

Committee for the control and supervision of the financial market and financial organizations of the National Bank of the Republic of Kazakhstan

Department of the Insurance market supervision

***Current state of the insurance sector
of the Republic of Kazakhstan as of December 1, 2013***

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I. INSURANCE MARKET STRUCTURE OF KAZAKHSTAN**Table 1. Insurance Market Structure of Kazakhstan**

Institutional structure of the insurance sector	01.11.2012	01.11.2013
Number of insurance organizations	35	34
including in life insurance	7	7
Number of insurance brokers	13	14
Number of actuaries	82	72
Number of insurance/reinsurance organizations that are participants of Insurance Indemnity Guarantee Fund, JSC	31	30

II. ASSETS OF RK INSURANCE/REINSURANCE ORGANIZATIONS

At 1 December 2013, total assets of insurance/reinsurance organizations amounted to KZT 521 140.3 million, having increased by 17.7% compared with 1 January 2013. Against the same indicator as at 1 December 2012, they increased by 21.8%.

Table 2. Structure of total assets of RK insurance sector

Assets	01.12.2012		01.01.2013		01.12.2013		growth from the beginning of the year, в %
	KZT million	% of total	KZT million	% of total	KZT million	% of total	
Cash money	11 426.7	2.7	11 923.2	2.7	19 042.4	3.7	59.7
Deposits placed	103 834.8	24.3	105 220.6	23.8	125 770.1	24.1	19.5
Securities	225 021.2	52.6	229 721.0	51.9	266 720.3	51.2	16.1
Reverse REPO transactions	4 066.7	1.0	3 097.1	0.7	6 931.1	1.3	123.8
Insurance premiums to be received from insurants and intermediaries	17 623.8	4.1	21 520.9	4.9	20 154.0	3.9	-6.4
Fixed capital	8 397.8	2.0	8 443.5	1.9	9 074.9	1.7	7.5
Reinsurance assets	38 509.5	9.0	43 724.3	9.9	49 749.2	9.5	13.8
Other receivables	11 323.3	2.6	10 548.4	2.4	14 280.7	2.7	35.4
Other assets	7 518.0	1.8	8 448.7	1.9	9 417.6	1.8	11.5
Total assets	427 721.9	100.0	442 647.7	100.0	521 140.3	100.0	17.7

Mainly, the growth in assets was due to the increase in deposits placed by 19.5%, in securities by 16.1% and in reinsurance assets by 13.8%.

III. LIABILITIES OF RK INSURANCE/REINSURANCE ORGANIZATIONS**Table 3. Structure of total liabilities of RK insurance sector**

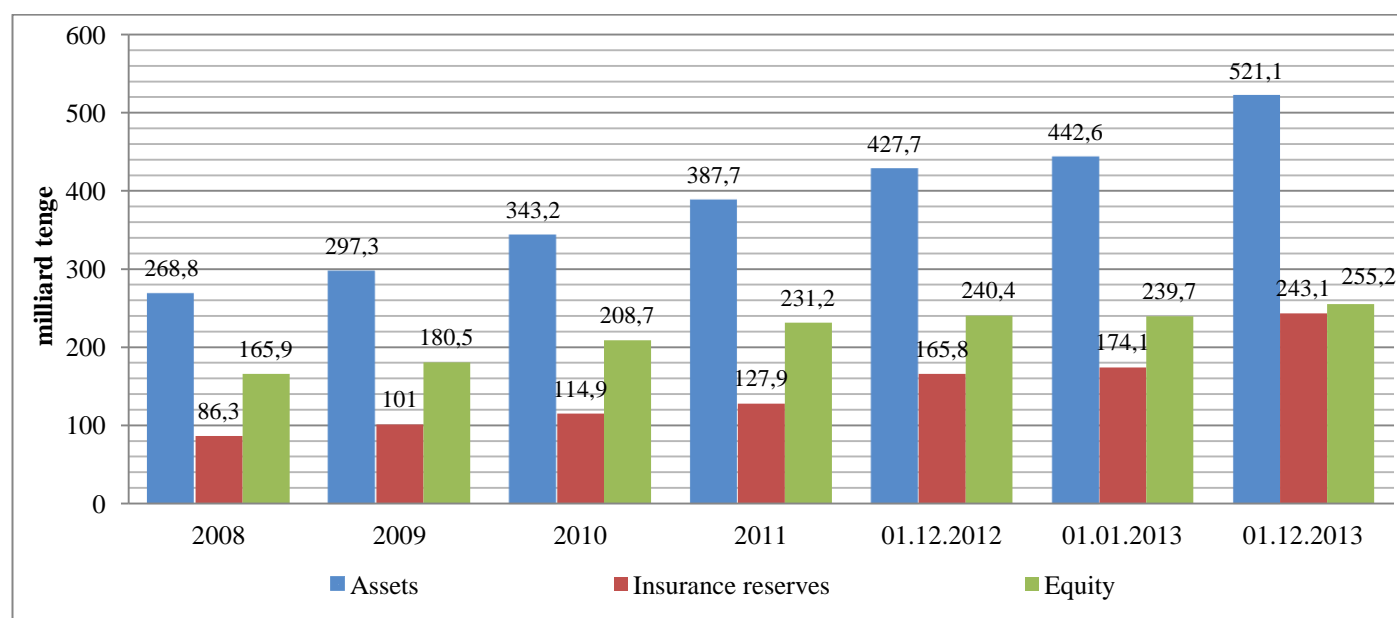
Liabilities	01.12.2012		01.01.2013		01.12.2013		change vs. 1 January 2013, %
	KZT million	% of total	KZT million	% of total	KZT million	% of total	
Reserves	165 827.3	88.5	174 148.4	85.8	243 071.2	91.4	39.6
Loans raised	4 486.1	2.4	4 501.6	2.2	672.7	0.3	-85.1
Settlements with reinsurance companies	8 686.4	4.6	12 125.3	6.0	11 982.0	4.5	-1.2

