

The National Bank of the Republic of Kazakhstan

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

AS OF 1 NOVEMBER 2016

ALMATY 2016

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OF THE REPUBLIC OF KAZAKHSTAN AS OF 1 NOVEMBER 2016**

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 2016

The insurance sector is represented by 32 insurance organizations, 7 of them are life insurance organizations.

Assets

As of 1 November 2016, the **assets** of Kazakhstan insurance organizations amounted to 861 830 mln. KZT and has increased by 4.5% since the beginning of 2016 (as of the beginning of 2016 – 824 732 mln. KZT).

The major asset category in the total assets consists of the **securities** (43.3% of total assets) which has amounted to 372 997 mln. KZT and has decreased by 4.1% since the beginning of 2016 (as of the beginning of 2016 – 388 858 mln. KZT).

Deposits of the insurance organizations in banks has amounted to 243 697 mln. KZT sharing the 28.3% of the total assets and has increased since the beginning of 2016 by 12.0% (as of the beginning of 2016 – 217 526 mln. KZT or 26.4% of the total assets).

Reinsurance assets has amounted to 113 280 mln. KZT sharing the 13.1% of the total assets and has increased by 29.0% since the beginning of 2016 (as of the beginning of 2016 – 87 785 mln. KZT or 10.6% of the total assets).

Liabilities and reserves

As of 1 November 2016, the **liabilities** of the insurance organizations amounted to 450 343 mln. KZT and has increased by 7.0% since the beginning of 2016 (as of the beginning of 2016 – 420 789 mln. KZT).

The largest part in the structure of the liabilities sharing the 92.5% of the total liabilities are the **insurance reserves** which have amounted to 416 397 mln. KZT and have increased by 10.1% since the beginning of 2016 (as of the beginning of 2016 – 378 299 mln. KZT).

Insurance premiums

As of 1 November 2016, the total volume of the **insurance premiums** amounted to 303 905 mln. KZT, which is 25.9% 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 274 715 mln. KZT.

The main share of the insurance premiums has been collected from the voluntary property insurance and has amounted to 156 247 mln. KZT or 51.4% of the total insurance premiums.

The insurance premiums collected from the compulsory insurance has amounted to 77 341 mln. KZT or 25.4% of the total insurance premiums, on voluntary personal insurance – 70 317 mln. KZT or 23.1% of total insurance premiums.

“Life insurance” sector:

As of 1 November 2016, the total insurance premiums collected in «life insurance» sector has amounted to 43 878 mln. KZT and indicated to a increase of 5.6% in comparison with the same period of the previous year.

“Non-life insurance” sector:

As of 1 November 2016, the total insurance premiums collected in «non-life insurance» sector has amounted to 260 026.0 mln. KZT, which increased by 30.1% in comparison with the same period of the previous year.

Reinsurance

The total insurance premiums passed for reinsurance has amounted to 112 690 mln. KZT, which takes 37.0% of the total insurance premiums. Herewith, 86.7% of the total insurance premiums were passed to non-residents for reinsurance.

The total insurance premiums received for reinsurance has amounted to 29 190 mln. KZT, including premiums from non-residents, which has amounted to 14 438 mln. KZT.

Recovery on risks received under agreements of reinsurance has amounted to 15 346 mln. KZT or 13.6% of the total insurance premiums transferred to reinsurance.

Insurance payments

Total **insurance payments** (excluding the reinsurance payments) that were effected in the ten months of 2016 has amounted to 70 086 mln. KZT and has increased by 31.6% in comparison with the same period of the previous year.

From the total amount of the insurance payments made since the beginning of 2016, the greatest share is occupied by insurance payments for voluntary personal insurance – 35.9%, on voluntary property insurance – 32.0% and on compulsory insurance – 32.1%.

Capital adequacy

Regulatory capital has amounted to 297 565 mln. KZT and has increased by 31.5% since the beginning of 2016 (as of the beginning of 2016 – 226 218 mln. KZT).

Solvency margin equaled to 5.33 (as of the beginning of 2016 – 4.08).

Highly liquid assets have amounted to 596 394 mln. KZT (69.2% of the total assets) and have increased by 0.99% since the beginning of 2016 (as of the beginning of 2016 – 590 564 mln. KZT).

Profitability of the insurance sector

Net income of the insurance sector has amounted to 67 715 mln. KZT, which is 50.1% less than it was at the same period of the previous year.

Return on Assets (ROA) is 13.0%;

Return on equity (ROE) is 26.7%.

Macroeconomic indicators

As of the reporting date, the share of the total assets of insurance sector to GDP is 1.94%;

The share of the insurance premiums to GDP – 0.69%;

The insurance premiums per capita ratio – 17 118.3 KZT.

