

The National Bank of the Republic of Kazakhstan

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

AS OF 1 DECEMBER 2019

ALMATY 2019

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OF THE REPUBLIC OF KAZAKHSTAN AS OF 1 DECEMBER 2019**

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 December 2019

The **insurance sector** is represented by 28 insurance organizations. 8 of them are life insurance organizations.

Assets

As of 1 December 2019, the **assets** of Kazakhstan insurance organizations amounted to 1 189 111 mln. KZT and has increased 13.4% since the beginning of 2019 (as of the beginning of 2019 – 1 048 510 mln. KZT).

The major asset category in the total assets consists of the **securities** (63.7 % of total assets) which has amounted to 757 664 mln. KZT and has increased by 39.3% since the beginning of 2019 (as of the beginning of 2019 – 543 778 mln. KZT).

Deposits of the insurance organizations in banks has amounted to 190 905 mln. KZT sharing the 16.1% of the total assets and has increased since the beginning of 2019 by 0.2% (as of the beginning of 2019 – 190 438 mln. KZT or 18.2% of the total assets).

Reinsurance assets has amounted to 71 994 mln. KZT sharing the 6.1% of the total assets and has decreased by 35.6% since the beginning of 2019 (as of the beginning of 2019 – 111 843 mln. KZT or 10.7% of the total assets).

Liabilities and reserves

As of 1 December 2019, the **liabilities** of the insurance organizations amounted to 636 273 mln. KZT and has increased by 9.7% since the beginning of 2019 (as of the beginning of 2019 – 580 243 mln. KZT).

The largest part in the structure of the liabilities sharing the 89.1% of the total liabilities are the **insurance reserves** which have amounted to 566 743 mln. KZT and have increased by 9.1% since the beginning of 2019 (as of the beginning of 2019 – 519 477 mln. KZT).

Insurance premiums

As of 1 December 2019, the total volume of the **insurance premiums** amounted to 455 373 mln. KZT, which is 31.2% 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 416 489 mln. KZT.

The main share of the insurance premiums has been collected from the voluntary personal insurance and has amounted to 186 912 mln. KZT or 41.0% of the total insurance premiums.

The insurance premiums collected from the compulsory insurance has amounted to 110 664 mln. KZT or 24.3% of the total insurance premiums, on voluntary property insurance – 157 818 mln. KZT or 34.7% of total insurance premiums.

“Life insurance” sector:

As of 1 December 2019, the total insurance premiums collected in «life insurance» sector has amounted to 132 221 mln. KZT and indicated to an increase of 75.2% 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 29.0%, compared to 21.7% as of 1 December 2018.

“Non-life insurance” sector:

As of 1 December 2019, the total insurance premiums collected in «non-life insurance» sector has amounted to 323 152 mln. KZT, which increased by 19.0% in comparison with the same period of the previous year.

Reinsurance

The total insurance premiums passed for reinsurance has amounted to 71 689 mln. KZT, which takes 15.7% of the total insurance premiums. Herewith, 87.5% of the total insurance premiums were passed to non-residents for reinsurance.

The total insurance premiums received for reinsurance has amounted to 38 884 mln. KZT. including premiums from non-residents. which has amounted to 29 355 mln. KZT.

Recovery on risks received under agreements of reinsurance has amounted to 93 212 mln. KZT or 130.0% of the total insurance premiums transferred to reinsurance.

Insurance payments

Total **insurance payments** (excluding the reinsurance payments) made since the beginning of 2019 has amounted to 167 123 mln. KZT and has increased by 167.8% in comparison with the same period of the previous year.

From the total amount of the insurance payments made since the beginning of 2019. the share is occupied by insurance payments for voluntary property insurance – 59.0%, on voluntary personal insurance – 21.9% on compulsory insurance – 19.1% and.

Capital adequacy

Regulatory capital has amounted to 401 040 mln. KZT and has increased by 12.3% since the beginning of 2019 (as of the beginning of 2019 – 357 074 mln. KZT).

Solvency margin equaled to 5.25 (as of the beginning of 2019 – 5.76).

Highly liquid assets have amounted to 917 245 mln. KZT (77.1% of the total assets) and have increased by 19.1% since the beginning of 2019 (as of the beginning of 2019 – 770 307 mln. KZT).

Profitability of the insurance sector

Net income of the insurance sector has amounted to 81 903 mln. KZT. which is 0.1% less than it was at the same period of the previous year.

Return on Assets (ROA) is 7.4%;

Return on equity (ROE) is 16.0%.

Macroeconomic indicators

As of the reporting date. the share of the total assets of insurance sector to GDP is 1.92%;

The share of the insurance premiums to GDP – 0.74%;

The insurance premiums per capita ratio – 24 478 KZT.

