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Al-Bayan Center for Studies and Planning



# Insurance of Industrial Projects in the Public, Private, and Mixed Sectors Against All Types of Risks in Iraq

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## Insurance of Industrial Projects in the Public, Private, and Mixed Sectors Against All Types of Risks in Iraq

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### About

Al-Bayan Center for Planning and Studies is an independent, nonprofit think tank based in Baghdad, Iraq. Its primary mission is to offer an authentic perspective on public and foreign policy issues related to Iraq and the region.

Al-Bayan Center pursues its vision by conducting independent analysis, as well as proposing workable solutions for complex issues that concern policy-makers and academics.

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## I. Executive Summary

1. The insurance of industrial facilities in Iraq is closely tied to the extent of industrial development and the corresponding progress in the government and commercial banking sectors, which play a pivotal role as sources of investment financing and as intermediaries in industrial activity.
2. Insurance companies must expand their operations and offerings to encompass the widest possible range of industrial projects, ensuring coverage for industrial projects in the public, private, and mixed sectors against all types of risks, thereby contributing to the growth and development of the Iraqi national economy.
3. All factory buildings should be insured, including raw material warehouses, administrative offices, workshops, finished product warehouses, transportation garages, and other associated structures.
4. Insurance coverage should extend to the transportation of raw materials to factories, as well as to the machines, equipment, and industrial devices within these facilities.
5. It is essential to provide life insurance for all factory workers, regardless of their specializations or work locations.
6. Finished product warehouses in market locations must also be insured.
7. Industrial insurance should cover facilities of all sizes, including large, medium, and small industrial enterprises.
8. The comprehensive CASCO Insurance policy should be utilized to provide all-encompassing coverage for the property of industrial projects against potential risks.



## II. Introduction

The development of a country's national economy is often measured by the advancement of its insurance sector. Insurance plays a critical role in managing industrial facilities and projects while serving as a significant source of savings and investment for various sectors of the national economy. Despite its importance, the issue of insurance—particularly the insurance of industrial projects and facilities—has not received adequate attention in the programs of Iraqi political parties or their electoral platforms since their inception in the mid-1930s. Even the Iraqi Communist Party, which initially focused on employment issues, did not prioritize the development of the insurance sector.

Since the establishment of the Iraqi state and its institutions, this sector has remained largely overlooked, with only minimal references to social security and a notable lack of scientific analysis. Successive governments in Iraq have also failed to prioritize insurance, neglecting to adopt comprehensive laws, regulations, decisions, or guidelines to advance the sector. Instead, the focus of insurance professionals has been confined to technical matters, leaving the economic potential of this sector largely untapped for fostering investment and economic development in the country.

Furthermore, academic research on insurance in Iraq remains underutilized. Studies conducted by postgraduate students—whether at the higher diploma, master's, or doctoral levels—are rarely published and often remain shelved in university libraries.



Given these shortcomings, this article aims to concentrate specifically on the insurance of industrial facility projects in Iraq, addressing this critical yet underexplored topic.<sup>1</sup>

Even the National Insurance Company, established in 1950 under Law 56 and widely regarded as Iraq's leading insurance company, has not placed significant emphasis on insuring industrial facilities. The company's mission is stated as:

“Serving the Iraqi community and preserving the economy and national wealth by encouraging the labor market through providing various insurance coverages. This ensures security and reassurance for businessmen, thereby increasing their investments within the country and contributing to the reconstruction of our beloved Iraq.”

Despite this mission, the company has not demonstrated a particular focus on insuring industrial facilities. This is surprising given its stated objective to:

“Contribute to economic development through its insurance, production, and investment activities by providing insurance protection for members of society and national wealth. This positively impacts the national economy by encouraging the investment of funds through solid insurance coverage, offering protection against various risks, and restoring the insured to their pre-risk state.