Concentration of the insurance sector

The share of the 10 largest insurance companies in total assets amounted to 74.1%;

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

The share of the 10 largest insurance companies in total insurance premiums – 58.7%;

The share of the 10 largest insurance companies in total insurance payments – 55.1%.

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	01.11.2015	01.11.2016
Number of insurance organizations	33	32
<i>including in life insurance</i>	7	7
Number of insurance brokers	15	15
Number of actuaries	62	59
Number of insurance/reinsurance organizations that are participants of Insurance Indemnity Guarantee Fund, JSC	30	22
Number of representatives of insurance organizations-nonresidents of the Republic of Kazakhstan	3	3
<i>*In accordance with the order of the Deputy Chairman of the National Bank of Kazakhstan dated October 20, 2016 #406 "Chartis Kazakhstan Insurance Company", JSC, license to carry out insurance (reinsurance) activities in the "non-life insurance" sector dated February 27, 2012 #2.1.27 was terminated in connection with the voluntary liquidation</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	01.01.2016*		01.11.2016		changes from the beginning of the year, %
	million KZT	% of total	million KZT	% of total	
Cash money	34 297	4.2	29 333	3.4	-14.5
Deposits in banks	217 526	26.4	243 697	28.3	12.0
Securities	388 858	47.1	372 997	43.3	-4.1
Reverse REPO transactions	19 812	2.4	15 712	1.8	-20.7
Insurance premiums to be received from insurants and intermediaries	27 106	3.3	31 366	3.6	15.7
Fixed capital	9 813	1.2	10 166	1.2	3.6
Reinsurance assets	87 785	10.6	113 280	13.1	29.0
Other receivables	19 600	2.4	21 894	2.5	11.7
Other assets	19 936	2.4	23 385	2.7	17.3
Total assets	824 732	100.0	861 830	100.0	4.5

