

The National Bank of the Republic of Kazakhstan

**CURRENT STATE OF THE
INSURANCE SECTOR
OF THE REPUBLIC OF KAZAKHSTAN**

AS OF 1 NOVEMBER 2018

ALMATY 2018

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OF THE REPUBLIC OF KAZAKHSTAN AS OF 1 NOVEMBER 2018**

THE PURPOSE OF REVIEW

This review is intended to show the dynamics of the insurance sector of the Republic of Kazakhstan and the impact on the economic situation in the country.

DESCRIPTION

The review is presented in the form of tables and figures, as well as explanatory notes, reflecting major changes in indicators of the insurance sector.

- Description of assets structure;
- Description of liabilities structure;
- Description of insurance premiums structure;
- Description of insurance payments structure;
- Description of reinsurance activity;
- Description of compliance with prudential standards by the insurance sector of Kazakhstan;
- Efficiency of the insurance sector of Kazakhstan.

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Key indicators of the insurance sector of Kazakhstan on 1 November 2018

The **insurance sector** is represented by 30 insurance organizations, 7 of them are life insurance organizations.

Assets

As of 1 November 2018, the **assets** of Kazakhstan insurance organizations amounted to 990 373 mln. KZT and has increased 6.9% since the beginning of 2018 (as of the beginning of 2018 – 926 043 mln. KZT).

The major asset category in the total assets consists of the **securities** (52.7 % of total assets) which has amounted to 521 964 mln. KZT and has increased by 22.9% since the beginning of 2018 (as of the beginning of 2018 – 424 820 mln. KZT).

Deposits of the insurance organizations in banks has amounted to 194 673 mln. KZT sharing the 19.7% of the total assets and has decreased since the beginning of 2018 by 6.6% (as of the beginning of 2018 – 208 348 mln. KZT or 22.5% of the total assets).

Reinsurance assets has amounted to 88 788 mln. KZT sharing the 9% of the total assets and has decreased by 19.5% since the beginning of 2018 (as of the beginning of 2018 – 110 237 mln. KZT or 11.9% of the total assets).

Liabilities and reserves

As of 1 November 2018, the **liabilities** of the insurance organizations amounted to 528 360 mln. KZT and has increased by 2.6% since the beginning of 2018 (as of the beginning of 2018 – 515 202 mln. KZT).

The largest part in the structure of the liabilities sharing the 90% of the total liabilities are the **insurance reserves** which have amounted to 475 411 mln. KZT and have increased by 2.8% since the beginning of 2018 (as of the beginning of 2018 – 462 635 mln. KZT).

Insurance premiums

As of 1 November 2018, the total volume of the **insurance premiums** amounted to 317 686 mln. KZT, which is 1.85% more than the total premiums over the same period of the previous year. Total volume of the insurance premiums taken under direct insurance contracts has amounted to 286 330 mln. KZT.

The main share of the insurance premiums has been collected from the voluntary property insurance and has amounted to 123 191 mln. KZT or 38.8% of the total insurance premiums.

The insurance premiums collected from the compulsory insurance has amounted to 90 555 mln. KZT or 28.5% of the total insurance premiums, on voluntary personal insurance – 103 940 mln. KZT or 32.7% of total insurance premiums.

“Life insurance” sector:

As of 1 November 2018, the total insurance premiums collected in «life insurance» sector has amounted to 66 579 mln. KZT and indicated to an increase of 23.5% in comparison with the same period of the previous year. The share of insurance premiums collected by the «life insurance» sector in total insurance premiums at the reporting date has amounted 21%, compared to 17.3% as of 1 November 2017.

“Non-life insurance” sector:

As of 1 November 2018, the total insurance premiums collected in «non-life insurance» sector has amounted to 251 108 mln. KZT, which decreased by 2.67% in comparison with the same period of the previous year.

Reinsurance

The total insurance premiums passed for reinsurance has amounted to 74 186 mln. KZT, which takes 23.4% of the total insurance premiums. Herewith, 79.8% of the total insurance premiums were passed to non-residents for reinsurance.

The total insurance premiums received for reinsurance has amounted to 31 356 mln. KZT, including premiums from non-residents, which has amounted to 17 124 mln. KZT.

Recovery on risks received under agreements of reinsurance has amounted to 6 218 mln. KZT or 6.3% of the total insurance premiums transferred to reinsurance.

Insurance payments

Total **insurance payments** (excluding the reinsurance payments) that were effected in the eleven month of 2018 has amounted to 58 179 mln. KZT and has decreased by 4.8% in comparison with the same period of the previous year.

From the total amount of the insurance payments made since the beginning of 2018, the greatest share is occupied by insurance payments for voluntary personal insurance – 44.7%, on compulsory insurance – 37.2% and on voluntary property insurance – 18.1%.

