

National Bank of the Republic of Kazakhstan

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

AS OF 1 DECEMBER 2015

ALMATY 2015

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OF THE REPUBLIC OF KAZAKHSTAN AS OF 1 DECEMBER 2015**

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 diagrams, as well as explanatory notes, reflecting major changes in indicators of the insurance sector.

- Description of the asset structure;
- Description of liabilities structure;
- Description of insurance premiums structure;
- Description of insurance claims structure;
- Description of reinsurance activity;
- Description of compliance with prudential standards by 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 2015

The insurance sector is represented by 33 insurance organizations, of which 7 life insurance organizations.

Assets

As of 1 December 2015 **assets** of Kazakhstan insurance organizations amounted to 813 861,8 mln. KZT (at the beginning of 2015 – 612 644,6 mln. KZT), and increased since the beginning of 2015 by 32,8%.

The major asset category in the total assets is **securities** (46,8% of total assets) amounted to 380 607,9 mln. KZT (at the beginning of 2015 – 294 085,4 mln. KZT). During the period from the beginning of 2015 **securities** increased by 29,4%.

Deposits in banks amounted to 222 394,1 mln. KZT with the share of 27,3% of total assets (at the beginning of 2015 – 150 008,3 mln. KZT or 24,5% of total assets), and increased since the beginning of 2015 by 48,3%.

Reinsurance assets equaled to 82 395,2 mln. KZT with the share of 10,1% of total assets (at the beginning of 2015 – 74 322,8 mln. KZT or 12,1% of total assets), and increased since the beginning of 2015 by 10,9%.

Liabilities and reserves

As of 1 December 2015 **liabilities** amounted to 398 148,7 mln. KZT (at the beginning of 2015 – 325 660,1 mln. KZT), and increased since the beginning of 2015 by 22,3%.

The largest share in the structure of liabilities is **insurance reserves** (87,8% of total liabilities) amounted to 349 444,7 mln. KZT (at the beginning of 2015 – 298 055,6 mln. KZT). During the period from the beginning of 2015 **insurance reserves** increased by 17,2%.

Insurance premiums

As of 1 December 2015 total **insurance premiums** taken year-to-date equaled to 263 082,9 mln. KZT, which is 8,5% more than total premiums over the same period last year.

The main share of insurance premiums was collected on voluntary property insurance (121 641,5 mln. KZT or 46,2% of total insurance premiums).

Insurance premiums collected on voluntary personal insurance equaled to 73 596,3 mln. KZT or 28,0% of total insurance premiums, on compulsory insurance - 67 845,1 mln. KZT or 25,8% of total insurance premiums.

“Life insurance” sector:

As of 1 December 2015 total insurance premiums collected in «life insurance» sector equaled to 47 157,4 mln. KZT, which is an 15,5% increase vs. the same date of the last year.

“General insurance” sector:

As of 1 December 2015 total insurance premiums collected in «general insurance» sector equaled to 215 925,5 mln. KZT, which is an 7,1% increase vs. the same date of the last year.

Reinsurance

Total insurance premiums passed for reinsurance equaled to 83 567,3 mln. KZT, i.e. 31,8% of total insurance premiums. Herewith, 26,6% of total insurance premiums were passed to non-residents for reinsurance.

Insurance claims

Total insurance claims (less reinsurance claims), paid over eleven months of 2015, equaled to 60 062,2 mln. KZT, which is 8,1% more when compared to the same date of the last year.

Capital adequacy

Regulatory capital amounted to 231 674,6 mln. KZT (at the beginning of 2015 – 195 181,8 mln. KZT), and increased since the beginning of 2015 by 18,7%.

Capital adequacy ratio equaled to 4,28 (at the beginning of 2015 – 3,31).

Highly liquid assets amounted to 585 460,9 mln. KZT or 71,9% of total assets (at the beginning of 2015 – 389 741 mln. KZT), 50,2% increase from the beginning of 2015.

Profitability of the insurance sector

Net income of the banking sector amounted to 171 757,1 mln. KZT, which is 3,8 times more than the same date of the last year.

Return on Assets (ROA) is 24,2%;

Return on equity (ROE) is 48%.

Macroeconomic indicators

At the reporting date the share of assets of insurance sector to GDP is 1,97%;

The share of the insurance premiums to GDP – 0,64%;

The insurance premiums per capita ratio – 14 921,9 KZT.

