

Mellat Insurance Company Makes Development Issuing Credit Insurance Policies

The annual ordinary general assembly meeting of Mellat Insurance Company was held on July 18, 2010 attended by over 96 percent of the shareholders. The meeting was headed by Dr. Panahian and supervised by Messrs Eftekhari and Farivar. Mr. Salahinejad was the secretary of meeting. After reciting report of the company's board of directors by Eng. Hajjarian, the managing director of company, as

well as the report of company's legal inspector, the shareholders approved board of directors' performance, the financial statements were approved, 200 rial was allocated as the company's DPS, Donyay-e Eqtasad and Etela'at Daily Newspapers were selected as the highly circulating dailies for publishing advertisements and minutes of meetings and Fater Auditing Institute as the legal inspector of company.

Main activities

Issued insurance premiums

The premium amount was boosted by 12 percent to 1.827 trillion rials in 2009 from 1.637 trillion rials in 2008 as the result of developing the company's activities and issuing more insurance policies.

There has been increase in all fields except for responsibility and engineering in the previous year. By 116 percent growth, the field of automobile's body insurance has had the most increase and the figure has boosted to 162 billion rials in 2009 from 75 billion rials in 2008. The next field with high growth have been aircraft and ship insurances with 53 percent growth to 82 from 54 billion rials, treatment insurances with 71 percent growth to 7.7 from 4.5 billion rials, life and accident with 36 percent growth to 13 from 9.7 billion rials and fire incidents and energy with 24 percent growth to 113 from 91 billion rials.

It should be mentioned that 24 percent growth in the field of fire incidents insurance and 9 percent in the field of carriage indicates the vast activity of Mellat Insurance Company, because these two fields' premium has decreased because of liberating their rates. They have had always growth since start of insurance industry's activity by 2007, but the fire incidents premium has decreased by 2 percent and carriage by 4 percent in 2008 and this decreasing trend is anticipated to continue in 2009 as well.

There has been some 9 percent growth in the field of carriage and reinsurance in the past year and the figures have increased to 33 and 34 billion rials respectively. Third person field has had some 4 percent growth by increasing to 1.343 from 1.293 trillion rials and only the field of responsibility and engineering has decreased by 19 percent from 49 to 40 billion rials.

In terms of the portfolio composition, the third person field accounts for the most part which is 73.5 percent, but it has decreased by 5.5 percent compared to 79 percent figure of 2008. The second field has been automobile's body with 8.9 percent which has almost doubled compared to 4.6 percent in 2008. The next fields have been fire incidents and energy with 6.2 percent, aircraft and ship with 4.5 percent, responsibility and engineering with over 2 percent, reinsurance and carriage with 1.8 percent for each one, and treatment, life and accidents with 1 percent of the portfolio.

Although, the third person's part has decreased by over 5 percent in 2009, increase in the fields of automobiles' body insurances led to just 1.2 percent decrease in the whole automobile insurances over that time. The policy of making balance in the portfolio parts in terms of automobile and non-automobile insurance will be continued in this year as well. Mellat Insurance Company's share in the market has been 4 percent without any changes compared to 2008.

Paid compensations and damage rate

Considering development of activities and increase in the number of insurance policies especially automobile insurance policies in the portfolio of Mellat Insurance Company, the compensations paid in 2009 was increased by 46 percent to 1.3 trillion rials from 888 billion rials. Of the mentioned figure, over 98 percent is related to the automobile insurances and less than 2 percent to the other insurances. Due to increase in the paid compensations, compensation coefficient has increased to 78 percent in 2009 from 72 percent in 2008. Although compensation paid in 2009 indicates 46 percent growth, investigating the process of growth in the paid compensations and compensation coefficient during the recent four years indicates that its growth has been controlled. Because, the growth of paid compensations had been 250, 295, 62 and 46 in 2006, 2007, 2008 and 2009 respectively and the compensation coefficient had been 27, 63, 72 and 78 percent in those years which indicates movement toward balance. The highest compensation coefficient in this year has been in third person field with 94 percent, then in treatment field with 53 percent, and body with 51 percent. The lowest compensation coefficient has been in carriage field with 9 percent, fire incidents with 11 percent, aircraft and ship with 14 percent, responsibility and engineering with 27 percent, and life and accidents with 29 percent.

Reinsurance operations

The activity of reinsurance unit in transferring or accepting risk management policies continued last year. In 2009, reinsurance costs of Mellat Insurance Company rose some 9 percent to 507 billion rials from 471 billion rials. Over 90 percent of the change is related to obligatory reinsurances and 10 percent is related to arbitrary reinsurances. In the field of reinsurance admissions, Mellat Insurance Company received permissions from the Central Insurance Company and some other reinsurers and so increased the collected insurance premiums to 33 billion rials from 31 billion rials, showing a nine percent growth year on year.

In terms of the number of admitted insurance policies, the company has doubled its performance, but due to the reduction in fire and engineering insurance premiums, which form reinsurance market, the premiums have been limited to nine percent.

