

KYRGYZSTAN:

insurance market overview



INSURANCE

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INTRODUCTION

Kyrgyz law identifies insurance activity as an activity of organisations that have a license to provide services to individuals and legal entities for premium services, the subject of which are contractual specific obligations of the insurer in the event of an unknown event, with the distribution of risk among a large number of persons exposed to such a risk, calculated on the basis of the principle calculation of large numbers. Insurance in the Kyrgyz Republic is carried out on the basis of property contracts or personal insurance concluded by an individual or a legal entity (insured) with an insurance organisation (insurer). Insurance is one of the most dynamically developing spheres of the Kyrgyz business. The volume of operations in the insurance services market is steadily growing.

1. LEGAL FRAMEWORK

The insurance activity is mainly regulated by the Civil Code of the Kyrgyz Republic and the Law of the Kyrgyz Republic "On organisation of insurance in the Kyrgyz Republic". The former includes a general overview of the insurance market, licensing provision, liquidation and operation part of insurance businesses. The latter establishes the basic principles of state regulation of insurance activities.

Moreover, the insurance activity is regulated by the following specific laws and by-laws:

- On Investments in the Kyrgyz Republic;
- On State Pension Social Insurance;
- Mandatory insurance of employer's civil liability for infliction of harm to life and health of a worker in the performance of employment duties;
- Compulsory civil liability insurance of carrier of dangerous goods;
- Compulsory insurance of civil liability of organisations operating hazardous production facilities;
- Compulsory insurance of civil liability of the carrier to passengers;
- State social insurance;
- Medical insurance for citizens;
- "On approval of the Regulations on qualification requirements" (approved by the Resolution of the Government of the Kyrgyz Republic dated 1 August 2012, No. 525);
- "On Approval of the Instruction on Prudential Norms" (approved by the Resolution of the Government of the Kyrgyz Republic dated 1 June 2011, No. 278);
- "On Approval of the Regulation on the Procedure for Calculating the Norms of Deductions to Insurance (Technical) Reserves of Insurance organisations of the Kyrgyz Republic "(approved by the Resolution of the Government of the Kyrgyz Republic dated 5 August 2009, No. 500);
- "On approval of the form and deadlines for submission by the insurance (reinsurance) organisations of the report "Information on received insurance premiums and insurance compensation payments" (approved by the Resolution of the Government of the Kyrgyz Republic dated 5 November 2010, No. 266);
- "On approval of the Rules for the placement by insurance organisations of insurance (technical) reserves" (approved by the Resolution of the Government of the Kyrgyz Republic dated 5 January 2011, No. 3);
- "On approval of the Provision on temporary administration for the management of insurance (reinsurance) organisations" (approved by the Resolution of the Government of the Kyrgyz Republic dated 11 November 2011, No. 712);
- "On Approval provisions on the organisation of insurance under Islamic principles (takaful) and on securities issued under the Islamic principles of financing (sukuk)" (approved by the Resolution of the Government of the Kyrgyz Republic dated 12 September 2009, No. 578);
- "On approval of the Concept of Insurance Market Development in the Kyrgyz Republic for 2013-2017 years "(approved by the Resolution of the Government of the Kyrgyz Republic dated 15 April 2013, No.194);
- "On approval of the Regulation on the procedure for the submission and publication of financial statements by insurance organisations and private pension funds" (approved by the Resolution of the Government of the Kyrgyz Republic dated 23 August 2011, No. 481);
- "On setting the maximum amount of liability for individual risk in insurance agreement" (approved by the Resolution of the Government of the Kyrgyz Republic dated 25 November 2010, No. 299),
- "On approval of the minimum authorised capital for insurance organisations" (approved by the Resolution of the Government of the Kyrgyz Republic dated 25 November 2010, No. 300);
- "On approval of insurance tariffs and amounts of insurance amounts (limits of liability the compulsory insurance of civil liability " (approved by the Resolution of the Government of the Kyrgyz Republic dated 26 February 2010, No. 113).

In addition the activity of insurance companies is regulated by the Law "On Joint Stock Companies" and the Law "On Securities Market".

2. REGULATORS

According to the Law of the Kyrgyz Republic "On organisation of insurance in the Kyrgyz Republic" state supervision of insurance activities in the territory of the Kyrgyz Republic and regulation of insurance activities is carried out by the financial regulation authority.

