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## The Impact of Political and Economic Changes on the Insurance Industry in Iraq

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### Abstract:

Although the insurance industry in Iraq has been relatively less developed compared to other Arab countries, it has experienced significant expansion, particularly due to the implementation of reforms in the sector. Nevertheless, the political and economic transformations in the country have profoundly influenced the insurance sector. The study discovered a strong association between the financial indicators of the insurance sector and the economic, political, and security conditions in the country during different research periods. As economic and political conditions improved, this positively affected the output of the insurance sector, which saw a gradual increase in its production volume and its contribution to GDP. This was evident during the first and second periods. When crises and negative political changes occurred, the activity of the insurance sector declined. The study recommended the need to increase attention to the insurance sector by stimulating the work of insurance companies, expanding types of insurance, and increasing investment levels to increase profits. It also recommended activating insurance participation for individuals and business sectors by expanding insurance awareness and clarifying the importance of referring to insurance companies for various economic activities to reduce the risks that a person may be exposed to personally.

**Keywords:** Insurance, Insurance Industry, Political and Economic Changes, Insurance in Iraq, Impact of Economic and Political Changes on Insurance in Iraq

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### INTRODUCTION

Internationally construction is considered as the most risky business and somehow it is correct due to the lack of protection and lack of systematic approaches can cause the whole project risky and can cause the loss of humans. However; it is also a fact that construction industry is having high contribution in the economic activities and highly relies upon the developing countries (Ryu et al, 2016). Investment in the construction industry is being increased due to the socioeconomic development features in the society. The figures of Iraq suggest that it contributes 13% in the GDP to the economy and government is focusing upon it because of lack of infrastructure and resources to develop the living resources for the people of country adequately (Keshk et al, 2018). Government is having their intentions to revive the social life and roads to link the cities and encourage people to people contact considerably .Project management is having the part of risk management in order to protect the project from any potential threat or risk that can damage the overall investment. Risk is being defined as the presumable assessment of occurrence that is not according to the project goals and that risk can be tangible or intangible as well (Gupta and Thakkur, 2018). Risk can be categorized into three features that are: genetic risk, catastrophic risk and operational risk. Genetic risk considered as the risk that is in the activities that can restrict the construction operations or diseases. Catastrophic risk can be considered as the severe situations or events or accidents such as earthquake, floods, storms and others that can disrupt the internationally. Operational risk is directly associated and impactful on the operations of the construction; that can be market value, income, goodwill of the company,

people and activities, assets and others (Hwang et al, 2014).

Insurance is something that people have done since the beginning of time, as society has grown. It started out in ancient times as a way for people to work together and changed as people got smarter and smarter until it became what it is today. Insurance isn't just a way to keep people safe from possible risks anymore. It not only affects society, but also has a beneficial impact on several factors including technological, economic, social, political, developmental, and legal issues. Its main mission is primarily to stimulate the accumulation of savings to finance profitable investments, which are considered the basis of the country's economic and financial development. It also has an important role in increasing awareness and educating society. Individuals can effectively manage and mitigate potential risks using insurance services and coverages provided by insurance companies. This allows for the protection of their lives and property, reducing the financial burden associated with potential losses.

Insurance is also considered the best sector to help improve the level of investment and develop the development process. In addition, it is one of the means that enable countries and individuals to mitigate the effects of disasters, whether these disasters occur by the person's own action through negligence or carelessness or by the action of others, whether spontaneously or intentionally. The idea of the insurance industry is consistent with the spirit of the modern era, in which life requirements have increased and types of renewed risks have increased, as they are associated with the risks of technological and scientific development on the one hand, and individuals being exposed to dangerous diseases or epidemics that lead to death or negatively affect their money on the other hand. Despite the recent development of the insurance industry in Iraq compared to its counterparts in the Arab world, it has witnessed rapid development represented in the increase in the number of insurance operations, the volume of premiums, investments, the development of human cadres, the early Arabization of most insurance documents, and the introduction of advanced insurance documents and concepts in insurance practice. These developments gave the Iraqi insurance sector a role that was almost pioneering among its counterparts in the Arab world and the Third World. From here, the researcher tried to study and analyze this important sector in Iraq and examine the features of its development, the reasons for its backwardness, and the factors affecting it, as well as explaining the effects of political and economic changes on the insurance industry in Iraq.