Concentration of the insurance sector

The share of the 10 largest insurance companies in total assets amounted to 75,5%;

The share of the 10 largest insurance companies in total equity capital – 76,0%;

The share of the 10 largest insurance companies in total insurance premiums – 56,3%;

The share of the 10 largest insurance companies in total insurance claims – 61,2%.

I. INSURANCE MARKET STRUCTURE OF KAZAKHSTAN

Table 1. Insurance Market Structure of Kazakhstan

Structure of the insurance sector	01.12.2014	01.12.2015
Number of insurance organizations	34	33
<i>including in life insurance</i>	7	7
Number of insurance brokers	15	15
Number of actuaries	71	62
Number of insurance/reinsurance organizations that are participants of Insurance Indemnity Guarantee Fund, JSC	30	30
Number of representatives of insurance organizations-nonresidents of the Republic of Kazakhstan	3	3

II. ASSETS OF RK INSURANCE/REINSURANCE ORGANIZATIONS

Table 2. Structure of total assets of RK insurance sector

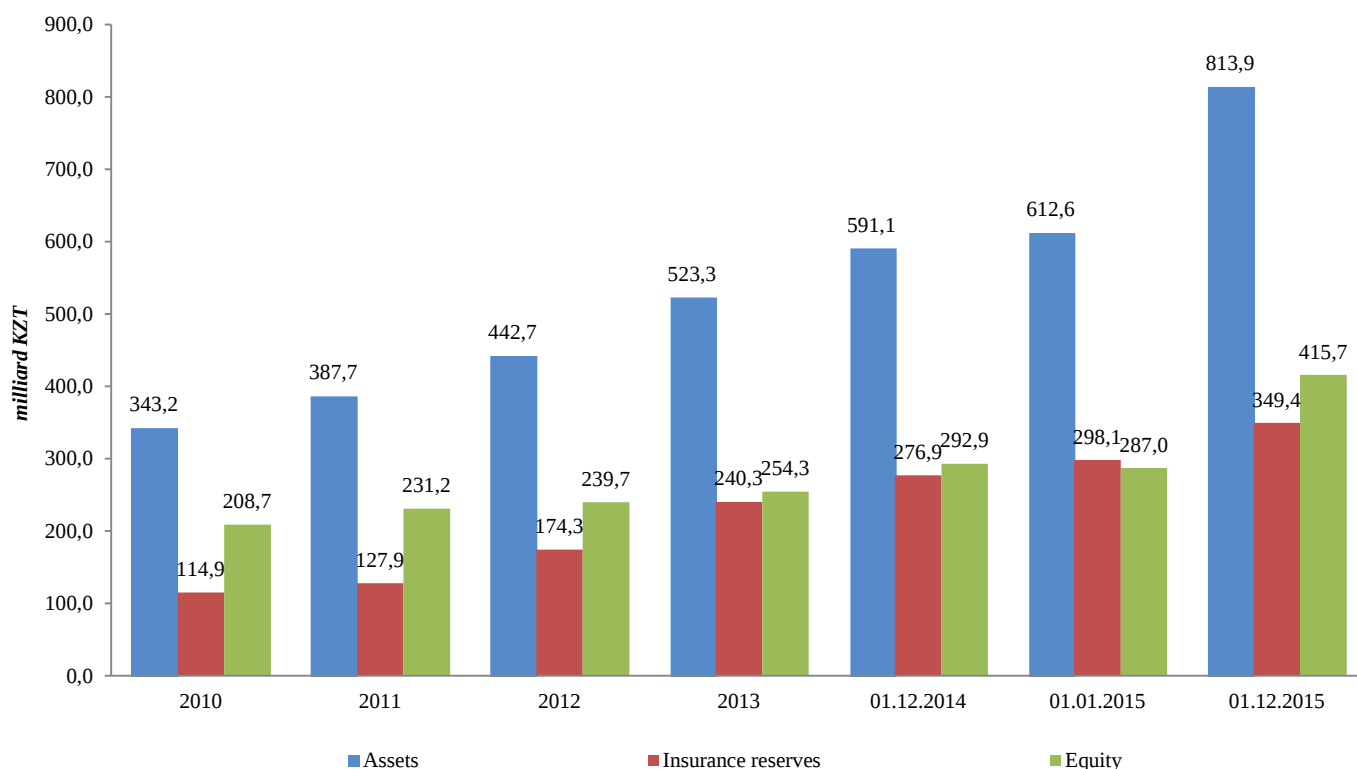
Indicator name / data	01.01.2015		01.12.2015		changes from the beginning of the year, %
	million KZT	% of total	million KZT	% of total	
Cash money	17 589,1	2,9	36 858,9	4,5	109,6
Deposits placed	150 008,3	24,5	222 394,1	27,3	48,3
Securities	294 085,4	48,0	380 607,9	46,8	29,4
Reverse REPO transactions	14 704,4	2,4	19 938,2	2,4	35,6
Insurance premiums to be received from insurants and intermediaries	23 910,2	3,9	27 522,2	3,4	15,1
Fixed capital	10 765,0	1,8	8 943,8	1,1	-16,9
Reinsurance assets	74 322,8	12,1	82 395,2	10,1	10,9
Other receivables	12 631,9	2,1	15 751,8	1,9	24,7
Other assets	14 627,4	2,4	19 449,8	2,4	33,0
Total assets	612 644,6	100,0	813 861,8	100,0	32,8