Concentration of the insurance sector

The share of the 10 largest insurance companies in total assets amounted to 83.8%;

The share of the 10 largest insurance companies in total equity capital – 82.2%;

The share of the 10 largest insurance companies in total insurance premiums – 73.2%;

The share of the 10 largest insurance companies in total insurance payments – 83.0%.

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	01.12.2018	01.12.2019
Number of insurance organizations	29	28*
<i>including in life insurance</i>	6	8*
Number of insurance brokers	15	13
Number of actuaries	56	57
Number of insurance/reinsurance organizations that are participants of Insurance Indemnity Guarantee Fund. JSC	23	25*
Number of representatives of insurance organizations-nonresidents of the Republic of Kazakhstan	3	3
<ul style="list-style-type: none"> <i>In accordance with the order of the Deputy Chairman of the National Bank of the Republic of Kazakhstan dated November 08, 2019 No. 457 "Life Insurance Company "KM Life" JSC was granted a license to carry out insurance (reinsurance) activities in the "life insurance" industry</i> 		

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

Table 2. Structure of total assets of the insurance sector

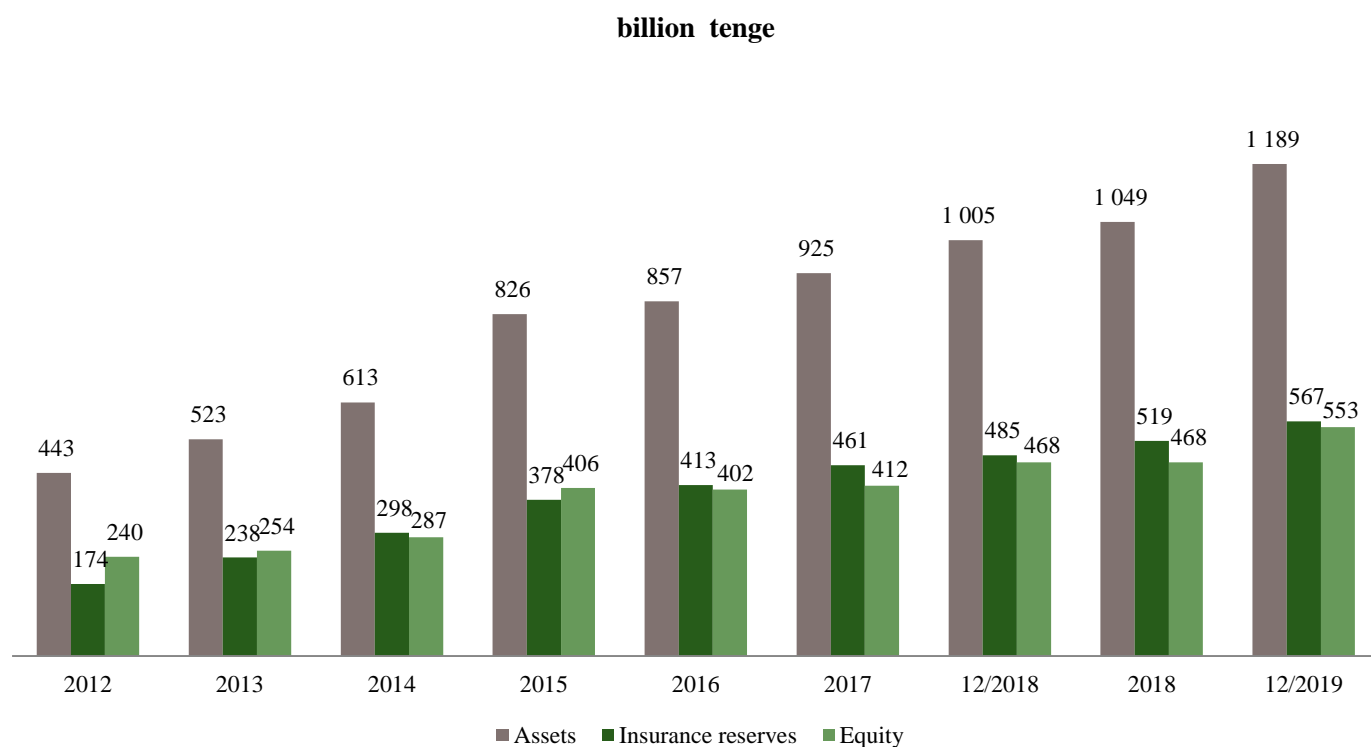
Indicator name / data	01.01.2019		01.12.2019		changes from the beginning of the year. %
	million KZT	% of total	million KZT	% of total	
Cash money	40 739	3.9	29 141	2.5	-28.5
Deposits in banks	190 438	18.2	190 905	16.1	0.2
Securities	543 778	51.9	757 664	63.7	39.3
Reverse REPO transactions	71 014	6.8	25 274	2.1	-64.4
Insurance premiums to be received from insurants and intermediaries	29 411	2.8	34 230	2.9	16.4
Fixed capital	17 560	1.7	17 618	1.5	0.3
Reinsurance assets	111 843	10.7	71 994	6.1	-35.6
Other receivables	10 401	1.0	12 908	1.1	24.1
Other assets	33 327	3.2	49 376	4.2	48.2
Total assets	1 048 510	100	1 189 111	100	13.4