## **1. GENERAL FRAMEWORK OF THE STUDY**

### **First: Study Problem**

Iraq has witnessed many political and economic changes in both positive and negative directions in terms of their impact on the overall variables of the national economy and its various economic sectors, especially the insurance industry sector. Based on this, the problem can be formulated according to the following question:

**(What is the impact of political and economic transformations and changes on the insurance industry in Iraq?)**

### **Second: Study Goals**

This study aims to achieve the following goals:

1. Identify the nature of insurance in Iraq and its development
2. Identify the reality of political and economic changes in Iraq.
3. Study and analyze the impact of political and economic changes on the insurance industry after 2003.

### **Third: Importance of the Study**

The value of the study can be seen in how important the Iraqi economy is. Many economists and researchers have

been interested in it because it has been through so many difficult times. There are big structural and economic imbalances in the economy, which has caused it to do worse generally. At the same time, the insurance business has slowly grown into an important and unique part of the Iraqi economy. So, it's important to look into how the changes Iraq has gone through have affected this important area, as well as the different stages of these changes. The goal of this study is to shed light on the effects of the insurance industry in Iraq, especially since the Corona pandemic grew and caused the sector to make less money.

**Fourth:** Study Hypothesis

The study hypothesis is "There is a significant impact of the political, economic, and security changes that Iraq has experienced on its insurance industry."

**Fifth:** Study Methodology

The study used a method called descriptive analysis, which tries to study the subject correctly and helps the researcher understand the topic better. The researcher looked closely at a number of earlier studies that were similar to the topic of the current study. The goal of this was to set the academic background for the study. After that, the researcher gathered and studied real-world data related to the useful part of the study. A list of the numbers that show how changes in politics, the economy, and safety have affected the insurance industry in Iraq.

**Sixth:** Study Limits

- Time limits: Represented in the period 2004-2021
- Spatial limits: The Iraqi economy
- Sectoral limits: Insurance sector

**Seventh:** Study Terms and Definitions

Insurance: is "A means to face the risks that a person may be exposed to in their entity or money during their lifetime in order to alleviate its impact. Insurance is the cooperation achieved by the participation of persons exposed to the same risk to face the effects that result from its realization for some of them. Through it, the citizen pays the subscription or premium, as the amounts collected are distributed to those who suffer the disaster, thus achieving the effects of the disaster. Therefore, the latest studies that are concerned with insurance and the effects that cause an increase in the development of its industry and its most important obstacles, its impact, costs, and importance to the individual and society have been collected." insurtech, including insurtech is a technology related to "a set of business models or platforms through the application of innovative technologies in "Insurance industry" (Robles, 2019), technology, and it uses innovative methods and methods to create completely new disruptions that rely on small start-up companies that are widespread in the market the global insurance industry (Signority, 2017).

**Insurance Industry**

It is concerned with mitigating and limiting the burdens of financial, human, and natural risks and disasters to which the insured are exposed and contributing to the development of insurance business. The insurance industry enjoys economic, social, and political influence that causes delays in insurance service activities, instability of insurer profits, and affects their investment portfolios.

**Political and Economic Changes**

An inevitable matter and is considered the essence of the progress of any country, as it is a process that must be managed correctly in the hope of progress and harmony with the emergency changes in the world.

## 2. THE INSURANCE INDUSTRY IN IRAQ AND ITS DEVELOPMENT

The insurance market in Iraq is one of the oldest markets and was at the forefront of insurance markets in the Arab world, although it started with a purely foreign administration, as it was managed by companies or branches or agents of English, Italian, or Indian companies or insurance companies from brotherly Arab countries and of different nationalities (Sayed, 2015: 58). All insurance business was monopolized by these companies. The Iraqi government in particular and the private sector, represented mostly by foreign companies, which were mostly English, covered their insurance service needs exclusively with these companies. Some of these companies originally held agencies for foreign insurance companies. After the growth and increase of economic activity in its various aspects, commercial, industrial, service and agricultural, and the increased demand for insurance services, especially with regard to the properties and services of government agencies, and the resulting high expenses in the form of premiums paid to insurance companies and transferred outside Iraq in the form of foreign currencies, the government decided in 1950 the necessity of establishing a national insurance company to exclusively cover its needs, to be followed by the nationalization of the insurance sector under Law No. 99 of 1964.