III. LIABILITIES OF RK INSURANCE/REINSURANCE ORGANIZATIONS

Table 3. Structure of total liabilities of RK insurance sector

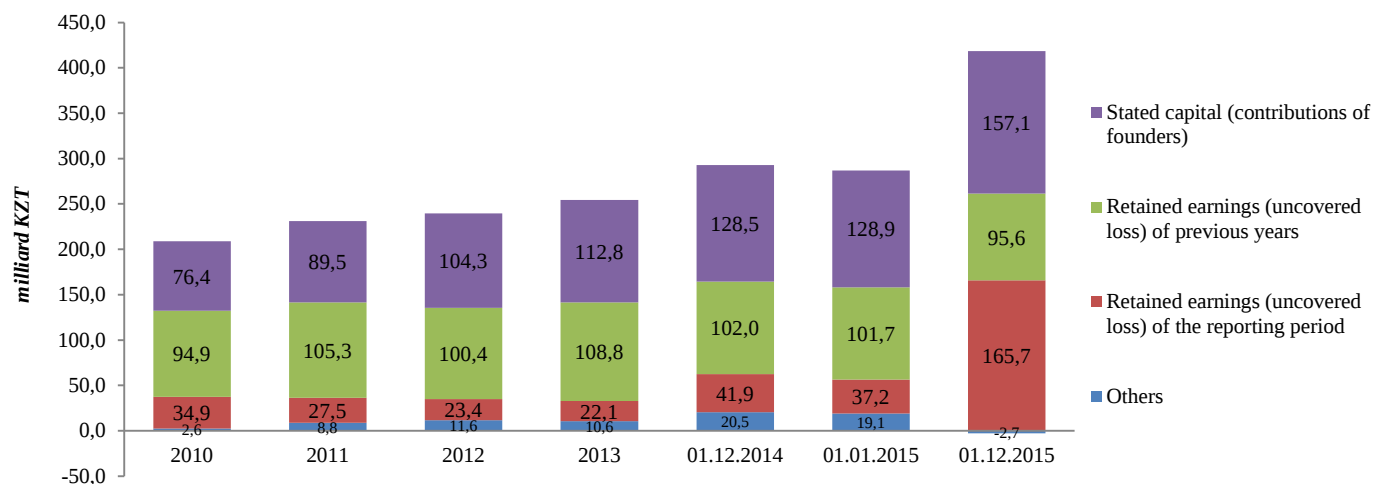
Indicator name / data	01.01.2015		01.12.2015		changes from the beginning of the year, % of total
	million KZT	% of total	million KZT	% of total	
Insurance reserves, including:	298 055,6	91,5	349 444,7	87,8	17,2
<i>Unearned premium reserve</i>	111 361,2	34,2	119 668,3	30,1	7,5
<i>Reserve of not occurred losses on life insurance contracts</i>	9 927,2	3,0	11 176,8	2,8	12,6
<i>Reserve of not occurred losses on annuity contracts</i>	75 057,5	23,0	103 182,9	25,9	37,5
<i>Incurred but not reported reserve</i>	44 021,8	13,5	45 663,8	11,5	3,7
<i>Reserve declared, but not settled losses</i>	57 687,9	17,7	69 752,9	17,5	20,9
Loans raised	444,5	0,1	389,7	0,1	- 12,3
Settlements with reinsurance companies	9 463,2	2,9	15 212,2	3,8	60,8
Settlements with intermediaries of insurance/reinsurance activity	1 585,1	0,5	1 976,3	0,5	24,7
Accounts payable under insurance/reinsurance contracts	2 937,8	0,9	3 970,7	1,0	35,2
Other payables	2 948,1	0,9	4 557,7	1,1	54,6
Other liabilities	10 225,8	3,1	22 597,4	5,7	121,0
Total liabilities	325 660,1	100,0	398 148,7	100,0	22,3

