insurance, such as marine, aviation, or energy insurance. They often deal with high and complex risks.

STATE-OWNED INSURANCE COMPANIES

These insurers are owned and controlled by the government and usually operate to provide insurance services in specific sectors of the community or economy.

► By Types of Insurance Policies Offered

HEALTH INSURERS

These insurers offer coverage related to medical and health expenses, including health insurance, critical illness insurance, and dental insurance.

LIFE INSURERS

These insurers provide life insurance policies, including life insurance with investment components, retirement insurance, and coverage for death and disability.

REINSURERS

These insurers provide reinsurance services to other insurers, covering a portion of the risks from primary insurers to help distribute and mitigate risks.

GENERAL INSURERS

These companies offer various types of non-life insurance, including auto, fire, liability, transport, property, and casualty insurance.

► By Geography and Target Markets

● International Insurers

These companies operate in multiple countries and offer insurance services to international clients, typically with a broad network of international offices and branches.

● Regional Insurers

These insurers operate in specific regions within a country or across a group of countries, providing services to more localized areas.

● National Insurers

These companies operate within a specific country and are regulated according to that country's laws and regulations.

► By Different Business Models

● Digital Insurers

These insurers use digital technologies to deliver insurance services. They typically handle purchasing, managing, and claims processes online and utilize AI and data analytics to enhance their services.

● Brokered Insurers

These insurers sell policies through intermediaries or insurance agents, who act as advisors and assist customers in choosing the best insurance coverage.

● Direct Insurers

These companies sell insurance policies directly to customers without intermediaries, using websites, telephone, and sales offices to interact with clients.

► By Innovation and Technology in Insurers

Various insurers are adopting and implementing new technologies, which are leading to changes in traditional insurance processes. This includes :

InsurTech

Innovative companies leveraging technology to create new solutions in the insurance industry, including digital platforms for policy sales and claims management.

Blockchain

Enhances transparency and security in processing insurance information.

Artificial Intelligence (AI):

Used for risk assessment, personalizing insurance offers, and improving customer experience.

This diversity among insurers helps provide greater flexibility and improved services to policyholders, allowing the insurance industry to effectively adapt to evolving challenges and needs in global and local markets.

Regulation and Oversight :

Regulation and oversight play a crucial role in maintaining the financial health and fair operation of the insurance industry. These frameworks help ensure policyholder rights, the financial stability of insurers, and prevent unethical behavior and fraud. The following provides a comprehensive examination of regulation and oversight in the insurance industry:

► Objectives of Regulation and Oversight in the Insurance Industry

Maintaining Insurer Financial Health

Preventing insurer bankruptcies and ensuring their ability to pay claims through regulation of capital and financial reserves.

Protection of Policyholders

Ensuring that insurers fulfill their obligations properly and that policyholders receive prompt and fair compensation in the event of claims.

Creating Transparency and Public Trust

Enhancing transparency in insurers' operations and decision-making to build public trust and improve community awareness of insurance.

Prevention of Misconduct and Fraud

Preventing illegal activities such as fraud, misleading advertising, and abuse of power.

► Regulatory Bodies in the Insurance Industry

GOVERNMENT REGULATORY AUTHORITIES

These entities are typically established by governments and are responsible for formulating and enforcing regulations, overseeing insurers' operations, and protecting policyholder rights. Examples include:

International Organizations

Organizations such as the International Association of Insurance Supervisors (IAIS) develop global standards and guidelines for insurance regulation.

Insurance Commissions

Specialized entities established to monitor the insurance sector.

Central Banks

In some countries, central banks oversee the insurance industry.

► Key Regulations in the Insurance Industry

Technical Reserves

Insurers must maintain adequate financial reserves to cover potential future claims. These reserves include reserves for incurred but not reported claims, unearned premium reserves, and other technical reserves.

Capital Requirements

Regulations that mandate insurers to maintain a minimum amount of capital to cover their obligations. These requirements ensure that insurers are resilient against financial shocks.

Transparency and Reporting

Insurers must regularly and transparently report their financial and operational information to regulatory bodies and the public. These reports include financial statements, risk reports, and disclosures related to insurance products.

Risk Management Oversight

Insurers are required to implement effective risk management systems, which include identifying, assessing, and managing various risks associated with insurance activities.

Anti-Money Laundering (AML) and Counter-Terrorist Financing (CFT) Regulations

Insurers are required to comply with AML and CFT regulations, which involve customer due diligence, reporting suspicious activities, and training staff.

► Implementation of regulations and handling of violations

Enforcement of Laws and Handling Violations Regulatory bodies have legal authority to enforce regulations and address insurer violations. This may include:

Crisis Management

In cases of serious financial or operational issues, regulators may impose special management to prevent insurer collapse.

Imposition of Penalties

This includes financial fines, operational restrictions, suspension, or revocation of insurance licenses.

Investigations and Inspections

Reviewing and monitoring insurers operations to ensure compliance with regulations.

► Role of Reinsurers and Relevant Regulations

Reinsurers, who help distribute risk among insurers, are also subject to specific regulations to ensure the stability and effectiveness of this segment of the insurance industry.

► Emerging Trends and New Regulatory Challenges

The insurance industry continuously faces new changes and challenges that require updates and adaptations to regulations. These challenges include:

Advancements in Technology: Such as blockchain, artificial intelligence, and insurtech, which necessitate new regulations.

Climate Change: And related risks that impact insurer's operations.

Regulation and oversight in the insurance industry are vital tools for maintaining financial health, protecting policyholders, and enhancing public trust in the industry. These regulations and regulatory bodies need continuous adaptation and evolution to keep pace with market and technological changes.

1

Objectives of supervision and regulation in the insurance industry

2

Regulatory bodies overseeing the insurance industry

3

Key regulations in the insurance industry

4

Ethical and professional standards

5

Enforcement of laws and handling of violations

6

The role of reinsurance companies and related regulations

7

New regulatory developments and challenges



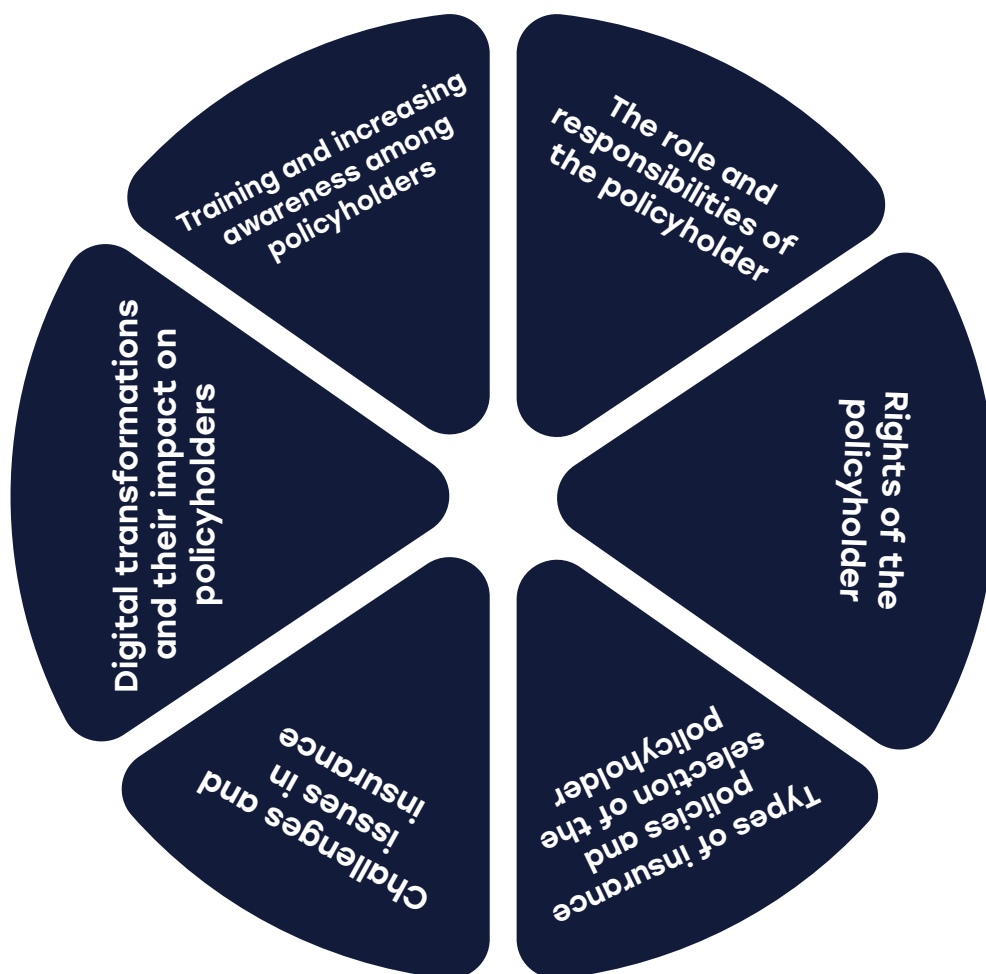
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POLICYHOLDER

Policyholder

INSURED/POLICYHOLDER

A policyholder is an individual or entity that enters into an insurance contract with an insurer and receives insurance coverage in exchange for paying premiums. The policyholder can be a natural person, a company, a government organization, or a non-profit entity. The role and characteristics of policyholders in the insurance industry are crucial and diverse, as they form the core demand for insurance services. Below is a comprehensive examination of policyholders and their roles within the insurance industry.