Despite the recent development of the insurance industry in Iraq compared to its counterparts in the Arab world, it witnessed rapid development during the sixties and seventies represented in the increase in the number of insurance operations, the volume of premiums, investments, the development of human cadres, the early Arabization of most insurance documents, and the introduction of advanced insurance documents and concepts in insurance practice. These developments gave the Iraqi insurance sector a role that was almost pioneering among its counterparts in the Arab world and the Third World in general. The Second Gulf War (1990) came, continuing under the cover of economic sanctions, to end any effective role for the sector except for the National Insurance Company, as other insurance companies were owned by the private sector or branches of Arab and foreign companies. After the nationalization decisions in 1964 and the merger of companies, the Iraqi insurance market became limited to the following national companies: Iraqi Insurance Company for life insurance, National Insurance Company for general insurance, Iraqi Reinsurance Company (Al-Khafaji, 2014: 53). The appropriate indicator must be objective, transparent, Available and sustainable (Conradt, 2014).

This indicator was an objective environmental variable that was not subject to human manipulation (Horton, 2018).

In 1988, direct insurance companies were no longer required to specialize. Instead, they were free to sell both life insurance and general insurance. The General Insurance Corporation was in charge of overseeing and controlling the insurance industry. That organization was shut down in 1988, and its job was given to the Ministry of Finance. While I was in Iraq in 1997, two laws were passed that could have a big effect on how the insurance market works there. The first is the Private businesses Law No. 21 of 1997. Its goal is to get wealthy Iraqis to put their money into private insurance and reinsurance businesses. From the available information, it is understood that the reinsurance business of these private companies is limited to the Iraqi Reinsurance Company. The second is the Public Companies Law No. 22 of 1997, which aims to "organize work in state-owned and self-financed economic units that engage in economic activity, with the aim of unifying the laws regulating the activity of these units through the establishment of national public companies." Article (10) of this law allows the establishment of insurance and reinsurance companies. The establishment of other companies would raise the level of competition, whether in the field of insurance prices, services, or the introduction of new policies for the Iraqi insurance market. This may be related to the ideological and economic tendency towards more privatization to improve performance and lift some financial burdens from the state budget. For example, the burden of medical services may shift to insurance companies through specialized insurance contracts for medical consultations, surgical operations, and others. This shift may affect social security and pension systems in the future through savings tools within life insurance policies. These developments and others indicate an anticipated change in the structure of the Iraqi insurance market, but it is difficult now to predict what it will lead to, other than saying that the market may witness competition between public sector companies and private sector companies, and perhaps the insurance of some state sectors will be limited, which represent the largest source of premiums for the two

public sector companies, and freedom of competition will be launched for other businesses.

The economic sanctions imposed by the UN Security Council on Iraq were unprecedented in world history. Except for "medical purposes and food supplies provided in humanitarian circumstances," they were linked to Chapter VII of the UN Charter and clearly defined through their general form starting with Resolution 661 (August 6, 1990), which provided for the use of force. This provision prohibits the transfer of any cash or other economic resources to the Iraqi government, as well as importing products and services from Iraq or Kuwait, employing Iraqi or Kuwaiti citizens in any capacity, and sales and supply operations. This led to the paralysis of the Iraqi economy in all fields due to the war and sanctions system, affecting manufacturing, distribution, and services. Basic goods industries were not the only ones severely affected by the collapse of GDP. Due to the complete and absolute collapse of trade, restaurant, and hotel industries in 1991, the GDP of distribution sectors fell to less than 50%. Industries of transport, communications, storage, banking, and insurance (Al-Akaili, 2022: 39).

The sanctions also led to the freezing of national insurance companies' balances abroad. If the National Insurance Company maintained an account with Rafidain Bank's London branch, as a result of economic sanctions, those funds were frozen. The aim was to facilitate compliance with the condition of paying premiums for non-proportional reinsurance agreements, as well as paying the company's share in general losses in marine insurance in general against the company's obligations towards the parties it contracted with. In addition to preventing and suspending dealings with local insurance companies, thus depriving them of the protection of optional agreement reinsurance that they had contracted with foreign companies. With the crisis developing towards military operations, these contracts became canceled, and the absence of normal protection may expose insurance and reinsurance companies to losses exceeding their capital reserves and may lead to their bankruptcy. Despite this, the Iraqi insurance market seeks to make maximum use of its internal capabilities, including the financial resources available to the direct insurance company and the reinsurance company, and their continuation in underwriting direct insurance business. There is no information indicating the rejection of insurance requests, but what happens in the absence of foreign reinsurance protection is the primary reliance on the modest protection provided by these companies (Kamal, 2020: 71).