Settlements with intermediaries of insurance/reinsurance activity	1 550.4	0.8	1 689.9	0.8	1 270.5	0.5	-24.8
Accounts payable under insurance/reinsurance contracts	988.4	0.5	879.0	0.4	1 240.1	0.5	41.1
Other payables	2 433.6	1.3	3 421.4	1.7	2 612.9	1.0	-23.6
Other liabilities	3 353.2	1.8	6 155.0	3.0	5 068.4	1.9	-17.7
Total liabilities	187 325.5	100.0	202 920.5	100.0	265 917.9	100.0	31.0

At 1 December 2013 total liabilities of insurance/reinsurance organizations equaled to KZT 265 917.9 million, a 31.0% increase vs. the same indicator as of 1 January 2013. Against the same indicator as of 1 December 2012, they increased by 42.0%.

As at the reporting date, the amount of insurance reserves formed by insurance/reinsurance organizations to perform their obligations under current insurance and reinsurance contracts was KZT 243 071.2 million or 39.6% more than the reserves formed as of 1 January 2013 (a 46.9% increase vs. the same indicator as of 1 December 2012).

Diagram 1. Change in assets, equity and insurance reserves (KZT bln.)



IV. INSURANCE PREMIUMS

At 1 December 2013, total insurance premiums taken year-to-date under direct insurance agreements equaled to KZT 234 127.5 million, which is 22.4% more than total premiums over the same period last year.

Of total insurance premiums, the largest share falls on premiums under voluntary property insurance, 42.1% (KZT 98 650.4 million). Over 11 months of the current year voluntary property insurance shows the tendency for its increasing.