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1- Mustafa, S. A. Q. (2017, August 16). Securing industrial projects and facilities in Iraq. Iraqi Economists Network. Retrieved from <https://iraqieconomists.net/ar/2017/08/16/%D8%AF-%D8%B3%D9%86%D8%A7%D8%A1-%D8%B9%D8%A8%D8%AF-%D8%A7%D9%84%D9%82%D8%A7%D8%AF%D8%B1-%D9%85%D8%B5%D8%B7%D9%81%D9%89-%D8%AA%D8%A3-%D9%85%D9%8A%D9%86-%D8%A7%D9%84%D9%85%D8%B4%D8%A7%D8%B1%D9%8A/>

This aims to achieve the highest possible level of economic growth while also spreading awareness of insurance and preventive measures to benefit the national economy.”<sup>2</sup>

### **The company’s official objectives further highlight this gap:**

First: The company engages in all types of general insurance (marine, fire and accident, automotive, agricultural, and engineering), life insurance, and reinsurance. It also provides consultancy on insurance-related matters.

Second: The company invests its funds across various areas, such as real estate investments, deposits and transfers, participation in company shares, and real estate lending. The commissions provided by the company to its official and private marketing agencies vary based on the type of insurance and the marketing channels used.<sup>3</sup>

However, a review of these objectives reveals no explicit mention of insuring industrial projects in the public, private, or mixed sectors. This omission reflects a lack of attention from company leadership toward insuring the industrial sector or investing in industrial projects that could support the growth of Iraq’s national economy.

The importance of this paper lies in addressing this critical issue and highlighting the role of the industrial sector in Iraq as one of the key pillars of the national economy. The paper seeks to illuminate the challenges facing the development of Iraq’s industrial sector, particularly in securing industrial projects in the public, private, and mixed sectors against various risks.

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3- Ibid.



### **The research aims to:**

1. Identify and clarify the underlying obstacles that hinder the insurance of industrial projects in Iraq across all sectors, utilizing a scientific methodology for analysis.
2. Propose practical solutions through medium- and long-term economic plans to achieve comprehensive and sustainable economic development. These solutions will align with strategic visions for growth and foster investment in Iraq's national economy.

The primary issue in this field lies in the challenges associated with insuring industrial projects in Iraq's public, private, and mixed sectors against all types of risks. Additionally, there is a notable lack of statistical data and information regarding the insurance of industrial projects in the country. This paper aims to explore relevant concepts to address these challenges and propose solutions to overcome the obstacles hindering the insurance of industrial projects in Iraq across various sectors.

The paper assumes the existence of insurance companies and financial institutions in Iraq with the objective of insuring industrial projects in the public, private, and mixed sectors against all risks. This would ensure the achievement of goals such as protecting industrial facilities and safeguarding the welfare of their workers.

### **The study is based on two primary hypotheses:**

1. Long-term strategic planning: The adoption of ten-year strategic plans and five-year economic plans tailored to Iraq's specific climate, social environment, and industrial needs is essential to achieving economic and social development objectives.

2. Enhanced information systems: Developing robust information systems within industrial production institutions and projects, which are closely tied to the national economy, is a key pillar in resolving many of the issues related to insuring industrial projects. These systems enable informed decision-making, reduce administrative bureaucracy, and minimize overlaps in administrative tasks between organizational units. This approach would facilitate the establishment of an effective insurance system that contributes to the overall growth and development of Iraq's industrial sector.

To achieve the objectives of this study and to test the validity of these hypotheses, this paper adopts a deductive analytical approach. It relies on economic statistical methods to determine the quantitative relationships between variables, ultimately helping to secure industrial projects in Iraq against various risks and achieve the desired outcomes. The success of such an insurance framework requires the presence of well-functioning financial and institutional systems. These systems must prioritize the development of economic and social strategies, adopt necessary financial and funding policies for their implementation, and focus on internal and external marketing (exports) of industrial products. This comprehensive approach would ensure the sustainability and growth of the industrial sector in Iraq.

### III. Analysis of the Results of the Industrial Survey

To better understand the state of industrial establishments in Iraq, it is essential to analyze the data presented in the tables below:

**Table 1:** Summary of the results of the industrial survey for small, medium, and large industrial establishments across the governorates of Iraq (excluding the Kurdistan Region) for the period 2016–2022.