Sales and after sales networks

Reorganizing real and legal sales agents and representatives started in January 2005 and continued till 2008. It was focused on improving quality instead of quantity in 2009 in order to boost the power of competition in markets. At present, more than 350 issuance agencies in different fields and over 200 car body damage appraisal centers are operating in all provinces nationwide. Through holding different specialized courses, their capabilities to offer better service are improved. Last year, five new legal representative offices were launched in large economic institutes to reach the number of representatives to nine. Through expanding and supporting the representatives, insurance policies which was 7 percent of the total policies, equaling 115 billion rials, increase to 25 percent, equaling 456 billion rials, showing a three-fold rise in the number and a four-fold rise in the value of policies. The strategy for qualitative and quantitative improving of services will be continued in the current year.

Reorganizing IT systems

In order to boost insurance software capabilities and considering the needs and requirements of the company as well as saving in costs and offering better services to issuance and damage compensation units in 2009, Mellat Insurance is planning to upgrade its software systems. The company holds the most advanced insurance policy selling system in Iran. Launching online selling portal for policies, completing software and management systems are among the most important activities in the field of reorganizing information technology systems in 2009.



Last year, all the insurance policies were issued online holding unique codes from the Central Insurance Company. Life and accident, savings, physicians and paramedics, car body, transportation and fire insurances can be referred to in this regard.

In the financial and support section, the investment portfolio software, the shareholders and transactions (OTC) software, the insurance financial software, the employment software and the management integrated system (MIS) software are in operation.

Investment revenues

Investment is one of the most important activities of insurance companies, so that a high volume of incomes of domestic and foreign companies is gained through investments. Mellat Insurance Company gained 319 billion rials in 2009 through investments, up 12 percent year on year.

Of the total 319 billion rials, some 48 percent is related to bank deposits, over 39 percent is related to the shareholders EPS, 12 percent is related to bond selling, and one percent is related to other activities.

Risk management report

Using proper principles of risk management in decision making in different levels is one of the main activities if Mellat Insurance Company. Risk management which is defined as evaluation and assessing risks, officials and controlling factors in different organizational levels was defined and implemented last year in order to create a balance between the liberalization of prices and commitments and resources of the company in the long run.

Although each of the investments and assets is of special risk and is evaluated using special methods, but insurance companies are obliged to measure their total risks based on specific criteria considering their resources and commitments and offer to their shareholders along with financial statements.

Mellat Insurance Company has embarked on designing a method to evaluate financial capabilities of insurance companies in Iran and reports the results to its shareholders. This means that if it is higher than 200 percent the insurance company will apply management on the risks and if it goes below 200 percent it should raise its assets. Through calculating this index for Mellat Insurance Company in 2008 and 2009 the index was 382 and 448 respectively which shows the proper risk management in the company.

Financial performance and profitability

Considering the expansion of activities in Mellat Insurance Company, the issued premiums rose to 1827 billion rials in 2009 from 1637 billion rials in 2008. The total revenues of the company grew by 16 percent to hit 2214 billion rials from 1907 billion rials year on year. The paid compensations rose by 46 percent to reach 1300 billion rials from 888 billion rials.

The reinsurance costs rose by 9 percent to reach 507 billion rials from 471 billion rials. Insurance costs also grew by 33 percent to reach 2017 billion rials from 1519 billion rials. The technical reserves of the company rose to 1335 billion rials from 1173 billion rials. The gross profit increased by 54 percent to reach 92 billion rials from 60 billion rials and finally the pre-tax profit rose by 59 percent to hit 335 billion rials from 210 billion rials.

Future plans

- Holding 5 percent of the domestic insurance market share
- Expanding sales agencies to up to 600 nationwide
- Developing portfolio of sales network in all insurance fields
- Expanding damage assessment centers to up to 300 nationwide
- Expanding operating and support software systems
- Employing damage evaluation experts and representatives
- Launching safety and risk management unit in cooperation with international companies
- Creating a balance and diversifying investment portfolios
- Preparing to receive international grade
- Developing new products
- Being admitted to stock market
- Boosting capital