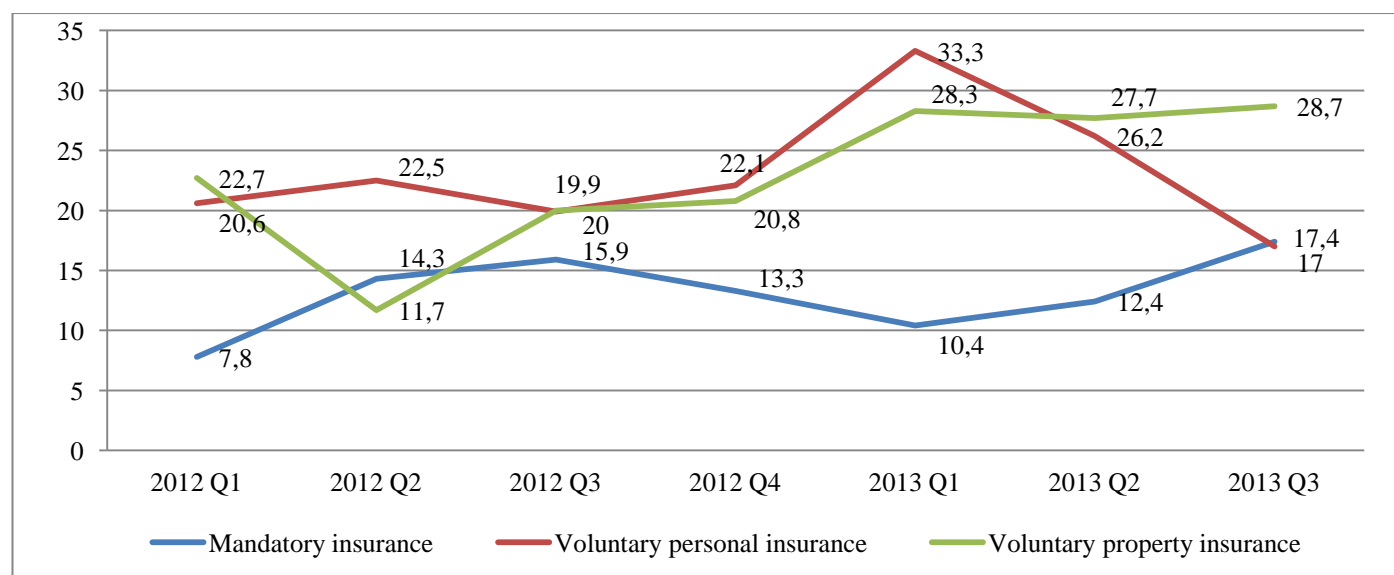
Voluntary personal insurance premiums account for KZT 86 597.8 million (37.0%) of total insurance premiums, while mandatory insurance, KZT 48 879.3 million (20.9%).

Table 4. Insurance premiums inflow

(the amount is indicated here less insurance premiums under taken reinsurance contracts)

Insurance premiums inflow	01.12.2012		01.12.2013		change B %
	KZT million	% of total	KZT million	% of total	
Total, including:	191 257.1	100.0	234 127.5	100.0	22.4
Mandatory insurance, including:	43 615.1	22.8	48 879.3	20.9	12.1
Mandatory motor third party insurance	25 747.1	13.5	28 502.3	12.2	10.7
Insurance of employee against accidents when he/she performs his/her work (office) duties	14 808.6	7.7	16 913.9	7.2	14.2

Civil liability insurance before passengers	1 199.6	0.6	1 404.3	0.6	17.1
Environmental insurance	843.5	0.4	937.6	0.4	11.1
Civil liability insurance for owners of objects whose activities present a risk to harm a third party	480.4	0.3	498.4	0.2	3.8
Plant insurance	403.1	0.2	469.9	0.2	16.6
Other classes of mandatory insurance	132.8	0.1	152.9	0.1	15.1
Voluntary personal insurance. including:	78 995.1	41.3	86 597.8	37.0	9.6
Life insurance	13 397.2	7.0	27 626.3	11.8	106.2
Annuity insurance	35 377.1	18.5	25 493.4	10.9	-27.9
Insurance against accidents	15 586.2	8.1	15 566.5	6.6	-0.1
Illness insurance	14 634.6	7.7	17 911.5	7.7	22.4
Voluntary property insurance. including	68 646.8	35.9	98 650.4	42.1	43.7
Property insurance. except for clauses of 3.1-3.5	31 569.2	16.5	31 445.2	13.4	-0.4
Civil liability insurance. except for clauses of 3.7-3.9	10 260.0	5.4	12 945.6	5.5	26.2
Insurance against other financial losses	11 242.1	5.9	28 488.8	12.2	153.4
Motor car insurance	5 571.0	2.9	10 253.1	4.4	84.0
Cargo insurance	4 049.3	2.1	6 673.7	2.9	64.8
Other classes of voluntary property insurance	5 955.3	3.1	8 844.1	3.8	48.5

Diagram 2. Dynamics of insurance premiums (KZT bln.) per quarter**Table 5. Insurance premiums received by insurance sectors**

Insurance premiums by sectors of insurance	01.12.2012		01.12.2013		growth. %
	KZT million	% of total	KZT million	% of total	
Total by sectors of insurance	191 257.1	100.0	234 127.5	100.0	22.4
Life insurance	48 774.4	25.5	53 119.8	22.7	8.9
General insurance	142 482.7	74.5	181 007.8	77.3	27.0

**the amount indicated here less insurance premiums under taken reinsurance contracts*

“Life insurance” sector. As of 1 December 2013, total insurance premiums collected in «life insurance» sector equaled to KZT 53 119.8 million, which is an 8.9% increase vs. the same date of the last year. Percentage of insurance premiums collected in “life insurance” sector related to total premiums, as of the reporting date, constituted 22.7% vs. 25.5% as of 1 December 2012.