Diagram 1. Change in assets, equity and insurance reserves



IV. EQUITY OF THE INSURANCE SECTOR OF KAZAKHSTAN

Diagram 2. Structure of equity of RK insurance sector



V. INSURANCE PREMIUMS

Table 4. Insurance premiums inflow

Insurance premiums inflow	01.12.2014		01.12.2015		changes, %
	million KZT	% of total	million KZT	% of total	
Total, including:	242 473,8	100,0	263 082,9	100,0	8,5
Compulsory insurance. including:	61 407,2	25,3	67 845,1	25,8	10,5
Compulsory motor third party insurance	30 752,6	12,7	35 247,8	13,4	14,6
Insurance of employee against accidents when he/she performs his/her work (office) duties	26 899,2	11,1	28 793,6	10,9	7,0
Civil liability insurance before passengers	1 536,6	0,6	1 636,6	0,6	6,5
Other classes of Compulsory insurance	2 218,8	0,9	2 167,1	0,8	- 2,3
Voluntary personal insurance. including:	70 975,3	29,3	73 596,3	28,0	3,7
Life insurance	22 302,0	9,2	21 941,6	8,3	- 1,6
Annuity insurance	18 533,4	7,6	25 215,8	9,6	36,1
Insurance against accidents	10 330,6	4,3	5 981,9	2,3	- 42,1
Illness insurance	19 809,4	8,2	20 457,0	7,8	3,3
Voluntary property insurance. including	110 091,3	45,4	121 641,5	46,2	10,5
Property insurance. except for clauses of 3.1-3.5	48 494,0	20,0	55 704,6	21,2	14,9
Civil liability insurance. except for clauses of 3.7-3.9	17 916,8	7,4	21 718,7	8,3	21,2
Insurance against other financial losses	15 126,0	6,2	11 354,0	4,3	- 24,9
Motor car insurance	15 306,9	6,3	14 973,5	5,7	- 2,2
Cargo insurance	3 958,7	1,6	5 517,3	2,1	39,4
Other classes of voluntary property insurance	9 289,0	3,8	12 373,4	4,7	33,2

* the amount is indicated here with insurance premiums under taken reinsurance contracts