Years	2016	2018	2021	2022	Growth (%) Rate
Number of small industrial establishments	25,966	No data due to the pandemic	26,772		3.1
Total number of workers (paid and (unpaid	81,920	No data due to the pandemic	90,894		10.9
Number of medium industrial establishments	-	No data due to the pandemic	No data due to the pandemic	250	-
Total number of workers (paid and (unpaid	-	No data due to the pandemic	No data due to the pandemic	3,603	-
Total number of large industrial establishments	-	600	No data due to the pandemic	852	42
Total number of workers (paid and (unpaid	-	12,737	-	17,139	34.5

**Source: Ministry of Planning - Central Statistical Organization, Statistics and Geographic Information Systems Authority - Industry**

An analysis of the data in Table 1, summarizing the results of the industrial survey of small, medium, and large industrial establishments across the governorates of Iraq (excluding those in Kurdistan) for the period 2016–2022, reveals several trends. The number of small industrial establishments increased by 3.1%, while the total number of paid and unpaid workers grew by 10.9% over the same period.

These figures account for the impact of the COVID-19 pandemic during 2018–2021. It is important to note that unpaid workers typically include family members, relatives of the employer, or trainees.

For medium industrial establishments, the number reached 250 in 2022, employing a total of 3,603 paid and unpaid workers. This data is sourced from the Statistics and Geographic Information Systems Authority - Industry, affiliated with the Central Statistical Organization.

Meanwhile, the number of large industrial establishments rose significantly, from 600 in 2018 to 852 in 2022, reflecting a growth rate of 42%. This indicates an increasing concentration of industrial activity in large establishments. Additionally, the total number of paid and unpaid workers in these establishments grew by 34.5%, rising from 12,737 to 17,139 over the same period.

Table 2: Summary of the Results of the Industrial Survey of Large and Medium-Sized Industrial Establishments in the Kurdistan Region Governorates (2018–2022)

Years	2018	2022	Growth Rate (%)
Large industrial establishments	132	167	20.9
Wage earners	12,737	17,139	25.6
Medium-sized industrial establishments	375	396	5.3
Wage earners	5,401	5,441	0.7

Source: Ministry of Planning - Central Statistical Organization, Statistics and Geographic Information Systems Authority - Industry.



By analyzing the data in Table 2, which summarizes the results of the industrial survey of large and medium-sized industrial establishments in the Kurdistan Region governorates for the period 2018–2022, the following conclusions can be drawn:

The number of large industrial establishments increased by 20.9%, doubling from 12,737 to 17,139. This growth highlights the development of large industrial establishments and their ability to absorb a significant portion of the industrial workforce, particularly wage earners.

Similarly, the number of medium-sized industrial establishments grew by 5.3%, rising from 375 to 396. However, the number of wage earners in these establishments showed only a slight increase of 0.7%, from 5,401 to 5,441.

The data from the two tables clearly indicates that there are no unpaid workers in industrial establishments within the Kurdistan Region governorates, even if they are members of the employer's family or relatives. This is a positive phenomenon compared to other Iraqi provinces, as it reflects the employer's commitment to avoiding the exploitation of workers in their industrial projects, whether these workers are family members, relatives, acquaintances, or friends.

In general, we can observe what may be described as an industrial renaissance or an increase in production activity, evident in the rise of industrial projects across various sectors. This growth reflects the stability of the security situation within Iraq's industrial sector.

Given this, it is essential to combine efforts to raise awareness about the importance of industrial insurance in Iraq. As one of the developing countries, Iraq still faces a significant need to educate all workers in the industrial sector—from employers and industrial project owners to the smallest worker or employee. Without such awareness, we cannot ensure the stability of work within these economic projects, which contribute to the development and growth of Iraq's national economy.

Therefore, it is crucial to establish strong insurance companies and financial institutions in Iraq that are dedicated to insuring industrial projects in the public, private, and mixed sectors against all risks. This will help achieve the desired objectives of industrial projects and facilities while also protecting the lives of workers.

#### **IV. The Concept of Industrial Facilities Insurance**

The industrial facilities insurance policy covers all industrial risks, under which the insurance company undertakes to compensate the owners of factories and production units for damages and material losses incurred as a result of one of the following risks:

1. Fire, lightning, spontaneous combustion, and fire resulting from an explosion.
2. Explosion of machines and equipment, such as water heaters, steam engines, and similar devices located in the factory.
3. Explosion and sudden rush of water from fresh water pipes inside the factory, flooding of upper and lower water tanks, and leakage of water from automatic fire extinguishers without a fire incident occurring, followed by the breaking of pipes due to age or corrosion.



