

# The Role Of Insurance Surplus Distribution In The Intensity Of Competition Among Insurance Companies (A Case Study Of The Iraqi Insurance Company From 2006 To 2020)

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## Abstract :

This research dealt with the role of distribution of insurance surplus in the strength of competition between insurance companies. Moreover, the study problem was represented in the following question: What is the role of insurance surplus distribution in the strength of competition between insurance companies? The aim is to identify the process of distributing the insurance surplus, as well as the party entitled to the insurance surplus, and to identify the extent of the impact of the mechanisms for distributing the insurance surplus on the competitiveness of insurance companies. The researcher used the descriptive analytical approach, and the study brought about a number of findings and recommendations, the most important of which are: It became clear through the study that the insurance surplus represents an increase in collection and not a profit, and it is the exclusive property of the insured and not of the company. Those in charge of Islamic insurance companies should act on the insurance surplus in the interest of the insured and not take anything from it so that the insurance surplus remains a landmark that distinguishes Islamic insurance companies from their counterparts from commercial insurance companies.

**Keywords:** insurance surplus - the strength of competition –insurers.

## Introduction:

Islamic insurance companies distribute their insurance surplus to subscribers. The insurance surplus means the remaining financial balance in the policyholders' account designated for distribution in the total premiums they have made. It is also considered the exclusive right of the policyholders and the legal property of them. It is disposed of by the company's

management to achieve their interests in accordance with the approved regulations by distributing it according to the percentage approved by the Contributors' Assembly and the General Assembly at the end of each fiscal year.

Since the distribution of the insurance surplus to policyholders in insurance companies has an impact and a relationship with the strength of competition among Iraqi companies, it was necessary to know its impact, the party

entitled to it and the ways and mechanisms of its distribution, taking into account the formation of reserves so that the companies can invest and the company has maintained continuity and survival and gained competitive force between companies.

#### **Research problem:**

The research problem is the following question:

What is the role of the insurance surplus distribution in the strength of competition among Iraqi insurance companies?

#### **Research Significance:**

The importance of this research stems from the fact that it seeks to know the role of the insurance surplus distribution by insurance companies to the insured and the extent of its impact on the strength of competition in the insurance market.

#### **Research hypothesis:**

There is a statistically significant relationship between the role of insurance surplus and the strength of competition among Iraqi insurance companies.

#### **Research Objectives:**

The research aims to:

- 1/ Know the insurance surplus distribution process.
- 2/ Identify the entity entitled to the insurance surplus.
- 3/ To identify the impact of the mechanisms of distributing the insurance surplus on the competitiveness of insurance companies.

#### **Research Methodology:**

The researcher uses the descriptive analytical method.

#### **Previous Studies:**

**Ahmed Mohamed Al-Saeed (2011):** This study was entitled "Applications of Disposal of the Insurance Surplus". The study presented three forms for the distribution of the cooperative insurance surplus, which are: (a) that the distribution be made according to the contract between the insurance company

and the participant, (b) that the distribution be done by amortization or (c) the distribution was made by monitoring. In the first type, the condition of the contract is complied with. As for the distribution by amortization, it means amortizing the loss of a financial year from the surplus of another financial year. Since the contract is based on the commitment to donate and policyholders accept the conditions they agreed to in the insurance contract, there is no objection in Islamic Jurisprudence to agreeing to extinguish the loss of any year from the surplus of the year or fiscal years following that year. This is because it is a requirement for cooperation between policyholders, whether those who remain dealers or those who do not continue to deal with the company. As for monitoring, it may be carried out in two ways: the insurance surplus is stored in a special fund called the risk fund for those who do not see the permissibility of distributing the surplus to policyholders on the basis that the insurance premium paid by the contributor is all a gift. It is not permissible to withdraw anything from the gift because it came out of the property of its owner, or to monitor the insurance surplus in a special account in the form of special technical reserves for the first years of the company's life for those who see the possibility of distributing the surplus to holders of various policies and reserves and governed by accounting and technical rules and instructions of the corporate control body and the financial policy of the state.

**Tariq Kunduz (2018):** This study was titled "Insurance Competition on the Basis of Marketing Mediation". The problem of the study was represented in the role of the development in the volume of production of insurance premiums written by brokers, similar to the growth in the number of general agents, brokers and insurance exchange during the period of time. The researcher used the descriptive analytical method. The study presented many results and recommendations, including: It is expected to increase the number in Algeria, with the tendency of insurance companies to contract with banks to integrate their portfolios, which helps them succeed in addressing a large

segment of customers, as insurance banks are one of the solutions that contribute to the expansion of markets, diversification of insurance product distribution channels through the national banking network, which is one of the most important objectives that have been set to strengthen the confidence of the insured.

### **Insurance surplus and the strength of competition**

#### **First: the insurance surplus:**

##### **The concept of insurance surplus:**

The insurance surplus has been defined by several definitions, including the following:

"It is the remainder of the participants' premiums (the insured), the reserves, and their returns, after deducting all expenses and compensation paid, or to be paid during the year" (Accounting and Auditing Authority, 2010, p. 376).

Ajeel Al-Nashmi defined it: "It is what is received or recorded in the company's records from insurance contributions, and the return on its investments after deducting reinsurance costs and compensation" (Ajeel, 2010, p. 3).

The International Islamic Fiqh Academy defined it as "the remaining financial balance from the total contributions collected, their investment returns, and any other income after compensation is paid, the balance of the allocations, the necessary reserves, and the deduction of all expenses owed to the fund." (International Islamic Fiqh Academy, pg. 12).

Moreover, Abdul Bari Mishaal defined it as: "It is the difference between compensation and insurance premiums in the insurance base: after deducting the provisions, the technical reserves for the insurance process, after deducting the reinsurance expenses, and after adding what is related to the insurance base from the investment profits" (Abdul Bari 2010, p. 5).

#### **Components of the insurance surplus:**

- a. The remaining increase from the insurance premiums written by the company directly or through voluntary attribution (the quota system). It is meant to share the insured risk between the direct insurance company and other insurance companies due to the lack of the necessary capacity for this risk. The practical form of this is that an insurance company is offered insurance whose value exceeds its financial capabilities.
- b. The insured's share of the profits from the investment of insurance premiums.
- c. Returns from reinsurance operations.

#### **Total insurance surplus:**

It is the difference between subscriptions and compensation, minus the marketing, administrative and operational expenses, and the necessary technical allocations. We summarize the following equation:

Total insurance surplus = contributions (premiums) - compensation paid + accrued + compensation under settlement + marketing, administrative and operational expenses + provision and provisional and legal precautions.