The financial regulation authority shall:

- a) receive from insurers the established reports on insurance activities and information on their financial situation;
- b) perform compliance inspections of insurers with the legislation of the Kyrgyz Republic on insurance and reliability of the reporting they provide;
- c) inspect the activities of insurance organisations in accordance with the legislation of the Kyrgyz Republic;
- d) issue licenses for the right to carry out insurance activities;
- e) in case of violation of the legislation regulating requirements and the procedure for the performance of insurance activities by insurers, the financial regulation authority provides insurers with instructions on their elimination, and in case of non-compliance with the requirements, suspends the licenses of these insurers until the violations are identified;
- f) participate in the liquidation of an insurance organisation in the event of its insolvency in accordance with the legislation of the Kyrgyz Republic on bankruptcy.

3. MAIN MARKET PLAYERS

According to the results of our market inquiry, there are 21 insurer companies and insurance organisations in Kyrgyzstan. These are as follows:

1) Insurance Company "Kyrgyzstan" CJSC was established on July 5, 1991 by Decree of the Government of the Kyrgyz Republic No. 333, a company became the successor of the State Insurance of the Kyrgyz SSR, which was established in 1926. To date, CJSC IC "Kyrgyzstan" is one of the leading companies of the national insurance market to collect insurance payments is one of the leaders among insurance companies. CJSC IC "Kyrgyzstan" has licenses for more than 30 types of voluntary and compulsory insurance and reinsurance. The authorised capital is 150 500 000 KGS, Assets 286 862 260 KGS.

2) "NSC" CJSC was established in 2007. Today, CJSC "NSC" holds leading positions in the main types of insurance: aviation insurance, voluntary medical insurance, motor vehicle insurance and voluntary insurance of civil liability. The authorised capital is 150 000 000 KGS, own capital 167 000 000 KGS.

3) "INSURANCE COMPANY" ARSENAL-KYRGYZSTAN CJSC was established on June 14, 2017. The authorised charter capital of the company is currently 150.0 million KGS, the company's equity is 161.4 million KGS. The company is a subsidiary company of LLC "ARSENAL", Moscow, and a member of the "ARSENAL" Insurance Group. "ARSENAL" LLC - Moscow has been operating since 1997. In 2016, the rating agency "Expert RA" assigned the "reliability" rating to LLC "Insurance Company" ARSENAL "A" High level of reliability "Own capital "ARSENAL" INSURANCE COMPANY "is 2.38 billion rubles." INSURANCE COMPANY "ARSENAL-KYRGYZSTAN" CJSC offers a range of insurance services, both for traditional types of insurance, and this is: property, personal, liability insurance, as well as a comprehensive banking insurance, professional responsibility, financial risks, insurance near the customs sphere.

4) "Mega Insurance Group" CJSC was established on September 10, 2008. The authorised capital of a company in the amount of 200,000,000 KGS, formed in cash. Shareholders of the company are individuals, citizens of the Kyrgyz Republic.

5) "Jubilee Kyrgyzstan Insurance Company" CJSC (Jubilee Kyrgyzstan Insurance Company) in the insurance market since 1997, the company's shares are held by the Kyrgyz Investment Credit Bank (KICB), the Aga Khan Foundation for Economic Development (AKFED), Switzerland, and insurance company Jubilee General and Jubilee Life, Pakistan. The company's own capital has been increased up

to 102 million KGS, which makes the company one of the largest players in the capitalization market in the insurance market of the Kyrgyz Republic.

4. TYPE OF INSURANCE

Civil Code of the Kyrgyz Republic divides all insurances into two types: property insurance and personal insurance. Property insurance implies insurance of the risk of complete loss (death), shortage or damage to a certain property; risk of civil liability - the risk of liability for liabilities arising from the damage to life, health or property of others. Personal insurance implies insurance of life, health and (or) property of a certain person. Additionally, the Kyrgyz law classifies insurance as either voluntary or compulsory. Compulsory insurance implies insurance of life, health or property of persons specified in the law in the event of harm to their life, health or property; risk of civil liability, which may occur as a result of causing harm to the life, health or property of others.

Moreover, the law of Kyrgyz Republic creates specific types of insurance:

1. **Mandatory insurance of employer's civil liability for infliction of harm to life and health of a worker in the performance of employment duties.**

The object of this type of insurance is a property interest of an employer that is associated with employer's responsibility to compensate damage caused to life and health of employee.

2. **Compulsory civil liability insurance of carrier of dangerous goods.**

The object of this type of insurance is a property interest of carrier, associated with the duty established by civil law of Kyrgyz Republic, for damages caused to life, health, property and (or) environment.