Profit and Loss Statement for the Fiscal Year ended to March 20, 2010

	Note	2009		2008
		Rials	Rials	Rials
Issued premium	26	1,827,284,198,267		1,634,994,720,112
Decrease (increase) in premium reserves	19	(59,942,879,659)		(100,616,310,017)
Premium income			1,767,341,318,608	1,534,378,410,095
Transferred reinsurance premium	27	507,062,282,784		470,733,956,274
Decrease (increase) in transferred reinsurance premium reserve	9	2,733,485,369		(38,151,698,504)
Transferred reinsurance premium expense			(509,795,768,153)	(432,582,257,770)
Preservation premium income			1,257,545,550,455	1,101,796,152,325
Paid compensation	31	1,300,046,603,394		887,580,523,229
Decrease (increase) in compensation reserves	19	83,132,278,314		264,812,867,371
Compensation expense			(1,383,178,881,708)	(1,152,393,390,600)
Compensation received from reinsurance insurers	31	325,629,132,394		222,778,437,557
Decrease (increase) in reinsurance insurers' outstanding compensation reserves	9	61,517,468,358		67,143,491,893
Reinsurance insurers' compensation			387,146,600,752	289,921,929,450
Preservation compensation expense			(996,032,280,956)	(862,471,461,150)
Commission expense and interests commission	32	148,813,910,205		118,805,790,772
Commission income and preservation interests commission	28	(61,262,385,748)		(47,929,425,100)
Commission expense and preservation interests commission			(87,551,524,457)	(70,876,365,672)
(Increase) decrease in other technical reserves	19	(77,972,858,642)		(66,801,241,807)
Bodily damages fund's expense	33	(32,294,308,614)		(28,673,613,454)
Other insurance incomes and expenses	30	28,771,418,435		(12,968,037,749)
Other net insurance expenses			(81,495,748,821)	(82,506,817,512)
Insurance activities' gross profit			92,465,996,221	60,005,432,493
Investments income	29	267,595,598,543		285,749,241,514
Administrative and general expenses	34	(76,279,991,336)		(56,027,190,809)
Profit (loss) of increase (decrease) in value of short-term investments	5		51,320,183,662	(78,174,432,849)
Operating profit			335,101,787,090	211,553,050,349
Financial expenses	35		(6,909,155,104)	(59,981,300)
Other non-insurance incomes and expenses	36		6,733,141,583	(67,006,026)
Pre-tax net profit			334,925,773,569	210,895,063,023
Tax	17		(3,242,507,841)	(641,705,990)
Net profit			321,683,265,728	210,253,357,032
EPS			276	175
Accumulated Profit (Loss) Account Turnover				
Net profit			331,683,265,728	210,253,357,033
Accumulated profit at the year's start		213,302,771,414		208,688,666,292
Annual adjustments	37	(61,658,609,722)		5,630,334,149
Adjusted accumulated profit at the year's start			151,644,161,692	214,319,000,441
Profit allocation:			483,327,427,420	424,572,357,474
Transferred to legal reserve	24	(33,168,326,573)		20,952,130,522
Transferred to investment reserve	25	(16,584,163,286)		10,476,065,260
Previous year's dividend		(180,000,000,000)		240,000,000,000
Previous year's board of directors' award		(1,200,000,000)		1,500,000,000
			(230,952,489,859)	(272,928,195,782)
Accumulated profit (loss) at the year end	43		252,374,937,561	151,644,161,692

Notes No.1-43 mentioned in pages 7-32 are inalienable parts of financial statements.

As the items of comprehensive profit and loss statement are limited to profit and loss of the reported year and the annual adjustments, the comprehensive profit and loss statement has not been offered.

Balance Sheet for the Fiscal Year ended to March 20, 2010

	Note	March 20, 2010		March 20, 2009	
		Rials	Rials	Rials	Rials
Assets					
Current assets:					
Cash stock	4	164,136,295,388	140,178,350,513		
Short-term investments	5	487,168,568,918	546,124,612,028		
Claims from the insured and representatives	6	1,575,385,103,713	745,385,103,713		
Claims from insurers and reinsurance insurers	7	87,860,610,626	95,721,603,385		
Non-insurance receivable notes and accounts	8	110,377,562,713	122,923,906,781		
Share of reinsurance insurers from technical reserves	9	522,427,507,922	463,643,524,933		
Long-term claims	10	10,492,827,802	10,433,773,584		
Long-term investments	11	1,675,151,492,168	1,484,513,044,419		
Tangible fixed assets	12	391,416,038,591	358,675,022,713		
Non-tangible fixed assets	13	1,899,646,697	1,705,868,697		
Liabilities & shareholders equity					
Current liabilities:					
Debts to insurers and reinsurance insurers	15	163,401,333,299	222,952,318,620		
Other payable notes and accounts	16	540,164,070,922	395,333,570,258		
Income-tax reserve	17	32,615,778,455	30,014,976,604		
Payable dividend	18	0	19,401,350		
Premium reserve	19	782,084,934,467	722,142,054,808		
Outstanding compensation reserve	19	848,962,670,891	765,830,392,577		
Non-expired risk reserve	19	28,313,441,500	10,476,065,260		
Other technical reserves	19	197,969,496,167	148,310,079,025		
Long-term payable notes and accounts	20	84,067,998,388	0		
Next years' premium	21	703,615,956,517	191,240,907,526		
Employees' termination benefits	22	4,484,168,429	2,813,314,645		
Total of liabilities		3,385,679,849,035	2,478,657,015,413		
Shareholders equity:					
Capital	23	1,200,000,000,000	1,200,000,000,000		
Legal reserve	24	120,441,023,881	87,272,697,308		
Investment reserve	25	68,315,099,639	51,730,936,353		
Accumulated profit (loss)		252,374,937,561	151,644,161,692		
Total of shareholders equity		1,641,131,061,081	1,490,647,795,353		
Total of liabilities & shareholders equity		5,026,810,910,116	3,969,304,810,766		
Control accounts	40-2	242,020,179,000	156,633,203,000		

Notes No.1-43 mentioned in pages 7-32 are inalienable parts of financial statements.