



On approval of the Rules for the formation of a risk management and internal control system for insurance (reinsurance) organizations, branches of insurance (reinsurance) non-resident organizations of the Republic of Kazakhstan

Unofficial translation

Resolution of the Board of the National Bank of the Republic of Kazakhstan dated August 27, 2018 No. 198. Registered in the Ministry of Justice of the Republic of Kazakhstan on October 2, 2018 No. 17462.

Unofficial translation

Footnote. The title - in the wording of the resolution of the Management Board of the Agency of the RK for regulation and development of the financial market dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

In accordance with the laws of the Republic of Kazakhstan "On Insurance Activities", "On State Statistics", the Board of the National Bank of the Republic of Kazakhstan **HEREBY RESOLVES:**

Footnote. The preamble is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

1. Approve the attached Rules for the formation of a risk management and internal control system for insurance (reinsurance) organizations, branches of insurance (reinsurance) non-resident organizations of the Republic of Kazakhstan.

Footnote. The paragraph 1 - in the wording of the resolution of the Management Board of the Agency of the RK for regulation and development of the financial market dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

2. The regulatory legal acts of the Republic of Kazakhstan, as well as the structural elements of some regulatory legal acts of the Republic of Kazakhstan pursuant to the list in compliance with the annex to this resolution shall be considered to have lost force.

3. In accordance with the procedure established by the legislation of the Republic of Kazakhstan, the Department of Financial Market Methodology (Salimbayev D. N.) shall:

1) jointly with the Legal Department (Sarsenova N.V.) ensure 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, send the copy hereof both in the 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) place this Resolution on the official Internet resource 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, submit to the Legal Department the information on the implementation of measures provided for in subparagraphs 2), 3) of this paragraph and paragraph 4 of this Resolution.

4. Within ten calendar days after the state registration of this Resolution, the Directorate for the Protection of the Rights of Consumers of Financial Services and External Communications (Terentiev A. L.) shall send the copy hereof for official publication in periodicals.

5. The control over the execution of this Resolution shall be entrusted to Deputy Chairman of the National Bank of the Republic of Kazakhstan Smolyakova O. A.

6. This resolution shall enter into force upon the expiry of ten calendar days after the day of its first official publication.

*Chairman of the
National Bank*

D. Akishev

"AGREED"

Chairman of the
Statistics Committee
of the Ministry of National
Economy of the Republic of Kazakhstan

_____ N. Aidapkelov
of September 05, 2018

Approved by Resolution
No. 198 of the Board of the
National Bank of the Republic of
Kazakhstan of August 27, 2018

Rules for formation of risk management and internal control system for insurance (reinsurance) organizations, branches of insurance (reinsurance) non-resident organizations of the Republic of Kazakhstan

Footnote. The title - in the wording of the resolution of the Management Board of the Agency of the RK for regulation and development of the financial market dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Chapter 1. General Provisions

1. These Rules for formation of risk management and internal control system for insurance (reinsurance) organizations, branches of insurance (reinsurance) non-resident organizations of the Republic of Kazakhstan (hereinafter referred to as the Rules) have been developed in accordance with Article 52-1, paragraph 1, part 2 of the Law of the Republic of Kazakhstan dated December 18, 2000 "On insurance activities," Article 16, paragraph 1, subparagraph 2) of the Law of the Republic of Kazakhstan dated March 19, 2010 "On state statistics" and shall determine the procedure for forming a risk management and internal control system for insurance (reinsurance) organizations, branches of insurance (reinsurance) non-resident organizations of the Republic of Kazakhstan (hereinafter referred to as the organization).

Footnote. Paragraph 1 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

2. The following concepts shall be used in the Rules:

1) underwriting - a set of procedures for accepting for insurance or reinsurance the declared object of insurance based on the assessment of insurance risks in order to determine the insurance coverage, insurance conditions, deductible level and insurance rate within the limits established by the actuary;

2) management reporting - a tool for internal control and assessment of activities of the organization;

3) gap analysis - methods for measuring interest rate risk and liquidity risk based on a comparison of the volume of assets and liabilities of an organization subject to changes in remuneration rates or subject to repayment within certain terms;

4) limiting – the establishment of qualitative, quantitative restrictions on the risks taken, the establishment of restrictions on transactions (operations) of the organization.