Capital adequacy

Regulatory capital has amounted to 348 451 mln. KZT and has increased by 8.5% since the beginning of 2018 (as of the beginning of 2018 – 321 258 mln. KZT).

Solvency margin equaled to 5.18 (as of the beginning of 2018 – 5.46).

Highly liquid assets have amounted to 731 336 mln. KZT (73.8% of the total assets) and have increased by 11.2% since the beginning of 2018 (as of the beginning of 2018 – 657 782 mln. KZT).

Profitability of the insurance sector

Net income of the insurance sector has amounted to 78 789 mln. KZT, which is 73% more than it was at the same period of the previous year.

Return on Assets (ROA) is 9.5%;

Return on equity (ROE) is 20.6%.

Macroeconomic indicators

As of the reporting date, the share of the total assets of insurance sector to GDP is 1.87%;

The share of the insurance premiums to GDP – 0.6%;

The insurance premiums per capita ratio – 17 307 KZT.

Concentration of the insurance sector

The share of the 10 largest insurance companies in total assets amounted to 79.8%;

The share of the 10 largest insurance companies in total equity capital – 79.3%;

The share of the 10 largest insurance companies in total insurance premiums – 65.1%;

The share of the 10 largest insurance companies in total insurance payments – 62.2%.

I. STRUCTURE OF THE INSURANCE SECTOR OF THE REPUBLIC OF KAZAKHSTAN

Table 1. Structure of the insurance sector of Kazakhstan

Structure of the insurance sector	01.11.2017	01.11.2018
Number of insurance organizations	32	30
<i>including in life insurance</i>	7	7
Number of insurance brokers	16	15
Number of actuaries	60	56
Number of insurance/reinsurance organizations that are participants of Insurance Indemnity Guarantee Fund, JSC	22	23
Number of representatives of insurance organizations-nonresidents of the Republic of Kazakhstan	3	3

II. ASSETS OF THE INSURANCE SECTOR OF THE REPUBLIC OF KAZAKHSTAN

Table 2. Structure of total assets of the insurance sector

Indicator name / data	01.01.2018*		01.11.2018		changes from the beginning of the year, %
	million KZT	% of total	million KZT	% of total	
Cash money	42 068	4.5	47 794	4.8	13.6
Deposits in banks	208 348	22.5	194 673	19.7	-6.6
Securities	424 820	45.9	521 964	52.7	22.9
Reverse REPO transactions	52 891	5.7	45 067	4.6	-14.8
Insurance premiums to be received from insurants and intermediaries	31 436	3.4	35 413	3.6	12.7
Fixed capital	18 621	2.0	17 639	1.8	-5.3
Reinsurance assets	110 237	11.9	88 788	9.0	-19.5
Other receivables	12 243	1.3	8 796	0.9	-28.2
Other assets	25 379	2.7	30 238	3.1	19.1
Total assets	926 043	100	990 373	100	6.9

* Sum is based on audited data

III. LIABILITIES OF THE INSURANCE SECTOR OF THE REPUBLIC OF KAZAKHSTAN

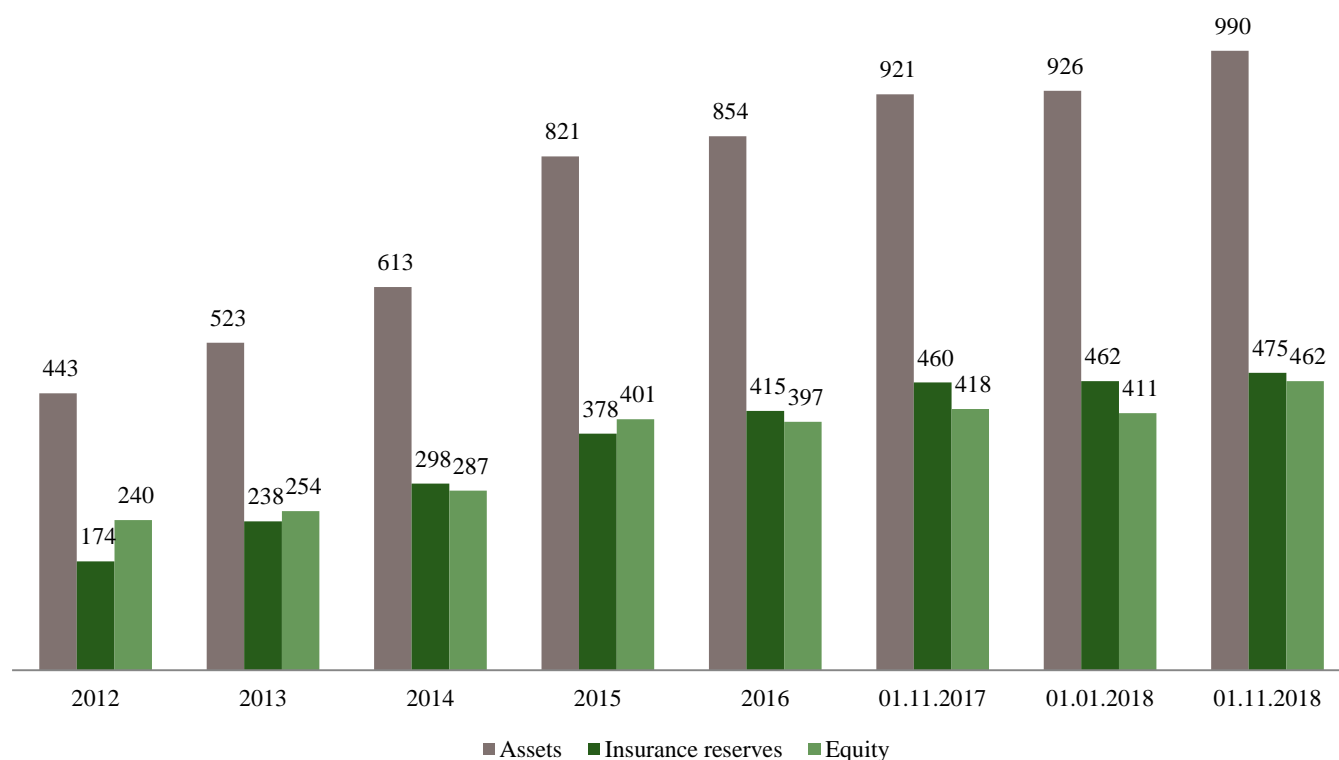
Table 3. Structure of total liabilities of the insurance sector

