



On approval of the Rules and Peculiarities of the Implementation of Reinsurance Activities, as well as the Insurance (Reinsurance) Pool

Unofficial translation

Resolution of the Board of the National Bank of the Republic of Kazakhstan dated August 27, 2018 №. 203. Registered in the Ministry of Justice of the Republic of Kazakhstan on October 2, 2018 № 17460.

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In accordance with the Law of the Republic of Kazakhstan "On Insurance Activities" dated 18 December 2000, the Board of the National Bank of the Republic of Kazakhstan **HEREBY RESOLVED:**

1. That the attached Rules and Peculiarities of the Implementation of Reinsurance Activities as well as the Insurance (Reinsurance) Pool.

2. The Department for Regulation of Non-Banking Financial Organizations (Kosherbayeva A.M.), in the order established by the legislation of the Republic of Kazakhstan, shall ensure:

1) jointly with the Legal Department (Sarsenova N.V.) the state registration of this resolution with the Ministry of Justice of the Republic of Kazakhstan;

2) within ten calendar days from the date of state registration of this resolution, its direction both in Kazakh and Russian languages to the Republican State Enterprise on the Right of Economic Management "Republican Center of Legal Information" for official publication and inclusion in the Reference Control Bank of Regulatory Legal Acts of the Republic of Kazakhstan;

3) placement of this resolution on the official web-site of the National Bank of the Republic of Kazakhstan after its official publication;

4) within ten working days after the state registration of this resolution, submission to the Legal Department of the information on the implementation of measures provided by subitems 2), 3) of this paragraph and paragraph 3 of this resolution.

3. Within ten calendar days after the state registration of this resolution, the Department on Protection of the Rights of Consumers of Financial Services and External Communications (Terentyev A. L.) shall provide the direction of a copy hereof for official publication in periodicals.

4. Deputy Chairman of the National Bank of the Republic of Kazakhstan, Zh.B. Kurmanov shall be responsible for the control over the execution of this resolution.

5. This resolution shall come into effect upon expiration of ten calendar days after the day of its first official publication.

Approved
by resolution of the
Board of Directors
of the National Bank
Republic of Kazakhstan
№ 203 dated August 27, 2018

Rules and Peculiarities of the Implementation of Reinsurance Activities as well as the Insurance (Reinsurance) Pool

1. These Rules and Peculiarities of the Implementation of Reinsurance Activities as well as the Insurance (Reinsurance) Pool (hereinafter referred to as the Rules) have been developed in accordance with the Law of the Republic of Kazakhstan “On Insurance Activities” dated December 18, 2000 and determine the procedure and peculiarities of the implementation of reinsurance activities as well as the insurance (reinsurance) pool.

2. The following concepts are used for the purposes of the Rules:

1) Bordero - a document provided to the reinsurer by the reinsurer and containing a list of obligations and premiums to be transferred under the reinsurance contract;

2) Reservation - a standard condition for limitation or expansion of risk coverage applied by international insurance (reinsurance) organizations and accepted in international practice in accordance with the customs of business turnover;

3) Reinsurance commission - remuneration paid by the reinsurer to the reinsurer for the transfer of objects (risks) to the reinsurer;

4) reinsurance indemnity - the amount of money received by the reinsurer from the reinsurer under the reinsurance contract consisting of the share of the reinsurer's payment from the actually performed by the insurer insurance indemnity and coverage of expenses incurred by the reinsurer in connection with settlement of losses under the insurance contract;

5) reinsurance contract - an agreement between the reinsurer (assignee) and the reinsurer according to the terms and conditions of which the reinsurer (assignee) transfers and the reinsurer accepts all or a part of the insurance risks under one or several insurance (reinsurance) contracts;

6) reinsurer's liability limit - the maximum reinsurance cover for all or individual risks transferred under the reinsurance contract during the specified period of time, established in excess of the reinsurer's (assignor's) own retention;

7) reinsurer's net reinsurance premium - the amount of money to be paid to the reinsurer for the assumption of obligations by the reinsurer solely for making insurance payments without taking into account the coverage of other expenses;