When limiting, the following parameters shall be determined:

the indicator for which the limit shall be set;

the method for calculating the indicator for which the limit shall be set;

limit (maximum, minimum) value of the indicator;

5) conflict of interest - a situation in which a contradiction arises between the personal interest of officials of the organization and (or) its employees and the proper performance of their official powers or property and other interests of the organization and (or) its employees and (or) clients, which may entail adverse consequences for the organization and (or) its customers;

6) policy - a set of internal documents, including policies and (or) other internal documents that define the necessary criteria, parameters, approaches, principles, standards, procedures and mechanisms to ensure the effective functioning of the organization and compliance of its activities with the strategy and the acceptable level of risk;

7) stress testing - methods for measuring the potential impact on the financial position of the organization of exceptional, but possible events that may affect the activities of the organization;

8) risk - the possibility of occurrence of circumstances that cause uncertainty or impossibility of obtaining the expected results of the organization's activities, the occurrence of expenses (losses);

9) risk assessment system - a set of coefficients intended for a comprehensive analysis of financial condition of the organization;

10) risk management system - a permanent structured process established by the board of directors and the management of the organization, carried out throughout the organization in order to identify, assess, monitor, reduce risks and their consequences that affect the achievement of the organization's goals;

11) risk map - a graphical and textual description of the organization's risks, located in a table, along one "axis" along which the impact force or significance of the risk is indicated, and along the other, the probability or frequency of its occurrence;

12) risk limit - a means of quantitative or qualitative limitation of the accepted risk;

13) identification of risk - the process of finding, compiling a list and describing risk elements;

14) risk measurement - determination of the degree of probability of risk and the amount of potential expenses (losses), which shall be carried out by assessing the consequences and probability of an event occurring mathematically using the theory of probability and the law of large numbers based on statistical data;

15) authorized body - an authorized body for regulation, control and supervision of the financial market and financial organizations;

16) internal audit - an integral element of management control, through which the internal audit service evaluates financial statements, as well as other data and information of the organization's activities that can be quantitatively and qualitatively assessed in order to further reflect the degree of its compliance with the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance, on joint-stock companies, on the securities market, on countering the legalization (laundering) of proceeds from crime and the financing of terrorism, internal documents, international professional standards for internal audit;

17) internal control - a process carried out by the board of directors, collegiate bodies, the management board, employees of the organization, aimed at ensuring the achievement of goals in the following categories:

performance efficiency;

reliability, completeness and timeliness of financial statements and other management reporting;

compliance with the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance, on joint-stock companies, on the securities market, on countering the legalization (laundering) of proceeds from crime and the financing of terrorism ;

18) internal control system - a set of control procedures, measures and methods, ensuring: proper and efficient conduct of the financial and economic activities of the organization; compliance with the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance, on joint-stock companies, on the securities market, on countering the legalization (laundering) of proceeds from crime and the financing of terrorism; effective division of responsibility; timely and proper fulfillment of the requirements of internal documents by employees of the organization; ensuring the safety of property; prevention and detection of fraud and management errors; timeliness of preparation, reliability and completeness of financial statements and other management reporting.

When applying the requirements of the Rules to a branch of an insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan:

the Board of Directors means the relevant governing body of an insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan;

the Management Board means the executives of a branch of an insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan;

capital means the sum of the account of the head office, reserves and results of activities of the branch of the insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan;

financial statements means reporting based on accounting data of branches of insurance (reinsurance) companies that are non-residents of the Republic of Kazakhstan.

The requirements of the Rules shall not apply to a branch of an insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan in terms of compliance with the requirements of the legislation on joint-stock companies and the securities market, as well as paragraphs 13-1, 13-2 of the Rules.

Footnote. Paragraph 2 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

Chapter 2. Procedure for the formation of a risk management and internal control system

3. The risks of the organization shall be classified as follows:

1) risks associated with the implementation of insurance activities:

underwriting risk - the risk of incorrect (erroneous) assessment of risks accepted for insurance;

risk of insurance reserves - the risk of formation of insufficient (inadequate) insurance reserves;

risk of insurance payments - the risk associated with the implementation of insurance payments in violation of the terms of insurance contracts;

catastrophic risk - the risk that one event of a significant size shall lead to insurance payments higher than usual;

reinsurance risk - the risk of insufficient reinsurance coverage or failure of the reinsurer to pay out under a reinsurance contract.

Footnote. Paragraph 3 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

4. The board of directors and the management board shall ensure the existence of an adequate risk management and internal control system and shall create conditions for the employees of the organization to fulfil their responsibilities in the field of risk management and internal control, as well as shall ensure the functional and organizational independence of the internal audit service.