“General insurance” sector. Total insurance premiums collected during 11 months of 2013 in “General insurance” sector equaled to KZT 181 007.8 million, which is a 27.0% increase vs. the same period of 2012.

Diagram 3. Dynamics of insurance premiums by insurance sectors (KZT bln.)

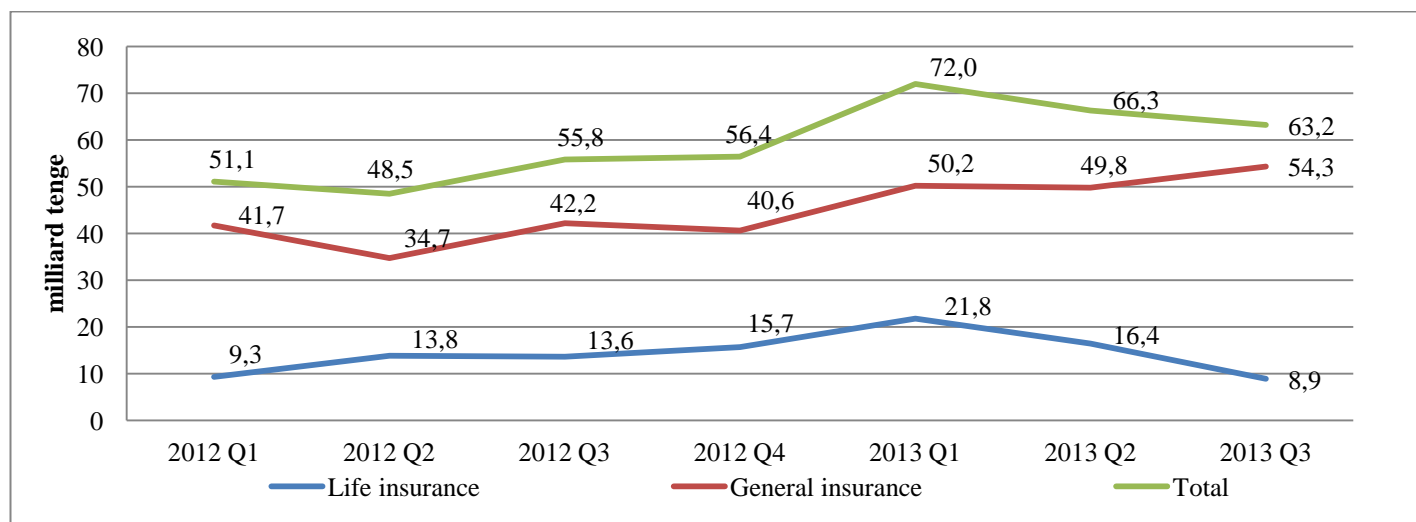


Diagram 4. The mix of insurance premiums in “Life Insurance” sector, %

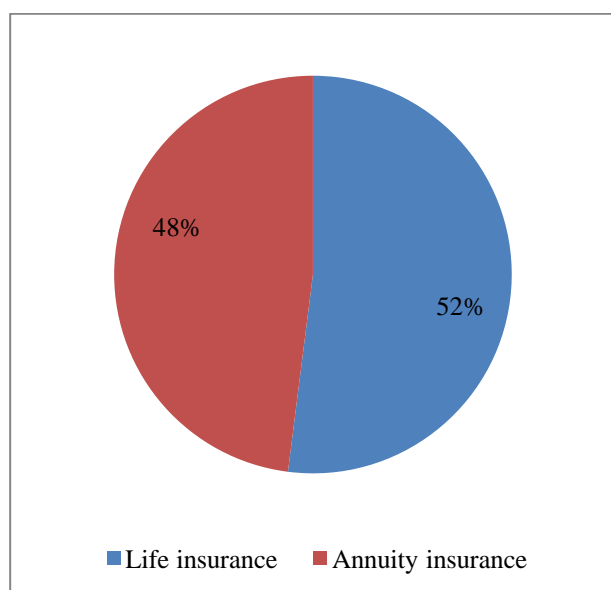
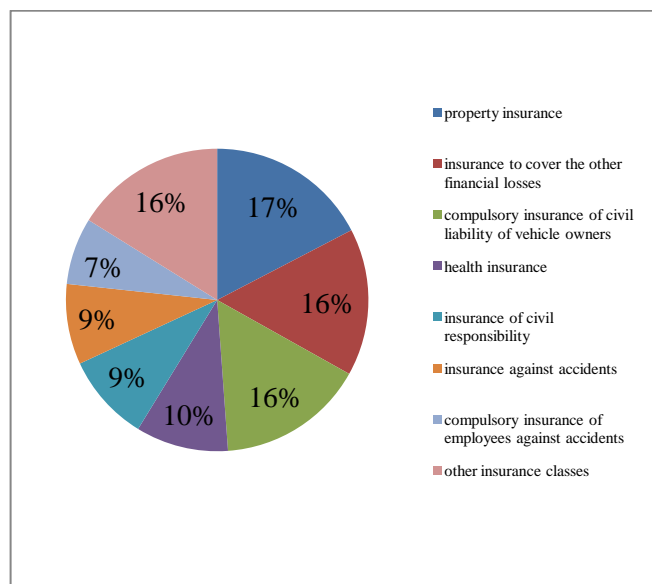