Indicator name / data	01.01.2018*		01.11.2018		changes from the beginning of the year, %
	million KZT	% of total	million KZT	% of total	
Insurance reserves, including:	462 635	89.8	475 411	90.0	2.8
<i>Unearned premium reserve</i>	133 419	25.9	136 178	25.8	2.1
<i>Reserve of not occurred losses on life insurance contracts</i>	13 962	2.7	16 764	3.2	20.1
<i>Reserve of not occurred losses on annuity contracts</i>	157 368	30.5	178 566	33.8	13.5
<i>Incurred but not reported reserve</i>	57 544	11.2	54 303	10.3	-5.6
<i>Reserve declared, but not settled losses</i>	100 343	19.5	89 600	17.0	-10.7
Loans raised	277	0.1	301	0.1	8.7
Settlements with reinsurance companies	14 808	2.9	15 791	3.0	6.6
Settlements with intermediaries of insurance/reinsurance activity	3 073	0.6	4 282	0.8	39.3
Accounts payable under insurance/reinsurance contracts	1 936	0.4	2 215	0.4	14.4
Other payables	4 397	0.9	6 243	1.2	42.0
Other liabilities	28 076	5.4	24 118	4.6	-14.1
Total liabilities	515 202	100.0	528 360	100.0	2.6

* Sum is based on audited data

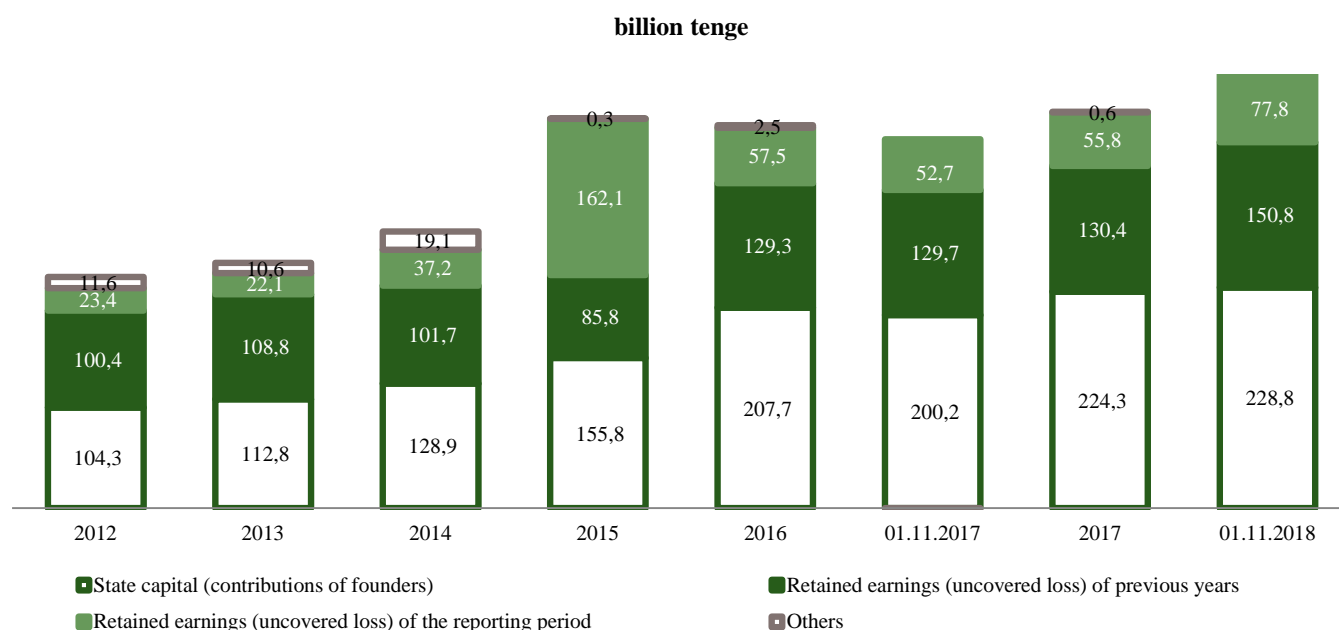
Figure 1. Dynamics of assets, equity and insurance reserves