The military operations and economic sanctions imposed on Iraq played a major role in causing inflation in the economy as a result of the government printing money, which affected the value of the local dinar and then deteriorated the value of insurance companies' capital and reserves, which makes them exposed to bankruptcy as they were subjected to a series of large losses that cannot be compensated or relied on their own resources to compensate for them and those provided by the Iraqi Reinsurance Company. As a result, insurance companies have sought to replace cash assets and convert them into physical assets through investment in real estate, as well as keeping a portion of physical assets to meet their obligations towards the insured, where it was observed that rising price levels contribute to reducing the real value of the insurance company's capital as a result of the erosion of its purchasing power (Al-Akaili, 2018: 65).

### **3. ANALYSIS OF THE FEATURES OF POLITICAL AND ECONOMIC CHANGES IN IRAQ**

In the years following the events of 2003, Iraq witnessed a number of violations in its political and economic systems. Central institutions and infrastructure in the country were destroyed, and the majority of factories producing goods and services were closed or experienced a significant decrease in production. In general, and due to the decrease in the contribution of investment to GDP, and thus the country's inability to create new job opportunities and absorb foreign workers, the Iraqi economy became increasingly dependent on oil revenues to cover basic needs, a trend that is seen as an inevitable result of the war. Structural imbalances in the country. Domestic demand through imports.

The primary challenges faced by the Iraqi economy are rooted in structural imbalances caused by the misallocation of economic resources, both natural and human, towards objectives that aim to maximize social and economic benefits in a dynamic and sustainable manner.

Table (1) illustrates a progressive expansion in the gross domestic product (GDP) over the specified time. The GDP expanded from 53,235,358.7 million dinars in 2004 to 277,884,869.4 million dinars in 2020, reflecting a compound growth rate of 11.65%. The rise in oil exports can be linked to the removal of economic sanctions on Iraq and the resumption of oil trade in the global market, along with the improvement in oil prices post-2004. This rise did not occur at a uniform rate but varied during the duration of the trial. The output experienced a consistent upward trend, reaching a value of 157,026,061.6 million dinars in 2008. This represents a compound growth rate of 31.05% for the period between 2004 and 2008. The increase in the volume of output in commodity sectors, particularly oil, led to the rise in those sectors from 36,625,926.79 million dinars in 2004 to 104,736,383.1 million dinars in 2008. This increase was a result of the return of oil exports to the international market. The compound growth rate during this period was 31.05%. The distribution and service sectors experienced significant growth during this period. The distribution sector increased from 7,985,304 million dinars in 2004 to 19,157,180 million dinars in 2008, representing a compound growth rate of 24.45%. Similarly, the service sector rose from 8,624,128 million dinars in 2004 to 33,132,499 million dinars in 2008, recording a compound growth rate of 40% for the same period.

Following the 2008 global financial crisis, which resulted in lower oil prices and a downturn in worldwide economic expansion, the gross domestic product shrank to reach (130,643,200.4) million dinars in 2009, representing a negative growth rate of -16.8% from the year before. This fall was inevitably caused by the decline in the commodity sectors' output, which fell to 74,989,197.03 million dinars in 2009. The main component of this decline was the oil sector, whose output fell to 55,993,675.7 million dinars in 2009. But the gross domestic product quickly saw a sharp rise, peaking at 273,587,529.2 million dinars in 2013—a compound growth rate of 20.3% over that time (2009-2013). The primary cause of this increase was the increase in the amount of output in the commodities sectors, which saw a compound growth rate of 22.93% for the same period in 2013 and hit 171,265,793.3) million dinars. The surge in oil output, which reached 125,576,675.9 million dinars in 2013 and had a compound growth rate of 22.37% for the same period, is the cause of this increase. The decline in worldwide oil prices in 2014 contributed to the twin shock that the Iraqi economy was subjected to, causing the gross domestic product to drop as well, to a total of 266,420,384.5 million dinars. The commodities sectors had a little gain to reach (179,034,498.4) million dinars in 2014, despite the oil sector's output volume declining to (116,931,906.8) million dinars. With a compound growth rate of (0.9%), the gross domestic product showed a noticeable improvement following the economy's recovery from that shock, reaching 277,884,869.4) million dinars in 2020. The oil industry's output declined marginally to reach 113,099,141.8% million dinars in 2020, with a -0.66% compound annual growth rate. In spite of this, the non-oil commodity sectors saw growth, offsetting the decline in oil production. In 2020, the commodity sectors saw a rise of (168,954,000.6) million dinars, growing at a compound annual growth rate of (1.15%).