Diagram 5. The mix of insurance premiums in “General insurance” sector, %



V. REINSURANCE

Table 6. Insurance premiums passed for reinsurance

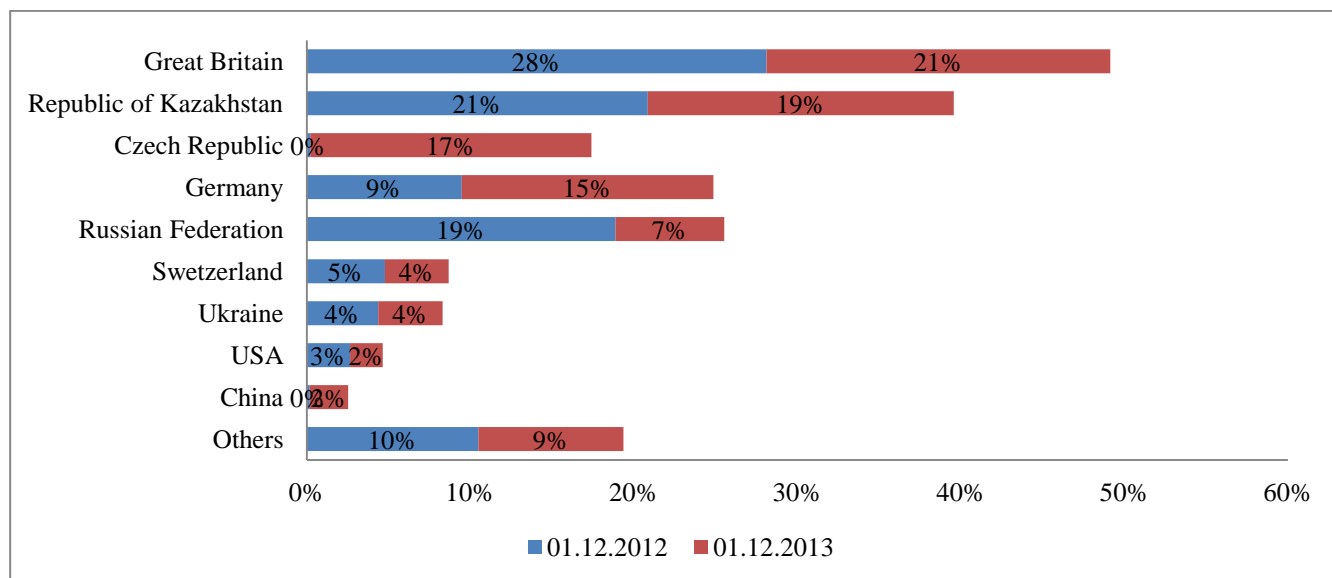
Insurance premiums	01.12.2012		01.12.2013		growth, %
	KZT million	% of total *	KZT million	% of total *	
Total passed to reinsurance, including	53 548.2	28.0	69 965.1	29.9	30.7
to non-residents	42 458.0	22.2	56 876.5	24.3	34.0
to residents	11 090.2	5.8	13 088.5	5.6	18.0
Total received for reinsurance from non-residents	9 524.3	5.0	11 784.8	5.0	23.7

*in percentage under direct insurance agreements

Total insurance premiums passed for reinsurance equal to KZT 69 965.1 million, i.e. 29.9% of total insurance premiums. Herewith, 24.3% of total insurance premiums were passed to non-residents for reinsurance.