5. In order to implement the requirements of the Rules, depending on the size, nature and level of complexity of the organization's activities, organizational structure, risk profile and the number of members of the organization's board of directors, the Board of Directors shall decide to create one and (or) several collegial bodies on various issues.

The board of directors of an organization shall exclude a conflict of interest when creating committees.

6. In order to form an adequate risk management system for underwriting, reinsurance, insurance payments and investment risks, collegial bodies shall be created in the organization — the underwriting council and the council for managing assets and liabilities.

The indicated councils shall include employees of the concerned structural divisions, risk management divisions and executives, which are approved by the organization's board of directors.

Decisions of these councils shall be taken by a simple majority of the members and shall be made in writing.

Decisions of these councils shall be recorded with a detailed reflection of the decision-making process and the attachment of the documents on the basis of which the decision has been made, indicating:

a list and detailed description of the issues addressed;

the list of documents submitted to the board for decision;

voting results for each issue considered;

opinions of members with justification, including in case of their disagreement with the decision and the existence of a special opinion.

The minutes shall be signed by all members of the specified councils present at the meeting and shall be kept in the organization.

The board of directors shall assess the work of these councils and the board based on their annual performance reports.

7. The risk management process includes the following steps:

1) identification of risks:

assessment of risk factors and risk (systematic and continuous monitoring, analysis of all possible causes of expenses (losses), their probability and size);

classification of risks (carried out based on the results of a study of the risks specifics and factors that lead to their occurrence, affect their development, expert assessments of historical data, analysis of the risks map);

2) measurement of risks, the frequency of which is established by the board of directors depending on the significance of the risk, but at least twice a year;

3) implementation of regular stress testing and risk analysis;

4) selection and application of risk management method;

5) adjustment of the risk management system.

Footnote. Paragraph 7 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

8. The internal control system shall be the system of organization, policies, procedures and methods adopted by the organization for:

1) ensuring the effectiveness of the organization, including the effectiveness of managing insurance risks, assets and liabilities, ensuring the safety of assets;

2) ensuring completeness, reliability

and timeliness of financial, regulatory and other reporting for internal and external users, as well as information security;

3) ensuring that the organization complies with the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance, on joint-stock companies, on the securities market, on countering the legalization (laundering) of proceeds from crime, and the financing of terrorism and internal documents of the organization;

4) preventing the organization and its employees from engaging in illegal activities, including fraud, mistakes, inaccuracies, deception, legalization (laundering) of criminally obtained income and financing of terrorism.

9. The organization shall provide internal audit for the verification and objective assessment of the effectiveness of the functioning of the risk management and internal control system in all aspects of the organization's activities.

10. The insurance (reinsurance) organization shall ensure compliance with the requirements for internal documents of the risk management and internal control system, in accordance with Annex 1 to the Rules.

A branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan shall ensure compliance with the requirements to internal documents of the risk management and internal control system, in accordance with Annex 1-1 to the Rules.

Footnote. Paragraph 10 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

11. Within the framework of their functional duties, employees of the organization shall comply with the requirements for the risk management and internal control system, professional ethics and internal documents.

12. The organization annually, no later than January 15 of the year following the reporting year, submits to the authorized body information on the assessment of the risk management and internal control system in the form in accordance with Appendix 2 to the Rules, with copies of supporting documents attached.

Footnote. Clause 12 - as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated December 22, 2020 No. 126 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

13. Based on the financial and other statements of the organization, as of the reporting date, the organization shall carry out stress testing for risks.

The organization shall submit risk stress testing to the authorized body in accordance with Appendix 3 to the Rules on a quarterly basis no later than the 15th (fifteenth) working day of the month following the reporting quarter.

The conclusion of the head of the risk management unit shall be attached to the risk stress testing, containing:

analysis of the organization's exposure to risks;

identification of risks that affect the financial position of the organization to a greater extent.

Footnote. Paragraph 13 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

13-1. The organization, on the basis of annual financial and other statements, analyzes the coefficients of the organization's risk assessment system.

The organization annually after approval by the board of directors, but not later than April 30 of the year following the reporting year, submits to the authorized body an analysis of the coefficients of the risk assessment system (with explanations for the coefficients outside the standard range) in the form in accordance with Appendix 3-1 to the Rules for the organization operating in the general insurance industry, and Appendix 3-2 to the Rules for an organization operating in the life insurance industry, and, in the event of four or more deviations of the organization's risk assessment system coefficients from the approved limits of the standard range, approved by the board of directors a plan of measures to improve the coefficients of the risk assessment system or the decision of the board of directors that there is no need to develop an action plan to improve the coefficients of the risk assessment system.