Diagram 3. Dynamics of insurance premiums per quarter

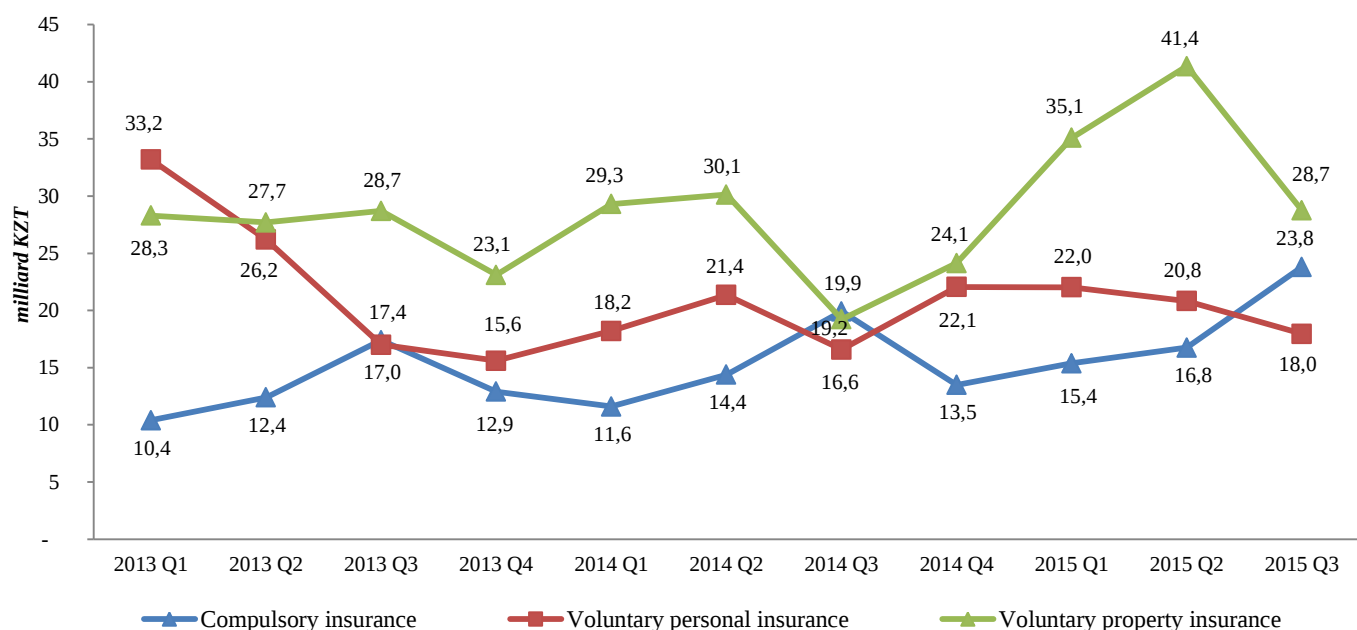


Table 5. Insurance premiums received by insurance sectors

Insurance premiums by sectors of insurance	01.12.2014		01.12.2015		changes, %
	million KZT	% of total	million KZT	% of total	
Всего по отраслям страхования	242 473,8	100,0	263 082,9	100,0	8,5
Страхование жизни	40 835,3	16,8	47 157,4	17,9	15,5
Общее страхование	201 638,5	83,2	215 925,5	82,1	7,1