* Sum is based on audited data

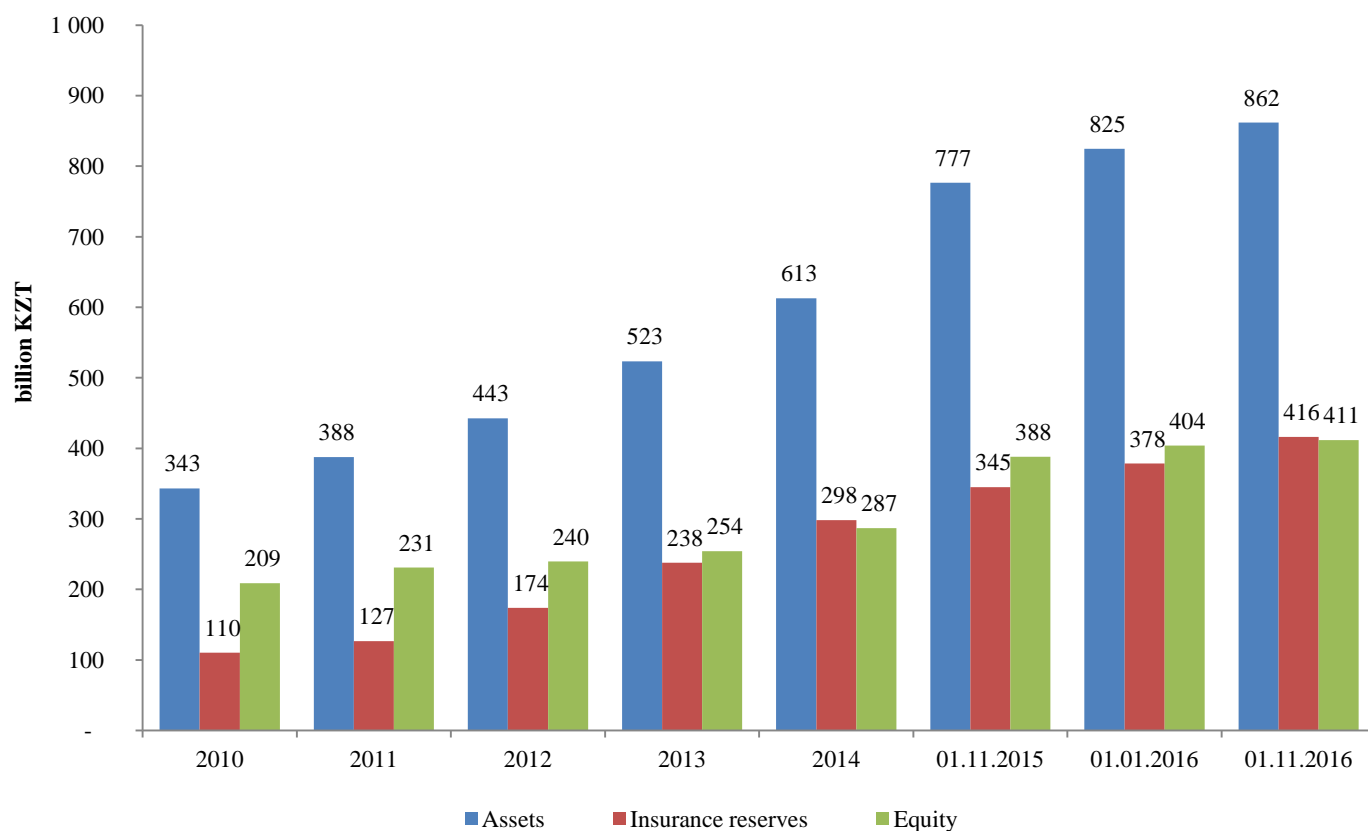
III. LIABILITIES OF THE INSURANCE SECTOR OF THE REPUBLIC OF KAZAKHSTAN

Table 3. Structure of total liabilities of the insurance sector

Indicator name / data	01.01.2016*		01.11.2016		changes from the beginning of the year, %
	million KZT	% of total	million KZT	% of total	
Insurance reserves, including:	378 299	89.9	416 397	92.5	10.1
<i>Unearned premium reserve</i>	113 774	27.0	142 602	31.7	25.3
<i>Reserve of not occurred losses on life insurance contracts</i>	11 897	2.8	12 327	2.7	3.6
<i>Reserve of not occurred losses on annuity contracts</i>	113 511	27.0	123 322	27.4	8.6
<i>Incurred but not reported reserve</i>	49 991	11.9	47 353	10.5	-5.3
<i>Reserve declared, but not settled losses</i>	89 127	21.2	90 794	20.2	1.9
Loans raised	393	0.1	424	0.1	7.9
Settlements with reinsurance companies	14 483	3.4	13 500	3.0	-6.8
Settlements with intermediaries of insurance/reinsurance activity	1 855	0.4	2 261	0.5	21.9
Accounts payable under insurance/reinsurance contracts	3 739	0.9	2 508	0.6	-32.9
Other payables	6 705	1.6	3 675	0.8	-45.2
Other liabilities	15 315	3.6	11 578	2.6	-24.4
Total liabilities	420 789	100.0	450 343	100.0	7.0