Footnote. The rules were supplemented with clause 13-1 in accordance with the resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated December 22, 2020 No. 126 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

13-2. If the organization as of the reporting date has been operating for less than two financial years, when determining the number of deviations of the coefficients of the organization's risk assessment system from the approved limits of the standard range, the coefficients that are calculated using data at the end of each annual reporting period of the last two financial years shall not be taken into account.

Footnote. The rules were supplemented with clause 13-2 in accordance with the resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated December 22, 2020 No. 126 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

14. On a quarterly basis no later than the 15th (fifteenth) business day of the month following the reporting quarter, an organization operating in the life insurance industry shall submit to the authorized body a gap analysis for insurance organizations operating in the life insurance industry pursuant to the form according to Annex 4 to these Rules.

Chapter 3. Procedure for the formation of a risk management system

15. In order to organize an effective risk management system, the Board of Directors shall :

1) approve the risk management policy and internal documents developed in accordance with the Rules;

2) annually approve the analysis of the coefficients of the organization's risk assessment system and, if there are four or more deviations of the coefficients of the organization's risk assessment system from the approved limits of the standard range, approve the action plan for improving the coefficients of the organization's risk assessment system or make a decision on

the absence of the need to develop an action plan for improving the coefficients of the risk assessment system;

3) in terms of corporate management shall:

coordinate the activities of collegial bodies, internal audit service, management board, structural subdivisions;

take measures to reduce the likelihood of conflicts of interest in the functional responsibilities of managers;

ensure verification of the fact of granting preferential conditions to persons associated with the organization of special relations;

other issues within the competence of the Board of Directors;

4) in order to adjust the strategic goals, shall consider:

analysis of the current (future) capital requirements of the organization carried out by the risk management subdivision or other structural subdivision whose function shall be to carry out given analysis;

report of internal (external) auditors based on the results of their verification indicating the identified non-conformities, as well as their recommendations;

report of the asset and liability Management Board (the subdivision responsible for investment activities) on the results of the operations (transactions) carried out to invest the assets of the organization (with the grouping of financial instruments by types and indication of the balance sheet, market value, profitability, amount of purchases and sales);

5) in terms of risk management shall:

regularly monitor the activities of the organization through established collegial bodies, the internal audit service and structural subdivisions in order to exclude the possibility of transactions that contradict corporate strategy, policies, procedures and internal documents, as well as in order to adjust them;

ensure organizational independence of the functions of the internal audit service, risk management subdivision;

monitor the implementation of the measures of the authorized body, including the plan of measures to eliminate deficiencies;

establish the reasons for non-fulfillment (non-elimination) and apply appropriate measures to responsible employees in case of non-fulfillment of the requirements of the authorized body, late elimination (non-elimination) of the identified shortcomings;

limit the risks taken and establish restrictions on transactions (operations);

when approving the plan of measures to improve the coefficients of the risk assessment system, the organization shall monitor the implementation of the plan on a quarterly basis.

The provisions of subparagraph 2) of this paragraph shall not apply to a branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan.

Footnote. Paragraph 15 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan

dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

16. The risk management policy shall be developed by the risk management subdivision and shall provide for regular stress testing, scenario analyses and shall define, but shall not be limited to:

1) the presence of an underwriting board, an asset and liability management board, and a risk management subdivision in the organizational structure of the organization;

1-1) for an organization that shall have a license to carry out activities for managing an investment portfolio in the securities market - the presence in the organizational structure of the organization of a subdivision that shall perform functions for managing an investment portfolio, including, but not limited to the following functions:

collection, processing and analysis of information necessary for preparation of recommendations made during development of investment declaration, determination and revision of investment limits of policyholders' assets, decision-making on making transactions at the expense of policyholders' assets (hereinafter referred to as "recommendations");

making recommendations;

execution of the adopted investment decisions and protocols following the meetings of the investment committee of the organization;

accounting for financial instruments acquired from the assets of the policyholders;

preparing reports to policyholders on the results of investment portfolio management activities in accordance with the procedure stipulated by the insurance contract providing for the condition of the policyholder's participation in investments;

interaction with other financial institutions in the process of managing the assets of policyholders;

Functions defined by internal organization documents

2) qualification requirements for managers and employees directly related to risk management, including requirements for education and seniority;