The distribution and service sectors' volume of output has been steadily rising since the start of the period, as shown by the same table, which shows increases from (7,985,304) and (8,624,128) million dinars, respectively, in 2004 to (30,011,566) and (78,919,303) million dinars, respectively, in 2020 million dinars, representing compound growth rates of (9.23%) and (15.9%), respectively. It is also evident that this increase did not occur at a constant pace but rather varied over the course of the study period. Specifically, during the first two study periods (2004-2008 and 2009-2013), the distribution and service sectors experienced a steady and gradual increase that resulted in compound growth rates of (24.45% and 40%) and (20.49% and 13.85%), respectively. Due to the twin shock that had an impact on the nation's general economic activity, the production of the distribution sectors gradually decreased until it reached 30,011,566) million dinars in 2020, with a negative compound growth rate of (-7.01%) for the 2014–2020 period. With a compound growth rate of 12.3% from 2014 to 2020, the service sectors also had a little decline in 2016 to reach 55,656,464) million dinars, but they quickly rebounded to reach 78,919,303 million dinars in 2020.

**Table 1:** GDP structure development in Iraq by activities, 2004–2020 (million dinars)

Year	GDP (Billion Dinars)	Growth Rate %	Commodity Sectors			Distribution Sectors	Service Sectors
			oil	others	Total Commodity		
2005	53235358,7	-	30807302.08	5818624.71	36625926.79	7985304	8624128
2006	73533598,6	38,13	42377412.87	9610841.34	51988254.21	10588838	10956506
2007	95587954,8	29,99	52850580.21	11671289.28	64521869.49	13477902	17588184
2008	111455813,4	16,60	59015853.2	13430425.51	72446278.71	15603814	23405721
2009	157026061,6	40,89	87165166.79	17571216.31	104736383.1	19157180	33132499
2010	130643200,4	16,8-	55993675.69	18995521.34	74989197.03	20641626	35012378
2011	162064565,5	24,05	72896641.56	25962743.4	98859384.96	23661427	39543754
2012	217327107,4	34,10	115248565.1	31012578.2	146261143.3	26513907	44552057
2013	254225490,7	16,98	126426336.5	38311781.5	164738118	37879598	51607775
2014	273587529,2	7,62	125576675.9	45689117.4	171265793.3	43500417	58821319
2015	266420384,5	2,62-	116931906.8	62102591.6	179034498.4	43160102	44225784
2016	209491917,8	21,3-	62009607.67	41898383.53	103907991.2	47764157	57819769
2017	203869832,2	2,7-	69111873.12	33230782.68	102342655.8	45870712	55656464
2018	225722354	10,7	88708885.12	32278296.58	120987181.7	46047360	58687812
2019	221064479	2.1-	102352853.8	26085608.5	128438462.3	27190931	65435086
2020	251710734	14.2	109560142.1	38314208.6	147774350	28512867	75423517
2021	277884869.4	10.1	113099141.8	55854858.8	168954000.6	30011566	78919303
Compound Growth Rate 2004-2020	2020-2004	11.7	11.3	16.27	10.73	9.23	15.9

Source: Compiled by the researcher based on data from the Ministry of Planning, Central Statistical Organization, National Accounts Directorate, multiple years.

- Percentages and growth rates are the researcher's work.