Roles and responsibilities of the policyholder

► Premium Payment

The policyholder is obligated to make regular premium payments to the insurer. The premium amount is typically determined based on the terms and coverage of the insurance policy.

► Providing Accurate Information

The policyholder must provide accurate and complete information regarding their condition or the insured subject to the insurer. This includes details such as health status, characteristics of the insured asset, and insurance history.

► Understanding Policy Terms

The policyholder must carefully read and understand the terms and conditions of the insurance policy. This includes awareness of the coverage, exclusions, limitations, and requirements specified in the policy.

► Claim Notification

In the event of an incident or loss, the policyholder must promptly notify the insurer and file a claim. This process generally involves submitting documentation and information related to the incident.

► Cooperation in Claim Investigation

The policyholder is required to cooperate with the insurer to ensure an accurate assessment of the claim. This cooperation includes providing documents, granting access to the incident location, and responding to the insurer's inquiries.

Policyholder Rights

- ▶ **Coverage Entitlement**
- ▶ **Transparent Communication**
- ▶ **Complaint Handling**

The policyholder has the right to receive compensation for covered losses according to the terms specified in the insurance policy.

The policyholder is entitled to request accurate and clear information from the insurer regarding the policy, any potential changes, and new conditions.

The policyholder has the right to file a complaint if dissatisfied with the insurer's services and to seek a review and resolution of the issue.

1

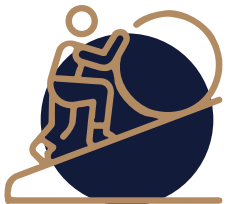
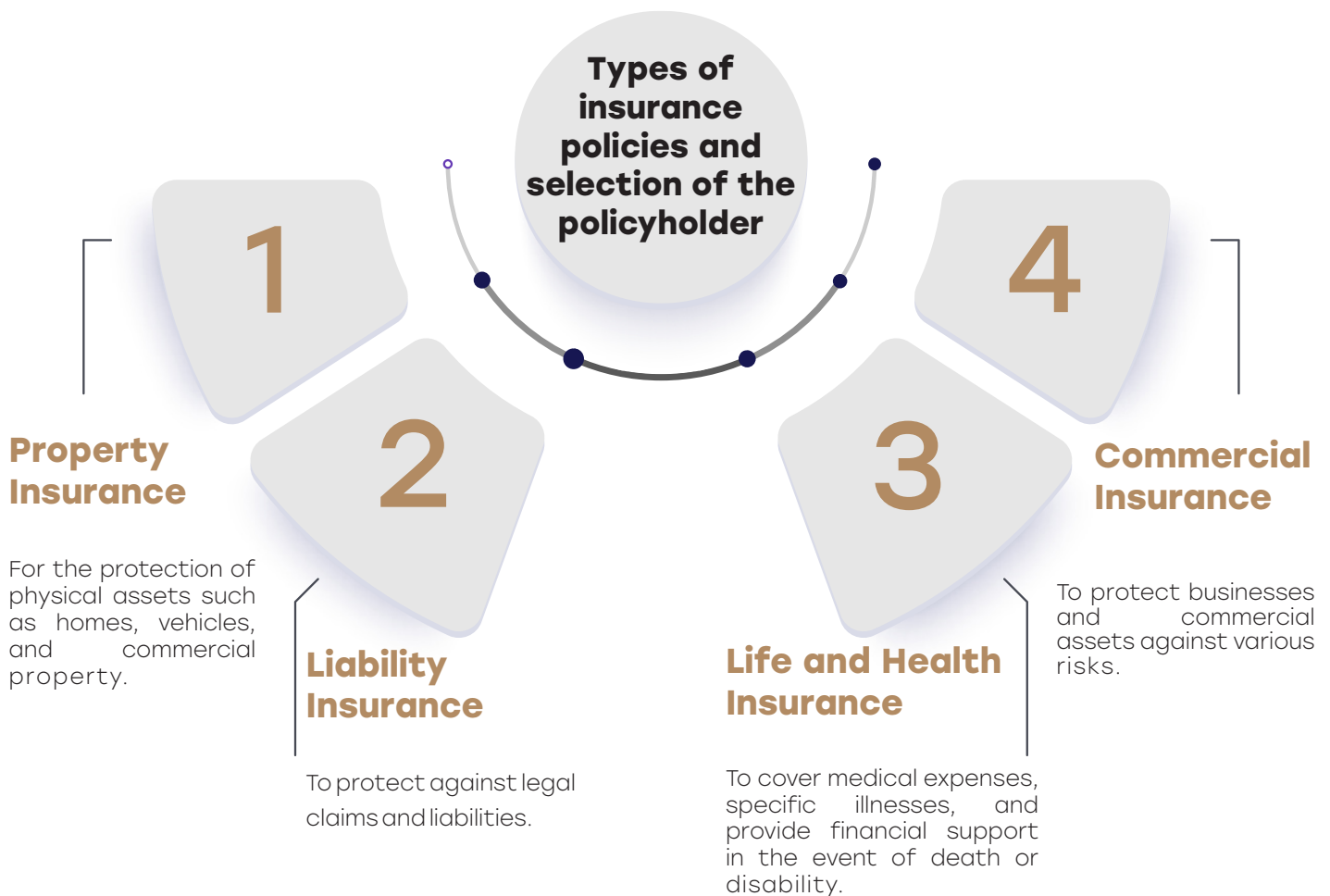
Receiving insurance coverage

2

Transparent communication

3

Handling complaints



Challenges and Issues for Policyholders

● Complexity of Policy Terms

Problems that may arise during the claims process, such as delays, dissatisfaction with the payout amount, and other issues.

● Complexity of Policy Terms

Fully understanding the terms and conditions of insurance policies can be difficult for many policyholders.

● Rising Premium Costs

Increasing premiums can be challenging for policyholders due to various factors such as rising healthcare costs or increased insurance risks.

Digital Transformations and Their Impact on Policyholders

With the expansion of digital technologies, policyholders increasingly use online tools and platforms to purchase and manage their insurance policies. Access to information and advice online, as well as digital and automated services, are among these developments.

Education and Raising Policyholder Awareness

Educating policyholders about their rights and obligations, how to choose the appropriate policy, and the claims process helps improve their insurance experience and increases satisfaction.

Policyholders, as the primary customers of the insurance industry, play a crucial role in its performance and sustainability. Their choices and purchases of insurance policies significantly impact the development and expansion of insurance services and new products. Addressing the needs and rights of policyholders and providing high-quality and transparent services are essential for building trust and maintaining long-term relationships with this group.



2

POLICY

Insurance Policy

An insurance policy is a document that formalizes the contract between the insurer (the insurance company) and the policyholder (the individual or entity purchasing the policy). This document specifies the types of coverage and services that the insurer will provide to the policyholder in exchange for premium payments, as well as the conditions under which these services will be provided. The insurance policy serves as the foundational framework for the interactions between the insurer and the policyholder, playing a crucial role in the insurance industry. The following provides a comprehensive explanation of the role and operation of an insurance policy.

1

Main components of an insurance policy

2

Types of insurance policies

3

How an insurance policy works

4

Rights and obligations of the policyholder and the insurer

5

Management and modification of insurance policies

6

Termination and cancellation of the insurance policy

7

Benefits of insurance policies for policyholders and society

Key Components of an Insurance Policy

1

INSURANCE COVERAGE

The insurance policy specifies the type and extent of coverage provided. This section details what is covered, such as accidents, illnesses, injuries, and other risks.

2

PREMIUM

The amount paid by the policyholder to the insurer for coverage. Premiums may be paid annually, monthly, or according to another agreed-upon schedule.

3

EXCLUSIONS

Items or circumstances that are not covered by the policy. Exclusions may include specific conditions, events, or items for which the insurer does not accept responsibility.

4

TERMS AND CONDITIONS

The rules that define how the policy operates, including the rights and responsibilities of both parties, the procedure for reporting claims, and the claims settlement process.