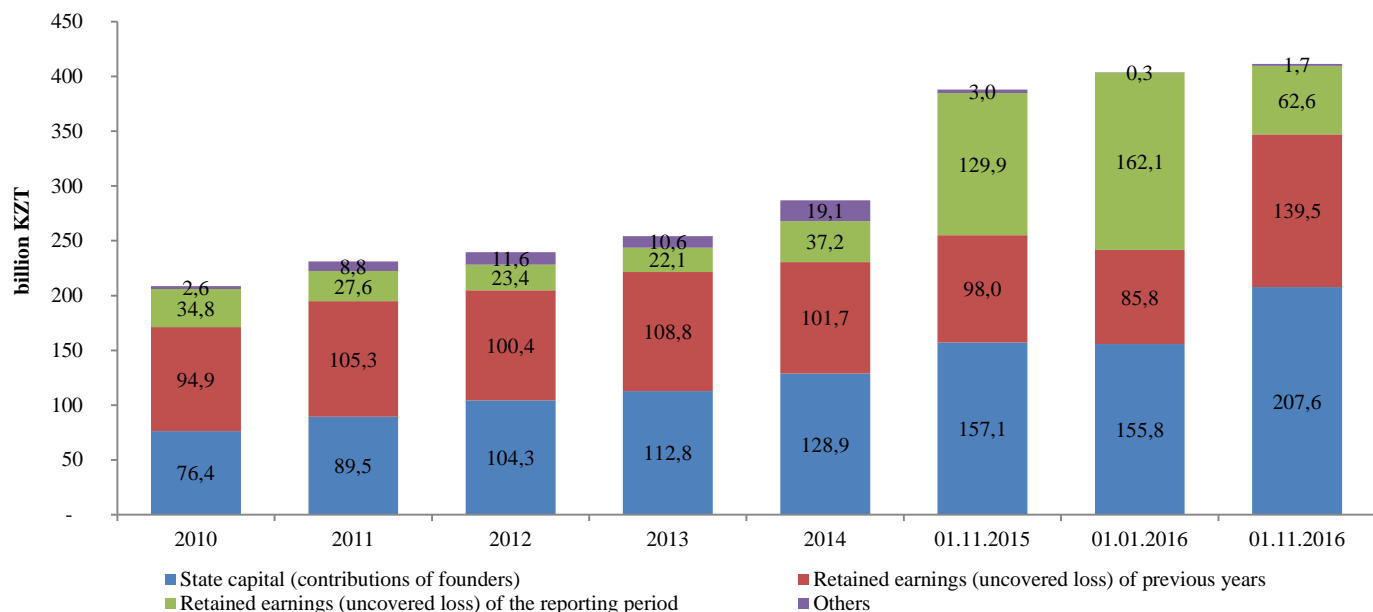
* Sum is based on audited data

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



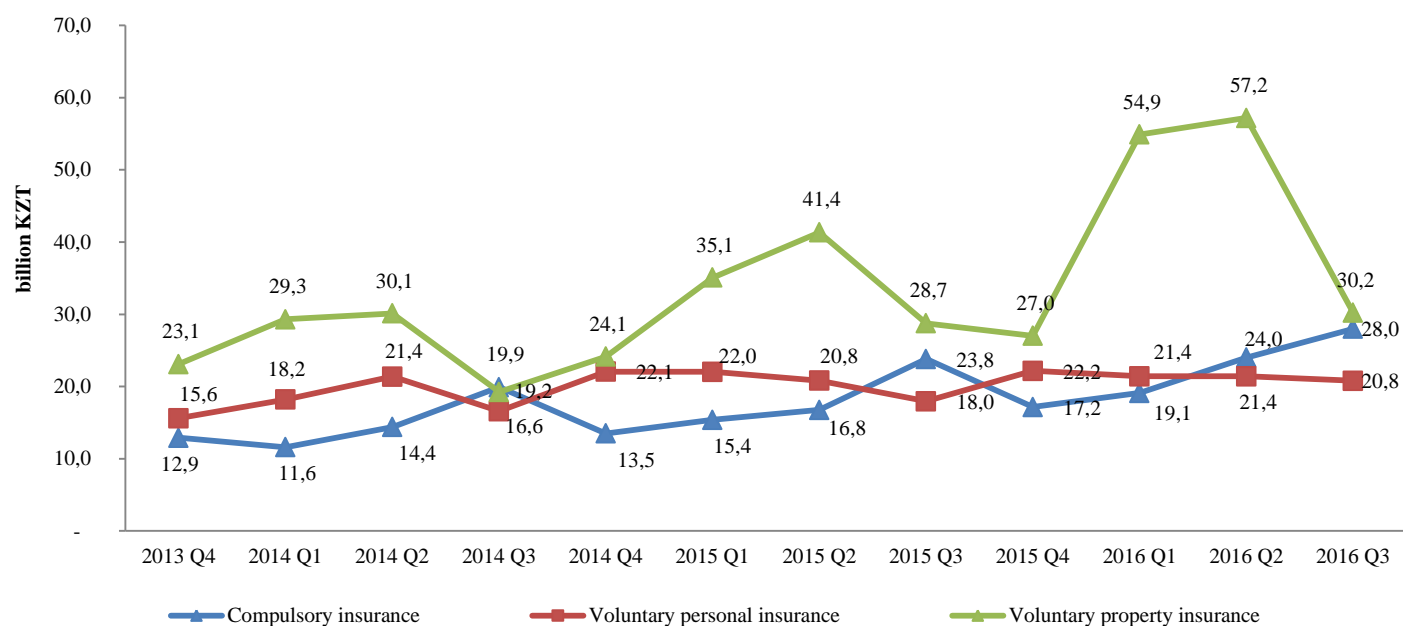
V. INSURANCE PREMIUMS

Table 4. Receipt of insurance premiums

Receipt of insurance premiums	01.11.2015		01.11.2016*		Changes, %
	million KZT	% of total	million KZT	% of total	
Total, including:	241 474	100.0	303 905	100.0	25.85
Compulsory insurance, including:	62 210	25.8	77 341	25.4	24.32
Compulsory motor third-party liability	32 420	13.4	40 383	13.3	24.56
Compulsory employers' liability	26 205	10.9	33 019	10.9	26.00
Compulsory third-party liability for carriers	1 524	0.6	1 661	0.5	8.98
Other compulsory	2 060	0.9	2 279	0.7	10.62
Voluntary personal insurance, including:	66 548	27.6	70 317	23.1	5.66
Life insurance	19 539	8.1	20 829	6.9	6.60
Annuity insurance	21 424	8.9	21 367	7.0	-0.27
Accident insurance	20 121	8.3	22 511	7.4	11.88
Sickness insurance	5 464	2.3	5 610	1.8	2.67
Voluntary property insurance, including	112 716	46.7	156 247	51.4	38.62
Property insurance	51 979	21.5	68 226	22.4	31.26
Third-party liability	20 295	8.4	35 538	11.7	75.11
Insurance against other financial losses	11 253	4.7	17 488	5.8	55.41
Motor car insurance	13 659	5.7	14 270	4.7	4.48
Cargo insurance	4 731	2.0	7 574	2.5	60.09
Other voluntary property	10 799	4.5	13 150	4.3	21.77