4. Falling and collision of aircraft or parts thereof with factory chimneys, especially those exceeding 100 meters in height.
5. Collision of transportation vehicles.
6. Natural disasters such as earthquakes, tremors, storms, torrents, and floods.
7. Robbery of the factory or insured locations resulting from an assault, such as stalking, breaking, brandishing a weapon, or using violence.
8. Loss of revenue due to the stoppage of factory machinery and equipment, fire, or other additional risks. In this case, the insurance company is responsible for covering losses resulting from the loss or decrease in revenue (including fixed costs and net profit). The company undertakes to compensate factory owners for sudden and unexpected material losses or damages that may occur to the production units or insured machines, or any part thereof. This may include, but is not limited to, causes such as incorrect design, manufacturing and installation errors, lack of skill, negligence, water shortages in water heaters, explosions, and power outages.
9. Legal civil liability incurred by the industrial facility as a result of any fire accident that extends to the property of others, causing damage or material losses for which the industrial facility is responsible under the law.
10. Risks arising from electrical, mechanical, and chemical engineering works.



11. Evacuation procedures from buildings and warehouses of the industrial facility.

12. This insurance coverage is minimal, as other liabilities may arise from the use or consumption of manufactured products due to defects, as well as liability toward third parties in general. This includes accidents in the factory that cause pollution of third-party property, which is covered under specialized insurance policies (e.g., pollution of drinking water due to factory water being pumped into rivers or lakes, leading to infectious diseases that could cause civilian deaths, etc.).<sup>4</sup>

13. Risks arising from electrical, mechanical, and chemical engineering works, which are typically covered by specialized insurance policies, such as the contractor's all-risk insurance policy and the installation all-risk insurance policy (covering the installation of devices, machines, and equipment).<sup>5</sup>

V. The Categories Concerned in the Industrial Facilities Insurance Strategy in Iraq:

- Owners and managers of industrial facilities and industrial production workshops.
- Administrative-technical staff responsible for industrial safety in production facilities and supervisors of workers.
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4- Kamal, M. (2017, August 16). Note on "Securing Industrial Projects and Facilities in Iraq". Iraqi Economists Network. Retrieved from <https://iraqieconomists.net/ar/2017/08/16/%D8%AF-%D8%B3%D9%86%D8%A7%D8%A1-%D8%B9%D8%A8%D8%AF-%D8%A7%D9%84%D9%82%D8%A7%D8%AF%D8%B1-%D9%85%D8%B5%D8%B7%D9%81%D9%89-%D8%AA%D8%A3-%D9%85%D9%8A%D9%86-%D8%A7%D9%84%D9%85%D8%B4%D8%A7%D8%B1%D9%8A/>

5- Ibid.



### **The above-mentioned categories are responsible for identifying:**

1. All types of risks to which industrial facilities are exposed, and the appropriate procedures for industrial protection against each risk.
2. The essential data required when developing an insurance plan for the industrial facility, such as lists of all workers' names and their health status.
3. The nature of the emergency plans implemented by the industrial facility to confront potential natural disasters.

Industrial facility insurance varies depending on the operations of the facility. To develop an effective industrial insurance strategy, it is essential to understand the risks these facilities face and the measures that must be taken to mitigate them. For instance, the procedures for securing an oil facility differ from those required for securing a food industry facility.

In general, industrial facility insurance is based on a range of principles and guidelines, some of which are fixed, while others are adaptable to modern scientific requirements and developments. Planning for any industrial production process should be preceded by sufficient time to prepare the necessary production elements. This process must be thoroughly studied, considering all potential risks and safety regulations to ensure the protection of the key production components. These include measures to prevent fires, ensure environmental safety, and safeguard the occupational and psychological well-being of workers.