5

LIMITS

The maximum amount the insurer is obligated to pay in the event of a claim. These limits may apply per incident, annually, or in another specified manner.

6

POLICY PERIOD

The time frame during which the policy is valid and coverage is provided. This period is usually one year but can be shorter or longer depending on the policy.

► Types of Insurance Policies

HEALTH INSURERS

Covers medical and treatment expenses for the policyholder and their dependents.

LIFE INSURERS

Provides coverage for death or disability of the policyholder, designed to offer financial support to the policyholder's family or beneficiaries.

AUTO INSURANCE

Provides coverage for damage to vehicles and liability arising from driving accidents.

PROPERTY INSURANCE

Protects physical assets such as homes, offices, and commercial properties against risks like fire, theft, and natural disasters.

LIABILITY INSURANCE

Covers legal expenses and compensation related to liability claims.

PROPERTY INSURANCE

Insurance purchased by insurers to manage and distribute their risk by covering part of the risk they have assumed from other insurance policies.



Rights and Obligations of the Policyholder and Insurer

► Policyholder

Obligations:

Pay premiums, provide accurate information, and report claims promptly.

Rights:

Receive compensation for covered losses, access information, and seek advice.

► Insurer

Obligations:

Provide coverage according to the policy terms and pay claims in a timely and fair manner.

Rights:

Receive premiums, assess risks, and set policy conditions.

► Policy Management and Modification

Policies may need adjustments and updates, such as adding or removing coverages, changing premium payment conditions, or revising limits. These modifications are typically made through mutual agreement between the insurer and the policyholder.

► Policy Cancellation and Termination

Policies may be canceled or terminated under specific conditions, such as non-payment of premiums, provision of false information by the policyholder, or the policyholder's request for cancellation. In such cases, the insurer may refund a portion of the paid premium.

► Benefits of Policies for Policyholders and Society

Insurance policies may be terminated or canceled under certain conditions, such as non-payment of the premium, providing false information by the policyholder, or a request by the policyholder to cancel the policy. In these cases, the insurer may refund a portion of the paid premium.

► Financial Protection

Policies help policyholders receive financial support in the face of unexpected losses.

► Risk Reduction

Policies distribute and reduce financial risks arising from unforeseen events.

► Enhanced Social Security

Policies strengthen social security by providing a financial safety net and contribute to economic development.

► Encouragement for Risk Management

Insurers encourage policyholders to improve personal and corporate risk management through their offerings.

As a legal contract, an insurance policy forms the basis of providing insurance services and interaction between the insurer and the policyholder. This document not only outlines the rights and obligations of the parties but also serves as a tool for managing and mitigating various risks. Therefore, a thorough understanding of the policy's content and conditions is crucial for policyholders to benefit from their rights and fulfill their obligations.



3

PREMIUM

Premium

In the insurance industry, a premium refers to the amount that the policyholder pays to the insurer in exchange for the insurer's commitment to cover potential losses arising from specified events outlined in the policy. This amount is calculated based on risk assessment, the type of insurance coverage, and other factors. As a fundamental component of insurance policies, the premium plays a crucial role in financing and sustaining the operations of the insurance industry.

1

Factors determining the insurance premium

2

Method of calculating the premium

3

Types of premiums

4

Methods of paying the premium

5

The impact of changes in the premium

6

Refund of the premium

7

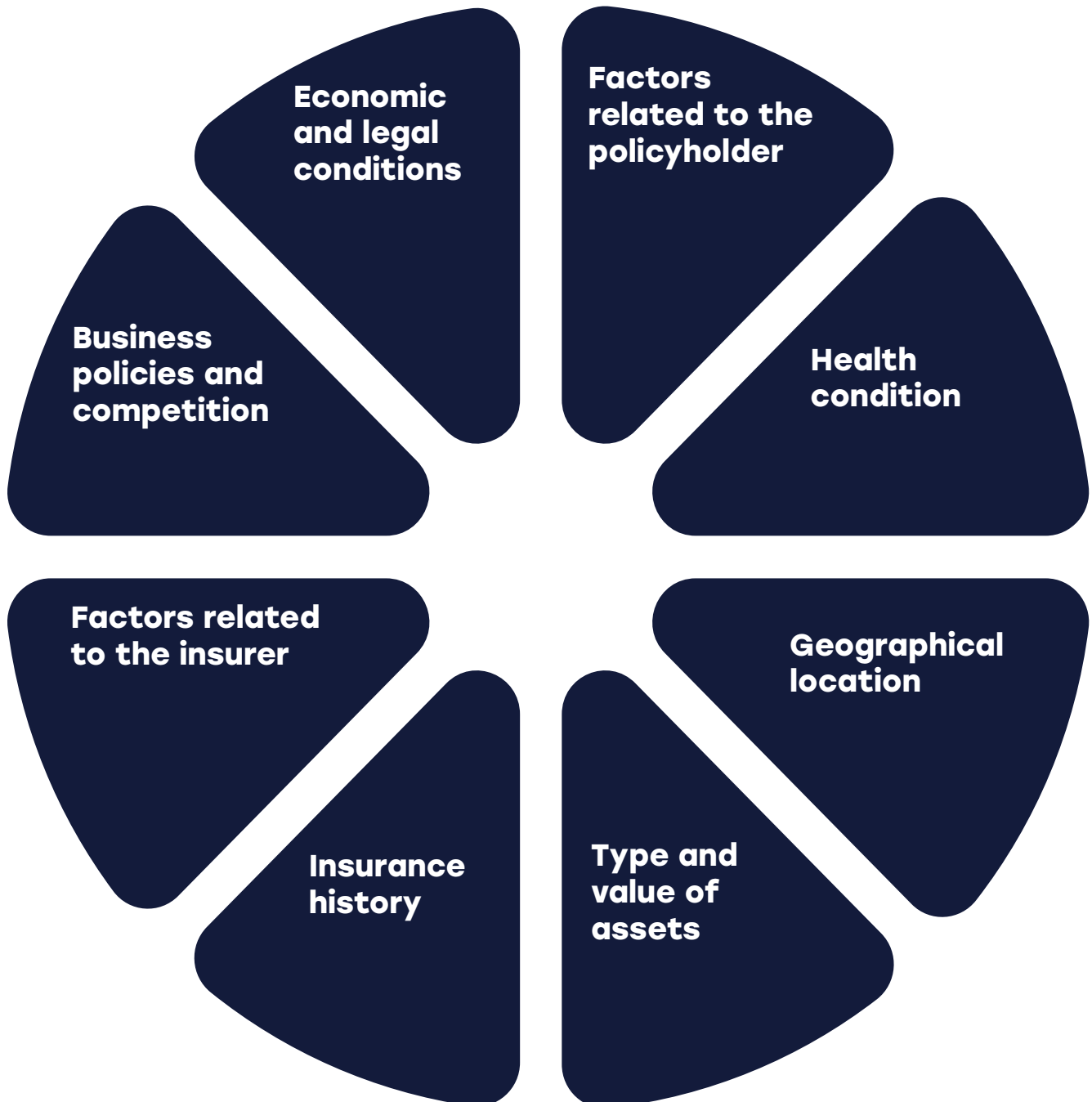
Challenges related to the premium

Premiums are the primary source of revenue for insurers. This revenue allows insurers to cover their operational costs, build financial reserves to pay claims, and engage in strategic investments. Proper management of premiums and maintaining a balance between attracting policyholders and covering risks is crucial for insurers.

Technology and big data play a significant role in risk analysis and premium determination. These technologies enable insurers to assess risks more accurately and calculate premiums based on more precise and comprehensive data.

► Premiums are influenced by various factors

Premiums are influenced by various factors, which can be broadly categorized into two groups: factors related to the policyholder and factors related to the insurer.



Premium Calculation

Premium calculation is a complex process involving a precise assessment of the risks associated with the policyholder and the requested coverages. Insurers use statistical and actuarial methods to estimate the likelihood of claims and the associated costs. This process includes the following steps:

► Base Rate Determination

Based on the risk assessment, the insurer sets a base rate, calculated per unit of coverage.

► Risk Assessment

Analyzing historical data and the policyholder's characteristics to estimate the likelihood of incidents and potential damages.

► Adding Surcharges

The insurer may add extra charges to the base rate for specific conditions, such as requests for additional coverage or special terms of the policy.

► Applying Discounts and Credits

Some insurers offer discounts to policyholders who meet certain criteria, such as a clean claims history or the use of safety equipment.

Types of Premiums

1

FLAT PREMIUM

A fixed amount paid by the policyholder on a regular basis, typically annually or monthly.

2

VARIABLE PREMIUM

An amount that fluctuates based on specific conditions or market changes.