#### **Net insurance surplus:**

It is to be added to the total surplus to what belongs to the insured from the return on investment after deducting their expenses, which is expressed by the following equation (Kareem, p. 225):

$$\text{Net insurance surplus} = \text{total insurance surplus} + \text{investment returns.}$$

The insurance surplus shall be allocated to the insured only, and its investment shall be calculated according to the lawful means. It is considered one of the main and fundamental differences between commercial insurance companies in their investments in the insurance surplus to legitimize ways to invest it. Some Fatwa and Sharia Supervisory bodies have linked the insurance surplus with the account of the Contributors' Commission and viewed it as an increase in collection.

The insurance surplus is one of the most important features of Islamic insurance companies, as the insurance surplus contributes greatly to the consolidation of insurance thought in the minds of policyholders (insurers – contributors) on the one hand and encourages others to participate on the other hand.

The goal of Islamic insurance is cooperation and solidarity in achieving the negative effects resulting from the dangers that have actually occurred, and not profit or material gain. If a profit occurs, it is not originally intended for the Takaful Fund to be balanced, meaning that its revenues and expenses are equal. This equality is achieved as a result of the accuracy and determination of the contribution amount by those in charge of the company based on actuarial calculations and the work of insurance experts. The fund's resources are sufficient to pay the compensation and administrative expenses without anything over that, but this rarely happens. The surplus is due to reasons, perhaps the most important of which are the following (Abdul Aziz, 2007, p. 93):

1. The work skill of insurance experts and their ability to accurately measure risks.

2. The expenses incurred by the Takaful Fund, and whenever the manager

succeeds in reducing these expenses, he is likely to generate a surplus.

3. If the fund's money is invested in investments with a distinct return within the permissible level of risk and with a surplus rate.

4. The size of the fund and the method for determining the contributions amounts. The larger the fund, the more likely it is to generate a surplus.

### **Mechanisms for disposing of the insurance surplus in Islamic insurance companies:**

#### **First: Distribution of Surplus:**

The surplus is distributed in several ways, as follows (Ahmed, 2009, p. 185):

#### **First method:**

The surplus is distributed to all participants, and then it is distributed to them in proportion to their subscription. There is no difference between participants who deserved compensation or who did not receive any of the compensation, and this is based on the fact that each participant is a donor to others.

#### **Second method:**

To distribute the surplus to those who were not compensated in an accident, regardless of the percentage of compensation. This is also based on the fact that the agreement was made on the basis of donation, and the participants accepted to deprive someone who compensated for an accident from the surplus.

#### **Third method:**

To distribute the surplus to policyholders after deducting the compensation paid to them during the financial period. In this method, the compensation is proportional to the percentage of the surplus, so the

insurance surplus is distributed to the participants, each according to his contribution after deducting the compensation.

### **How to distribute the insurance surplus:**

The insurance surplus is a right of the insured, and belongs to them, because the surplus is the remainder of their contributions. The managing company is not entitled to any of that surplus, neither for the sake of rent, nor for the investment consideration, because if it is taken as a fee for managing the insurance business, then it must be known, because the lease is one of the contracts of compensation, so it is spoiled by outrageous ignorance. The surplus may or may not exist, and the fee is due whether the surplus is found or not. Moreover, it is not permissible to take anything from the surplus in return for investing the installments, because the investment consideration must be a known percentage of the realized profits. Besides, taking a share of the surplus leads to ignorance of the financial return for investment, because the surplus may or may not exist, thus spoiling the speculation on the basis of which the investment is made (Ajil, 2010, p. 34).

a. The insurance departments in the company are considered as one unit, and it is treated as a single portfolio, from which the various types of expenses and obligations are deducted, and the surplus is treated on the basis that it is the surplus of the cooperative insurance fund of the company.

b. Part of the insurance surplus is allocated as technical reserves, to strengthen the financial position of the company, knowing that the amounts allocated to this reserve are considered the property of the insured.

c. The insurance surplus is distributed to all the insured according to the first criterion of the criteria approved by Islamic insurance companies (the first method of distributing the insurance surplus).

### **Distribution rule of insurance surplus:**

The share of each subscriber from the surplus allocated for distribution is calculated according to the following equation:

The subscriber's share of the surplus = insurance premiums for each subscriber x the surplus allocated for distribution

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Total premiums

### **The bases of distributing the insurance surplus:** (Aladdin, 2000, p. 296)

The insurance surplus is distributed according to the following bases:

1. The board of directors determines the investors' share of the return on investment for insurance premiums. Moreover, the shareholders' fund and another part of the policyholders' fund is included.
2. The board of directors distributes the insurance surplus in accordance with the vision of the Shariah Supervisory Board in a manner that achieves the interest of the company and the rights of policyholders. The net surplus is distributed by distributing a specific percentage to the insured directly or reducing their premiums for the following year.
3. The insured works, whether personal or legal, when calculating the insurance surplus on the basis that he has an account number throughout the period of his dealings, regardless of the number of technical departments he deals with.
4. In the event that the insurer does not continue until the subsequent financial surpluses, he is not considered a participant in the distribution of that part of the insurance surplus.
5. There is no legal objection to adding a policyholder's account loss for a specific fiscal year to some or all surplus of policyholders' account for a fiscal year, as long as the articles of association stipulate that, so the contract is based on donation.
6. The participation of policyholders in managing the insurance fund to enable

them to take care of their interests and preserve their rights.

The researcher believes that insurance companies are characterized by not distributing the insurance surplus until provisions are reached, which is one of the most important requirements to preserve the insurance companies from future risks. This enhances their competitiveness, especially with commercial insurance companies. In addition, the insurance surplus is a pure right of the subscribers, and it is distributed to them in proportion to their contributions in various ways. Distributing the surplus has direct consequences for Islamic cooperative insurance companies and increases the ability to subscribe.

## **Second: The strength of competition**

### **The concept of competition:**

The concept of competition refers to the company's ability to formulate and implement strategies that make it in a better position relative to other companies operating in the same activity, and achieve competition through the best investment of technical, material, financial and organizational capabilities and resources, in addition to the capabilities, competencies, knowledge and other capabilities that the company enjoys, which enables it to design and implement their competitive strategies. Achieving competition is linked to two main dimensions: the perceived value of the customer, and the company's ability to achieve excellence (Abu Bakr, 2007, p. 175). There are two types of competition models represented in a market-based model and a resource-based model, both of which are complementary and based on each other, as the market-based competition model includes the variables of cost, differentiation, effectiveness, competitor evaluation, threats and risks facing the company's work. As for the resource-based competition model, it includes all the resources owned by the company, whether material, financial or human, so that it is moved and developed

from within the company (Abdul Salam 2013, p. 19). Among the most important influences that support competition are total quality management practices that help companies achieve competition and reach high competitive levels, enable them to face challenges, improve productivity, reduce costs, and integrate performance processes with creativity and innovation, which would help companies achieve all their competition goals and preserve their position in the market and ensuring their business continuity and progress (Abdul Salam 2013, p. 19).