8) signature sheet - a document drawn up by an insurance broker, a branch of an insurance broker-non-resident of the Republic of Kazakhstan as an attachment to the reinsurance slip, on which the reinsurer makes a mark (signature and (or) stamp) indicating the share of risk

accepted by him/her for reinsurance. The signature sheet, if issued, is an integral part of the reinsurance slip;

9) sublimit - restriction in reinsurance indemnity for certain types of insurance risks determined within the limits of reinsurer's liability;

10) obligatory reinsurance - a form of reinsurance in which the reinsurer (assignor) is obliged to transfer to the reinsurer for reinsurance and the reinsurer accepts all or part of the risks under the insurance contracts according to the terms and conditions of the concluded reinsurance contract;

11) commission of an insurance broker, a branch of an insurance broker-non-resident of the Republic of Kazakhstan - remuneration paid by the reinsurer (assignor) to an insurance broker, a branch of an insurance broker-non-resident of the Republic of Kazakhstan for the transfer of objects (risks) to reinsurance by the latter;

12) non-proportional reinsurance - a type of reinsurance in which the reinsurer's liability for reinsurance indemnity is incurred if the amount of loss or loss exceeds the reinsurer's priority defined in the reinsurance contracts, unless otherwise provided by the reinsurance contract;

13) proportional reinsurance - a type of reinsurance in which the reinsurer's liabilities to the reinsurer for reinsurance payment are determined in the proportion (share) of the insurance payment.

Footnote. Paragraph 2 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 12, 2021 No. 28 (shall come into effect from the date of its first official publication)

3. An insurance (reinsurance) company, a branch of an insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan shall ensure the availability of internal rules and procedures that provide for the procedure for documenting and signing a reinsurance contract, including determining the terms and authorized persons, except for the cases provided for by the Rules.

Footnote. Paragraph 3 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 12, 2021 No. 28 (shall come into effect from the date of its first official publication)

4. When concluding a reinsurance contract with a non-resident reinsurance company of the Republic of Kazakhstan, an insurance (reinsurance) company-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) company-non-resident of the Republic of Kazakhstan (hereinafter referred to as the reinsurer (assignor)) shall have a reinsurance contract (including all annexes), which contains the signatures of all reinsurers participating

in the placement of risks or the reinsurer accepting the largest share of the risk (leading reinsurer), with the obligatory indication of the last name, first name and patronymic (if any), as well as the position of the signatory.

The reinsurer (assignor) shall not need to have a reinsurance agreement in cases where the transfer of insurance risks for reinsurance is carried out through the intermediary of an insurance broker-resident of the Republic of Kazakhstan, a branch of an insurance broker-non-resident of the Republic of Kazakhstan without the participation of an insurance broker-non-resident of the Republic of Kazakhstan or through an insurance broker-non-resident of the Republic of Kazakhstan, which has in the territory of the Republic of Kazakhstan a subsidiary operating as an insurance broker based on a license from the authorized body for regulation, control and supervision of the activities of financial organizations (hereinafter referred to as the Authorized body), by issuing a reinsurance cover or a reinsurance slip with a signature sheet.

In case of participation of an insurance broker-resident of the Republic of Kazakhstan, a branch of an insurance broker-non-resident of the Republic of Kazakhstan in the process of transferring insurance risks to reinsurance through the intermediary of an insurance broker-non-resident of the Republic of Kazakhstan, an insurance broker-resident of the Republic of Kazakhstan, a branch of an insurance broker-non-resident of the Republic of Kazakhstan shall verify compliance the content of the reinsurance cover note to the reinsurance contract and (or) the reinsurance slip.

In case of contradictions between the terms of the concluded reinsurance contract (reinsurance slip) and the reinsurance cover note, the terms of the reinsurance contract (reinsurance slip) shall be accepted.