3

SINGLE PREMIUM

A one-time payment that provides insurance coverage for a specified period.

Premium Payment Methods

Regular Payments

Premium payments made periodically, such as monthly, quarterly, semi-annually, or annually.

Lump Sum Payment

The total premium amount paid in a single payment at the beginning of the policy period.

Installment Payments

Some insurers offer the option to pay the premium in installments.

Impact of Changes in Premiums

Policy Review

Changes in policy conditions or the addition of new coverages can impact the premium.

Legal Changes

Changes in government regulations and insurance laws may affect premium rates.

Increased Risk

An increase in covered risks, such as higher accident rates, can lead to higher premiums.

► Premium Refunds

In some cases, insurers may refund a portion of the premium to the policyholder, such as when a policy is canceled before its expiration or when changes in coverage result in a reduction in the premium.

► Importance of Premiums for Insurers

Premiums are the primary source of revenue for insurers. This revenue allows insurers to cover operational costs, create financial reserves for claim payments, and invest strategically. Proper management of premiums and maintaining a balance between attracting policyholders and covering risks is crucial for insurers.

► Challenges Related to Premiums

Determining Appropriate Premiums: Insurers must set premiums that are acceptable to policyholders while covering their costs and risks.

Market Competition: The insurance market is often competitive, and insurers must offer premiums that not only cover risks but also attract customers.

Managing Unpredictable Risks: Certain events, such as major natural disasters, can suddenly increase insurers costs and impact premium policies.

Technology and big data play a significant role in analyzing risks and determining premiums. These technologies enable insurers to assess risks more accurately and calculate premiums based on more precise and comprehensive data.

Premiums, as a key component of the insurance industry, are crucial for its operation and sustainability. They not only provide financial support for insurers but also serve as a tool for managing and distributing financial risks. Both policyholders and insurers need a thorough understanding of the factors influencing premiums, calculation methods, and their importance in insurance contracts to make informed and strategic decisions.