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

Diagram 4. Dynamics of insurance premiums by insurance sector

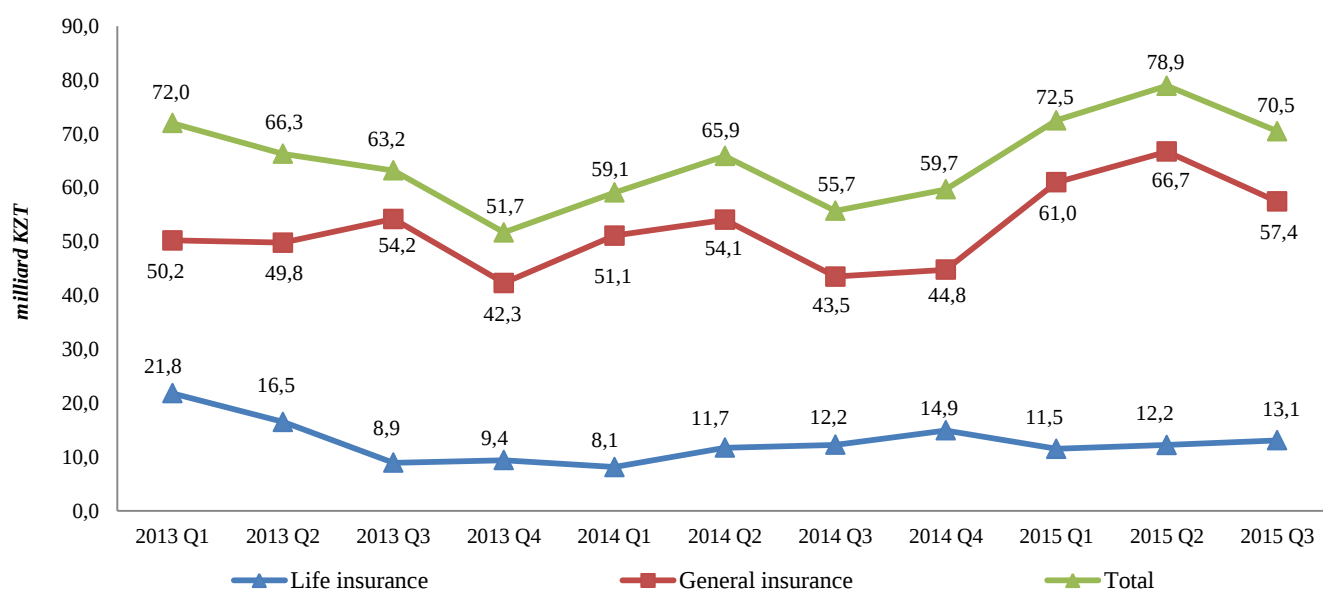


Diagram 5. The mix of insurance premiums in “life insurance” sector

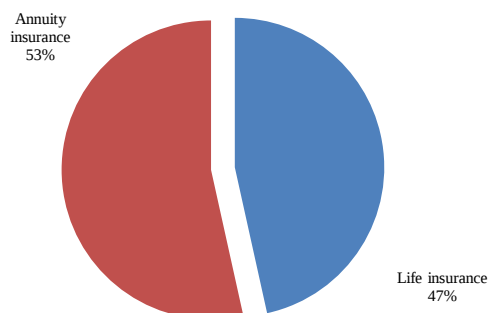
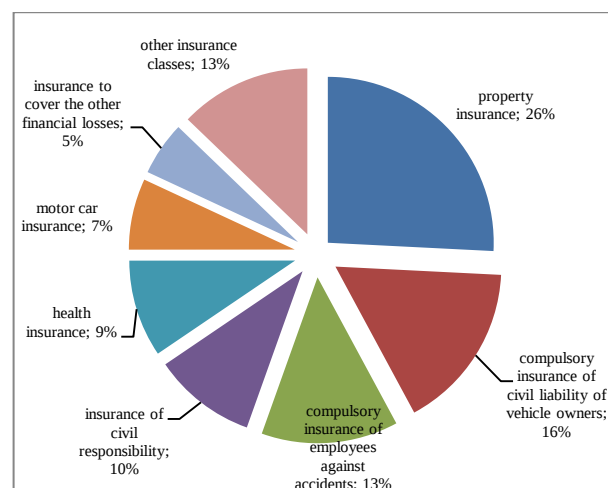


Diagram 6. The mix of insurance premiums in “general insurance” sector



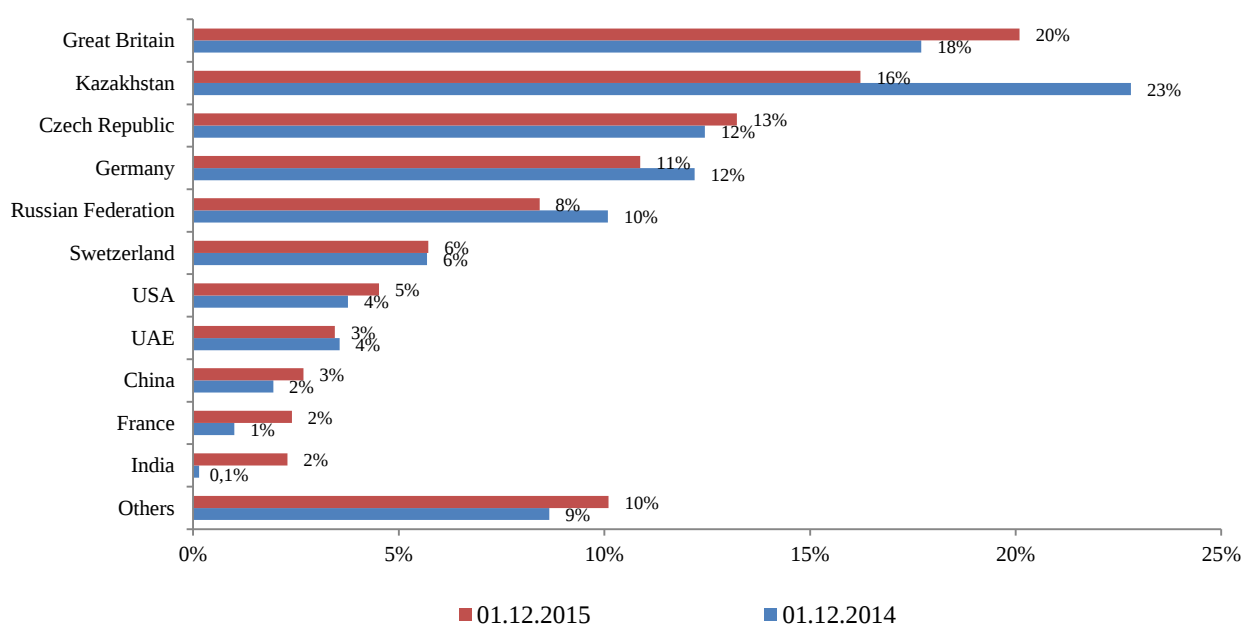
VI. REINSURANCE

Table 6. Structure of insurance premiums passed for reinsurance

Insurance premiums	01.12.2014		01.12.2015		changes, %
	million KZT	% of total*	million KZT	% of total*	
Total passed to reinsurance, including	75 629,9	31,2	83 567,3	31,8	10,5
to non-residents	58 385,1	24,1	70 030,1	26,6	19,9
to residents	17 244,8	7,1	13 537,2	5,1	-21,5
Total received for reinsurance from non-residents	11 865,0	4,9	10 117,1	3,8	-14,7