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

Figure 3. Dynamics of insurance premiums per quarter



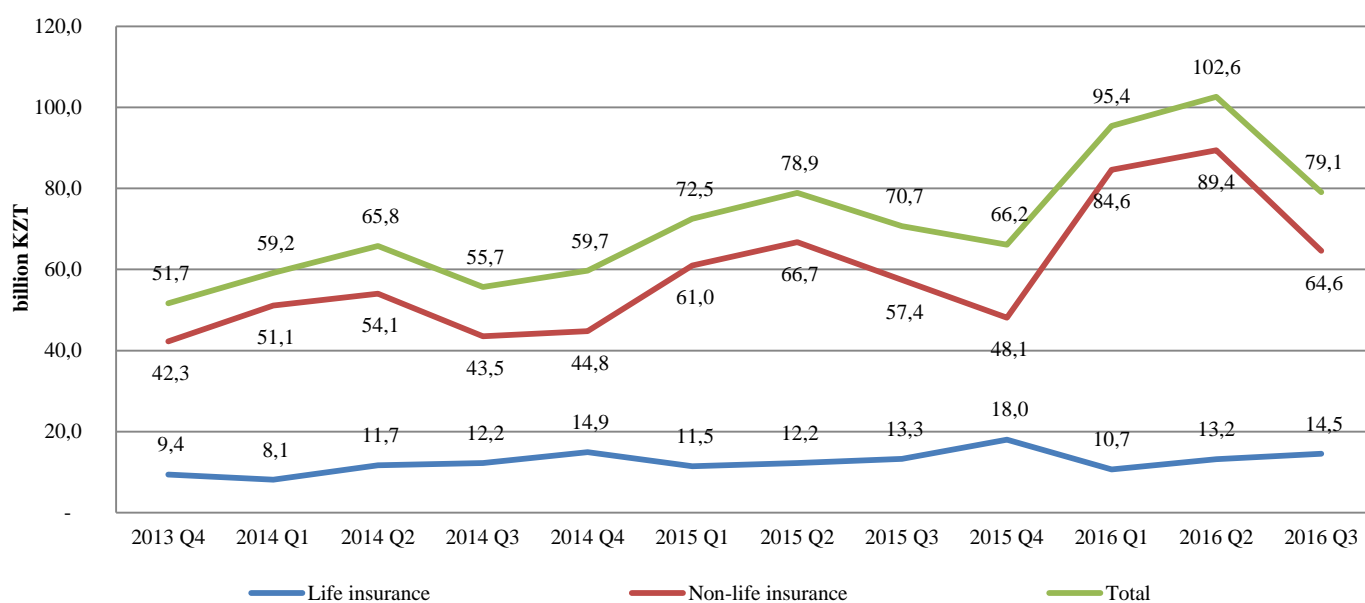
* The sum is shown including insurance premiums received under reinsurance agreements and excluding terminated agreements

Table 5. Receipt of insurance premiums on branches of insurance

Receipt of insurance premiums on branches of insurance	01.11.2015		01.11.2016*		Changes, %
	million KZT	% of total	million KZT	% of total	
Total on branches of insurance	241 474	100.0	303 905	100.0	25.9
Life insurance	41 545	17.2	43 878	14.4	5.6
Non-life insurance	199 929	82.8	260 026	85.6	30.1