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

Table 3. Structure of total liabilities of the insurance sector

Indicator name / data	01.01.2019		01.12.2019		changes from the beginning of the year. %
	million KZT	% of total	million KZT	% of total	
Insurance reserves. including:	519 477	89.5	566 743	89.1	9.1
<i>Unearned premium reserve</i>	132 670	22.9	156 196	24.5	17.7
<i>Reserve of not occurred losses on life insurance contracts</i>	23 021	4.0	31 870	5.0	38.4
<i>Reserve of not occurred losses on annuity contracts</i>	184 292	31.8	235 164	37.0	27.6
<i>Incurred but not reported reserve</i>	57 724	9.9	58 123	9.1	0.7
<i>Reserve declared. but not settled losses</i>	121 770	21.0	85 390	13.4	-29.9
Loans raised	213	0.0	143	0.0	-32.9
Settlements with reinsurance companies	21 061	3.6	13 605	2.1	-35.4
Settlements with intermediaries of insurance/reinsurance activity	4 589	0.8	6 147	1.0	34.0
Accounts payable under insurance/reinsurance contracts	3 906	0.7	4 367	0.7	11.8
Other payables	6 237	1.1	15 377	2.4	146.5
Other liabilities	24 760	4.3	29 892	4.7	20.7
Total liabilities	580 243	100.0	636 273	100.0	9.7

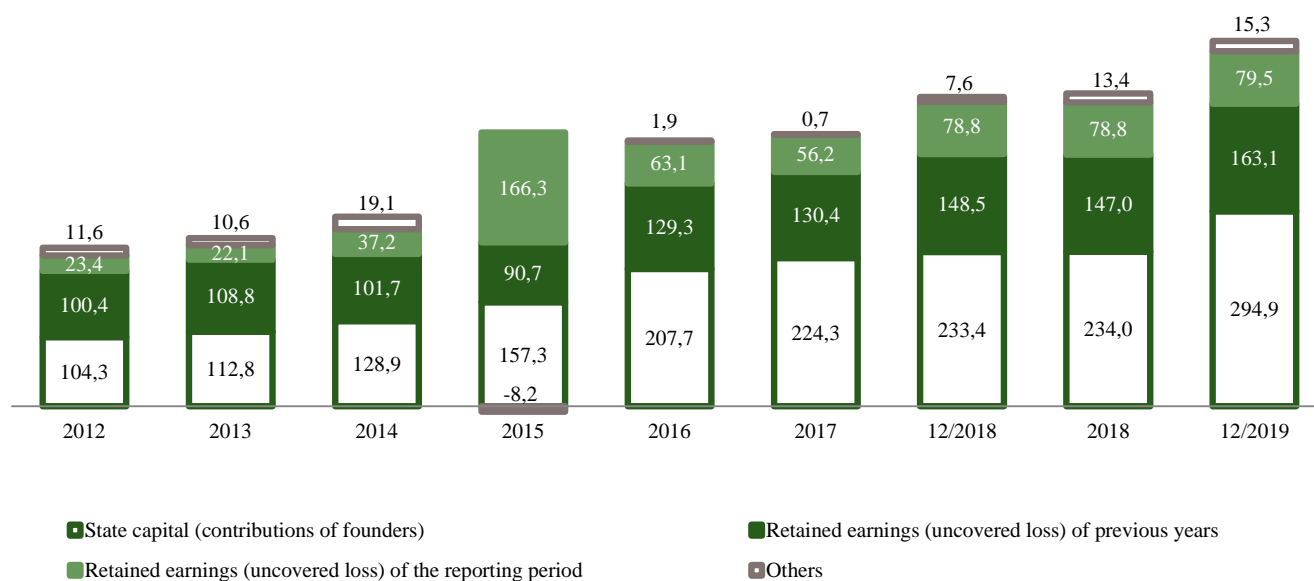
Figure 1. Dynamics of assets. equity and insurance reserves