3) powers and functional responsibilities for risk management of the board of directors, collegial bodies, internal audit service, management board, risk management subdivision, structural subdivisions of the organization;

4) the procedure for the exchange of information necessary for risk management between structural subdivisions, collegial bodies, the board of directors of the organization, a branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan with a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan;

5) procedures for identification, assessment, monitoring and control of risks, including the procedure for determining quantitative values of risk indicators associated with the activities of the organization;

6) procedures for continuous monitoring of the implementation of management decisions and determining the effectiveness of management decisions made;

- 7) internal criteria for assessing the effectiveness of the risk management system;
- 8) the procedure for developing a risk map, including qualitative and quantitative approaches;
- 9) procedures for determining the risk limit, including for a branch of an insurance (reinsurance) non-resident organization of the Republic of Kazakhstan;
- 10) measures to manage risks arising in the course of the organization's activities;
- 11) procedures for monitoring, assessing and controlling identified (detected) risks, drawing up a risk map of the organization, including:
 - measures taken by the risk management subdivision jointly to other structural subdivisions of the organization to identify risks;
 - risk assessment carried out by the risk management subdivision, including assessment of the frequency of occurrence of risks, subsequent classification of impacts provided by these risks, and setting risk limits;
 - risk monitoring carried out by the risk management subdivision, including monitoring of changes in the values of risk indicators and maximum permissible values of risk indicators, as well as measures taken to minimize risks in case of non-compliance of the values of risk indicators with risk limits;
 - a mechanism for the immediate reporting to the board of directors of any significant cases likely to incur expenses (losses) and (or) shall affect the activities of the organization, or of an illegal nature;
- 12) risk assessment testing and modeling procedures;
- 13) the procedure for the risk management subdivision to submit a risk management report to the board of directors, including:
 - current condition of risk management (ongoing work to minimize and eliminate risks)
 - identified risks and a plan of measures to minimize these risks, as well as the results of work carried out to reduce or prevent them;
 - risks that may arise in the process of conducting the current activities of the organization, and ways to reduce and prevent them;
 - control and monitoring of risks that may arise during the current stage of implementation of the corporate strategy of the organization, and ways to minimize and prevent them;
 - adequacy and effectiveness of the risk management system;
- 14) the procedure for monitoring the implementation of the established limits on insurance, investment and other activities and transactions (operations) with indication of the list of positions of persons responsible for monitoring.

Footnote. Paragraph 16 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

17. The Management Board in order to ensure the proper functioning of the risk management system shall:

1) carry out daily management of the organization in accordance with the established goals and methods in terms of risk management and internal control;

2) approve the procedure for transferring information between the board of directors, collegial bodies, the board (the relevant executive body of the insurance (reinsurance) organization non-resident of the Republic of Kazakhstan), senior employees of the branch of the insurance (reinsurance) organization non-resident of the Republic of Kazakhstan and structural subdivisions of the organization ensuring effective risk management and internal control;

3) implement the instructions of the board of directors, recommendations and comments of the internal audit service, recommendations of the risk management subdivision, requirements and measures of the authorized body;

4) approve internal documents in order to implement risk management and internal control policies;

5) define guidelines for diversification of assets, profitability, liquidity and capital adequacy, risks in order to maintain the required level of adequacy of the solvency margin;

6) approve risk limits by type of operations within the risk limits established by the Board of Directors;

7) ensure the adoption of effective measures to control compliance with these limits on the basis of monthly calculations of the risk management subdivision;

8) ensure compliance of the tariff policy with the predicted trends in the development of risks on the basis of reliable statistics on risks;

9) ensure regular analysis of internal and external economic factors that shall present a potential risk to the organization, assessment of their impact on financial indicators;

10) ensure regular analysis of financial indicators and statistical information to assess the adequacy of the correction factors for insurance premiums under the employee's compulsory accident insurance contracts in the performance of his/her labor (official) duties.