3. **Compulsory insurance of civil liability of organisations operating in hazardous production facilities.**

The object of this type of insurance is the property interest of the organisation, operating hazardous production objects associated with the duty established by the civil law of Kyrgyz Republic, for damages caused to life, health and (or) property of third persons, as well as surrounding the accident environment at hazardous production facility.

4. **Compulsory insurance of civil liability of the carrier to passengers.**

The object of this type of insurance is a property interest of insurer (carrier) associated with its responsibility by the civil law of Kyrgyz Republic to the passengers, for damages caused to life, health and (or) property of passengers during their transportation.

5. **State social insurance.**

This type of insurance is a state-guaranteed system which protects the insured persons in their loss of earnings or income as a result of an industrial injury or occupational illness, disability, old age, survivors, and death due to compulsory insurance contributions of employers and citizens.

State social insurance beneficiaries should be:

1. citizens of Kyrgyz Republic in labor relations (employees);
2. citizens of Kyrgyz Republic, carrying out work for other conditions (self-employed sole trades and individuals), in case of payment of insurance premiums;
3. people without citizenship and foreign citizens on an equal footing with citizens of Kyrgyz Republic under the conditions laid down in the applicable law and entered in accordance with the law in force of the international treaties to which the Kyrgyz Republic;
4. citizens of Kyrgyz Republic, working in international organisations, diplomatic institutions and offices;
5. citizens of Kyrgyz Republic, to the established order to work abroad based on entered accordance with the law in force of the international treaties to which the Kyrgyz Republic.

Types of state social insurance are pension provision, ritual (funeral expenses), compensation for the costs of compulsory health insurance, funding to improve the health of insured people and members of their families, their dependent.

6. **Medical insurance for citizens.**

The medical insurance is the system of measures for the social protection of citizens in the Kyrgyz Republic, which provides quality medical, preventive and other services. The types of medical insurance are either base (covered by government), compulsory or voluntary. The purpose of compulsory medical insurance is to provide insured people in Kyrgyz Republic with quality health and preventive services.

A compulsory medical insurance benefit can only be applied to:

1. citizens of Kyrgyz Republic in labor relations by rights of labor contract;

2. pensioners;
3. unemployed, who was registered in authorities of the state public employment office;
4. citizens of Kyrgyz Republic, carrying out work for other conditions (self-employed sole traders and individuals), in case of payment of insurance premiums;
5. people, who receives social security's;
6. military and equated;
7. children before 16 years old studying in school;
8. students of institutions, who has not reached the age of 18 years;
9. foreign citizens, who are transient or resident individuals on the territory of Kyrgyz Republic;
10. stateless people, who are resident individuals on the territory of Kyrgyz Republic;
11. and other categories of citizens.

5. FOREIGN PARTICIPATION

According to the Law of the Kyrgyz Republic «On organisation of insurance in the Kyrgyz Republic» the insurer could be a legal entity (insurance organisation) that is a commercial organisation and has a special permit (license) for the implementation of insurance of the relevant type.

But it is worth considering the following notes:

Insurers of the Kyrgyz Republic, within the limits of volumes established by the Government of the Kyrgyz Republic, can reinsure their risks directly from foreign reinsurers, including through foreign insurance and reinsurance brokers registered as legal entities in their country of residence. Intermediary insurance activities related to the conclusion of insurance contracts on behalf of foreign insurance organisations in the territory of the Kyrgyz Republic are not allowed. Foreign insurance brokers may carry out activities in the territory of the Kyrgyz Republic after the recognition of a corresponding license issued by authorised bodies of foreign states in the manner determined by the legislation of the Kyrgyz Republic in the sphere of licensing of certain types of activities.

6. LICENSING

According to the Law of the Kyrgyz Republic «On organisation of insurance in the Kyrgyz Republic» the insurers are legal entities created in the organisational and legal form provided for by this Law with the purpose of carrying out insurance activities and having received in the prescribed manner a license to carry out insurance activities in the territory of the Kyrgyz Republic.

Types of activities connected with insurance and which are subject to licensing are:

- voluntary accumulative life insurance carried out by the insurance organisation;
- voluntary personal insurance carried out by an insurance organisation;
- voluntary property insurance carried out by an insurance organisation;
- voluntary liability insurance, carried out by an insurance company;
- compulsory types of insurance carried out by the insurance organisation;
- incoming reinsurance for compulsory and voluntary types of insurance, carried out by a reinsurance organisation,
- the activity of an insurance broker.