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

Figure 2. Structure of equity of the insurance sector

billion. tenge

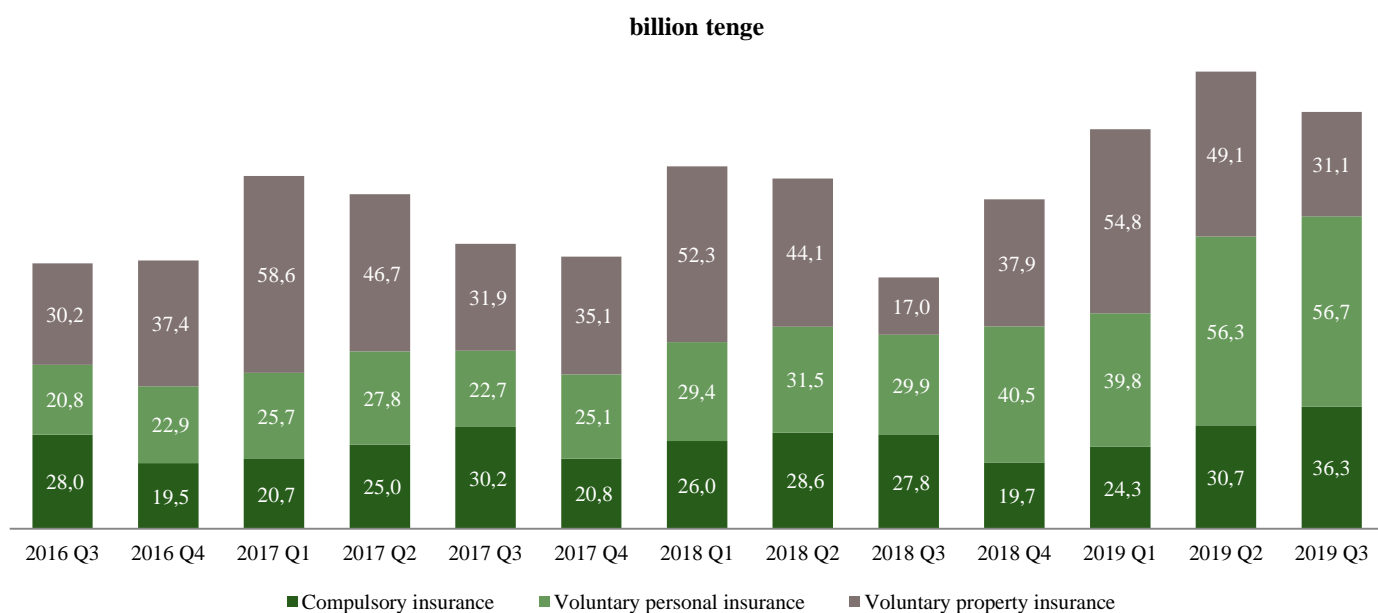


V. INSURANCE PREMIUMS

Table 4. Receipt of insurance premiums

Receipt of insurance premiums	01.12.2018		01.12.2019		Changes. %
	million KZT	% of total	million KZT	% of total	
Total, including:	347 053	100.0	455 373	100.0	31.2
Compulsory insurance, including:	94 665	27.3	110 644	24.3	16.9
Compulsory motor third-party liability	55 402	16.0	70 243	15.4	26.8
Compulsory employers' liability	34 841	10.0	33 620	7.4	-3.5
Other compulsory	2 415	0.7	4 488	1.0	85.9
Compulsory third-party liability for carriers	2 008	0.6	2 293	0.5	14.2
Voluntary personal insurance, including:	114 785	33.1	186 912	41.0	62.8
Life insurance	46 941	13.5	67 654	14.9	44.1
Annuity insurance	28 516	8.2	64 567	14.2	126.4
Sickness insurance	25 397	7.3	32 840	7.2	29.3
Accident insurance	13 931	4.0	21 850	4.8	56.8
Voluntary property insurance, including	137 603	39.6	157 818	34.7	14.7
Property insurance	69 621	20.1	82 095	18.0	17.9
Motor car insurance	18 351	5.3	23 914	5.3	30.3
Other voluntary property	12 593	3.6	20 571	4.5	63.4
Third-party liability	29 125	8.4	19 956	4.4	-31.5
Cargo insurance	3 430	1.0	6 633	1.5	93.4
Insurance against other financial losses	4 484	1.3	4 648	1.0	3.7