* 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”, %

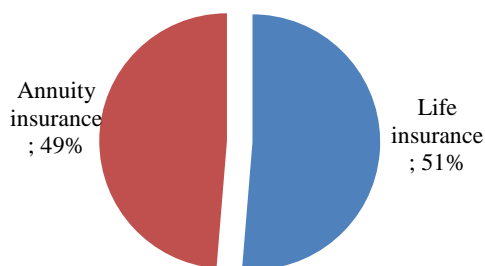
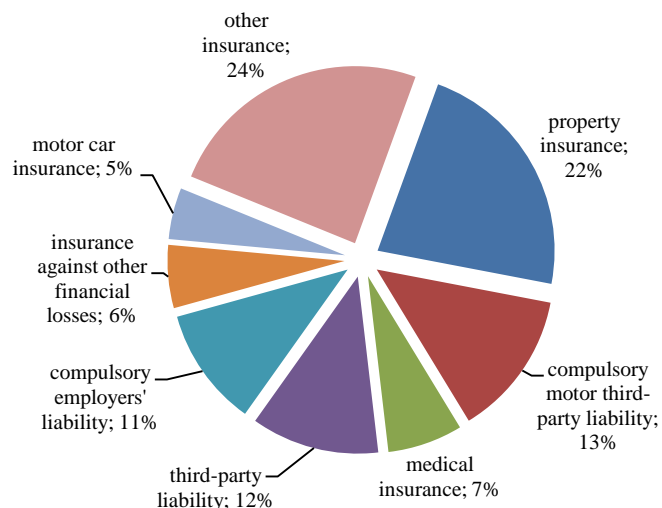


Figure 6. Structure of receipt of insurance premiums on branch “non-life insurance”, %

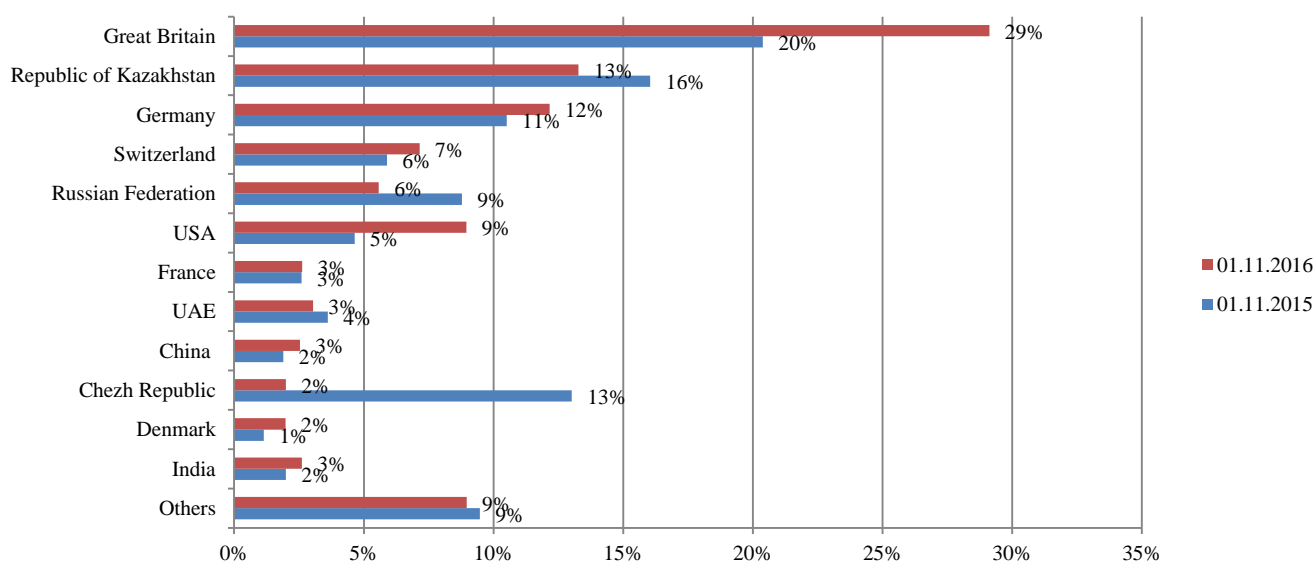


VI. REINSURANCE

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

Insurance premiums	01.11.2015		01.11.2016		Changes, %
	million KZT	% of total	million KZT	% of total	
Total premiums passed for reinsurance, including	77 713	100.0	112 690	100.0	45.01
to non-residents	65 243	84.0	97 726	86.7	49.79
to residents	12 470	16.0	14 964	13.3	20.00
Recovery on risks received under agreements of reinsurance, including	7 735	100.0	15 346	100.0	98.40
from non-residents	4 651	60.1	11 663	76.0	150.74
from residents	3 083	39.9	3 683	24.0	19.44
Total received premiums for reinsurance from non-residents	9 592		14 438		50.51