In order to obtain a license and (or) permission, the following documents must be submitted:

- application of the established form;
- a copy of the identity document - for an individual;
- a copy of the certificate of state registration - for a legal entity and an individual entrepreneur;
- a copy of the document confirming the imposition of a license fee for the consideration of an application and the issuance of a license and (or) authorization;
- copies of documents provided by the Regulation on licensing of certain types of activities, approved by the Government of the Kyrgyz Republic.

Also, the applicant has to apply for a license and/or authorisation online through the site of the financial regulation authority. The applicant can obtain an electronic license and (or) permission, indicating such request in the application.

Timeframe for consideration of an application and issuance of a license and/or authorization is 30 calendar days from the date of submission of the application with the required set of documents.

7. REQUIREMENTS TO FINANCIAL SOLVENCY OF INSURERS

The Law of Kyrgyz Republic includes the following requirements to financial solvency of insurers:

1. The authorised capital of an insurance organisation has to be fully paid at a rate not lower than the minimum authorised capital, established by the Government of the Kyrgyz Republic:

- for an insurance organisation that carries out activities on voluntary types of insurance and / or reinsurance, with the exception of life-saving life insurance, in the amount of at least KGS 30,000,000 (thirty million);
 - for an insurance organisation that carries out voluntary and compulsory insurance and reinsurance activities, including life insurance, in the amount of at least KGS 100000000 (one hundred million) before January 1, 2017, and from July 1, 2017 not less than KGS 150,000,000 (one hundred and fifty million);
 - for insurance organisation that carries out activities solely for reinsurance, in the amount of at least KGS 300000000 (three hundred million) until July 1, 2017;
 - for insurance organisation that carries out activities exclusively on reinsurance in the territory of free economic zones in the Kyrgyz Republic, in the amount of not less than KGS 100,000,000 (one hundred million);
 - for insurance (reinsurance) broker in the amount of at least KGS 1,000,000 (one million).
2. Formation of the authorised capital should be carried out only in the monetary form. Capital comprises only such authorised capital, under which the insurance organisation has no obligation to repay the funds invested by the founders (shareholders);
 3. The funds invested by the founders (shareholders) in the authorised capital of the insurance organisation could be received only by selling their shares;
 4. Before obtaining a license to conduct insurance operations, the insurance organisation must create and deposit on its account the minimum authorised capital;
 5. The placement of insurance reserves should only be authorised by the parent insurance organisation;
 6. The condition for ensuring financial stability of insurers should be availability of their fully paid authorised capital formed insurance reserves, reinsurance system, as well as compliance by insurers in the Kyrgyz Republic;
 7. To ensure their solvency, insurers are obliged to comply with solvency standards and standards of maximum liability for insuring individual risks, based on the amount of their own funds. The maximum amount of liability for an individual risk in an insurance contract cannot exceed 20 percent of the amount of own funds. Insurers that have accepted obligations in amounts exceeding the possibilities of their execution at the expense of their own funds and insurance reserves are obliged to insure against the reinsurers the risk of meeting their respective obligations;
 8. To ensure the fulfillment of accepted insurance obligations, the insurers form the insurance reserves necessary for the forth coming insurance payments by types of insurance from the received insurance premiums before taxation;
 9. Insurance reserves of one type of insurance cannot be used to cover obligations under insurance contracts of another type. Insurance reserves are formed in the currency in which insurance is made, including freely convertible currency. From incomes remaining after payment of taxes and arriving at the disposal of insurers, they can form other reserves necessary to ensure their activities. Insurance reserves formed by insurers are not subject to withdrawal to the state and local budgets;
 10. Insurers have the right to allocate (invest) insurance reserves, as well as provide temporary financial assistance to insured (insured) who have concluded personal insurance contracts, within the limits of insurance amounts under these contracts. The placement of insurance reserves should be made by insurers in compliance with the principles of reliability, repayment, profitability, liquidity and diversification. Within the limits established by the Government of the Kyrgyz Republic, the placement of insurance reserves may be made outside the territory of the Kyrgyz Republic.
 11. Payment of the insurance premium and payment of the insurance amount (insurance compensation) can be made in national and foreign currency. In case of payment of insurance premium in foreign currency, the insurance amount (insurance compensation) by agreement of the parties can be paid in KGS.

8. INTERNAL CONTROL

Regulations and Laws have been enacted by the state authorities to establish a standard within the workplace of professionals involved in the market, moreover, to counteract legalization of income, through insurance activities, that was derived from the financing of terroristic coalitions and other unlawful/criminal activities.