Footnote. Paragraph 4 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 12, 2021 No. 28 (shall come into effect from the date of its first official publication)

5. As confirmation of the conclusion of a reinsurance contract, it shall be allowed for the reinsurer (assignor) to have electronic or scanned copies of the reinsurance contract (reinsurance slip and (or) subscription list), reinsurance cover note, if these copies are received from an electronic address containing the domain name of an Internet resource a reinsurance company or an insurance broker-non-resident of the Republic of Kazakhstan, which has a subsidiary in the territory of the Republic of Kazakhstan, carrying out the activities of an insurance broker based on a license from an authorized body.

When transferring risks for reinsurance through the mediation of an insurance broker (insurance brokers), a branch of an insurance broker-non-resident of the Republic of Kazakhstan (branches of insurance brokers-non-residents of the Republic of Kazakhstan), it shall be allowed to have a reinsurer (assignor) of an electronic or scanned copy of the reinsurance contract and an electronic extract from information systems for the exchange of

information (messages) between participants in the insurance market Exchange-Lloyd's or Placing Platform Limited (hereinafter referred to as Information exchange systems) received from international insurance (reinsurance) brokers authorized in these systems, having a rating of at least "BBB-" on the international scale of the Standard & Poor's rating agency or a rating of a similar level on the international scale of Moody's agencies Investors Service, Fitch, A.M. Best or their affiliated insurance (reinsurance) brokers. Herein, an electronic statement and an electronic or scanned copy of the reinsurance contract (reinsurance slip) shall be sent to the reinsurer (assignor) from an electronic address containing the domain name of the Internet resource of the reinsurance company or international insurance (reinsurance) broker authorized in information exchange systems and having a rating of at least "BBB-" on the international scale of the rating agency Standard & Poor's or a rating of a similar level on the international scale of Moody's agencies Investors Service, Fitch, A.M. Best or its affiliated insurance (reinsurance) brokers.

Footnote. Paragraph 5 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 12, 2021 No. 28 (shall come into effect from the date of its first official publication)

6. In case of transfer of risks to an insurance (reinsurance) organization - non-resident of the Republic of Kazakhstan within the framework of obligatory proportional reinsurance, the reinsurer (assignor) shall ensure the availability of electronic or scanned copies of brokers of premiums, losses or reconciliation acts on premiums and losses at least once a quarter.

According to the agreement of obligatory non-proportional reinsurance, border premiums, losses or reconciliation acts on premiums and losses shall be drawn up with the periodicity established by the agreement of the parties.

7. The reinsurer (assignor) shall make a decision on the conclusion of the reinsurance contract with a non-resident reinsurer of the Republic of Kazakhstan on the basis of the internal document containing the document:

justification of the necessity of reinsurance of risks outside the Republic of Kazakhstan on the specified conditions (quality of coverage), including economic feasibility;

analysis of price proposals, including those of resident reinsurers to whom the proposal to accept risks was sent.

In case of transfer of risks within the framework of obligatory contract of reinsurance, substantiation of necessity of reinsurance of risks shall additionally contain the analysis of unprofitability of portfolio of contracts of insurance (reinsurance) on transferred types (classes) of insurance, concluded for the last 3 (three) financial years, preceding the date of conclusion of obligatory contract of reinsurance.

8. The requirements of paragraphs 6 and 7 of the Rules shall not apply to reinsurance contracts for the subsequent transfer of risks accepted within the framework of participation in the insurance (reinsurance) pool.

9. When transferring insurance risks to reinsurance, the reinsurer (assignor) shall ensure that he/she has the following information under the reinsurance contract, documented by the reinsurance company:

the size of the net reinsurance premium of the reinsurer, the procedure and terms of its payment;

the size of the reinsurance commission, the commission of the insurance broker and the branch of the insurance broker-non-resident of the Republic of Kazakhstan, the procedure and terms for their payment;

jurisdiction of the country in resolving disputes.