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

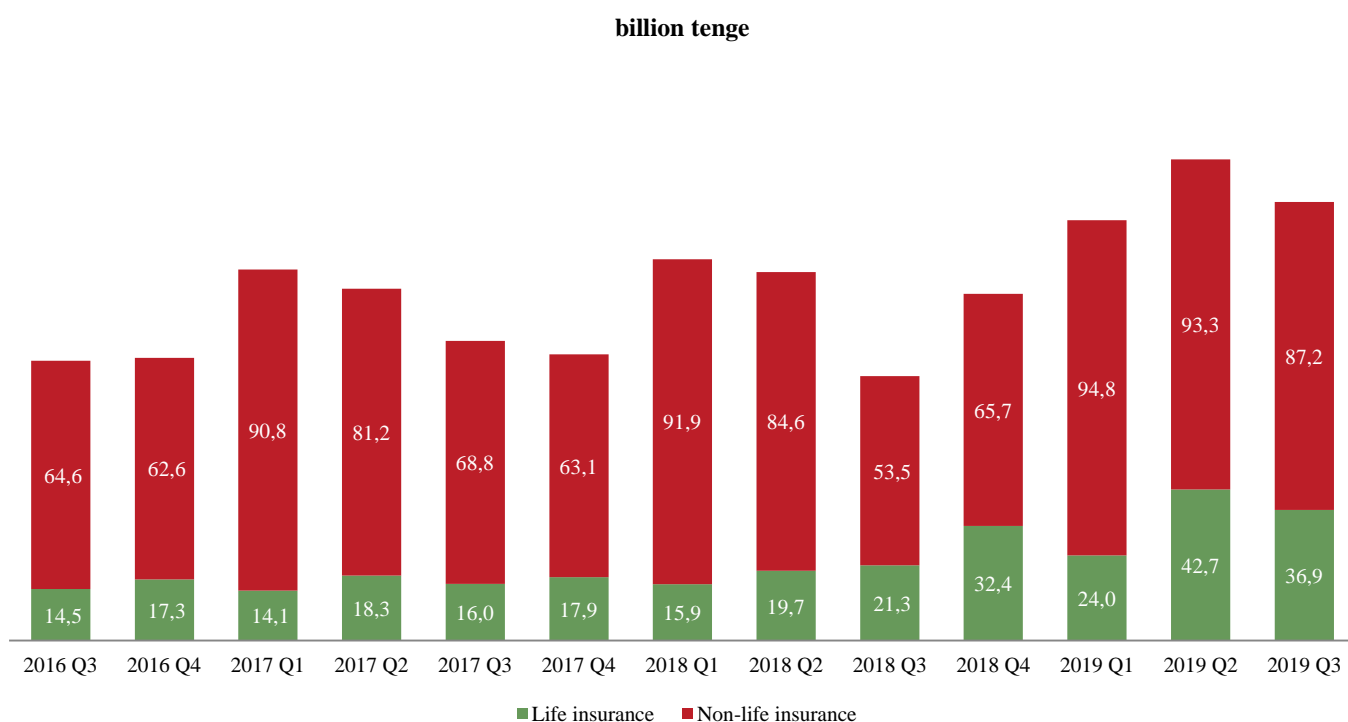
Figure 3. Dynamics of insurance premiums per quarter

* 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	01.12.2018		01.12.2019		Changes. %
	million KZT	% of total	million KZT	% of total	
Total on branches of insurance	347 053	100.0	455 373	100.0	31.2
Life insurance	75 457	21.7	132 221	29.0	75.2
Non-life insurance	271 596	78.3	323 152	71.0	18.0

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

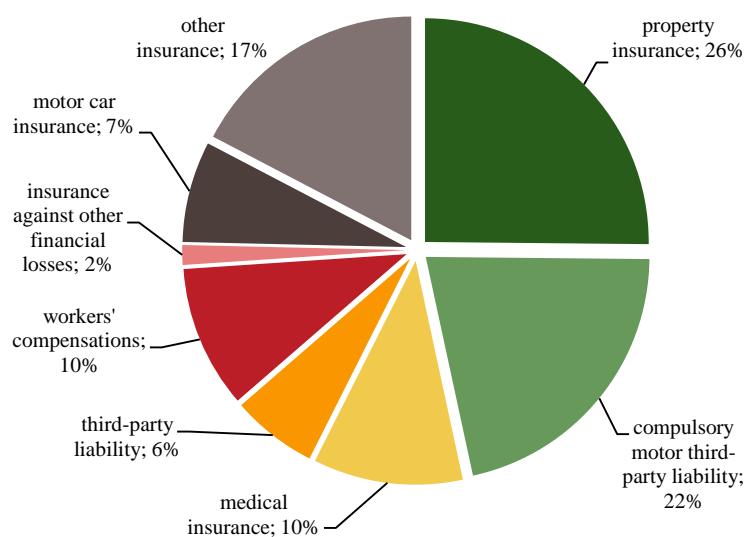
Figure 4. Dynamics of insurance premiums on branches of insurance per quarter