Therefore, the researcher believes that the competition strategy is a path to excellence. Excellence is not achieved unless the prevailing culture is to achieve competition, since companies associated with outstanding performance are those in which there are organizational cultures that help to adapt to changes and developments. Thus, this strategy is considered a strong link that links the elements of the company with each other. The researcher believes that the competitive advantage means the company's ability to meet the requirements and needs of customers, which affects the company's stability in the market and achieves competitive advantage in a way that increases its market share and maximizes its profitability.

### **The importance of competition:**

Competition between companies has much importance in the continuity and distinction between companies, including the following (Abdulaziz, 2007, p. 143):

1. Competition makes companies interested in their actual needs, desires and demands, and makes them more interested in serving them better than the other two companies.
2. Competition makes the company realize the actual strengths and weaknesses.
3. Competition makes companies focus on more than just product prices, making them focus on marketing, branding, customer service and customer retention.
4. Competition and under companies for continuous innovation and product improvement.

5. Competition educates companies about the intricacies of how the market operates, how to position a brand and how to produce efficiently, and how to sell effectively in the marketplace.

6. Competition provides customers with many options while shopping.

### **Competition benefits:**

Competition benefits all three parties associated with the goods offered for sale (the company, consumers, and even the market) as follows (Salim, 2010, p. 98):

#### 1. Increased Demand:

Competition often leads to investment in more marketing activities by (different companies), which ultimately leads to an increase in the overall demand for the product in the market.

#### 2. Promote innovation:

Competition makes it necessary for business organizations to innovate and improve in order to lead and meet in markets.

#### 3. It helps companies find their advantage better.

Companies often track, analyze and study what and how their competitors do business, to improve their offerings and better meet the needs of their customers.

4. Make companies serve customers better. The company that stands out and serves customers better than others often wins in competition between companies. This makes companies in the market place customers at the top of their priority lists.

5. It makes employees more efficient because competition increases pressure on employees greatly and makes them give their best for the organization.

6. It promotes continuous business development. The overall continuous business development is what makes a business usually deal with competition in the long run.

### **Competitive strength characteristics:**

The desired benefits of applying the competitive advantage require focus on results and the presence of harmony and focus in each company and field on customers and their retention, in addition to

the field of leadership and stability of goals, and finally the field of developing and engaging individuals (Al-Meligy, 2012, p. 94).

Al-Nesour (2010) believes that the characteristics of the competitive advantage are as follows:

1. It should be permanent, that is, it should be the first in the long run.

2. The competitive advantage is relative compared to the competing companies and the period of time in which the competitive advantage is achieved.

3. The competitive advantage keeps pace with modern and advanced technological developments in the capabilities and resources of the company.

4. The competitive advantage should be commensurate with the company's objectives set to achieve the desired results.

Dirisu (2013) also sees that there are many characteristics that are unique to the competitive advantage, as follows:

1- Follow a policy of continuous change that seeks to develop the company, improve its performance and maximize its profits.

2- The advantage of competition is that it takes into account and adopts innovation in its policy and seeks uniqueness in providing services and goods to customers.

3- Flexibility in designing and implementing plans in line with the changes and transformations taking place in the market environment and in a way that achieves the company a good reputation and expansion in the target market.

4- Continuing and striving to achieve the goals and objectives that the company aspires to, and striving to develop and draw strategic plans with a long-term vision that achieves the company's sustainable excellence and uniqueness.

The researcher believes that the competitive advantage is characterized by being flexible and with a long-term vision, and it draws innovative plans, and designs an accurate approach for companies. It is also

characterized by keeping pace with modern technology and technologies in order to achieve the company's goals and objectives.

### **Competitive Strategies:**

Depending on the particular situations a company faces, there are three most common competitive strategies: Offensive, Defensive, Specialized, and Blue Ocean. We mention them as follows: (Aladdin, 2000, p. 95).

#### 1. Offensive Marketing Strategy:

An 'offensive' or 'confrontational' strategy is a position that speaks of aggression or confrontation and is usually followed by marketing units that aspire to be an industry leader. At present, this company may have a second, third, or even fourth place in terms of performance. However, its immediate goals are to move into position to do so which is to play the role of competitor and its target of attack is current company number one. This ambitious competitor seeks to expand its market share by skillfully blending the entire marketing mix into attacking its prey. This calls for a generous sacrifice in many ways: resorting to bold price cuts, providing high-quality products, expanding product types, providing excellent services to consumers, stimulating distribution channels, engaging in aggressive or sinister advertising and sales promotion.

The opponent attacks the leader either by copying the leader's strategy, or the stronger strategy of the same line or by adopting a different strategy of his own. It goes without saying that any company that wants to be a competitor, indeed an effective competitor, must have a very strong and sustainable competitive advantage not just by attacking the leader, but by neutralizing or even weakening the competitive advantage of the leader. (Momen, 2014, p. 55)

#### 2. Defensive Marketing Strategy:

The success of the company lies not only in reaching a leadership position, but in maintaining it for a longer period. Therefore, a defensive marketing strategy is employed by the leader to protect against attacks by strong competitors. The success of any defensive strategy lies in defensive tactics such as finding new users of products,

increasing usage of existing users, increasing continuous production by innovation, increasing product models, defensive advertising, sales promotion, expansion programs and improving quality from national to international level.

Logging and transgression can be done by cutting prices below the attacker's low price level, giving more quantity for the same price etc.

#### 3. Specialized Marketing Strategy:

The specialized marketing strategy is neither offensive nor defensive, but rather a comprehensive plan aimed at achieving the objectives of the organization and its marketing activities. This generally follows the company's interests in a small segment of the market for its unique products and services backed by a unique marketing mix. The key to the marketing strategy is specialization, aiming to serve a segment of the market using distinctive capabilities. (Momen, 2014, p. 55).

### **About the Iraqi Insurance Company:**

In 1959, as a joint stock company based on the (IIC) law, the Iraqi Insurance Company was established under Commercial Companies Law No. 31 of 1957 in Baghdad. At the beginning of its establishment, it practiced various insurance businesses. After the insurance decision in 1964, it was merged with the Baghdad Insurance Company. Its business has expanded into the life insurance that it specialized in. It is considered the first Arab company specialized in life insurance under the name of the Iraqi Life Insurance Company. In 1988, Resolution No. (92) was issued regarding canceling the specialization and allowing the company again to practice all types of insurance, and it began underwriting the business of supplementary, marine, fire, miscellaneous and engineering insurance.