*in percentage under insurance and reinsurance agreements

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



VII. INSURANCE CLAIMS

Table 7. Structure of insurance claims

Insurance claims	01.12.2014		01.12.2015		changes, %
	million KZT	% of total	million KZT	% of total	
Total, including:	55 578,3	100,0	60 062,2	100,0	8,1
Compulsory insurance, including:	23 905,5	43,0	22 870,1	38,1	-4,3
Compulsory motor third party insurance	13 318,1	24,0	16 113,7	26,8	21,0
Insurance of employee against accidents when he/she performs his/her work (office) duties	9 298,7	16,7	6 183,7	10,3	-33,5
Other classes	1 288,7	2,3	572,6	1,0	-55,6
Voluntary personal insurance, including	22 773,1	41,0	26 989,9	44,9	18,5
Life insurance	734,9	1,3	970,5	1,6	32,1
Annuity insurance, including	7 884,0	14,2	9 770,9	16,3	23,9
Insurance against accidents	338,3	0,6	970,7	1,6	187,0
Illness insurance	13 815,9	24,9	15 277,8	25,4	10,6
Voluntary property insurance, including:	8 899,7	16,0	10 202,2	17,0	14,6
Motor car insurance	4 100,2	7,4	5 024,2	8,4	22,5
Insurance of civil responsibility	2 588,2	4,7	2 593,2	4,3	0,2
Property insurance, except for clauses of 3.1-3.5	866,8	1,6	304,4	0,5	-64,9
Other classes	1 344,6	2,4	2 280,5	3,8	69,6

*the amount is indicated with deduction of insurance claims made under reinsurance contracts – 13 803,3 mln. KZT

Diagram 8. Dynamics of insurance claims

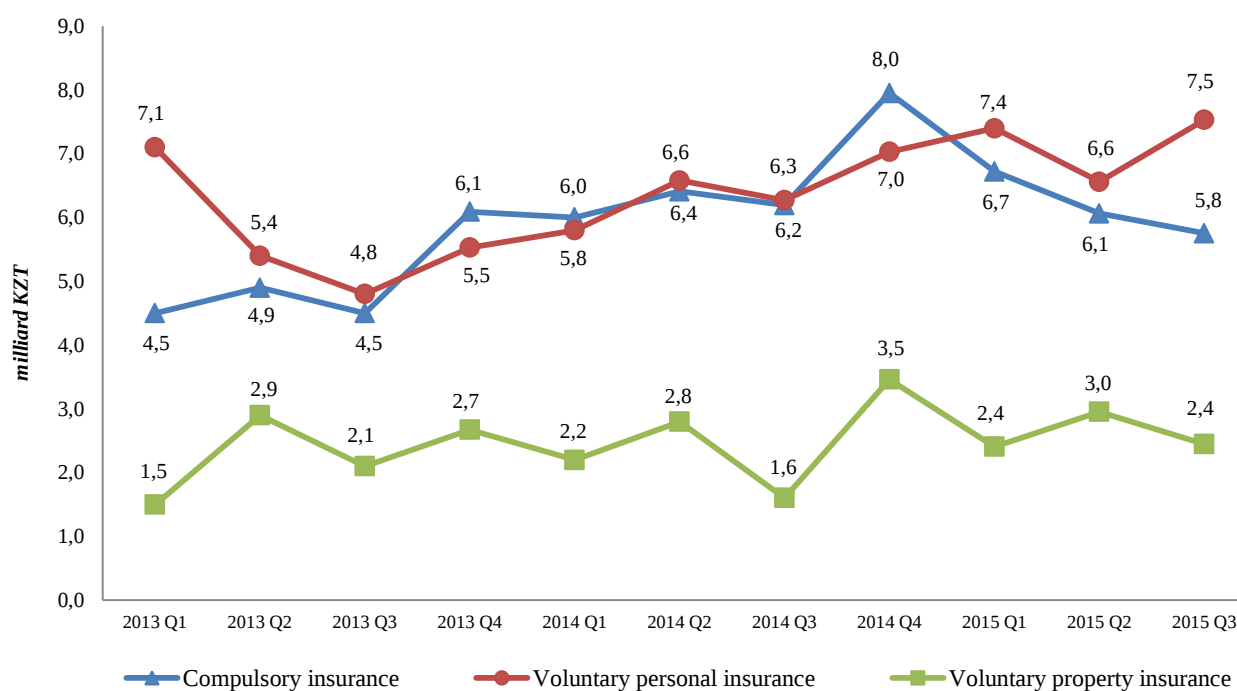
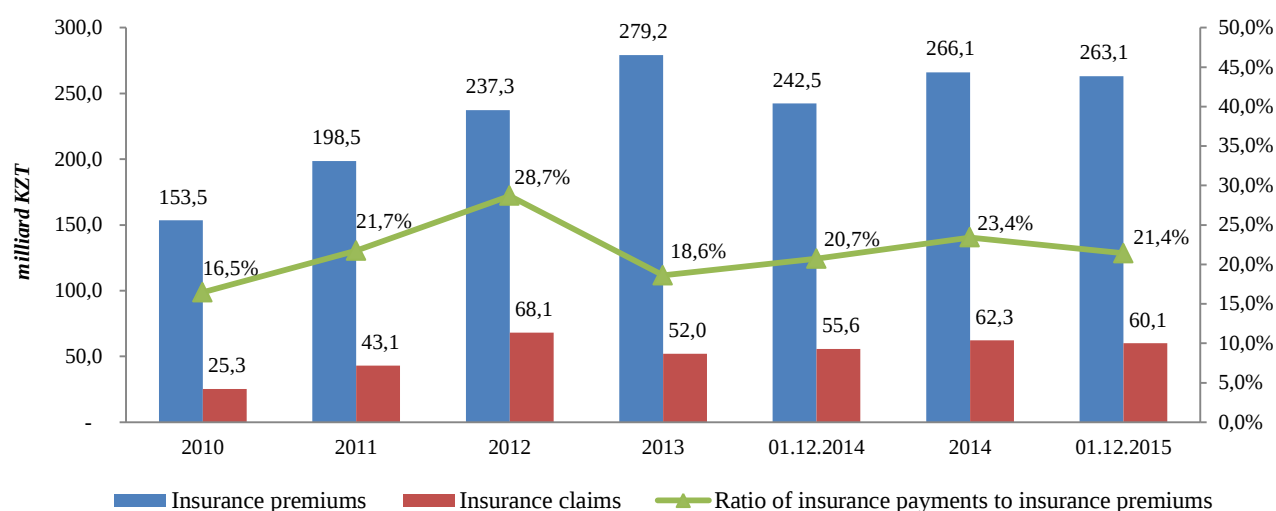