Total insurance premiums received by insurance/reinsurance organizations under reinsurance agreements equal to KZT 23 707.6 million. Herewith, total insurance premiums accepted from non-residents for reinsurance equal to KZT 11 784.8 million.

Diagram 6. Breakdown of insurance premiums passed for reinsurance by countries. %



VI. INSURANCE CLAIMS

Table 7. Dynamics of insurance claims

Insurance claims	01.12.2012		01.12.2013		change, %
	KZT million	% of total	KZT million	% of total	
Total, including:	64 233.2	100.0	46 627.6	100.0	-27.4
Mandatory insurance, including:	14 670.2	22.8	17 734.8	38.0	20.9
Mandatory motor third party insurance	7 719.1	12.0	10 150.9	21.8	31.5
Insurance of employee against accidents when he/she performs his/her work (office) duties	5 792.4	9.0	7 058.6	15.1	21.9
Plant insurance	936.6	1.5	308.6	0.7	-67.1
Other classes	222.1	0.3	216.7	0.5	-2.4
Voluntary personal insurance, including	37 887.1	59.0	20 811.9	44.6	-45.1
Life insurance	415.0	0.6	684.2	1.5	64.8
Annuity insurance. including	28 161.0	43.8	8 098.2	17.4	-71.2
Insurance against accidents	303.0	0.5	299.2	0.6	-1.3
Illness insurance	9 008.0	14.0	11 730.3	25.2	30.2
Voluntary property insurance, including:	11 675.9	18.2	8 080.9	17.3	-30.8
Property insurance. except for clauses of 3.1-3.5	7 664.6	11.9	3 213.1	6.9	-58.1
Motor car insurance	1 450.5	2.3	2 358.4	5.1	62.6
Civil liability insurance. except for clauses of 3.7-3.9	1 810.5	2.8	721.5	1.5	-60.1

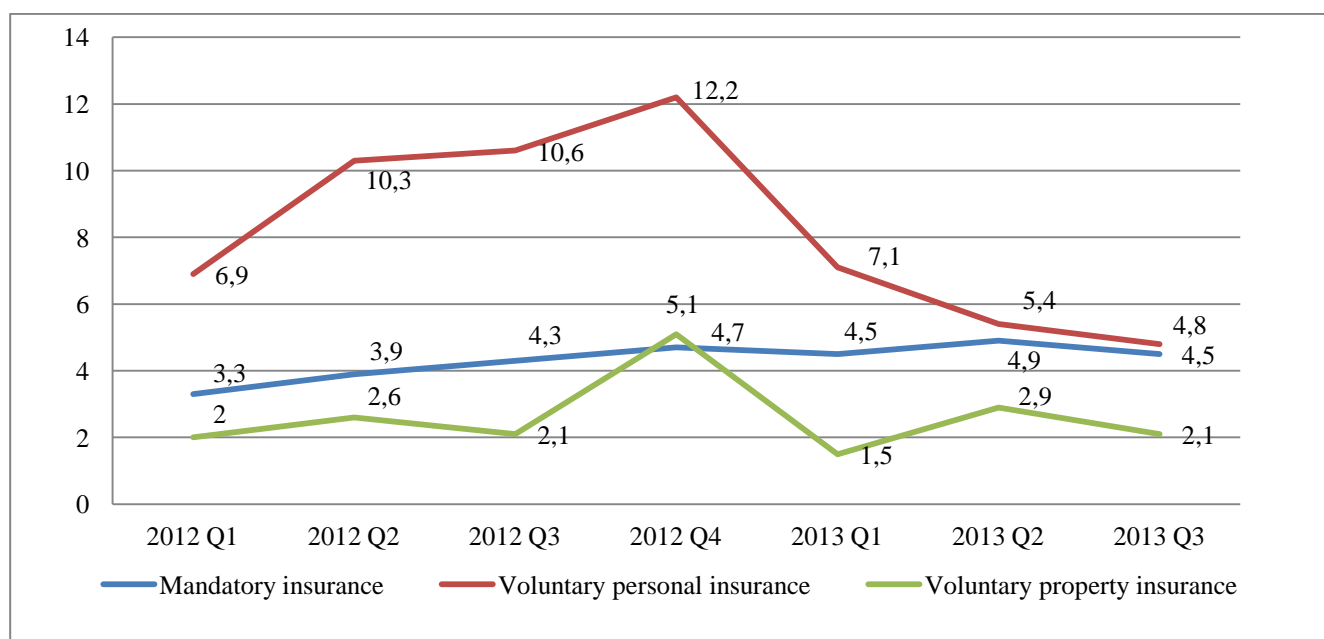
Air transport insurance	136.7	0.2	634.4	1.4	364.1
Insurance against other financial losses	49.7	0.1	461.1	1.0	828.3
Cargo insurance	330.3	0.5	394.5	0.8	19.4
Other classes	233.6	0.4	297.9	0.6	27.5