In 1997, Public Companies Law No. (22) was issued, which opened the door for the company, as it became a major competitor to the National Insurance Company in terms of providing insurance services, insured activities, and expanding the number of customers. In 2005, Law No. (10) concerning



the regulation of insurance business was issued, according to which the work of insurance companies was organized in light of a free economy and competition. The company also aims to contribute to economic development.

The company exercises all types of insurance and enjoys legal personality and administrative and financial independence in order to achieve its objectives.

First: Exercising all types of insurance issued to provide the necessary protection for its responsibilities and reinsurance received when necessary.

Second: Practicing all types of investment within the framework of national development in a manner that serves the national economy and within the conditions set forth in Chapter Four of the Public Companies Law No. 22 of 1997.

Third: Providing advice to government departments, the socialist, cooperative, mixed and private sectors in everything related to insurance.

Fourth: Finding links with the Arab and international insurance and reinsurance markets, following up on developments and

participating in conferences, seminars and meetings at various levels to serve the interests of the company.

Fifth: Training the company's employees, developing their skills inside and outside Iraq, following up developments in the field of insurance and reinsurance, both Arab and international, encouraging research and study in it, and participating in seminars.

Sixth: Contributing to the development of the insurance market in Iraq and spreading insurance awareness, as well as participating in measures to prevent risks and reduce losses. (Ministry of Finance, the report of the Iraqi Insurance Company 2015).

In this section, the study hypothesis is discussed: (there is a statistically significant relationship to the role of insurance surplus in the strength of competition between Iraqi insurance companies). The researcher followed the comparative analytical method to analyze the financial statements of the data of the Iraqi insurance company.

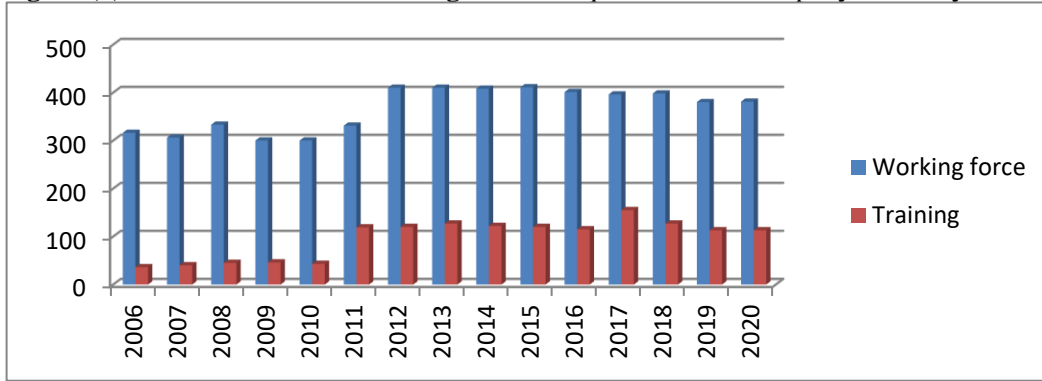
#### **Iraqi Insurance Company data for the period 2006-2020:**

Table (1) Manpower and training in the Iraqi Insurance Company for the years 2006-2020

Year	Working force	Training
2006	316	36
2007	306	40
2008	333	45
2009	300	46
2010	300	43
2011	331	119
2012	410	120
2013	410	127
2014	408	122
2015	411	120
2016	401	115
2017	396	155
2018	398	127
2019	380	113
2020	381	113

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020

Figure (1) The workforce and training of the Iraqi Insurance Company for the years 2006-2020



Source: Prepared by the researcher from the above table data.

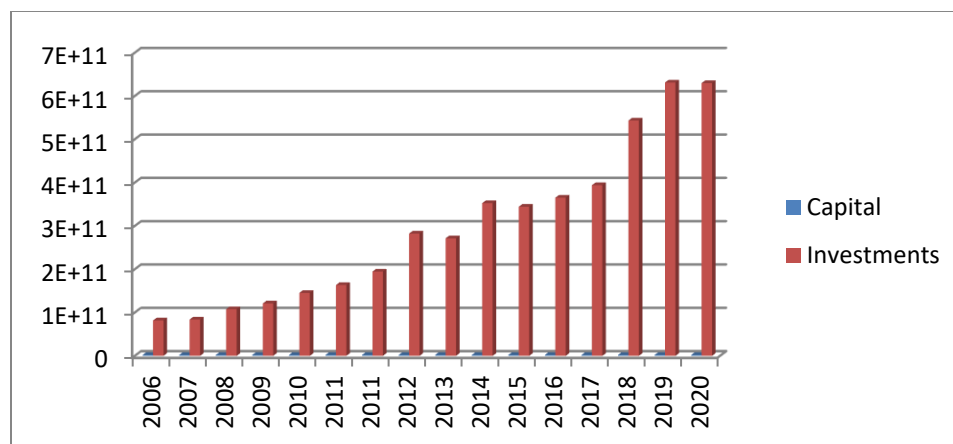
It is noted from the above table and figure that the workforce has increased in the period from 2011 to 2020. An increase in training is also noted in the same period, which indicates that the company is establishing a strong competition in the insurance market.

Table (2): Capital and planned investments in the Iraqi Insurance Company for the period 2006-2020

Year	Capital (Dinar)	Investments
2006	2000000000	8176186000
2007	2000000000	8390228000
2008	2000000000	10769009000
2009	2000000000	12100000000
2010	2000000000	14527465000
2011	2000000000	16352150000
2011	2000000000	19453260000
2012	2000000000	28234567000
2013	2000000000	27131171000
2014	2000000000	35258668000
2015	2000000000	34426979000
2016	2000000000	36513979000
2017	2000000000	39408445000
2018	2000000000	54330705000
2019	2000000000	63100834000
2020	2000000000	62980728000

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020

Figure (2): The capital and planned investments of the Iraqi Insurance Company for the period 2006-2020