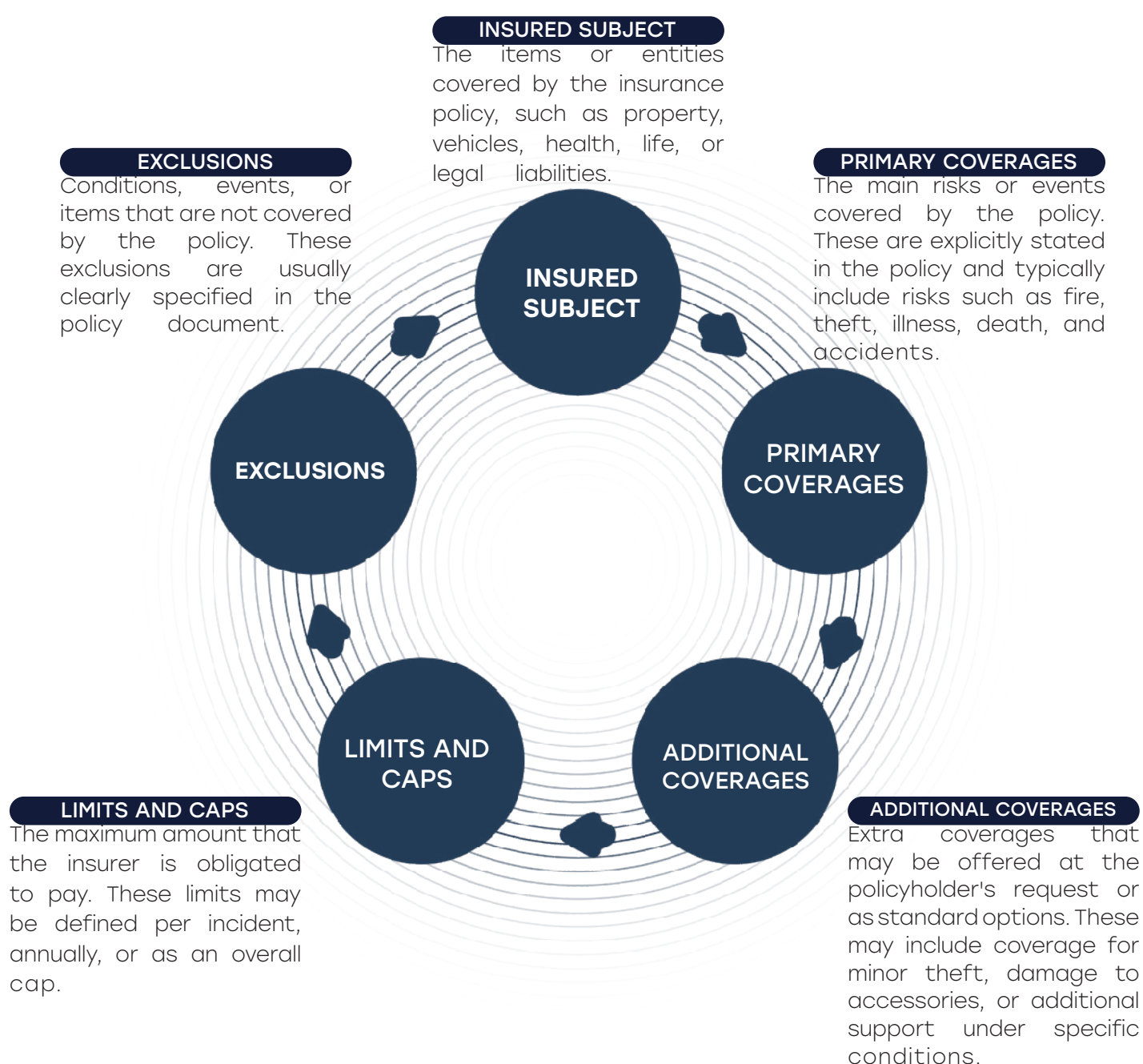


4

INSURANCE COVERAGE

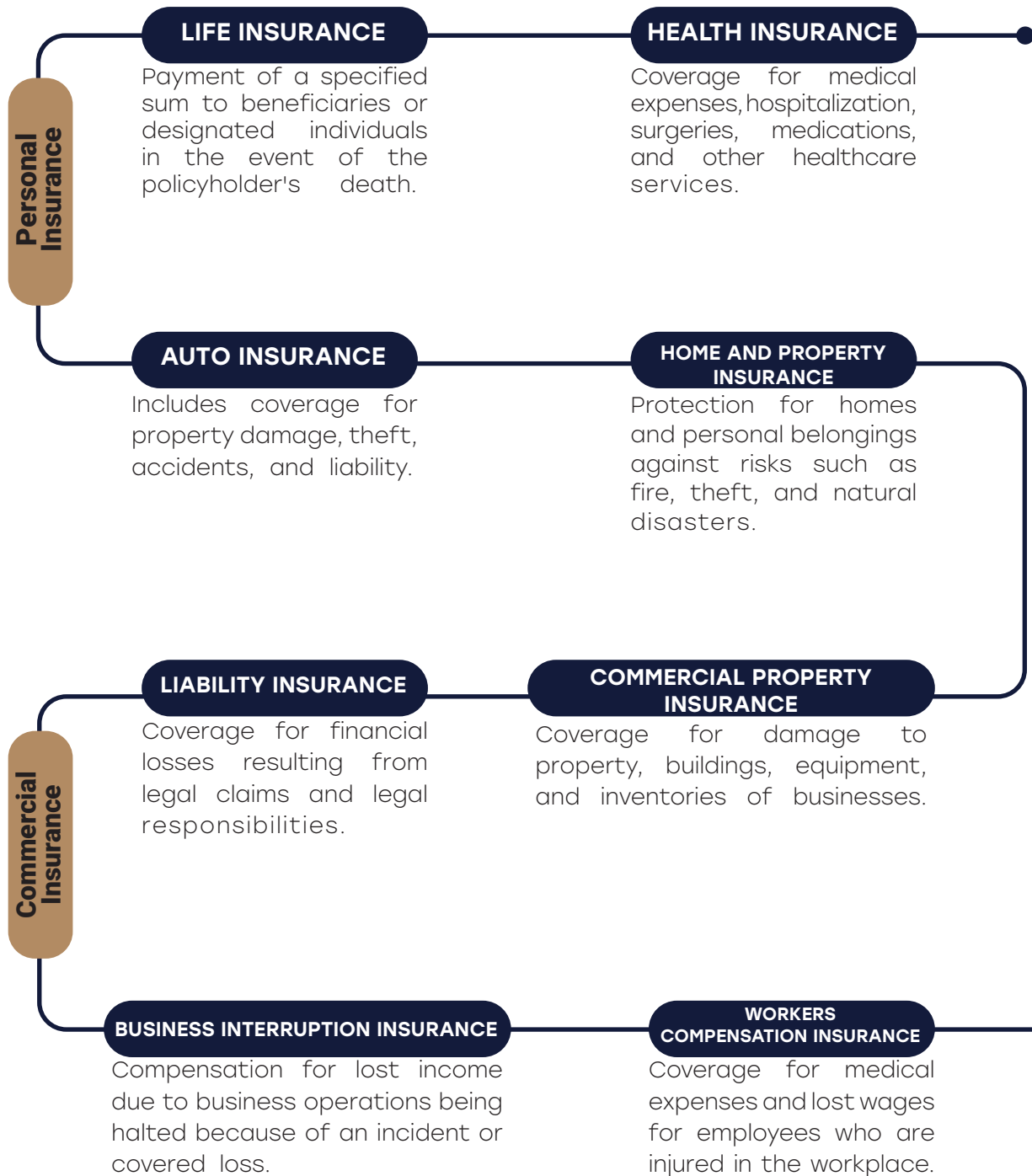
Insurance Coverage

Insurance coverage refers to the commitment made by an insurer (insurance company) to compensate the policyholder (individual or entity insured) for damages incurred due to specified events outlined in the insurance policy, up to a predetermined limit. These coverages are present in various types of insurance policies and vary depending on the type of insurance, specific conditions, and the policyholder's needs.



Types of Insurance

Insurance coverages are categorized based on the type of insurance and the needs of the policyholder. Some of the most common types of coverage include:



REINSURANCE

Coverage for insurers' risks by transferring a portion of the risk to other insurance companies.

MARINE AND CARGO INSURANCE

Coverage for damages resulting from the transportation of goods and property via maritime, air, and land routes.

Commercial Insurance

How to Choose and Purchase Insurance Coverage

1

Identifying Needs

Determining the type and amount of coverage required based on an assessment of risks associated with personal life or business activities.

2

Consulting with Insurance Representatives

Utilizing the advisory services of insurance agents or brokers to select the most appropriate policy.

3

Comparing Policies

Examining and comparing the terms, costs, and coverages offered by different insurers.

4

Selecting and Finalizing the Contract

Once a policy is chosen, finalizing the insurance contract and having the policy issued.



5

BENEFICIARY

Beneficiary

In the insurance industry, a beneficiary refers to an individual or entity that receives financial benefits and rights from an insurance policy. The beneficiary is typically designated by the policyholder (the person who purchases the policy) and can include various individuals or organizations. The designation of a beneficiary is a crucial part of an insurance contract, particularly in policies such as life insurance, accident insurance, and health insurance.

1

Definition and role of the beneficiary in insurance

2

Types of beneficiaries

3

The role of the beneficiary in different types of insurance

4

Designation and change of beneficiaries

5

Rights and obligations of the beneficiary

6

Legal and tax issues related to beneficiaries

7

Legal and tax issues related to beneficiaries

► Definition and Role of Beneficiary in Insurance

A beneficiary is an individual or entity who receives a monetary compensation or benefits under an insurance policy in the event of a covered incident. The role of the beneficiary varies across different types of insurance policies but generally involves receiving funds or services if a specified event or accident occurs.

► Types of Beneficiaries

Beneficiaries can be broadly categorized into two types:

CONTINGENT BENEFICIARIES

If the primary beneficiary is deceased or otherwise unable to receive the benefits, the contingent beneficiary will assume their place .

PRIMARY BENEFICIARIES

These are individuals who are first in line to receive the benefits of the insurance policy. Payments or benefits are made to them if they are alive at the time of the incident.

► Role of the Beneficiary in Various Types of Insurance

ACCIDENT INSURANCE

In accident insurance, beneficiaries can be individuals or entities who receive an insurance payment in the event of an accident causing damage.

COMMERCIAL AND LIABILITY INSURANCE

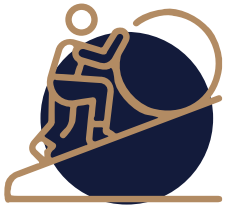
In these types of insurance, beneficiaries might be businesses, partners, or third parties who benefit from financial or legal advantages derived from the policy.

Life Insurance

In life insurance, the beneficiary is typically a family member or close relative of the policyholder who will receive a sum as compensation or benefits in the event of the policyholder's death.

Health Insurance

In some health insurance policies, the beneficiary can be the policyholder or their family members who benefit from coverage of medical expenses.



Challenges related to insurance coverage

● Increase in costs

Increases in premiums or costs for additional coverage may be challenging for some policyholders.

● Exclusions and limitations

Some coverages may include exclusions and limitations that can be difficult for policyholders to understand.

● Precise determination of coverage

Policyholders may experience confusion or lack sufficient information when accurately determining the coverage they need.

► The role and importance of insurance coverage

These regulations require banks to maintain a specified amount of capital as a safety margin to ensure they can meet their debts and obligations during times of crisis. The most important components of capital regulations are:

RISK MANAGEMENT

Insurance policies are tools for transferring and distributing financial risks, helping to reduce the financial burden resulting from incidents.

Financial protection

Insurance coverage protects policyholders against unexpected expenses and financial losses.

SOCIAL SUPPORT

Insurance coverage plays a crucial role in protecting families and individuals against life's risks and maintaining social stability.

Economic activity facilitation

By providing appropriate coverage, insurance helps businesses and individuals carry out their activities with greater confidence.

Insurance coverage is a fundamental element in the insurance industry that helps both policyholders and society at large to continue their activities with greater confidence. A precise and informed understanding of the terms and benefits of insurance coverage enables policyholders to make the best decisions regarding the management of their risks.

► Designating and Changing Beneficiaries

The policyholder usually designates the beneficiary or beneficiaries at the time of purchasing the policy. The policyholder can change the beneficiary at any time, provided that the change is officially communicated to and approved by the insurer.

► Rights and Responsibilities of Beneficiaries

RESPONSIBILITIES

Beneficiaries typically have no specific obligations but may need to provide documentation or information to prove their entitlement to the benefits.

RIGHTS

Beneficiaries have the right to receive the benefits or insurance amounts specified in the event of a covered incident. This right is secured by the insurance policy and can include cash payments, medical expenses, or debt payments.

► Legal and Tax Issues Related to Beneficiaries

Choosing beneficiaries may have tax and legal implications. For instance, insurance payments might be subject to income tax or inheritance tax, depending on the country's laws and the type of policy. Additionally, legal issues such as conflicting claims between potential beneficiaries may arise and require legal resolution.

► Role of Insurance Advisors in Beneficiary Designation

Insurance advisors can assist policyholders in selecting appropriate beneficiaries and understanding the rights and obligations associated with this choice. Advisors provide recommendations based on the policyholder's personal and family circumstances as well as legal and tax considerations.

Choosing and updating beneficiaries should be done carefully and with full awareness, as these choices have a direct impact on the financial benefits of the policy. Policyholders should ensure that beneficiary information is current and make necessary changes as needed.