*the amount indicated here less insurance reserves under taken reinsurance contracts

Total insurance claims (less reinsurance claims), paid over 11 months of 2013, equal to KZT 46 621.6 million, which is 27.4% less when compared to the same date of the last year.

Of total insurance claims over 11 months of 2013, the largest share falls on insurance claims in voluntary personal insurance – 44.6%, while mandatory insurance, 38.0% and voluntary property insurance, 17.3%.

Diagram 7. Dynamics of insurance claims (KZT bln.)



VII. PERFORMANCE OF INSURANCE/REINSURANCE ORGANIZATIONS. ROLE IN THE ECONOMY OF KAZAKHSTAN

Table 8. Income and expenses of insurance/reinsurance organizations

Income/Losses	01.12.2012		01.12.2013		growth, %
	KZT million	%	KZT million	%	
Income from insurance activities	152 246.0	86.3	176 127.6	88.0	15.7
Income from investment activities	23 483.7	13.3	23 445.1	11.7	-0.2
Income from other activities	639.1	0.4	630.8	0.3	-1.3
Total income	176 368.8	100.0	200 203.5	100.0	13.5
Net expenses related with insurance claims	57 767.0	40.6	41 053.1	24.9	-28.9
Expenses related with payment of commission fees on insurance activities	26 405.1	18.6	40 174.7	24.4	52.1
General and administrative expenses	33 285.2	23.4	39 482.3	24.0	18.6
Other expenses	24 844.1	17.5	43 880.8	26.7	76.6

Total expenses	142 301.5	100.0	164 590.9	100.0	15.7
Net income/loss before corporate income tax	34 067.3		35 612.6		4.5
Corporate income tax	3 473.7		6 324.0		82.1
Total net income/loss before taxes	30 593.6		29 288.6		-4.3

At the reporting date, net income of the insurance sector was KZT 29 288,6 million, which is a 4.3% increase when compared to the same indicator of the last year.

Income from insurance activities equaled to KZT 176 127.6 million, having increased by 15.7% as compared to the same indicator of the last year. Herewith, expenses increased by 15.7% as compared to the same indicator of the last year.

Table 9. Macroeconomic indicators of the insurance sector

Key indicators of the insurance sector	01.12.2012	01.01.2013	01.12.2013
GDP, KZT bln. ¹	31 297.0	31 442.7	34 291.0
Insurance premiums to GDP ratio, %	0.61%	0.67%	0.68%
Equity capital to GDP ratio, %	0.77%	0.76%	0.74%
Assets to GDP ratio, %	1.37%	1.41%	1.52%
Insurance premiums per capita ratio, KZT ²	6 964.0	12 517.9	13 763.7

Table 10. Concentration of the insurance sector, %

Share of total indicators of the insurance market, %	01.12.2012	01.01.2013	01.12.2013
Insurance premiums of five largest insurance companies	32.3	32.5	37.7
Insurance premiums of ten largest insurance companies	52.3	52.1	55.4
Insurance indemnities of five largest insurance companies	24.4	24.6	35.5
Insurance indemnities of ten largest insurance companies	50.9	50.5	55.6
Assets of five largest insurance companies	49.4	49.5	49.7
Equity capital of five largest insurance companies	60.7	60.8	62.9

In the period from 1 January 2013 to 1 December 2013 it is observed an increase in concentration of the insurance market in insurance premiums and insurance indemnity paid. Five largest insurance companies account for 37.7% of total premiums and 35.5% of total insurance indemnities. The share of five largest insurance companies in total assets of the insurance market is 49.7%.

¹ according to data of RK Ministry of Economy and Budget Planning;

² according to data of RK Statistics Agency, the population of Kazakhstan is 17 098 546 people as of 1 July 2013.