The requirement of this subparagraph shall apply to an insurance organization that shall determine the correction factors on the basis of paragraph 2-1 of Article 17 -1 of the Law of the Republic of Kazakhstan dated February 7, 2005 "On compulsory insurance of an employee against accidents in the performance of labor (official) duties;

11) provide recommendations to the Board of Directors regarding the preparation of annual budgets, strategic plans taking into account the current and future economic environment, regulatory legal framework, capital size;

12) control the implementation of the action plan in conditions of financial instability and emergency and the provision of an appropriate quarterly report;

13) regularly analyze compliance with contractual relations, the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activities, on

compulsory insurance, on joint-stock companies, on the securities market, on countering the legalization (laundering) of proceeds from crime and the financing of terrorism, internal documents of the organization regulating operations with financial instruments;

14) monitor compliance by structural subdivisions with policies in the management of possible and potential risks, the size of risks within the established limits;

15) ensure analysis of changes in income (expenses) from operations with financial instruments, taking into account the dynamics of their market value;

16) ensure compliance of the organization's solvency margin with the minimum required level in accordance with the legislation of the Republic of Kazakhstan on insurance and insurance activities;

17) ensure the improvement of the accounting and reporting system taking into account the recommendations of external auditors;

18) analyze audit reports and submit proposals to the Board of Directors on taking appropriate measures to eliminate the identified deficiencies.

When applying the provisions of this paragraph to a branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan, the requirements of subparagraphs 2), 4), 6) of this paragraph shall fall within the competence of the relevant executive body of the non-resident insurance (reinsurance) organization of the Republic of Kazakhstan.

When applying the provisions of this Clause to a branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan, the requirements of subclauses 2), 4), 6) of this Clause shall fall within the competence of the relevant executive body of the non-resident insurance (reinsurance) organization of the Republic of Kazakhstan.

Footnote. Paragraph 17 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

18. The functions of the risk management subdivision shall include:

1) organization of an effective risk management system, including:

developing a risk management policy;

development of a risks map, including qualitative and quantitative approaches;

participation in the process of making managerial decisions;

constant monitoring of implementation of management decisions and determining the effectiveness of the adopted management decisions;

control over the fulfillment of established limits on insurance, investment and other transactions (operations);

2) identification and assessment of risks, including the determination of descriptive and quantitative values of risk indicators associated with the activities of the organization, as well as the determination of the maximum allowable values of risk indicators;

3) analysis of the coefficients of the organization's risk assessment system on the basis of annual financial and other statements in the form in accordance with Appendix 3-1 to the Rules for an organization operating in the "general insurance" industry and Appendix 3-2 to the Rules for an organization operating in the industry "life insurance";

4) taking measures to manage risks arising in the course of the organization's activities;

5) monitoring, assessment and control of identified (detected) risks, including:

taking measures together with other structural subdivisions of the organization to identify risks;

risk assessment, including an assessment of the frequency of risks occurrence, the subsequent classification of the impacts caused by these risks, and the establishment of risk limits;

risk monitoring, including monitoring of changes in the values of risk indicators and the maximum allowable values of risk indicators, as well as measures taken to minimize risks in case of discrepancy between the values of risk indicators and the maximum allowable values of risk indicators;

immediate reporting to the management board and the board of directors on any significant cases that may cause damage and (or) affect the activities of the organization, or are of an illegal nature;

6) organization of the process for the development by the relevant structural subdivisions of the organization of a detailed action plan to minimize the identified risks (the plans are provided by the structural subdivisions and the general action plan to minimize the identified risks of the organization is developed by the risk management subdivision) and further monitoring of the action plan approved by the board of directors to minimize the risks of the organization;

7) organization of measures for the implementation of the plan in case of emergency and ensuring the continuity of the organization's activities;

8) regular analysis:

financial indicators (within the framework of stress testing and regular monitoring of the level of accepted risks);

the impact of changes in prices for financial instruments on indicators of liquidity, solvency, solvency margin adequacy (as part of stress testing and regular monitoring of the level of accepted risks);

9) forecasting the impact of macroeconomic factors on profitability, liquidity, solvency margin adequacy;

10) providing the board of directors and the management board on a quarterly basis with a report on the assessment and analysis of the risk management system in the following areas:

current state of risk management (ongoing work to minimize and eliminate risks);

identified risks and an action plan to minimize these risks, as well as the results of the work carried out to reduce or prevent them;

risks that may arise in the process of conducting the current activities of the organization and ways to reduce and prevent them;

control and monitoring of risks that may arise at the current stage of implementation of the corporate strategy of the organization and ways to minimize and prevent them;

the adequacy and effectiveness of the risk management system;

brief analysis of financial indicators for the reporting period;

assessment and analysis of the risks map;

the adequacy and effectiveness of the applied testing procedures and risk assessment models;

11) submission for approval to the board of directors:

no later than April 1 of the year following the reporting year, of the analysis of coefficients of the risk assessment system (with explanations for coefficients that go beyond the standard range);

an action plan to improve the coefficients of the risk assessment system in the event of four or more deviations of coefficients of the organization's risk assessment system from the approved limits of the standard range;