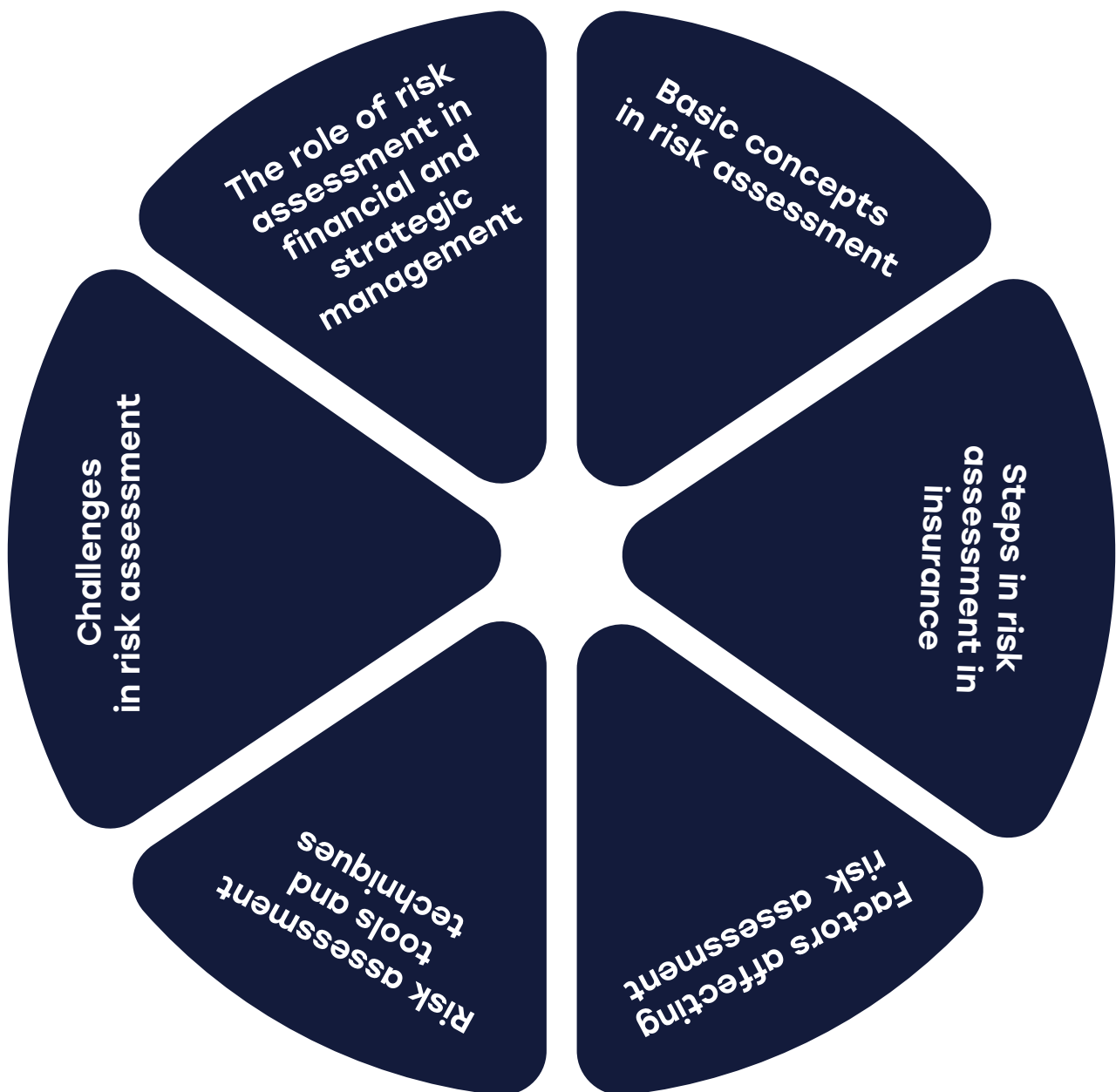


RISK ASSESSMENT

6

Risk Assessment

Risk assessment in the insurance industry is a process through which insurers identify, analyze, and measure the risks associated with the policyholder or the insured subject. This process helps insurers determine whether to accept a particular risk and, if so, how to price and manage it. Risk assessment is one of the most fundamental and complex aspects of insurance operations.



Fundamental Concepts in Risk Assessment

Underwriting

The process of deciding whether to accept or reject a risk and determining the terms of the insurance policy.

Risk Assessment

The process of identifying, analyzing, and quantifying risks to better understand and manage them effectively.

Risk

The likelihood of an event occurring that could result in financial, bodily, or other types of loss.

Steps in Risk Assessment in Insurance

1

Risk Identification

This stage involves identifying all potential hazards that could impact the policyholder or the insured subject. These risks may include physical factors (such as fire), financial factors (such as bankruptcy), health factors (such as illness), or legal factors (such as legal liability).

2

Risk Analysis

In this stage, the insurer performs a deeper analysis of the risks to assess the likelihood and severity of each risk. This analysis may involve using statistical models, historical data, and forecasting tools.

3

Risk Quantification

Risk quantification involves estimating the potential costs associated with each risk. This process includes determining the probable value of losses and the likelihood of their occurrence. These calculations help insurers establish an appropriate premium amount.

4

Risk Decision-Making and Management

After analysis and quantification, the insurer decides whether to accept the risk and under what conditions. This decision includes setting premiums, limits, and exclusions in the insurance policy. Additionally, the insurer may seek to transfer part of the risk to other companies through reinsurance.

► Factors Influencing Risk Assessment

Factors Related to the Policyholder

Financial and Occupational Status

In credit and financial insurance, these factors play a key role.

Driving and Criminal Records

In auto and liability insurance, these details are vital.

Age, Gender, and Health Status

In life and health insurance, these factors are crucial.

Factors Related to the Insured Subject

Usage and Application

The type of use of property or services can increase or decrease risks.

Physical Condition

In property and liability insurance, the physical condition and upkeep of the insured subject are significant.

Geographic Location

The location of the property or business activity can affect the level of risk.

► Tools and Techniques for Risk Assessment

Site Visits

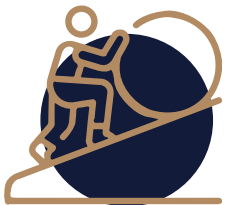
Conducting on-site evaluations to gain a more accurate understanding of risks.

Actuarial Models

Employing mathematical and statistical models to analyze risk and price insurance premiums.

Historical and Statistical Data

Utilizing past data to forecast future risks.



Challenges in Risk Assessment

Complexity and

Environmental Changes

Environmental, economic, and social factors can add further complexity to the risk assessment process.

Insufficient

or Incorrect Data

A lack of reliable historical data or incorrect information can make risk analysis challenging.

Uncertainty and

Predictability

It is not always possible to fully identify and predict all risks.

► The Role of Risk Assessment in Financial and Strategic Management

Pricing Strategies

Accurate risk assessment allows insurers to optimize premium pricing and maintain their competitive edge.

Capital and Reserves Management

Based on risk assessment results, insurers can make more effective financial decisions regarding capital allocation and reserve management.

Balance Between Risk and Reward

Risk assessment helps insurers establish a balance between accepting risk and receiving appropriate premiums.

Risk assessment is one of the most complex and crucial processes in the insurance industry. It aids in determining premiums, setting policy conditions, and devising overall strategies for insurance companies. This process requires specialized knowledge, experience, and advanced tools to be executed effectively, ensuring that both insurers and policyholders' interests are well-managed and protected.