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IV. EQUITY OF THE INSURANCE SECTOR OF THE REPUBLIC OF KAZAKHSTAN

Figure 2. Structure of equity of the insurance sector

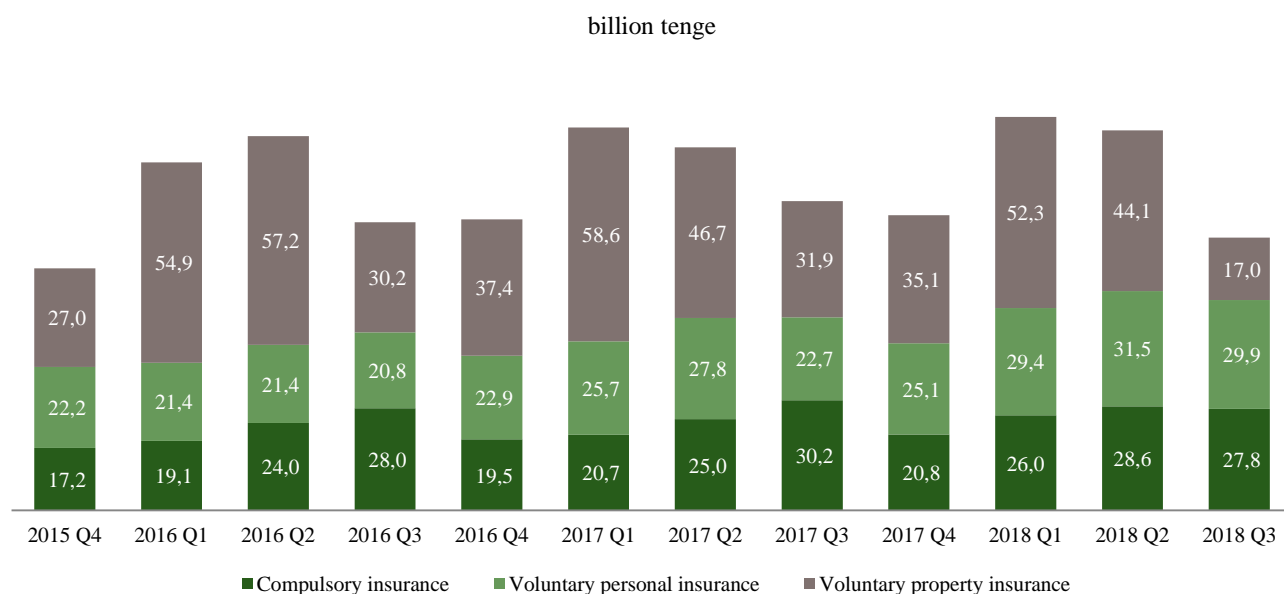


V. INSURANCE PREMIUMS

Table 4. Receipt of insurance premiums

Receipt of insurance premiums	01.11.2017		01.11.2018		Changes, %
	million KZT	% of total	million KZT	% of total	
Total, including:	311 902	100.0	317 686	100.0	1.85
Compulsory insurance, including:	82 829	26.6	90 555	28.5	9.33
Compulsory motor third-party liability	41 582	13.3	50 126	15.8	20.55
Compulsory employers' liability	37 218	11.9	36 288	11.4	-2.50
Compulsory third-party liability for carriers	1 706	0.5	1 861	0.6	9.14
Other compulsory	2 323	0.7	2 280	0.7	-1.86
Voluntary personal insurance, including:	83 941	26.9	103 940	32.7	23.83
Life insurance	22 365	7.2	24 181	7.6	8.12
Annuity insurance	26 665	8.5	26 067	8.2	-2.24
Accident insurance	27 252	8.7	40 511	12.8	48.66
Sickness insurance	7 659	2.5	13 181	4.1	72.09
Voluntary property insurance, including	145 132	46.5	123 191	38.8	-15.12
Property insurance	71 932	23.1	61 363	19.3	-14.69
Third-party liability	38 468	12.3	26 308	8.3	-31.61
Insurance against other financial losses	3 136	1.0	4 239	1.3	35.17
Motor car insurance	14 246	4.6	16 560	5.2	16.24
Cargo insurance	4 632	1.5	3 036	1.0	-34.45
Other voluntary property	12 717	4.1	11 685	3.7	-8.11