Footnote. Paragraph 9 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 12, 2021 No. 28 (shall come into effect from the date of its first official publication)

10. If the reinsurance contract covers risks, exceeding the maximum amount of the reinsured person's (assignor's) or insurance (reinsurance) pool's own retention under a separate insurance (reinsurance) contract, the reinsured person (assignor) or participants of the insurance (reinsurance) pool shall provide that the reinsurance (reinsurance) pool meets the terms and conditions of the reinsurance with regard to such excess, as well as that the reinsurance contract contains all objects of insurance and insured events provided for in the insurance contract for the purposes of ensuring

If the reinsurance contract contains conditions for the reinsurer's exemption from reinsurance compensation not provided for in the insurance (reinsurance) contract, including franchises, reservations, exclusions from insured events, additional limits of reinsurer's liability and sublimits or other restrictions on reinsurance, the amount of the reinsurer's (assignee's) deductions under a separate insurance (reinsurance) contract shall be determined, taking into account these conditions.

In this case, the part of the risk exceeding the maximum amount of the reinsured person's (assignee's) own retention shall be subject to reinsurance in full.

11. Upon recognition of the insurance (reinsurance) contract under which the subsequent transfer of risk is carried out, invalid or void, the reinsurant (assignor) shall take all necessary measures to return the reinsurance premium, the commission of the insurance (reinsurance) broker, a branch of an insurance broker-non-resident of the Republic of Kazakhstan or other payments related to the conclusion of such a reinsurance contract or parts thereof.

Footnote. Paragraph 11 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 12, 2021 No. 28 (shall come into effect from the date of its first official publication)

12. If the reinsurance contract contains conditions for suspension, termination of the insurance cover or termination of the reinsurance contract in case of non-performance or

improper performance of the obligations of the parties determined by the contract, then, in case of improper performance or non-performance of such obligations, the amount of the reinsurer's (assignee's) own retention shall be determined taking into account these conditions, during such suspension, termination of the insurance cover or from the expected date of termination of the reinsurance contract.

13. An insurance broker, a branch of an insurance broker-non-resident of the Republic of Kazakhstan, carrying out intermediary activities for the conclusion of insurance contracts, based on relevant licenses, shall be involved in the management and conduct of common affairs of insurance pool participants.

An insurance broker, a branch of an insurance broker-non-resident of the Republic of Kazakhstan, carrying out intermediary activities for the conclusion of reinsurance contracts, based on relevant licenses, shall be involved in the management and conduct of common affairs of the participants in the reinsurance pool.

Footnote. Paragraph 13 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 12, 2021 No. 28 (shall come into effect from the date of its first official publication)

14. The participants of the insurance (reinsurance) pool determine the insurance (reinsurance) organization, which assumes the obligation to notify the authorized body of the conclusion of the agreement on the joint activity of the insurance (reinsurance) pool and additional agreements thereto.

15. Notification of the conclusion of the joint activity agreement of the insurance (reinsurance) pool and additional agreements thereto shall be sent on paper with the signature of the authorized person.

16. Upon the occurrence of an insured event under a co-insurance (joint reinsurance) agreement, the insurant (insured, beneficiary), reinsurer shall submit a claim for an insurance payment to any insurer (reinsurer) specified in such an agreement or to an insurance broker, a branch of an insurance broker-non-resident of the Republic of Kazakhstan, carrying out management and conduct of common affairs of participants in the insurance (reinsurance) pool.

Footnote. Paragraph 16 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 12, 2021 No. 28 (shall come into effect from the date of its first official publication)

17. If a claim for insurance payment is made to an insurance (reinsurance) company, a branch of an insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan, which is not charged with the obligation to settle losses in accordance with the terms of the joint activity agreement, then this claim is subject to transfer to the insurance (reinsurance) company, a branch of an insurance (reinsurance) company-non-resident of the

Republic of Kazakhstan or an insurance broker, a branch of an insurance broker-non-resident of the Republic of Kazakhstan, which manages and conducts common affairs of participants in the insurance (reinsurance) pool.

Footnote. Paragraph 17 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated February 12, 2021 No. 28 (shall come into effect from the date of its first official publication)

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