#### 4. ANALYSIS OF THE IMPACT OF POLITICAL AND ECONOMIC CHANGES ON THE INSURANCE INDUSTRY IN IRAQ AFTER 2003

**First:** The First Period (2004-2006) Occupation Period

The insurance industry in Iraq underwent fundamental changes after the events of 2003 and the subsequent political and economic changes that affected national economic institutions in various aspects, which in turn impacted the insurance industry. With all this, the process of attention and laying the foundations for reform in this important sector began. It was supposed to start with a restructuring program upon completing the review and audit of public sector companies' records and conditions. The Coalition Provisional Authority had seized the cash assets of these companies under Security Council Resolution 1483, considering them state funds to be used in rebuilding Iraq. In addition, the reform plan included two other elements within the period during which the review and audit process takes place: training company cadres and distributing the assets of companies operating in this sector to four specialized companies. This stage also includes developing a joint program to reinsure these four companies and taking the necessary steps to re-establish the Insurance Controller's Office. By the beginning of 2004, it had ended with the distribution of company assets to the four specialized companies, which included (Iraqi Non-Marine Insurance, Iraqi Aviation and Marine Insurance, Iraqi Life and Retirement Insurance, and Iraqi Car Insurance). The dismantling of the three public companies and their conversion into specialized companies reflects the Coalition Provisional Authority's general policy of privatizing the economy. Hence, a plan originated

to privatize the two public insurance companies in two stages and cancel the reinsurance company within the general framework of restructuring the Iraqi economy entrusted to the consulting company Bearing Point. Thus, 49% of the shares of the four new companies will be publicly subscribed upon their establishment, with 51% of the shares temporarily retained by the state to be offered for public subscription at the end of 2004 (Nadir, 2010: 44).

The changes to be introduced do not arise from the requirements of the insurance market itself. In short, they are an expression of an ideological tendency, reminiscent of the revolutionary parties' programs in the past: "rebuilding from scratch." Such a program was accomplished in the American invasion of Iraq through the random destruction of some infrastructure and other structures, the looting of various assets and properties under the eyes of the occupation forces, and the re-establishment of the Iraqi state. It seems that the time has come to destroy "public sector companies" in some way, to rebuild them on new foundations according to the application of the test of democracy and liberal economy by the Coalition Provisional Authority and its supporters. This reveals some arbitrariness in issuing orders and errors in some of its proposed and adopted policies. Changing existing institutions without proper public discussion may be "revolutionary," but it is not consistent with democratic practice. In fact, the existing authority has arrogated to itself the right to decide the future of Iraq's institutions without real participation - in this case, from the parties that make up the insurance market: policyholders, insurance and reinsurance companies, economists, and others concerned with related public affairs. The error also appears in disregarding the role of market forces in determining the existence and future of companies in the competitive process and replacing them with top-down revolutionary orders. The basic and direct function of insurance activity, whatever its form, is to provide protection against the financial consequences of accidental probabilistic risks, whether natural or man-made. In view of this, it is necessary to pave the way for introducing and strengthening fair competition conditions between public and private sector companies before proceeding with privatization. As a result of the reforms witnessed by the insurance sector during that period, as well as the economic changes witnessed by the Iraqi economy represented in lifting the economic embargo, the return of imports and exports, and the change in income levels in the country, which positively affected the output of the insurance sector, it witnessed a gradual increase to reach (9644) billion dinars at the end of 2006 after it was (8521) billion dinars in 2004, with a compound growth rate of (4.2%) for the same period, reflecting clearly in its contribution to the formation of GDP, which rose from about (8.3%) in 2004 to about (8.7%) in 2006.

**Table 2:** Development of the insurance sector output and its contribution percentage to GDP for the period 2004-2006

Year	Insurance Sector Output (Billion Dinars)	Contribution to GDP (%)
2004	8521	8.3
2005	8881	8.5
2006	9644	8.7
Compound Growth Rate	4.20%	

Source: Prepared by the researcher based on data from the Ministry of Planning, National Accounts Directorate, Standardized Accounts for multiple years.

**Second:** The Second Period (2007-2014) Political and Economic Stability

Iraq witnessed important political, economic, and security changes during this historical period, as the civil war began to gradually decline, leading to its elimination and the return of normal life for members of society, as well as the start of political dialogue in the country between the winning political blocs in the elections. This positively reflected on the overall life activities in the country, not to mention the improvement of economic conditions and

the increase in the size of the general budget to advance Iraq's reality. The insurance sector, like other economic sectors, witnessed notable developments represented in the increase of its real output and expansion, as well as an increase in the size of its contribution to the GDP. This is evident from Table (3), where it rose from (10864) billion dinars in 2007 to about (11548) billion dinars in 2014, with a compound growth rate of (0.8%) for the same period. This was reflected in the increase of its contribution percentage to GDP formation from about (9.7%) in 2007 to about (10.3) in 2014. This increase was, of course, a result of the attention given by those concerned with the insurance sector and other service sectors, as the Iraqi government's orientation towards developing these sectors increased their contribution percentage significantly from what it was before. This reinforces the opinion of the economist (Baumol) that was mentioned earlier.