* The sum is shown including insurance premiums received under reinsurance agreements and excluding terminated agreements

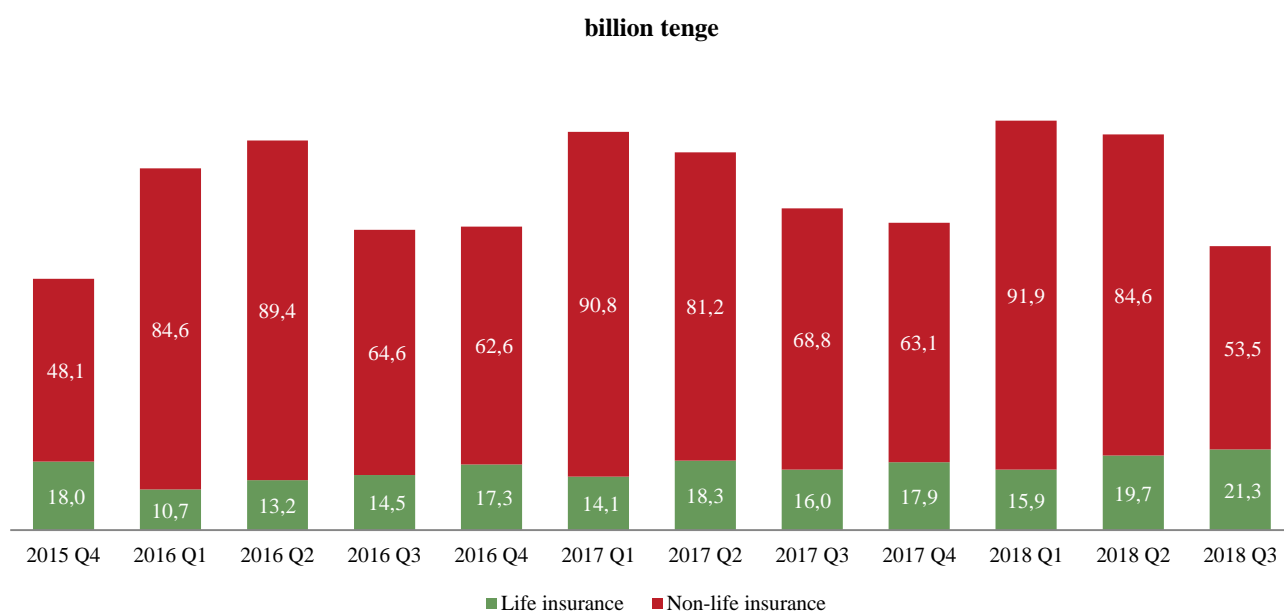
Figure 3. Dynamics of insurance premiums per quarter

* The sum is shown including insurance premiums received under reinsurance agreements and excluding terminated agreements

Table 5. Receipt of insurance premiums on branches of insurance

Receipt of insurance premiums on branches of insurance	01.11.2017		01.11.2018		Changes, %
	million KZT	% of total	million KZT	% of total	
Total on branches of insurance	311 902	100.0	317 686	100.0	1.85
Life insurance	53 917	17.3	66 579	21.0	23.48
Non-life insurance	257 985	82.7	251 108	79.0	-2.67

* The sum is shown including insurance premiums received under reinsurance agreements and excluding terminated agreements

Figure 4. Dynamics of insurance premiums on branches of insurance

* The sum is shown including insurance premiums received under reinsurance agreements and excluding terminated agreements

Figure 5. Structure of receipt of insurance premiums on branch “life insurance”, %

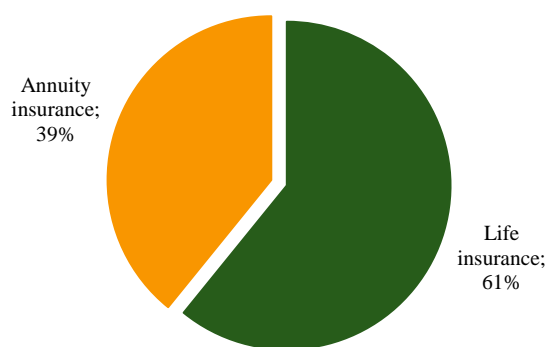
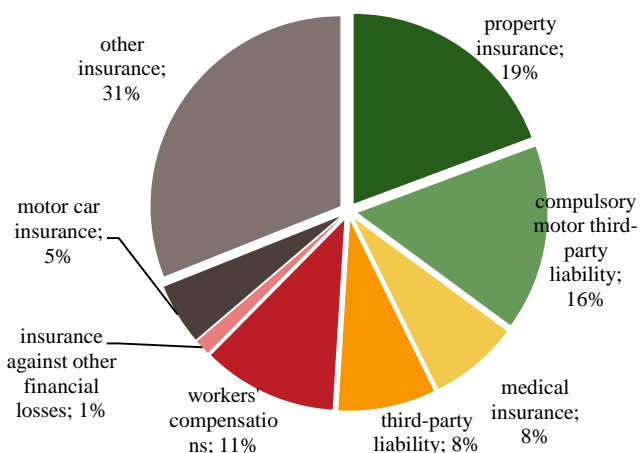