Source: Prepared by the researcher from the above table data

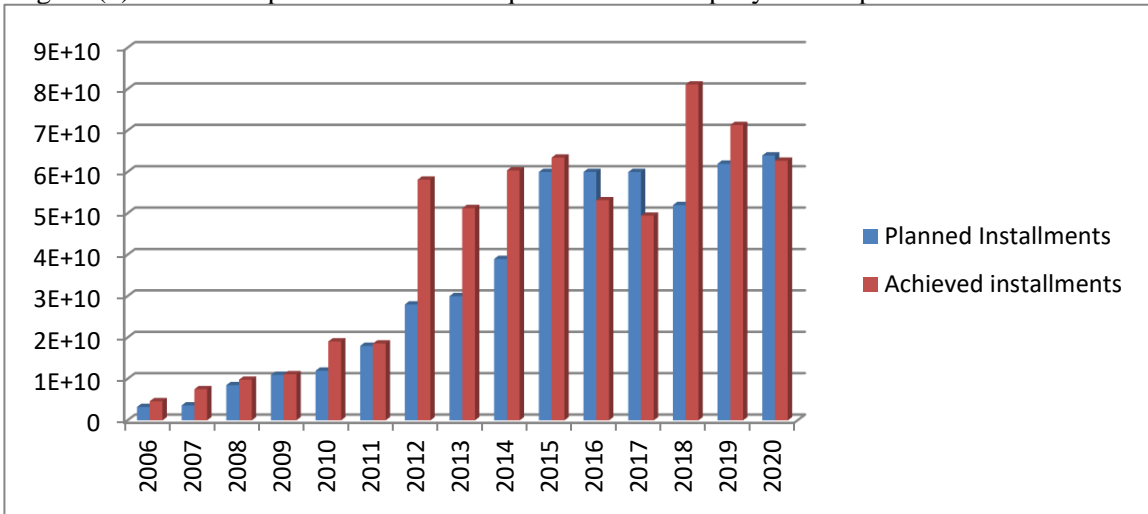
It is noticed from the above table and figure that there is a noticeable ascending increase in the volume of investments, reaching a maximum in 2019 and 2020, and this indicates that the company is in a state of development and improvement in performance and quality.

Table (3): Insurance premiums of the Iraqi Insurance Company (in dinars) for the period 2006-2020

Year	Planned Installments	Paid Installments
2006	3230000000	4617828000
2007	3600000000	7525657000
2008	8500000000	9810627000
2009	11000000000	11139059000
2010	12000000000	19068592000
2011	18000000000	18567348000
2012	28000000000	58146781000
2013	30000000000	51275288000
2014	39000000000	60370630000
2015	60000000000	63468048000
2016	60000000000	53178322000
2017	60000000000	49449329000
2018	52000000000	81146644000
2019	62000000000	71339704000
2020	64000000000	62711428000

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020

Figure (3): Insurance premiums of the Iraqi Insurance Company for the period 2006-2020



Source: Prepared by the researcher from the above table data

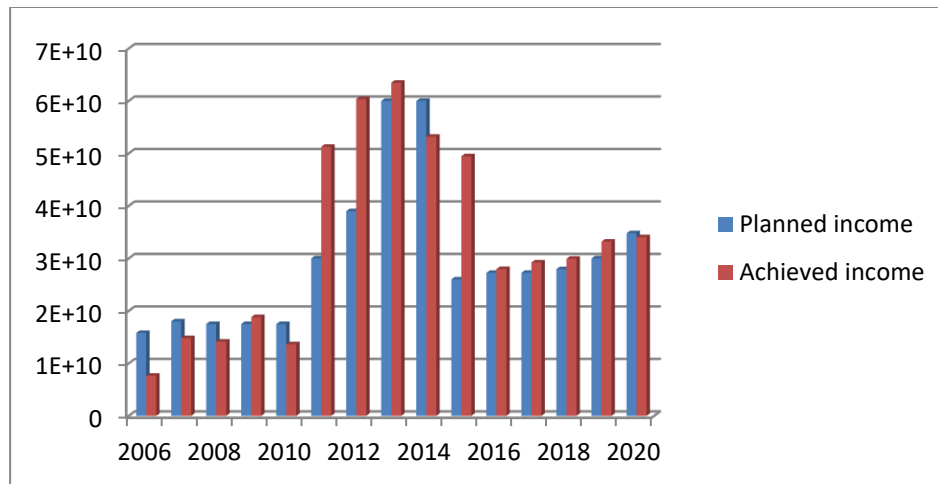
The table and figure above show the planned and realized premiums, as we note that the company achieved premiums in most years of the period, while the years 2012, 2015, 2018, 2019, and 2020 increased.

Table (4) :Investment income in the Iraqi Insurance Company (in dinars) for the period 2006-2020

Year	Planned Installments	Paid Installments
2006	15800000000	7635810000
2007	18000000000	14801910000
2008	17500000000	14143100000
2009	17500000000	18831090000
2010	17500000000	13641740000
2011	30000000000	51275288000
2012	39000000000	60370630000
2013	60000000000	63468048000
2014	60000000000	53178322000
2015	26000000000	49459329000
2016	27250000000	27966360000
2017	27250000000	29232420000
2018	27950000000	29937850000
2019	30000000000	33204600000
2020	34800000000	340329800000

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020.

Figure (4) Investment income in the Iraqi insurance company for the period 2006-2020



Source: Prepared by the researcher from the above table data

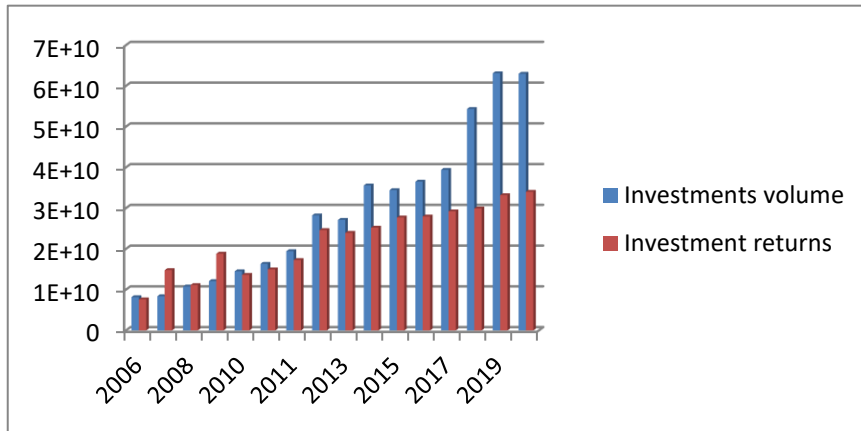
It is noted from the above table and figure that the expected and realized revenues at the beginning of the company were low until 2010, when they witnessed an increase in the period 2011-2015 and decreased in 2016 and began to gradually escalate to the end of the period.