**Table 3:** Development of insurance sector output and its contribution percentage to GDP for the period 2007-2014

Year	Insurance Sector Output (Billion Dinars)	Contribution Percentage to GDP %
2007	10864	9.7
2008	11472	9.8
2009	11339	9.6
2010	11505	10.2
2011	12231	9.9
2012	11979	9.7
2013	12608	7.1
2014	11548	10.3
Compound Growth Rate	0.08%	

Source: Prepared by the researcher based on data from the Ministry of Planning, National Accounts Directorate, and Standardized Accounts for multiple years.

**Third:** The Third Period (2015-2018) Economic and Security Crises

This period was characterized by multiple events that affected the overall economic, political, and service activity in Iraq. After the military crisis that Iraq went through at the end of 2014, which was represented by terrorist groups controlling part of Iraqi territory, Iraq fought a new battle against terrorism and continued an intensive security campaign against the Islamic State organization in Iraq and the Levant, or what is known as "ISIS." This prompted the organization to withdraw and lose control over a large part of the areas it controlled, perhaps most notably the liberation of Ramadi, Tikrit, and Mount Sinjar in the north, leading to the complete regaining of control over those areas and the defeat of the organization. This coincided with the deterioration of the economic situation, as Iraq is still going through a difficult phase exacerbated by the decline in oil prices to record levels, reaching their lowest level in seven years at the furthest times. Considering that the revenues of the Iraqi economy rely heavily on selling oil prices, this has exacerbated the crisis the country is witnessing as it tries hard to rebuild the areas from which ISIS was expelled and other expenses where the military sector takes priority. Add to that the political squabbles that occurred during that period, including the cancellation of high positions.

The government's focus during this period was largely on security aspects, with little attention to service aspects, in addition to the decline in overall economic activity. Despite this, the output of the insurance sector

began to decrease to about (11548) billion dinars in 2015 after it was (11548) billion dinars in 2014, reflecting in the decrease of its contribution percentage to reach (4.8%) in 2015. However, it witnessed a slight gradual increase after that to reach about (9059) billion dinars at the end of the period, raising its contribution percentage to GDP formation to (5.2%) in the same year, as shown in Table (4).

Table 4: Development of insurance sector output and its contribution percentage to GDP for the period 2015-2018

Year	Insurance Sector Output (Billion Dinars)	Contribution Percentage to GDP %
2015	89	4.8
2016	96	3.4
2017	101	3.5
2018	90	5.2
Compound Growth Rate	1.20%	

Source: The researcher's preparation, based on information from several years' worth of Standardized Accounts, National Accounts Directorate, and Ministry of Planning data.

**Fourth: Coronavirus Pandemic Period (2019-2020)**

The COVID-19 pandemic rapidly spread across the globe, forcing governments to swiftly respond in order to contain the virus while also balancing economic stability and mitigating its impact on various aspects of society. Many countries have implemented partial or complete curfews to restrict the movement of their inhabitants. As a result, they have turned to technology as a crucial solution to ensure the continuity of economic activities and protect lives. Many economic entities began to activate their electronic platforms so that work could be carried out regularly through them. Given that the insurance industry is one of the important and vital economic industries, those in charge of the industry tried to keep pace with the rapid development of the event and research the mechanisms through which modern technological means could be employed in order to continue work in the Egyptian insurance market and reduce the economic effects that may be reflected as a result of this epidemic on the Egyptian economy and so that this vital sector continues to contribute to supporting the national economy.