Figure 6. Structure of receipt of insurance premiums on branch “non-life insurance”, %

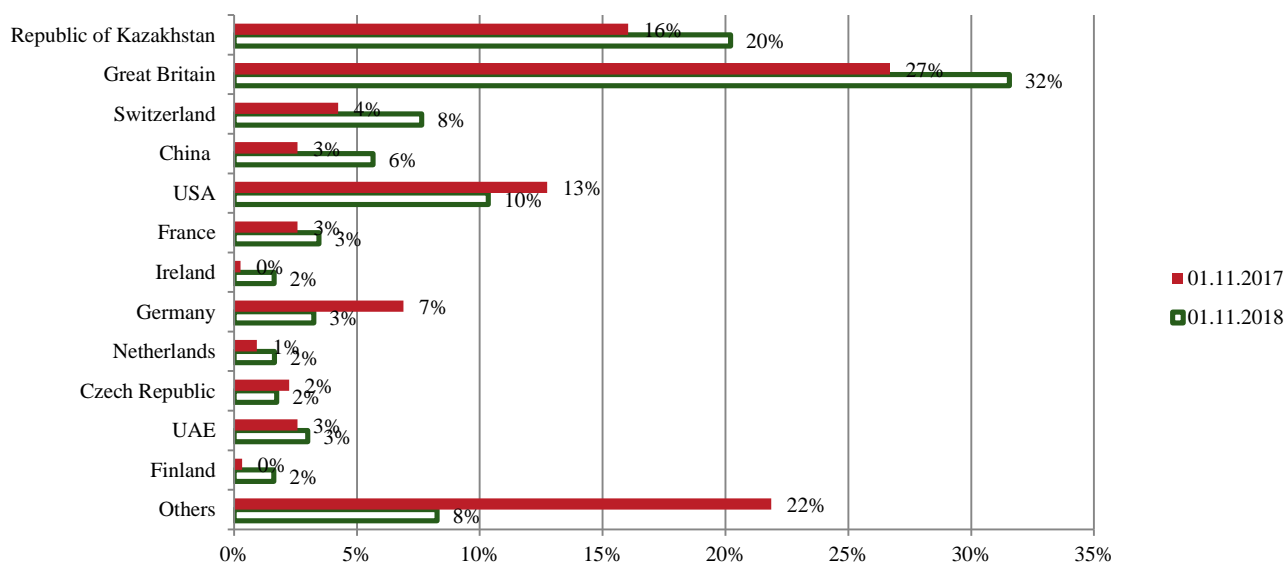


VI. REINSURANCE

Table 6. Structure of insurance premiums passed for reinsurance and recovery from reinsurer

Insurance premiums	01.11.2017		01.11.2018		Changes, %
	million KZT	% of total	million KZT	% of total	
Total premiums passed for reinsurance, including	109 626	100.0	74 186	100.0	-32.33
to non-residents	92 047	84.0	59 198	79.8	-35.69
to residents	17 579	16.0	14 987	20.2	-14.74
Recovery on risks received under agreements of reinsurance, including	5 849	100.0	6 218	100.0	6.31
from non-residents	3 706	63.4	5 036	81.0	35.88
from residents	2 143	36.6	1 182	19.0	-44.83
Total received premiums for reinsurance from non-residents	14 476		17 124		18.29