* 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”. %

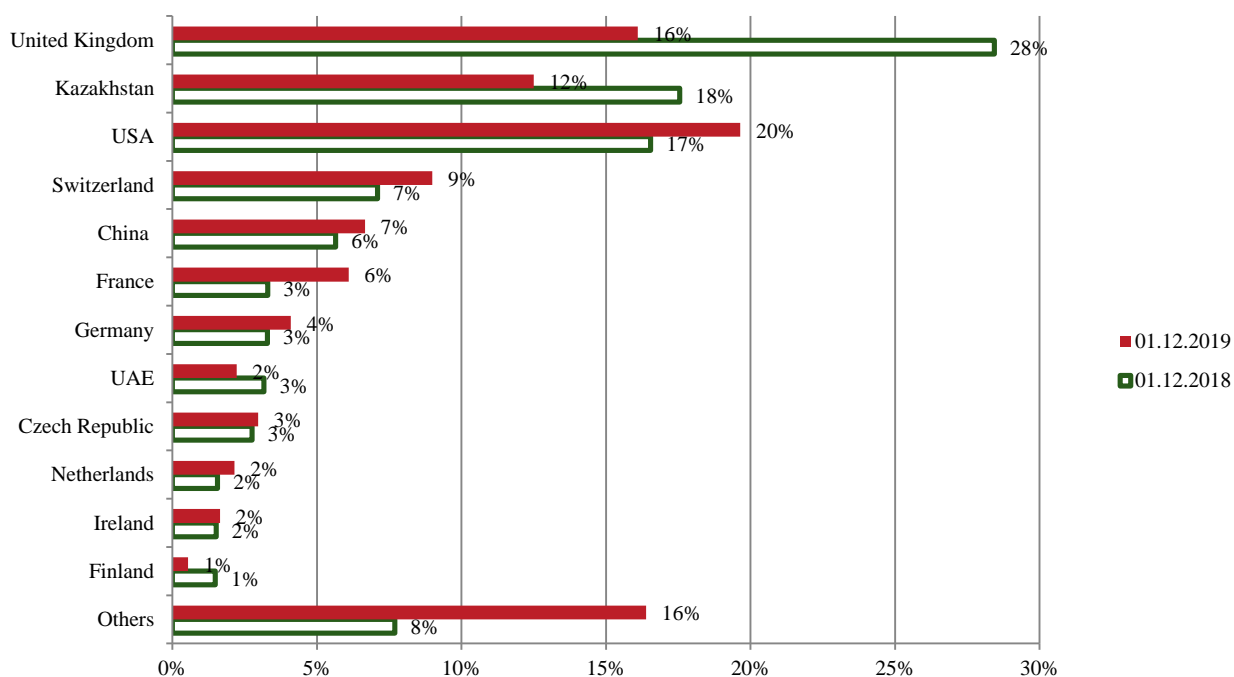


VI. REINSURANCE

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

Insurance premiums	01.12.2018		01.12.2019		Changes. %
	million KZT	% of total	million KZT	% of total	
Total premiums passed for reinsurance. including	82 402	100.0	71 689	100.0	-13.0
to non-residents	67 943	82.5	62 731	87.5	-7.7
to residents	14 459	17.5	8 958	12.5	-38.0
Recovery on risks received under agreements of reinsurance. including	6 483	100.0	93 212	100.0	1 337.8
from non-residents	5 247	80.9	91 572	98.2	1 645.2
from residents	1 236	19.1	1 640	1.8	32.7
Total received premiums for reinsurance from non-residents	18 168		29 355		61.6