Table (5): Volume and investment returns in the Iraqi Insurance Company (in dinars) for the period 2006-2020

Year	Investments volume	Investments returns
2006	8176186000	7635810000
2007	8390228000	1480191000
2008	10769009000	14143100000
2009	12100000000	18831080000
2010	14527465000	13641740000
2011	16352150000	15000040000
2011	19453260000	17267440000
2012	28234567000	24621160000
2013	27131171000	23945960000
2014	3558668000	25228640000
2015	34426979000	27711120000
2016	36513979000	27966360000
2017	39408445000	29232420000
2018	54330705000	29937850000
2019	63100834000	33204600000
2020	62980728000	34022980000

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020

Figure (5) The volume and investment returns of the Iraqi Insurance Company for the period 2006-2020



Source: Prepared by the researcher from the above table data

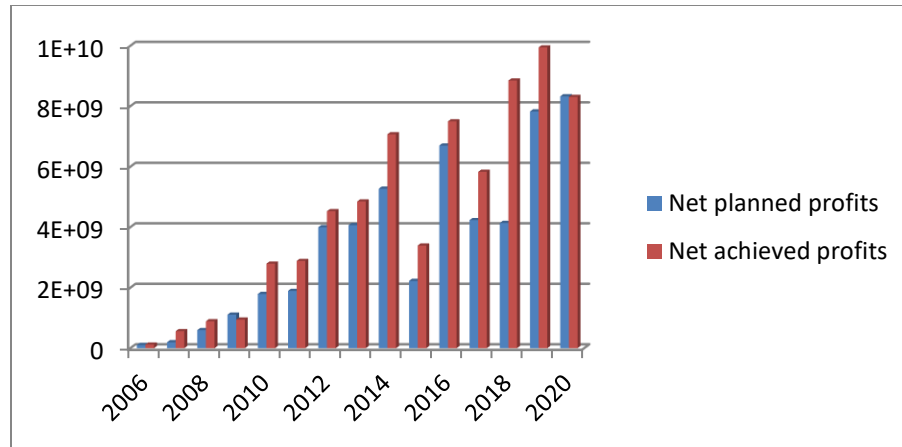
It is noted from the above table and figure that the insurance company gradually increases the volume of its investments and allocates an annual rate to increase the volume of investment, and the investment returns are proceeding at an increasing pace and the years 2019 and 2020 witnessed the highest investment returns.

Table (6): Profitability of the Iraqi Insurance Company (in dinars) for the period 2006-2020

Year	Net planned profit	Net achieved profit
2006	104000000	118863000
2007	195463000	560360000
2008	595000000	888800000
2009	1107000000	945359000
2010	1791560000	2793873000
2011	1893560000	2883453000
2012	4000700000	4528612000
2013	4069700000	4852302000
2014	5274500000	7072517000
2015	2222500000	3393680000
2016	1801270000	7499380000
2017	4234000000	5831215000
2018	4139990000	8851569000
2019	7828643000	9946296000
2020	8328324000	8308085000

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020

Figure (6): Profitability of the Iraqi Insurance Company for the period 2006-2020



Source: Prepared by the researcher from the above table data

It is noted from the table and figure above that the net profits achieved by the company are more than the planned or expected profits in the length of the study period 2006-2020.

#### Discussing the hypothesis of the study:

There is a significant relationship to the role of insurance surplus in the strength of competition between Iraqi insurance companies

#### First: The competitive position of the Iraqi insurance company

The competitive position of the insurance company will be studied through the classification of the financial capacity, the growth of premiums, the market share of the company, the distribution of the insurance portfolio and the profits for the year.

##### 1. Financial ability

With a capital equivalent to (2000,000,000), the company achieved great results through which it was able to maintain its leading position in the Iraqi insurance market despite

the challenges and intense competition with other insurance companies. The company has continuously endeavored to develop its activities through the development and maintenance of insurance portfolios, the correct and successful investment of resources, and the dissemination of insurance awareness among members of society and the growth of marketed insurance policies and the revenues generated from them. (Wissam Muhammad Musa Al-Khursan, presenter of his report 2020, Chairman of the Board of Directors and Acting General Manager).

##### 2. Growth in installments:

The insurance sector in Iraq is witnessing intense competition. In spite of this, we note that the Iraqi insurance company was able to develop its competition with other insurance companies by developing the growth rate in the total written premiums during the studied period, according to the data contained in the company's reports for that company, as shown in the following table:

Table (7): Insurance premiums and growth rate in the Iraqi Insurance Company (in dinars) for the period 2006-2020

Year	Achieved written premiums	Growth rate
2006	4617828000	-
2007	7525657000	%0.7
2008	9810627000	%1.2
2009	11139059000	%1.6
2010	19068592000	%1.8
2011	18567348000	%3.1

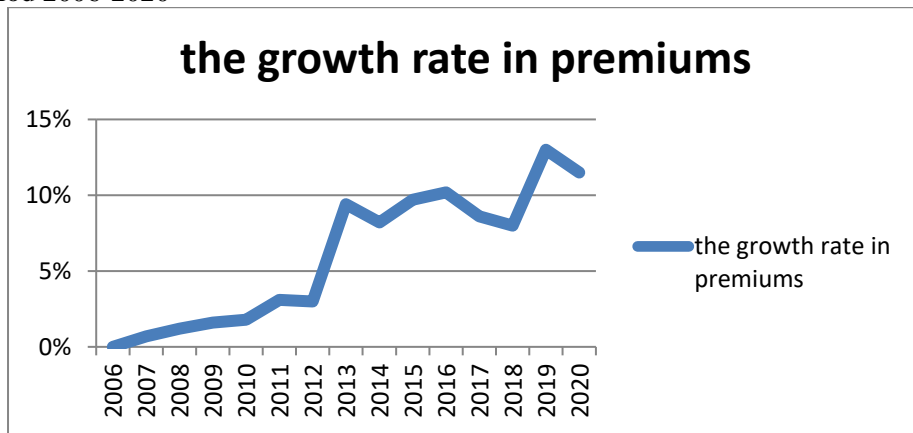
2012	58146781000	%3
2013	51275288000	%9.4
2014	60370630000	%8.2
2015	63468048000	%9.7
2016	53178322000	%10.2
2017	49449329000	%8.6
2018	81146644000	%8
2019	71339704000	%13
2020	62711428000	11.%5

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020

growth rate of written premiums over the length of the study period, as the year 2019 witnessed the highest growth rate in written premiums. The following figure shows the evolution of the growth rate in premiums.

It is noted from these data in the above table that there is a development in the

Figure No. (7) The development of the growth rate in premiums for the Iraqi insurance company for the period 2006-2020



Source: Prepared by the researcher from the above table data

witnessed a frequent increase, as we note that the year 2019-2020 witnessed its highest rise, which made it in an advanced position in the Iraqi insurance market.