12) providing the annual general meeting of shareholders with an analysis of the coefficients of the risk assessment system (with explanations for coefficients that go beyond the standard range), and an action plan approved by the board of directors to improve the coefficients of the risk assessment system (if any);

13) ensuring the implementation of:

requirements for underwriting risk management in accordance with Appendix 5 to the Rules;

requirements for reinsurance risk management in accordance with Appendix 6 to the Rules;

requirements for risk management of insurance payments in accordance with Appendix 7 to the Rules;

requirements for managing the risk of insufficient insurance reserves in accordance with Appendix 8 to the Rules;

requirements for investment risk management in accordance with Appendix 9 to the Rules ;

requirements for managing operational and related risks in accordance with Appendix 10 to the Rules;

requirements for compliance risk management in accordance with Appendix 11 to the Rules;

14) in order to adjust the corporate strategy and internal risk management policy, together with the subdivision for strategic planning and analysis or another structural subdivision with similar functions, submission to the board at least once a year of:

a report containing a detailed overview of the current state of the organization, taking into account quantitative and qualitative data on all risks, their degree of probability, the degree of readiness of the organization, the measures taken to minimize them, and response measures;

a report containing a detailed overview of the financial condition and performance of the organization, as well as changes in the legislation of the acts of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance, on joint-stock companies, on the securities market, on countering the legalization (laundering) of proceeds from crime, and financing of terrorism, which can affect the financial condition of the organization, the risks map of the organization.

When applying the provisions of this paragraph to a branch of an insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan:

the provisions of subparagraphs 1) and 2) of this paragraph shall apply to the functional duties of the risk management subdivision of an insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan;

the provisions of subparagraphs 3), 11) and 12) of this paragraph shall not apply to a branch of an insurance (reinsurance) company that is a non-resident of the Republic of Kazakhstan.

Footnote. Paragraph 18 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

19. The risk management department shall receive from all collegial bodies, structural divisions, branches, representative offices, and employees of the organization any documents and information necessary for the performance of its functions within the time specified in the request of the risk management department.

20. The executives of the organization and the heads of structural divisions shall be responsible for the timely and full communication with the risk management department of all necessary information related to the risk assessment.

Chapter 4. Procedure for the formation of the system of internal control

21. The system of internal control shall be created in an organization to ensure:

1) the operational and financial performance of the organization, which involves testing the effectiveness and profitability of the management of the assets and liabilities of the organization and determining the likelihood of losses;

2) reliability, completeness and timeliness of financial and management reporting, which involves checking the preparation of accurate and high-quality financial reporting and other financial documents used by the organization in making decisions;

3) compliance with the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance, on joint-stock companies, on the

securities market, on countering the legalization (laundering) of proceeds from crime, and the financing of terrorism and internal documents of the organization.

The proper functioning of these components shall be an important condition for the effective operation of the organization, the operation of information systems and compliance with prudential standards and other mandatory standards and limits of the organization established by the authorized body.

22. The organization's internal control system shall be an ongoing process consisting of five interrelated components:

- 1) management control;
- 2) identification and assessment of risks;
- 3) control and separation of powers;
- 4) information exchange and interaction;
- 5) monitoring (evaluation of the effectiveness of the internal control system) and elimination of violations and inconsistencies (deficiencies).

23. The functioning of the internal control system shall be based on the principle of continuous alternating through the following three stages:

- 1) formation of the internal control system (taking into account the results of the effectiveness evaluation) by including procedures in the internal documents of the organization;
- 2) the execution of internal documents of the organization in the work;
- 3) assessing the effectiveness of the internal control system.

24. The procedures of internal control procedures shall be:

- 1) a quarterly review of the process of achieving the goals and objectives set in the corporate strategy of the organization by submitting the structural units within the functions assigned to them to the board of directors and the board of reports on current financial performance with attachment to planned financial performance indicators;
- 2) conducting periodic inventory, including cash and financial instruments;
- 3) verification of compliance with the established risk limits and implementation of measures to eliminate the identified nonconformities;
- 4) the establishment of a list of transactions requiring mandatory authorization;
- 5) checking the conditions of operations and the results of applying risk management models;
- 6) verification of the timeliness, correctness, completeness and accuracy of the reflection of the operations performed in accounting and reporting.