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



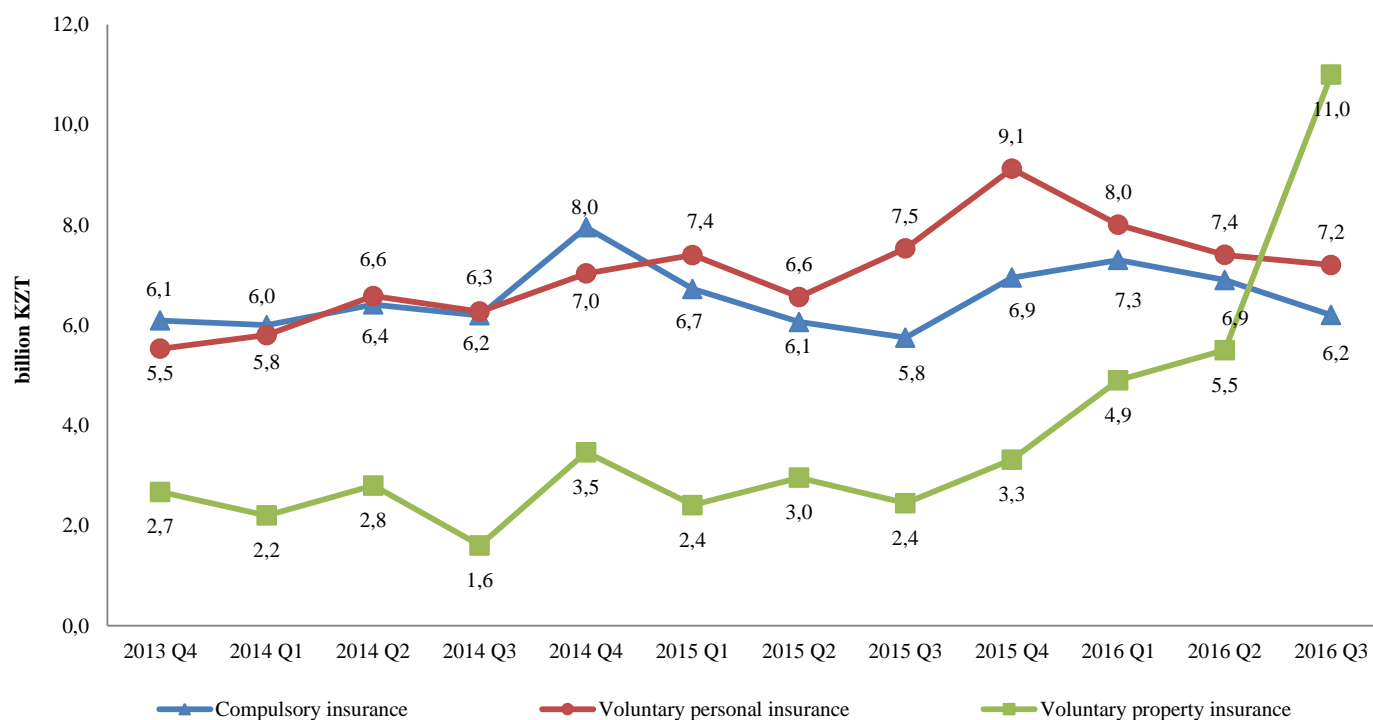
VII. INSURANCE PAYMENTS

Table 7. Structure of insurance payments

Insurance payments	01.11.2015		01.11.2016*		Changes, %
	million KZT	% of total	million KZT	% of total	
Total, including:	53 246	100.0	70 086	100.0	31.6
Compulsory insurance, including:	20 635	38.8	22 528	32.1	9.2
Compulsory motor third-party liability	14 386	27.0	18 435	26.3	28.1
Compulsory employers' liability	5 738	10.8	3 701	5.3	- 35.5
Other compulsory	511	1.0	391	0.6	- 23.4
Voluntary personal insurance, including	24 108	45.3	25 136	35.9	4.3
Life insurance	13 642	25.6	14 057	20.1	3.0
Annuity insurance	8 669	16.3	8 469	12.1	- 2.3
Accidents insurance	848	1.6	1 881	2.7	121.8
Sickness insurance	949	1.8	729	1.0	- 23.2
Voluntary property insurance, including:	8 503	16.0	22 422	32.0	163.7
Motor car insurance	4 513	8.5	5 642	8.0	25.0
Third-party liability	39	0.1	343	0.5	789.4
Property insurance	1 542	2.9	12 354	17.6	701.0
Other property insurance	246	0.5	960	1.4	290.5