In the case of agricultural-industrial projects, also known as vertical integration projects, securing these facilities receives special attention, particularly with regard to ensuring the smooth delivery of agricultural raw materials to factories. Examples of such projects include food industries across various sectors, such as the manufacturing of vegetable oils, dairy products, sugar, grain mills, canned goods, date presses, molasses extraction from dates, cigarettes, alcoholic beverages, and more.

These processes are integral to implementing the industrial insurance plan for agricultural raw materials, which is based on understanding the specific risks that threaten the industrial facility.

In practice, the experience of Iraqi insurance companies in the field of industrial project insurance is still largely limited to policies covering fire, explosion, and lightning. These policies have since expanded to include additional risks such as riots, civil unrest, sandstorms, floods, overflow or leakage of water from tanks and pipes, and the fall or collision of aircraft or their parts with high factory chimneys, which can reach heights of 100 meters or more, among other risks.

However, the current trend, particularly in Scandinavian countries such as Norway, is to adopt what is known as the comprehensive insurance policy (FULL CASCO INSURANCE) to cover all risks associated with the industrial project's property.

The advantage of the comprehensive industrial insurance policy is that it is not a fixed, standardized policy; rather, its terms can be tailored to meet the specific requirements of the insured. It offers broader coverage compared to fire policies and the additional risks attached to them. For example, it includes coverage for machine breakdowns and unnamed accidents that are not related to fire incidents.





The concept of “comprehensive insurance” is based on not specifying the causes of damage or loss, as is the case with a fire policy. Instead, the policy’s general text states that it covers all damages and losses, except those explicitly excluded. This approach saves the insurance manager from having to determine every possible risk to be covered.

The advantages of the comprehensive insurance policy extend beyond the benefits it provides to the insured. It is particularly suited to large and medium-sized production projects, as these industries involve multiple production processes. Such processes require the insured to monitor various stages, from the provision of raw materials, through manufacturing, to the marketing and distribution of products to consumption centers, and the final disposal of the products.

Spreading the insurance culture in Iraq based on “comprehensive insurance” by insurance companies can help attract the interest of Iraqi industrial establishments. However, this requires raising awareness and enhancing the knowledge of workers in the insurance management department of industrial projects. They need to understand the basic models of the policy, grasp the concept behind it, and be familiar with the list of exclusions that specify certain assets and causes of damage that are not covered.



## VI. Recommendations and Suggestions

1. Include all types of industrial facilities, whether large, medium, or small, under industrial insurance coverage.
2. Install devices, machines, and equipment to ensure the coverage of the comprehensive industrial risks insurance policy. This policy should extend to small construction contracts, such as contamination of drinking water caused by the discharge of factory water into rivers and lakes, leading to infectious diseases that could result in civilian deaths, among other risks.
3. Adopt the comprehensive insurance policy (CASCO INSURANCE) to cover all risks to industrial project property.
4. Implement long-term strategic planning: Although Iraq has had economic plans spanning different periods since the 1950s, these plans have not been seriously implemented or followed up by the Iraqi government. Therefore, I recommend the necessity of relying on long-term strategic planning (10-year plans) and five-year economic plans tailored to Iraq's unique climate and social environment, with the aim of achieving the desired socio-economic development goals.
5. Address administrative bureaucracy, corruption, and mediation: These issues persist in many Iraqi government departments and hinder the progress and development of all sectors of the Iraqi national economy. To foster the development of the industrial sector, it is essential to eliminate administrative bureaucracy and the overlap of administrative tasks between various organizational units. This will help build an effective insurance system that contributes to the sector's growth and development.



## VII. Conclusion

In general, the insurance of industrial facilities in Iraq will remain closely linked to the level of industrial development in the country, as well as the subsequent growth of the government and commercial banking sectors, which are key sources of investment financing and intermediaries in industrial activity. In both cases, expectations largely depend on the success of efforts to bring about fundamental industrial and economic change in Iraq. This change relies primarily on long- and medium-term economic plans and the establishment of the material and technical foundation for developing the country's socio-economic system, rather than merely increasing oil revenues or relying on Iraq's rentier economy.

Insurance companies must expand their operations and concepts to cover a broader range of industrial projects across all sectors. They should ensure that industrial projects in the public, private, and mixed sectors are insured against all types of risks, contributing to the development and growth of the Iraqi national economy.



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