Figure 7. Structure of insurance premiums passed for reinsurance by countries

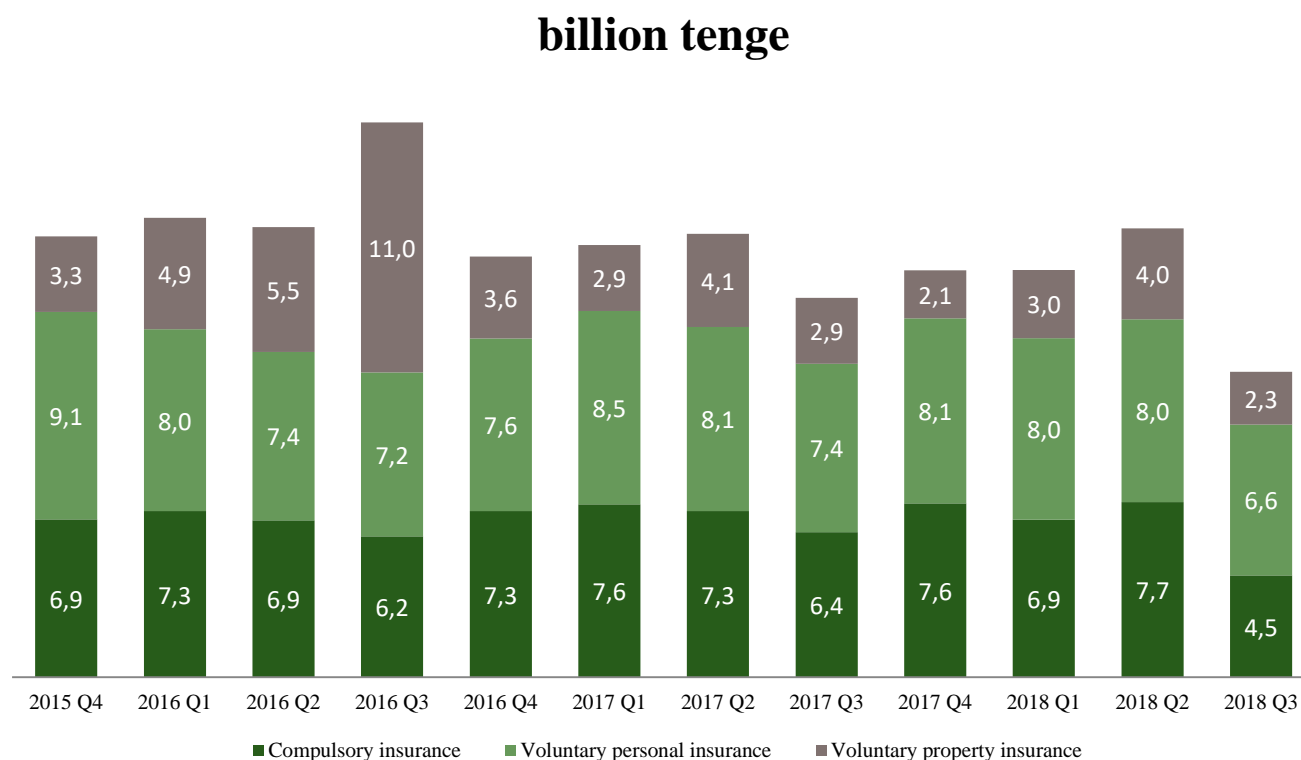


VII. INSURANCE PAYMENTS

Table 7. Structure of insurance payments

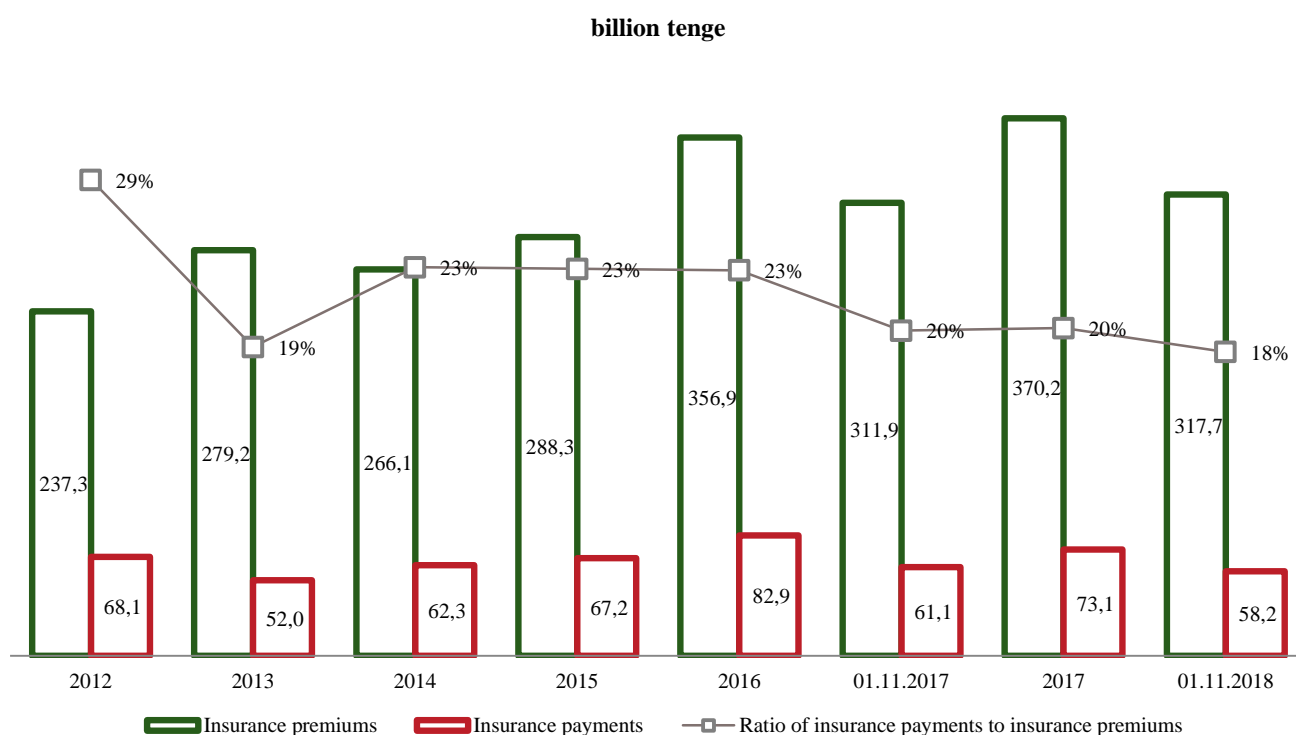
Insurance payments	01.11.2017		01.11.2018		Changes, %
	million KZT	% of total	million KZT	% of total	
Total, including:	61 113	100.0	58 179	100.0	-4.80
Compulsory insurance, including:	23 815	39.0	21 643	37.2	-9.1
Compulsory motor third-party liability	19 504	31.9	17 597	30.2	-9.8
Compulsory employers' liability	4 164	6.8	3 950	6.8	-5.1
Other compulsory	148	0.2	96	0.2	-35.0
Voluntary personal insurance, including	26 582	43.5	26 003	44.7	-2.2
Life insurance	14 299	23.4	13 804	23.7	-3.5
Annuity insurance	10 128	16.6	9 897	17.0	-2.3
Accidents insurance	1 672	2.7	1 497	2.6	-10.5
Sickness insurance	483	0.8	805	1.4	66.8
Voluntary property insurance, including:	10 716	17.5	10 533	18.1	-1.7
Motor car insurance	4 719	7.7	4 465	7.7	-5.4
Third-party liability	5	0.0	28	0.0	419.7
Property insurance	2 983	4.9	3 320	5.7	11.3
Other property insurance	691	1.1	353	0.6	-48.8

Figure 8. Dynamics of insurance payments



* The sum is shown excluding the insurance payments performed under reinsurance agreements

Figure 9. Ratio of insurance payments to insurance premiums



* insurance premiums are shown including insurance premiums received under reinsurance agreements

** Insurance payments are shown excluding the insurance payments performed under the reinsurance agreements

VIII. EFFICIENCY OF THE INSURANCE SECTOR OF THE REPUBLIC OF KAZAKHSTAN

Table 8. Profitability of the insurance sector

Income/Losses	01.11.2017		01.11.2018		Changes, %
