

# Kazakhstan:

## insurance market overview



## 1. Legal Framework

The insurance market in Kazakhstan is mainly regulated by two legal acts, namely, the Civil Code of the Republic of Kazakhstan dated 27 December 1994 (the “**Civil Code**”) and the Law of the Republic of Kazakhstan “On Insurance Activity” No.126-II dated 18 December 2000 (the “**Insurance Law**”). The former provides for a general overview of the insurance activity in Kazakhstan and relationship between the insurer and the insured, as well as the beneficiary. The latter regulates the relations arising in the field of insurance, lists participants of the insurance market, classifies industries and insurances in the insurance market, defines subjects of insurance activity, lists rights and obligations of the insurer and the insured.

Additionally, main documents in the sphere of establishing insurance enterprises are the Law of the Republic of Kazakhstan “On Joint-Stock Companies” No.415-II dated 13 May 2003 and the Law of the Republic of Kazakhstan “On Partnerships with Limited and Additional Liability” No.220-I dated 22 April 1998.

## 2. Regulator

The National Bank of the Republic of Kazakhstan (the “NBK”) is considered to be the authorised body responsible for regulation of insurance market in the country, licensing insurance activities, suspending issued licenses, establishing requirements standards for the solvency and insolvency of insurance (reinsurance) organisations. The NBK also exercises other powers in accordance with the scope of the authority provided by the law.

## 3. Main Market Players

Generally, information on the main market players is available on the website of the NBK. Currently, there are 32 insurance (reinsurance) organisations, 15 insurance brokers, 59 actuaries etc. The main insurance (reinsurance) organisations in the market are JSC “Insurance Company “Kazkommerts-Policy”, JSC “London Almaty Insurance Company” and JSC “Kazakhinstrakh”.

## 4. Types of Insurance

The Insurance Law divides all insurances into two general types of insurances:

- Life insurance that includes insurances of life and annuity insurance;
- General insurance that comprises of property insurance, liability insurance, the personal insurance and insurances other than covered by life insurance.

Article 806 of the Civil Code classifies insurances as either voluntary or obligatory. The list of obligatory types of insurances in the Republic of Kazakhstan is indicated in Ordinance of the Prime-Minister of the Republic of Kazakhstan “On Approval of Optimal List of Obligatory Types of Insurance” No.38-p dated 21 March 2003. Basically, such list includes 11 types of obligatory insurance; some of such types are:

- (i) obligatory social insurance;
- (ii) obligatory insurance of civil and legal liability of owners of vehicles;
- (iii) obligatory medical insurance;
- (iv) obligatory insurance of liability of employers for the damage caused to employees during performance of their duties etc.

## **5. Foreign Participation**

Generally, insurance of assets of residents located in Kazakhstan can only be insured by insurance organisations which are residents of Kazakhstan.

The legal entities registered in the so-called offshore jurisdictions, the list of which is established by the NBK, are prohibited to be shareholders of insurance (reinsurance) organisations.

In 2015 Kazakhstan joined the World Trade Organisation and undertook an obligation to allow branch offices of foreign insurance companies to provide certain insurance services in Kazakhstan by 2020.

## **6. Licensing**

Licensing of the insurance activity is carried out by the NBK in relation to insurance of life and general insurance within specific classes of insurance.

## **7. Requirements to Financial Solvency of Insurers (Charter Capital, Insurance Reserves)**

Requirements to Financial Solvency of Insurance Organisations are set in the Resolution of the Management Board of the NBK “On Approval of Normative Values and Calculation Methodology of Prudential Norms of the Insurance (Reinsurance) Organisation and Insurance Group and other Obligatory Norms and Limits to Comply With, List, Forms, Periods of Submitting Report on the Performance of Prudential Norms by Insurance (Reinsurance) Organisations and Insurance Groups, Rules of Provision of Reports on Performance of Prudential Norms by Insurance (Reinsurance) Organisations and Insurance Groups, Requirements to Purchase of Shares (Participatory Interests in Charter Capital) in a Legal Entity by Insurance(Reinsurance) Organisations, Subsidiaries of Insurance (Reinsurance) Organisations or Insurance Holdings, List of Bonds of International Financial Organisations Purchased by Insurance Holdings, Minimal Ranking Required for Bonds Purchased by Insurance Holdings and List of Ranking Agencies, as well as List of Financial Instruments (Except for Shares and Participatory Interests in Charter Capital) Purchased by Insurance (Reinsurance) Organisations” No.304 dated 26 December 2016 (the “**Resolution 304**”).

According to the Resolution 304, the requirements to the charter capital of insurance (reinsurance) organisations depending on the type of insurance sector are as follows:

General Insurance sector	1,500,000 MCIs
Life Insurance sector	1,500,000 MCIs
General Insurance and Reinsurance sector	2,100,000 MCIs
Life Insurance and Reinsurance sector	2,100,000 MCIs
General Insurance sector under Mortgage Lending class	2,100,000 MCIs
Reinsurance where reinsurance is the exceptional type of activity	10,500,000 MCIs

MCI stands for a “monthly calculation index”. MCI changes every year. In 2018 1 MCI is 2,405 KZT.

Insurance organisations are also subject to mandatory prudential ratios established by the NBK.

For more details, please refer to the Resolution 304 and the Resolution of the Management Board of the NBK “On Approval of Requirements to Formation, Calculation Methodology of Insurance Reserves and Their Structure” No.76 dated 6 May 2014.

## **8. Internal Control**

Generally, pursuant to the Insurance Law, insurance (reinsurance) organisations should form a system of risk management and internal control which shall include internal policies and procedures on risk management and internal control, competences and functional obligations of the board of directors, management board and divisions of insurance (reinsurance) organisations as regards to risk management and internal control, limits on allowed amount of risk, internal procedures of providing reports on risk management and internal control, internal criteria of risk management assessment.