Diagram 9. Ratio of insurance payments to insurance premiums



VIII. EFFICIENCY OF THE INSURANCE SECTOR OF KAZAKHSTAN

Table 8. Profitability of the insurance sector

Income/Losses	01.12.2014		01.12.2015		changes, %
	million KZT	% of total	million KZT	% of total	
Income from insurance activities	170 982,2	79,9	182 081,8	47,6	6,5
Income from investment activities	41 129,3	19,2	198 701,5	51,9	4,8 times
Income from other activities	2 014,8	0,9	1 912,3	0,5	- 5,1
Total income	214 126,3	100,0	382 695,7	100,0	78,7
Net expenses related with insurance claims	49 680,4	30,9	62 111,9	32,2	25,0
Expenses related with payment of commission fees on insurance activities	32 507,3	20,2	31 178,2	16,2	- 4,1
General and administrative expenses	42 465,7	26,4	47 207,6	24,5	11,2
Other expenses	35 965,6	22,4	52 205,1	27,1	45,2
Total expenses	160 619,1	100,0	192 702,8	100,0	20,0
Net income/loss before corporate income tax	53 507,2		189 992,8		255,1
Corporate income tax	8 200,7		18 235,8		122,4
Total net income/loss before taxes	45 306,5		171 757,1		3,8 times

IX. MACROECONOMIC INDICATORS AND CONCENTRATION OF THE INSURANCE SECTOR

Table 9. Macroeconomic indicators of the insurance sector

Key indicators of the insurance sector	01.12.2014	01.01.2015	01.12.2015
GDP, mln. KZT ¹	38 624,4	38 624,4	41 308,0
Assets to GDP ratio, %	1,56	1,59	1,97
Equity capital to GDP ratio, %	0,75	0,74	1,01
Insurance premiums to GDP ratio, %	0,47	0,69	0,64
Insurance premiums per capita ratio, KZT ²	10 411,8	15 296,8	14 921,9

Table 10. Concentration of the insurance sector, %

Share of total indicators of the insurance market, %	01.12.2014	01.01.2015	01.12.2015
Assets of ten largest insurance companies	69,2	70,2	75,5
Equity capital of ten largest insurance companies	72,8	71,6	76,0
Insurance premiums of ten largest insurance companies	52,0	56,6	56,3
Insurance claims of ten largest insurance companies	50,6	50,5	61,2

¹ according to data 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 17 631 thsd. people as of 1 November 2015.