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



VII. INSURANCE PAYMENTS

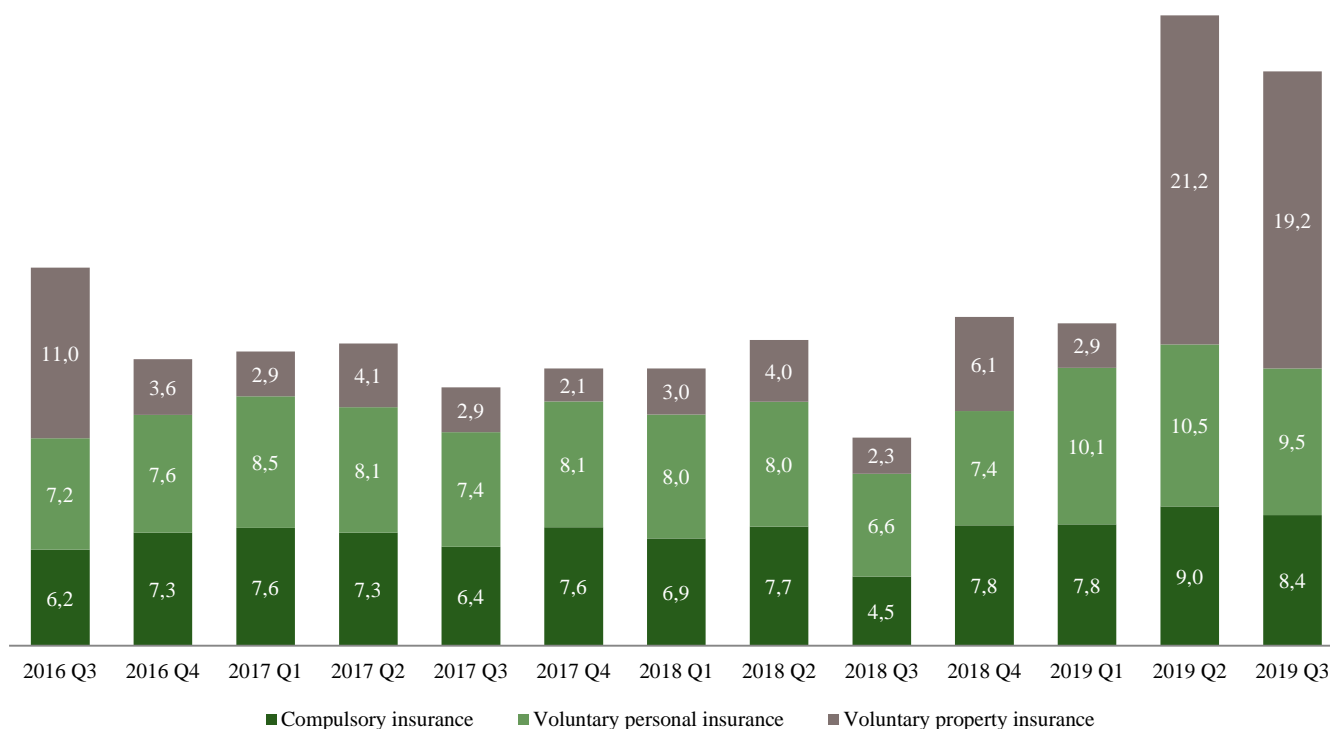
Table 7. Structure of insurance payments

Insurance payments	01.12.2018		01.12.2019*		Changes. %
	million KZT	% of total	million KZT	% of total	
Total, including:	62 408	100.0	167 123	100.0	167.8
Compulsory insurance, including:	24 404	39.1	31 870	19.1	30.6
Compulsory motor third-party liability	19 765	31.7	26 880	16.1	36.0
Compulsory employers' liability	4 524	7.2	4 269	2.6	-5.6
Other compulsory	115	0.2	720	0.4	527.6
Voluntary personal insurance, including	26 646	42.7	36 687	22.0	37.7
Sickness insurance	15 637	25.1	20 555	12.3	31.5
Annuity insurance	8 857	14.2	12 978	7.8	46.5
Life insurance	1 298	2.1	2 278	1.4	75.5
Accidents insurance	854	1.4	876	0.5	2.6
Voluntary property insurance, including:	11 359	18.2	98 567	59.0	767.8
Insurance against other financial losses	29	0.0	34 434	20.6	119 656.5
Motor car insurance	5 073	8.1	6 093	3.6	20.1
Other	2 419	3.9	3 553	2.1	46.9
Property insurance	3 476	5.6	54 139	32.4	1 457.3
Third-party liability	362	0.6	349	0.2	-3.7

* The sum is shown excluding the insurance payments performed under reinsurance agreements – 19.9 billion KZT