	million KZT	% of total	million KZT	% of total	
Income from insurance activities	207 624	80.2	229 037	74.2	10.3
Income from investment activities	49 275	19.0	76 036	24.6	-54.3
Income from other activities	1 850	0.7	3 579	1.2	-93.4
Total income	258 749	100.0	308 651	100.0	19.3
Net expenses related with insurance payments	55 952	27.3	69 696	31.5	24.6
Expenses related with payment of commission fees on insurance activities	38 077	18.6	48 933	22.1	28.5
General and administrative expenses	49 917	24.3	55 739	25.2	11.7
Other expenses	117 248	57.1	116 664	52.7	-0.5
Total expenses	205 241	100.0	221 337	100.0	7.8
Net income/loss before corporate income tax	53 508		87 315		63.2
Corporate income tax	7 969		8 526		7.0
Total net income/loss after taxes	45 539		78 789		73.0

IX. MACROECONOMIC INDICATORS AND CONCENTRATION OF THE INSURANCE SECTOR

Table 9. Macroeconomic indicators of the insurance sector

Key indicators of the insurance sector	01.11.2017	01.01.2018	01.11.2018
GDP, million KZT	51 855.0	53 101.3	53 101.3
Assets to GDP ratio, %	1.78%	1.74%	1.87%
Equity capital to GDP ratio, %	0.81%	0.77%	0.87%
Insurance premiums to GDP ratio, %	0.60%	0.70%	0.60%
Insurance premiums per capita ratio, KZT	17 215.4	20 387.3	17 307

Table 10. Concentration of the insurance sector

Share of total indicators of the insurance market	01.11.2017	01.01.2018	01.11.2018
Assets of ten largest insurance companies, %	75.3	75.4	79.8
Equity capital of ten largest insurance companies, %	77.4	76.6	79.3
Insurance premiums of ten largest insurance companies, %	59.5	59.9	65.1
Insurance payments of ten largest insurance companies, %	56.9	57.3	62.2