-3Market share:

It is noted from the following table the development of the market share, which

Table (8) :Investment volume and market share in the Iraqi Insurance Company (in dinars) for the period 2006-2020

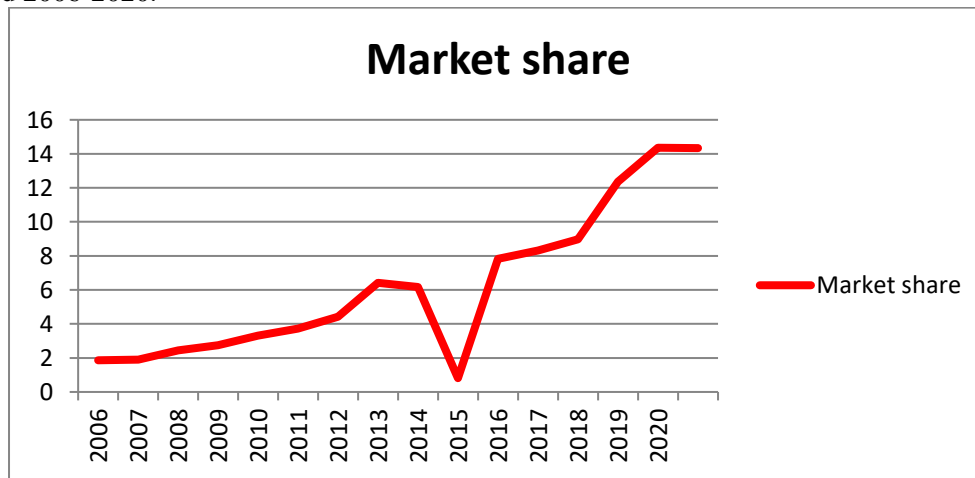
Year	Investments volume	Market share
2006	8176186000	1.8605328430279393
2007	8390228000	1.9092391922704084
2008	10769009000	2.4505429464744886
2009	12100000000	2.753416739863558
2010	14527465000	3.3057987866761938
2011	16352150000	3.72101516882313



2011	19453260000	4.426688572637865
2012	28234567000	6.42491978682638
2013	27131171000	6.173836396983529
2014	3558668000	0.8097930613898155
2015	34426979000	7.8340347340108405
2016	36513979000	8.308942232861687
2017	39408445000	8.96759274008201
2018	54330705000	12.363229143437083
2019	63100834000	14.358916746690213
2020	62980728000	14.331586013553183

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020

Figure No. (8) The development of the market share of the Iraqi insurance company during the period 2006-2020.



Source: Prepared by the researcher from the above table data

#### -4Distribution of the insurance portfolio:

It is noted from the table below that the distribution of the insurance portfolio is balanced, as the Iraqi insurance company focuses on increasing the insurance percentage in real estate investments and fixed deposits because it achieves positive results. Thus, it avoids risks. In return, the company reduces the percentage of insurance branches with negative results, such as real estate loans.

Table (9) :Distribution of the insurance portfolio

Investment type	2006	2007	2008	2009	2010	2011	2011	2012
Real Estate Investments	%40.3	%40.8	%43.2	%40	%39	%37.8	%40	%41
Fixed deposit	%34.3	%26		%35	%38	%32.2	%36	%39
Real estate loans	%1.1	%5.8		%6	%3	%7	%7	%3
Contribution to mixed and private sector companies	%243	%139		%19	%20	%23	%12	%17
Total	%100	%100	%100	%100	%100	%100	%100	%100
Investment type	2013	2014	2015	2016	2017	2018	2019	2020
Real Estate Investments	%38	%43	%48	%42	41.3%	%37	%40	66.0%

Fixed deposit	%38	%40	%32	%35	30.7%	%30	%30	17.0%
Real estate loans	%10	%12	%6	%8	%12.7	%10	%13.7	6.7%
Contribution to mixed and private sector companies	%14	%15	%14	%12	15.3%	%20	%14.3	10.3%
Total	%100	%100	%100	%100	%100	%100	%100	%100

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020

#### -5 Annual profits:

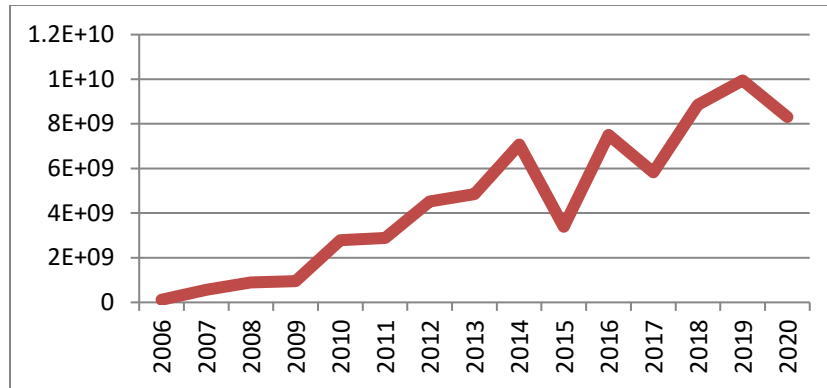
It is noted that the profits of the Iraqi insurance company witnessed different stages in the studied period. In the period from 2006 to 2014, it witnessed an upward increase, until profits decreased in the year 2014, after which it witnessed fluctuation in profits, and it returned to rise in the two years 2019 and 2020.

We also note that the net profits achieved by the company are more than the planned or expected profits during the studied period 2006-2020. The table and figure below shows this.

Table (10): Profitability of the Iraqi Insurance Company (in dinars) for the period 2006-2020

Year	Net planned profit	Net achieved profit
2006	104000000	118863000
2007	195463000	560360000
2008	595000000	888800000
2009	1107000000	945359000
2010	1791560000	2793873000
2011	1893560000	2883453000
2012	4000700000	4528612000
2013	4069700000	4852302000
2014	5274500000	7072517000
2015	2222500000	3393680000
2016	1801270000	7499380000
2017	4234000000	5831215000
2018	4139990000	8851569000
2019	7828643000	9946296000
2020	8328324000	8308085000

Figure No. (10) Annual net profit.



### Distribution of the insurance surplus in the Iraqi Insurance Company:

#### Distribution method:

The insurance surplus in the Iraqi Insurance Company is distributed to all policyholders in proportion to their subscription, making no distinction between those who received compensation and those who did not during the financial period.

#### Surplus of policyholders in the Iraqi Insurance Company for the study period 2006-2020:

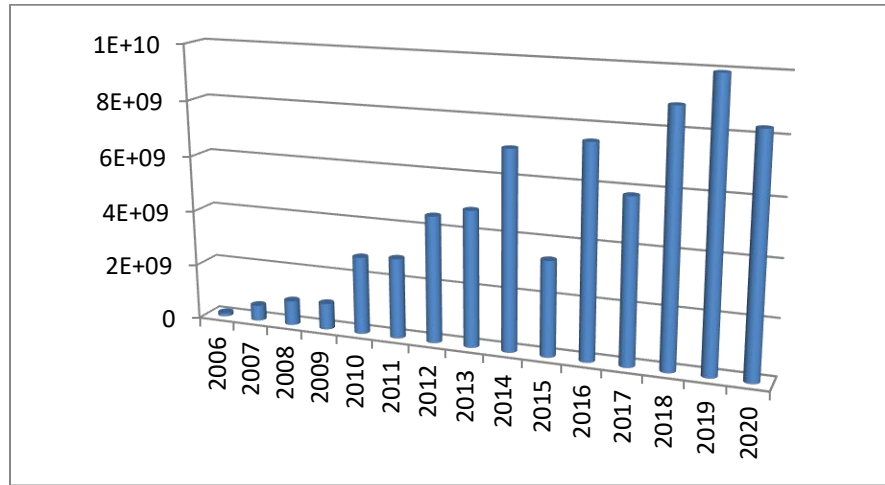
From the table and figure below, it is noted that its performance was positive at the beginning of the consecutive period to the year 2014 and witnessed a severe financial crisis in the year 2015, which negatively affected the company's performance.