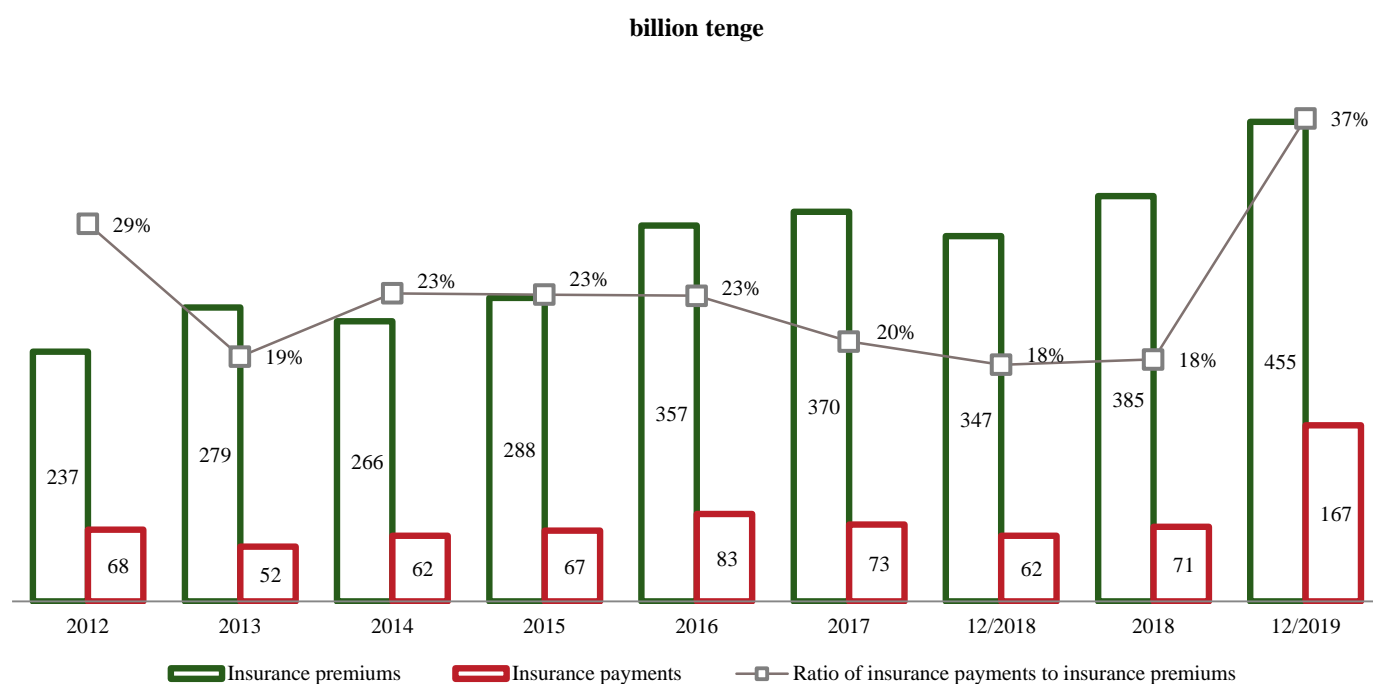
Figure 8. Dynamics of insurance payments per quarter

billions of tenge



* 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	01.12.2018		01.12.2019		Changes. %
	million KZT	% of total	million KZT	% of total	
Income from insurance activities	244 875	75.1	359 382	82.8	46.8
Income from investment activities	77 513	23.8	71 959	16.6	7.2
Income from other activities	3 652	1.1	2 790	0.6	23.6
Total income	326 040	100.0	434 130	100.0	33.2
Net expenses related with insurance payments	72 354	30.9	91 179	26.7	26.0
Expenses related with payment of commission fees on insurance activities	54 075	23.1	85 633	25.0	58.4
General and administrative expenses	54 800	23.4	67 099	19.6	22.4
Other expenses	52 785	22.6	98 152	28.7	85.9
Total expenses	234 014	100.0	342 062	100.0	46.2
Net income/loss before corporate income tax	92 027		92 068		0.0
Corporate income tax	10 043		10 165		1.2
Total net income/loss after taxes	81 983		81 903		-0.1

IX. MACROECONOMIC INDICATORS AND CONCENTRATION OF THE INSURANCE SECTOR

Table 9. Macroeconomic indicators of the insurance sector

Key indicators of the insurance sector	01.12.2018	01.01.2019	01.12.2019
GDP, million KZT ¹	53 101.3	61 819.5	61 819.5
Assets to GDP ratio, %	1.87	1.70	1.92
Equity capital to GDP ratio, %	0.87	0.76	0.89
Insurance premiums to GDP ratio, %	0.60	0.62	0.74
Insurance premiums per capita ratio, KZT ²	17 306.1	20 920.4	24 478.3

Table 10. Concentration of the insurance sector

Share of total indicators of the insurance market	01.12.2018	01.01.2019	01.12.2019
Assets of ten largest insurance companies, %	83.1	83.7	83.8
Equity capital of ten largest insurance companies, %	81.4	81.5	82.2
Insurance premiums of ten largest insurance companies, %	70.9	71.8	73.2
Insurance payments of ten largest insurance companies, %	64.3	66.2	83.0

¹ according to data of Committee on statistics of Ministry of National Economy of the RK

² according to data of Committee on Statistics of Ministry of National Economy of the RK the population of Kazakhstan is 18 603 thousand people as of 1 December 2019