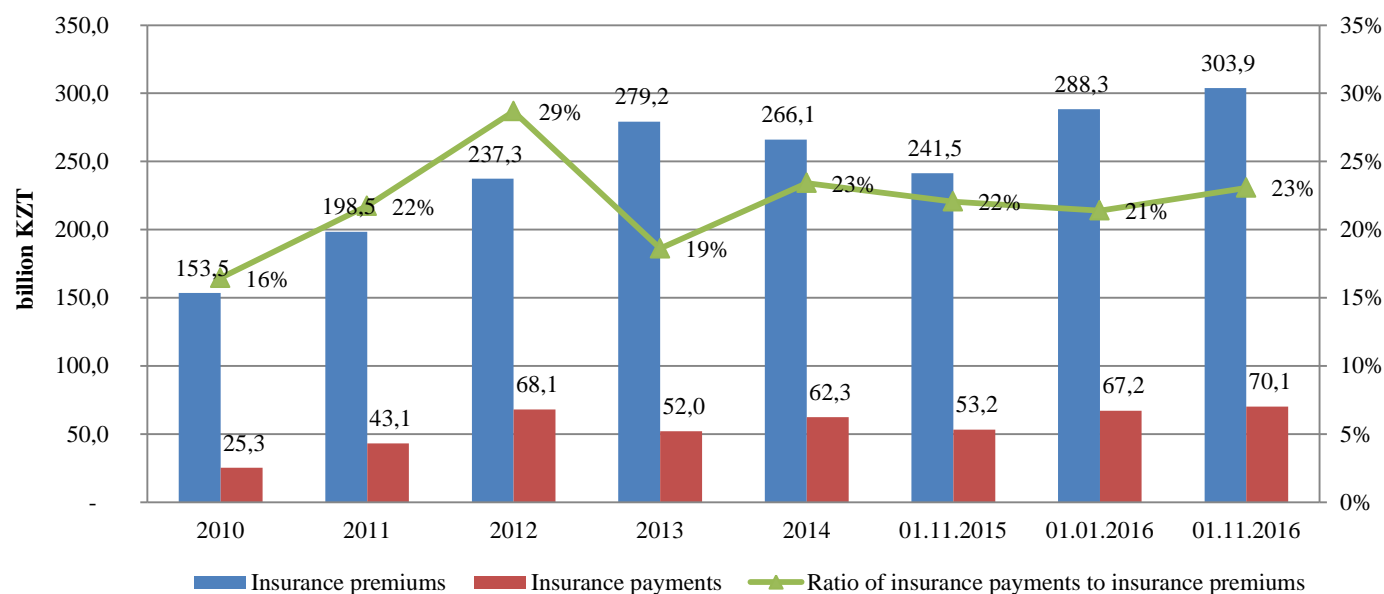
* The sum is shown excluding the insurance payments performed under reinsurance agreements – 10.2 billion KZT

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

** on 01.11.2016 insurance premiums are shown excluding terminated 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	01.11.2015		01.11.2016		Changes, %
	million KZT	% of total	million KZT	% of total	
Income from insurance activities	162 902	51.0	202 303	81.4	24.2
Income from investment activities	154 703	48.5	44 078	17.7	-71.5
Income from other activities	1 543	0.5	2 178	0.9	41.2
Total income	319 148	100.0	248 558	100.0	-22.1
Net expenses related with insurance payments	54 405	32.2	60 414	35.9	11.0
Expenses related with payment of commission fees on insurance activities	28 405	16.8	31 700	18.9	11.6
General and administrative expenses	42 179	25.0	49 941	29.7	18.4
Other expenses	43 936	26.0	26 092	15.5	-40.6
Total expenses	168 924	100.0	168 147	100.0	-0.5
Net income/loss before corporate income tax	150 224		80 411		-46.5
Corporate income tax	14 570		12 696		-12.9
Total net income/loss after taxes	135 653		67 715		-50.1

IX. MACROECONOMIC INDICATORS AND CONCENTRATION OF THE INSURANCE SECTOR

Table 9. Macroeconomic indicators of the insurance sector

Key indicators of the insurance sector	01.11.2015	01.01.2016	01.11.2016
GDP, million KZT	40 884.1	40 884.1 ¹	44 354.0 ²
Assets to GDP ratio, %	1.90	2.02	1.94
Equity capital to GDP ratio, %	0.95	0.99	0.93
Insurance premiums to GDP ratio, %	0.59	0.70	0.69
Insurance premiums per capita ratio, KZT ³	13 696.2	16 331.4	17 118.3

Table 10. Concentration of the insurance sector

Share of total indicators of the insurance market	01.11.2015	01.01.2016	01.11.2016
Assets of ten largest insurance companies, %	75.5	75.5	74.1
Equity capital of ten largest insurance companies, %	75.8	75.8	73.2
Insurance premiums of ten largest insurance companies, %	56.7	56.0	58.7
Insurance payments of ten largest insurance companies, %	60.2	61.1	55.1

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

² according to the Forecast of socio-economic development of the Republic of Kazakhstan on 2017-2021

³ according to data of Committee on Statistics of Ministry of National Economy of the RK the population of Kazakhstan is 17 753.2 thousand people as of 1 May 2016