Table (11): The insurance surplus of the Iraqi Insurance Company (in dinars) for the period 2006-2020

Year	insurance surplus	Percentage of increase
2006	118863000	%0
2007	560360000	%371.43
2008	888800000	%58.61
2009	945359000	%06.
2010	2793873000	%195.53
2011	2883453000	%3.21
2012	4528612000	%57.06
2013	4852302000	%7.15
2014	7072517000	%45.76
2015	3393680000	%52-
2016	7499380000	%121
2017	5831215000	%22-
2018	8851569000	%51.8
2019	9946296000	%12.37
2020	8308085000	%16.47-

Source: Prepared by the researcher from the reports of the Iraqi Insurance Company for the period 2006-2020

Figure No. (11): The insurance surplus of the Iraqi Insurance Company for the period 2006-2020



From all the above information, we conclude that there is an impact of the insurance surplus on the company's competitive strength. This can be verified by conducting a standard study to find out the impact of the insurance surplus value on the company's competitive strength using a simple linear regression model for the insurance surplus value as shown in the following table:

Table (12) :The results of the linear estimation of the value of the surplus in the insurance company over the competitiveness of the Iraqi insurance company for the period 2006-2020

Model	Non-standard coefficients		Standard coefficients	t- value	Significance level
	a	b	b		
1 (fixed) Insurance surplus	4.695	1.018		4.613	.000
	1.893E-10	.000	.637	3.094	.008

a. Dependent variable: market share

Model	Correlation	Correlation square	Correlation square rate	Estimated standard error
1	.637	.406	.364	3.53997
Insurance surplus (fixed)independent				

Source: prepared by the researcher from the statistical analysis program SPSS 23.

Through the above estimation table, the following linear regression model can be formulated:

Market share represented by = y

Insurance surplus = X

$$Y = a + bX \pm E$$

$$\text{Market share} = 4.695 + (1.893E-10) * \text{Insurance surplus}$$

**Hypothesis test:**

There is a significant relationship to the role of insurance surplus in the strength of competition between Iraqi insurance companies.

The hypothesis can be verified by following the Baron and Kenny (1980) model through three conditions:

- .1 That the independent variable (X) affects the mediating variable (M).
- .2 The independent variable (X) affects the dependent variable.
- .3 The mediating variable (M) affects the dependent variable (Y) in the presence of the independent variable (X).

To verify the validity of these three conditions, a simple linear regression model for the first and second conditions is used.

First: To test the impact of the insurance surplus distribution on the strength of competition.

Verification of the first condition:

As we mentioned earlier, the simple linear model of the relationship between the independent variable (distribution of insurance surplus = X) and the dependent (competitive force = Y) is:

$$Y = a + bX$$

where: a is a constant and b is the regression coefficient.

We have previously obtained that the value of the constant (a = 4.695) and the regression coefficient 1.893E-10, (which are statistically significant values at the level of significance (0.05)). The value (1.893E-10)b = means that the independent variable (distribution of the insurance surplus) affects the dependent variable (competition power) by (4.695). This fulfills the first condition of the Baron and Kenny test.

Verification of the second condition:

The simple linear model of the relationship between the independent variable (insurance distribution surplus = X) and the median variable (underwriting = M) is:

$$M = a + bX$$

Table (13): One-way analysis of variance of the relationship between the independent variable and the median variable ANOVA

Model	sum of squares	Freedom degree	Square mean	F value	Level of significance
Regression	2.837E14	1	2.837E14	17.399	.001
the rest	2.120E14	13	1.631E13		
Total	4.957E14	14			

- a. Independent: (fixed), insurance surplus
- b. Dependent variable: the strength of competition

From the table, the value of F is (17.399) and its probability value is (0.001) which is less than the level of significance (0.05). This result indicates that the simple linear regression model of the relationship between the independent and dependent variables is statistically significant.

By analyzing multiple linear regression, we get the following:

Table(14):Model Summary

Model	Correlation	Correlation square	Correlation square rate	Estimated standard error
1	.888	.726	.711	.34497

- a. Predictors: Surplus distribution (fixed)  
 b. Dependent: Competition intensity

It is noted from the table that the value of the correlation between the variables (distribution of the insurance surplus and the strength of competition) is (0.888), which represents a strong and positive correlation.

Table (15): Regression coefficients for the independent variable and dependent variable coefficients

Model	Non-standard coefficients		Standard coefficients	T value	Sig. Level
	a	Standard error	b		
1 (fixed)	0.33	.137		-2.162-	000
Underwriting	2.34	.099	.783	10.189	.000
Insurance surplus	.115	.080	.111	1.441	.541

a. Dependent variable: competition intensity

From the above table, we note that the value of the constant (0.33a) and the regression coefficient of the median variable (= 2.34b), which is a statistically significant value at the level of significance (0.05), means that the mediating variable affects the dependent variable by (2.34). This fulfills the third condition of the Baron and Kenny test. The value of the regression coefficient of the independent variable is (115c = 0.) and its probability value is (0.153), which is not statistically significant at the level of significance (0.05). This proves the validity of the hypothesis of the study.

### Conclusion:

### Findings and Recommendations

#### First: Findings

1. It became clear through the study that the insurance surplus represents an increase in the collection and not the profit, and it belongs exclusively to the insured and not to

the company because it takes its wages to manage the insurance operations in addition to its share of the profit in return for the investments.

2. The insurance company works on the investments of the insurance surplus for the account of the policyholders by legitimate means.

3. It turns out that the growth in premiums contributes to increasing the strength of competition in Iraqi insurance companies.

4. The development of the market share contributes to supporting the competitive advantage of the Iraqi insurance companies.

5. The distribution of the insurance portfolio has a role in increasing the strength of competition in the Iraqi insurance market.

#### Second: Recommendations

1. Those in charge of Islamic insurance companies must act on the insurance surplus in the interest of the insured, and do not take anything from it so that the insurance surplus remains a landmark that distinguishes Islamic

insurance companies from their counterparts from commercial insurance companies.

2. They should practice all types of investment with surplus insurance within the framework of national development and in a manner that serves the national economy.

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