The insurance sector in Iraq was greatly affected by the coronavirus pandemic. In the years (2019 and 2020), the output volume reached approximately (9376) and (9756) billion dinars, respectively, meaning that it contributed (5.1% and 5.3%) to GDP formation, respectively. This highlights the importance of the sector in Iraq and calls for working on activating the work of insurance companies through expanding the types of insurance and increasing investment activity to enhance profits. Employment levels should also be taken into consideration when developing workers. In addition to demanding state departments and institutions to insure their assets, properties, and funds - which are part of the country's wealth and deserve protection - insurance companies must employ and train qualified individuals inside and outside Iraq. They must also provide health insurance for their employees, insurance against terrorist operations they may be exposed to, and other appropriate insurance policies for people and institutions.

## 5. CONCLUSIONS AND RECOMMENDATIONS

### First: Conclusions

- Acceptance of the research hypothesis as there is a very close correlation between the financial indicators of the insurance sector and the economic, political, and security situation in the country during various research periods. With the improvement of economic and political conditions, this positively affected the output of the insurance sector, as it witnessed a gradual increase in its production volume and its contribution percentage to GDP. This was evident during the first and second periods, and when crises and negative political changes occurred, the activity of the insurance sector declined.
- The government's focus during the deterioration of security and economic conditions during the period 2015-2018 was largely on security aspects, with little attention to service aspects, which led to a decline in overall economic activity, including the insurance sector, which decreased to about (11548) billion dinars in 2015 after it was (11548) billion dinars in 2014, reflecting in the decrease of its contribution percentage to output to reach (4.8%).
- Iraq has witnessed many political changes that affected its overall economic, social, and political variables, which burdened the state treasury with debts, not to mention the deterioration of social conditions from increasing poverty and unemployment rates and rising rates of political fluctuations from coups and security breakdowns at some times during the study period.
- The insurance industry in Iraq was characterized by modernity compared to its counterparts in the Arab world, but despite that, it witnessed rapid development during the sixties and seventies represented in an increase in the number of insurance operations, premium volume, investments, development of human cadres, early Arabization of most insurance policies, and the introduction of advanced insurance policies and concepts in insurance practice.
- The legislations issued in 1997, particularly the issuance of two laws, played a major role in changing the structure of the Iraqi insurance market, especially Private Companies Law No. 21 of 1997, which aimed to encourage national capital to invest in private insurance and reinsurance companies in Iraq, and Public Companies Law No. 22 of 1997, which aims to "organize work in state-owned and self-financed economic units that engage in economic activity."
- The sanctions imposed by the Security Council had a negative impact on the insurance sector, as they led to the freezing of insurance companies' balances. The aim was to facilitate compliance with the condition of paying premiums for reinsurance agreements, as well as preventing and suspending dealing with local insurance companies, thus depriving them of the protection of optional treaty reinsurance that they had contracted with foreign companies.

### Second: Recommendations

- The need to increase attention to the insurance sector by activating the work of insurance companies, expanding types of insurance, and increasing investment levels to increase their profits.
- The necessity of gradual progression of employees in line with insurance companies' staff to obtain employees with good efficiency, and train them inside and outside Iraq.
- Establishing a database of risks that occur, such as fire and accident risks and the resulting losses, and what has been compensated for those losses to insurance policyholders, and publishing these reports as a means to motivate the public to take up insurance.
- Obligating state departments and institutions to insure their assets, properties, and funds as they are part of the country's wealth deserving protection, and health insurance for their employees, insurance against terrorist operations they may be exposed to, and other appropriate insurance policies for individuals and institutions.
- Directing insurance companies to use and exploit modern technology in promotion, accepting and following up on applications, reducing effort and burden on citizens, and facilitating procedures, which motivates them to purchase this service.

- Insurance companies must conduct educational courses and seminars, and this is done through visual and audio media and advertising, in a Western-style process to adapt and capture the consumer's mind.
- Activating insurance participation for individuals and business sectors by expanding insurance awareness and clarifying the importance of referring to insurance companies for various economic activities to limit the risks that a person may be personally exposed to.
- Issuing new insurance policies that respond to new needs, such as health insurance, oil pollution insurance, and insurance against the risks of waste and toxic materials disposal.
- Working to activate the supervisory role of the Insurance Office, and disassociating the Insurance Office from the Ministry of Finance to carry out its clear supervisory role.
- Paying greater attention to the commitment of public insurance companies to professionalism in applying the technical aspects of pricing and underwriting policies at appropriate prices, claims management, and providing the appropriate technical infrastructure for the size and nature of the work and investment policy.

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