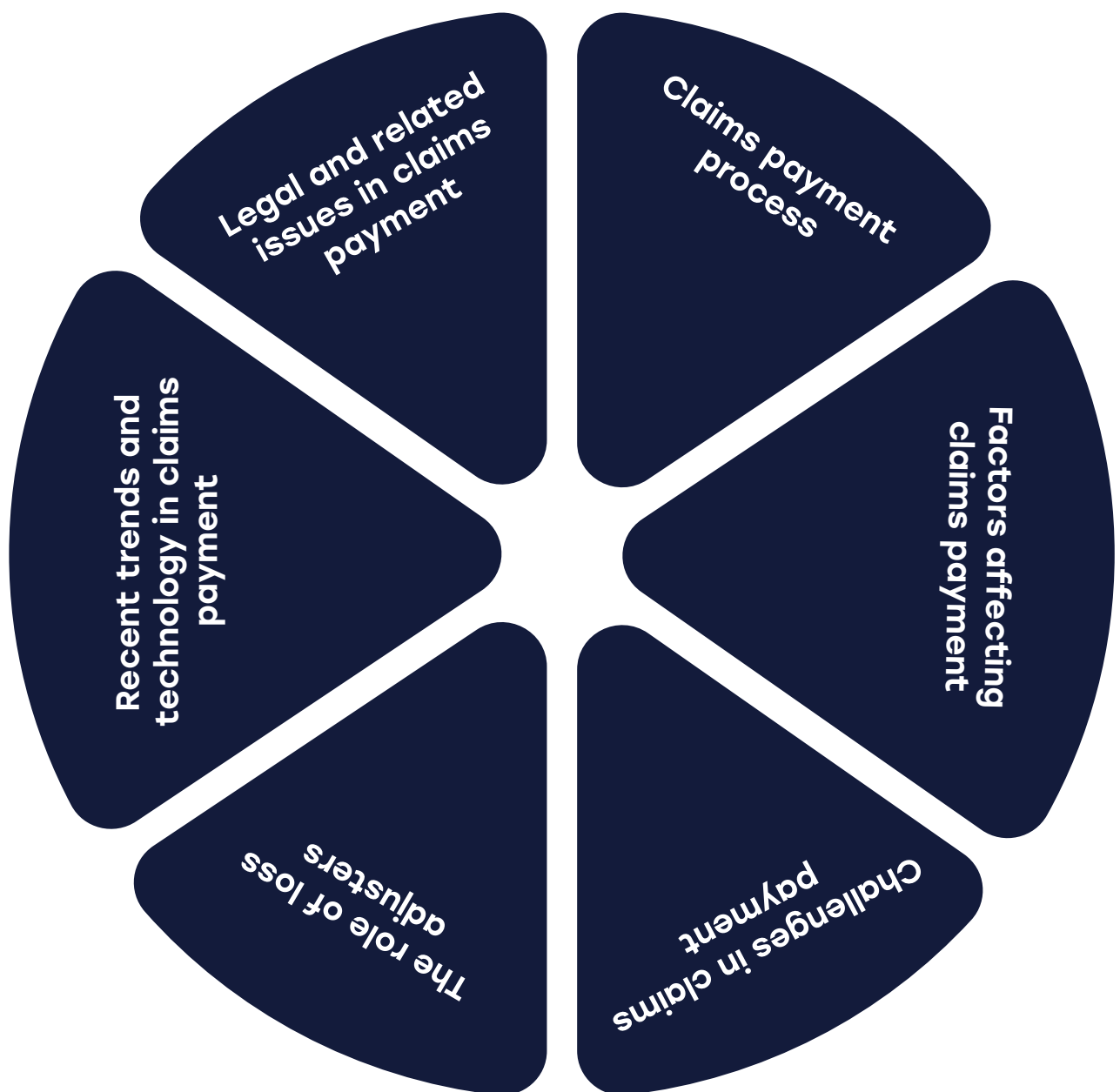


7

CLAIM SETTLEMENT

Claim Settlement

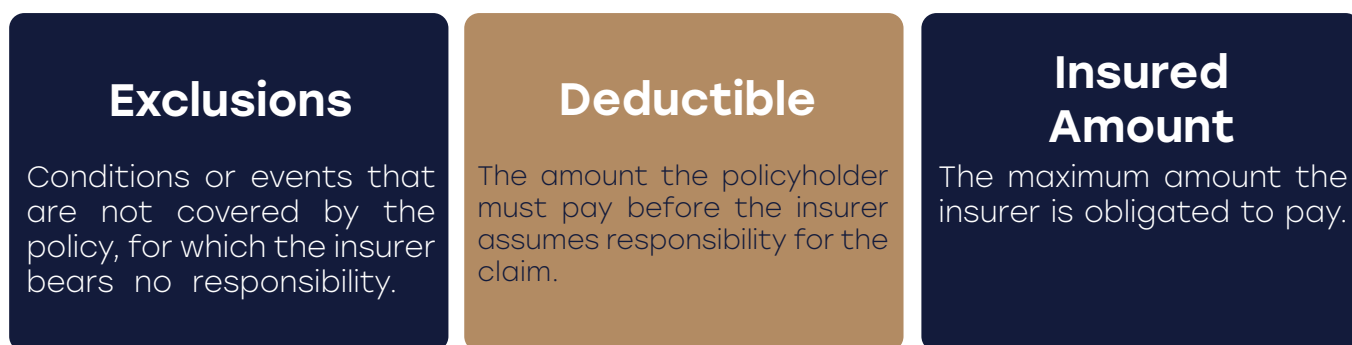
In the insurance industry, the claims payment process is where the insurer (insurance company) compensates the policyholder (individual or entity insured) or designated beneficiaries for losses incurred due to an event or condition covered by the policy. This process is one of the most crucial and sensitive stages of insurance services, as it involves fulfilling the insurer's obligations and building trust between the policyholder and the insurer.





► Factors Affecting Claim Payment

Insurance Coverage :



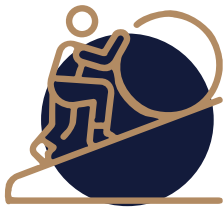
Documentation and Conditions :

Cooperation with the Insurer

The policyholder's cooperation in providing information and allowing access to the incident site for accurate damage assessment.

Submission of Documentation

The policyholder must provide the necessary documents to prove the occurrence of the incident and the extent of the damage. These documents may include police reports, invoices, medical bills, etc.



Challenges in Claim Payment

● Fraud

False or exaggerated claims by policyholders represent a significant challenge for insurers.

● Delays in Claim Notification

Delays in reporting an incident can lead to reduced or denied claim payments.

● Disputes Over the Amount of Loss

Disagreements may arise between policyholders and insurers regarding the extent of damage or the cause of the incident.

► Role of Loss Adjusters

Loss Adjusters play a crucial role in the claims process. They assess and evaluate damages, prepare detailed reports on the incident and the damage, and assist insurers in making decisions regarding claim payments.

► Recent Trends and Technology in Claim Payments

The use of digital platforms and mobile applications to facilitate claim reporting and tracking has increased with technological advancements. Additionally, the application of artificial intelligence and data analytics for faster and more accurate damage detection and fraud reduction has become widespread. Leading players in the industry are focused on reducing the time between claim reporting and payment by optimizing processes and utilizing advanced technologies.

► **Legal and Regulatory Issues Related to Claim Payments**

Claim payments are regulated by insurance laws and regulations, which include the rights and obligations of insurers and policyholders, the timeline for claim payments, and methods for resolving disputes .

Timely and fair claim payments are crucial for maintaining trust and customer satisfaction. Insurers can enhance policyholder satisfaction and establish long-term relationships by providing prompt and transparent services. In the insurance industry, claim payments are not only a contractual obligation but also a fundamental principle of trust-building. Insurers play a vital role in supporting policyholders and mitigating the financial impact of adverse events through accurate and timely claim settlements.



9

INSURANCE INDUSTRY IN 2024

The year 2024 was a challenging year for Iran's insurance industry, but at the same time it was accompanied by opportunities for growth and transformation. In this year, the insurance industry continued to operate in the context of the country's macroeconomic developments, including high inflation rates, exchange rate fluctuations, and international challenges, and tried to provide support services, to play its role in the financial stability of households and businesses. This year was marked by a focus on digitalization, the development of new products, and efforts to increase insurance penetration, although structural challenges remained.

► Overall performance and key financial indicators

According to the preliminary statistics and quarterly reports of the Central Insurance of the Islamic Republic of Iran, the insurance industry experienced a significant growth in nominal indices in 2024, which was partly affected by general inflation and partly due to the real growth of the volume of activities.

- **Production premiums:** In the 11 months of 2024 (from April to February), the total premium produced by the insurance industry exceeded 420 thousand billion Rials. This figure shows a growth of 68 percent compared to the same period in 2023 (which was about 248.7 thousand billion Rials). This significant growth is mainly due to the increase in the rate of insurance liabilities, the revision of tariffs (especially in the field of treatment, etc third party) as well as increasing awareness and demand in some disciplines.
- **Portfolio Composition of Premiums:** In 2024, the fields of health insurance and third-party and surplus insurance remained the two main pillars of the insurance industry's portfolio. According to the statistics of the 8 months of 2024, health insurance with a share of about %31.5 and third-party and surplus insurance with a share of about %27.4 accounted for the largest share of the total premiums produced. This high focus on compulsory insurance and health services, It indicates the urgent need for the development of other insurance fields, especially life insurance (life and investment), which accounted for about %14.1 of the total premiums produced in the 8 months of 2024. The growth of the share of life insurance indicates a change in society's view of insurance as a long-term investment and savings tool.
- **Paid damages:** Along with the increase in production premiums, the volume of paid damages also increased in 2024. In the 11 months of 2024, the total amount of paid damages reached more than 230 thousand billion Tomans,

which indicates a significant growth compared to the same period in 1402 (about 140 thousand billion Tomans). This increase is mainly due to inflation in medical costs, the increase in the rate of blood money, and financial losses in traffic accidents. as well as the occurrence of some natural disasters.

- **Loss ratio:** The loss ratio of the insurance industry in the 11 months of 2024 reached about 54.8 percent. This figure shows that more than half of the received premiums have been returned to policyholders in the form of damages. Although this ratio has been relatively improved compared to some of the past high-loss years, in high-risk fields such as treatment (with a loss ratio of more than %70 in some cases) and third parties, the management of this ratio is still It was considered a serious challenge for insurance companies. Increasing the accuracy of risk assessment, controlling the costs of damages, and combating fraud were among the priorities of the companies in this field.
- **Insurance penetration rate:** It is expected that the insurance penetration rate in 2024 will reach about 2.2 to 2.3 percent with a slight growth compared to 2.1) 2023 percent). Although this growth is positive, it is still a significant distance from the global average (about 8-7 percent) and even regionally. These statistics show the enormous potential of the Iranian market for further development and penetration of insurance in daily life and economic activities.
- **Per capita premiums:** Due to the growth of production premiums and the country's population, per capita premiums also increased in 2024 , but it was still very low compared to developed countries and even some neighbors. This index highlights the need for deeper culture-building and the development of products commensurate with the purchasing power of different segments of society.

► Key developments and initiatives in 2024

- **Focus on digitalization and insurtech:** The year 2024 witnessed more serious efforts to move towards the digitalization of processes in the insurance industry. Many companies accelerated investment in online sales platforms, issuing insurance policies, and registering damages. The use of AI in customer service chatbots, as well as in data analysis, also began to assess initial risk and detect fraud. This approach not only helped improve the customer experience but was also effective in reducing operational costs. Online insurance comparison and purchase platforms also experienced significant growth.
- **Actions of the Central Insurance Regulator:** In 2024, the Central Insurance focused its supervisory approach more than ever on the financial health of companies, the control of the loss ratio in high-risk fields, and the transparency of operations. Efforts were made to revise some regulations, particularly in order to support innovation and insurtech. Although the pace of regulatory

changes was still slower than the pace of technological developments, the desire to create a regulatory sandbox and support insurtech startups was evident.

- **Product development and market opening:** Despite the dominance of traditional disciplines, efforts were made to develop new and diverse insurance products. This included the expansion of cyber insurance (due to the increase in cyber attacks in the country), professional liability insurance for various businesses, as well as efforts to develop agricultural and animal husbandry insurance in order to support the production sector. Microinsurance) focused on low-income groups and small businesses.
- **Increased competition and market concentration:** In 2024, competition between insurance companies, especially in attractive fields, became more intense. This competition, although in some cases led to unhealthy price breaking, helped to increase the quality of services and innovation in the delivery of products. Iran Insurance Company continued to lead the market with a significant share (about %35-30), but private companies were also constantly increasing their share.
- **Specific challenges of 1403:**
 - **Inflation and economic fluctuations:** High inflation and exchange rate fluctuations continued to pose serious challenges to the insurance industry. These factors negatively affected the determination of technical rates, reserve management, and corporate investment.
 - **Sanctions and reinsurance:** International sanctions continued to restrict Iranian insurers' access to global reinsurance markets, making it difficult to cover large and complex risks.
 - **Damage Cost Management:** Especially in the field of treatment, the increase in medical and treatment costs made the management of the loss ratio a serious challenge for companies.

Role in the National Economy

In 2024, the insurance industry, in addition to its supportive role in compensating losses, as an important financial institution, also played a role in attracting liquidity and directing it towards investment in various economic sectors. Insurance companies, by investing their technical reserves and reserves in the money and capital market and construction projects, helped develop infrastructure and strengthen GDP. Synergy with The banking and stock exchange sectors, especially in the framework of joint exhibitions, helped the industry to further showcase its potential in financing and economic stability.

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10

FUTURE OUTLOOK FOR THE INSURANCE INDUSTRY IN IRAN

Future Outlook for the Insurance Industry

The insurance industry in Iran, despite its long history and vital role in the national economy, is still on the verge of a major transformation. The «Future Vision of the Insurance Industry» is not only a prediction, but also a roadmap to achieve the real position of this industry in the sustainable development of the country. Achieving this vision will require strategic planning, comprehensive cooperation of stakeholders, and adaptation to rapid global developments, especially in the field of technology.

► Macro Trends and Future Opportunities

The future of the insurance industry in Iran can be traced to several macro trends and unique opportunities:

● **Growth of insurance penetration rate and increase in the share of GDP**

Given the current relatively low penetration rate (around 2.1 to 2.3 percent), there is enormous potential for growth. This growth can be achieved through increasing public awareness, developing products tailored to the different needs of society, and expanding distribution channels. Aiming to reach a penetration rate of 5 percent or more in the medium term is an achievable prospect that can increase the insurance industry's contribution to GDP (GDP) of the country significantly increases. This will mean attracting and directing more capital towards productive projects and strengthening the country's economic strength.

● **Development of life insurance (life and investment)**

Due to the trend of increasing population age, the need to provide for the future, and the need to plan for retirement, life insurance will be one of the most important engines of future growth of the insurance industry. Currently, the share of this field in the total premiums produced in Iran is about %14, which is very low compared to the global average (which is often more than %50). Attractive products with good returns, and the integration of life insurance with savings and investment plans, the share of this field will gradually increase and become one of the main bases of companies' portfolios. This not only contributes to the financial security of families, but also provides a large source of long-term capital for the country's economy.

● The pivotal role of insurtech and digitalization

The future of the insurance industry is unimaginable without digital transformation and insurtech. The vision is for insurance processes from issuance to payment to be fully digitized. Artificial intelligence (AI) and machine learning (ML) will play a vital role in assessing more complex risks, personalizing products based on customer behavioral data, and accelerating compensation processes. Internet of Things (IoT) and connected devices, enabling the delivery of behavior-based insurance (UBI) and will provide preventative models of damage. Blockchain and smart contracts will bring transparency and speed in settlement processes. These developments will not only increase the efficiency of the industry, but will also transform the customer experience as a whole.

● The emergence of new markets and new insurances

As societies and economies become more complex, the need to hedge new risks emerges. The future vision includes the expansion and development of insurances such as:

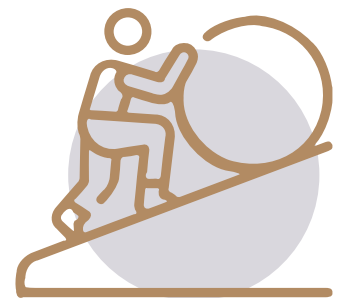
- **Cyber Insurance:** Due to the increasing dependence on the digital space and cyber threats, this insurance will become a necessity.
- **Parametric insurances:** Paying damages based on predefined indicators (such as earthquake intensity or rainfall) and without the need for traditional damage assessment, greatly increases speed and transparency.
- **Microinsurance:** Providing cheap and accessible insurance coverage for low-income groups and small businesses will have a great share in increasing the penetration rate.
- **Professional and Managers' Liability Insurances:** With the complexity of the laws and the increase in liabilities, the need for these insurances is increasing.
- **Insurance related to the gig economy and digital platforms:** As these business models grow, the need for specific insurance coverage for freelancers and platform employees will increase.

● Increasing awareness and culture of insurance

One of the most important elements of the future vision is to increase the level of awareness and literacy of the insurance community. With targeted education and culture-building campaigns, insurance will transform from a mere mandatory or optional expense to an essential tool for managing life's risks, saving and investing for the future. This will naturally contribute to the growth of demand and increase the penetration rate.

● Intersectoral cooperation and financial synergy

The future outlook outlines the insurance industry in greater interaction and synergy with other pillars of the financial market (banks and stock exchanges). Bancassurance, or the sale of insurance through banking networks, and cooperation with the capital market to finance large projects and develop new insurance financial instruments (such as disaster bonds), can help strengthen all three sectors and develop an integrated financial ecosystem and efficient in the country. These collaborations can also help attract new capital and direct them towards production and development.



► Challenges Ahead in the Vision Path

Achieving this clear vision requires overcoming important challenges:

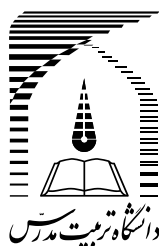
- **Need for agile legal and regulatory reforms:** Central Insurance needs to update laws and regulations more quickly to support innovation and cover the challenges posed by new technologies (e.g., data privacy, AI accountability). Creating an active and dynamic regulatory sandbox is essential.
- **Economic stability and transparency:** High inflation and economic volatility can be an obstacle to sustainable growth. The need for greater macroeconomic stability is essential for the long-term planning of insurance companies and the increase in the willingness of people to buy insurance.
- **Investment in technology infrastructure and manpower:** Insurance companies and regulatory bodies must make significant investments in technological infrastructure, cybersecurity, as well as training and developing human resources skills (especially in the areas of data mining, AI, and blockchain).
- **Healthy Competition and Risk Management:** Ensuring healthy competition in the market, preventing destructive rate breaks, and optimal risk management (especially in high-risk fields such as therapy and third parties) is vital to maintaining the financial health of companies.
- **Removing international obstacles:** Facilitating cooperation with international reinsurance insurers and benefiting from global knowledge and capacities can significantly improve the capabilities of Iran's insurance industry.

The role of the relevant institutions in realizing the vision

- **Central Insurance:** As a regulator and industry leader, it plays a major role in formulating laws and regulations that support innovation, monitoring the health of the market, and developing an insurance culture.
- **Insurance companies:** By investing in technology, developing innovative products, improving the quality of services, and focusing on customer orientation, they will be the main drivers of this transformation.
- **Educational institutions and media:** They play a key role in increasing the insurance literacy of the community, training specialized human resources, and promoting the importance of insurance.

Ultimately, the future prospects of the insurance industry in Iran are a picture of a dynamic, technological, customer-oriented, and influential industry in the national economy. By moving towards digitalization, developing innovations, strengthening regulatory frameworks, and increasing public awareness, the insurance industry can become a powerful tool for increasing society's resilience against risks and a driving engine for the country's sustainable growth and development.

ACADEMIC RESEARCH SOURCES



RESEARCH AND ANALYSIS REPORT OF THE EXHIBITION OF FINANCIAL INDUSTRY, INSURANCE



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