Chapter 5. Internal Audit

25. The Board of Directors for ensuring system effectiveness of internal control of the organization, ensuring functional and organizational independence of service of internal audit shall:

- 1) approve the internal audit policy;
- 2) approve the regulation on the internal audit service;
- 3) approve the annual plan of internal audit;
- 4) appoint employees of the internal audit service;
- 5) provide recommendations to the general meeting of shareholders to determine the audit organization performing the audit of the organization.

The requirements of subparagraph 5) of this paragraph shall not apply to a branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan.

Footnote. Paragraph 25 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

26. The internal audit policy shall include, but shall not be limited to:

- 1) goals and objectives of the internal audit;
- 2) requirements for professional qualities of employees of the internal audit service, their powers and responsibility;
- 3) the order and procedures for internal audit, including the methodology for assessing the risk management and internal control system, corporate governance with indication of assessment criteria;
- 4) the procedure for interaction and exchange of information with structural subdivisions of the organization, a branch of an insurance (reinsurance) non-resident organization of the Republic of Kazakhstan;
- 5) budget of the internal audit service.

Footnote. Paragraph 26 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

27. In developing an internal audit policy, the following factors shall be taken into account:

- the organization strategy;
- the size, nature and complexity of the organization;
- the organizational structure of the organization;
- the level and types of risks inherent in the activities of the organization.

28. Collegial Body for internal audit shall:

- 1) ensure the development and coordination of the internal audit policy, regulations on the internal audit service, the annual plan and the internal audit program;
- 2) ensure monitor and control compliance of the organization and its employees with the internal audit policy;

3) select the candidates of the head and employees of the internal audit service, including the branch of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan.

Footnote. Paragraph 28 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

29. The internal audit service shall be created in order to provide an objective assessment of the state of the internal control system, the risk management system, corporate management and recommendations for their improvement.

30. The internal audit service in its activities shall be guided by the charter of the organization, the provisions on the organization of the internal control system and the internal audit service of the organization, the regulation on the branch of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan, as well as other internal documents regulating the activities of the organization, and the requirements of the Rules.

Footnote. Paragraph 30 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

31. The internal audit service shall develop an internal audit plan and an internal audit program.

The internal audit plan shall be based on a risk-based approach that identifies the priority areas of internal audit in accordance with the objectives of the organization.

To implement the internal audit plan, an internal audit program shall be developed, which is approved by the head of the internal audit service.

32. The tasks of the internal audit service shall include consideration and discussion of the following issues:

- 1) the functioning of the internal control system;
- 2) preparation of reports for the board of directors on the activities of the internal audit service;
- 3) areas of risk in transactions (operations) of the organization, which in the current year shall be subjected to internal and external audits;
- 4) reliability and accuracy of financial information provided to the management;
- 5) any significant deficiencies in accounting or internal audit identified by external or internal auditors.

33. The main functions of the internal audit service shall be:

- 1) development and submission to the Board of Directors for approval of the policy, regulation, budget, plan of activities of the internal audit service, audit report, criteria for assessing the activities of the organization;

2) verification and assessment of the effectiveness of the internal control system, as well as assistance in the continuous improvement of the internal control system;

3) verification of the completeness of the application and effectiveness of the organization's risk assessment methodology and the organization's risk management system;

4) verification of the activities of a structural subdivision, a branch of an insurance (reinsurance) non-resident organization of the Republic of Kazakhstan and providing a report to the Board of Directors based on its results;

5) verification of reliability, completeness of disclosure, objectivity, timeliness of provision by subdivisions, branch of insurance (reinsurance) non-resident organization of the Republic of Kazakhstan of relevant reporting or requested information to the authorized body (including information subject to financial monitoring), management and other interested parties;

6) ensuring the efficiency and independence of audit processes (internal, external);

7) formation of a control environment that shall comply with international professional standards of internal audit and the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance, on joint-stock companies, on the securities market, on countering the legalization (laundering) of proceeds from crime and the financing of terrorism, through regular inspections in accordance with the approved plan;

8) control over accounting;

9) providing recommendations to the Board of Directors on improving internal audit;

10) systematic analysis and assessment of the organization's activities for financial stability and solvency, compliance with prudential standards and other mandatory standards and limits;

11) assessment of management decisions made in terms of asset and liability management ;

12) verification of the timeliness, correctness, completeness and accuracy of the organization's activities in the financial statements and its compliance with international financial reporting standards;

13) analysis of financial documents, including:

the consolidated balance sheet and profit and loss reporting in comparison with the previous period and planned financial indicators;

investment report with grouping of financial instruments by types and indication of book and market value, profitability and total amount of purchases (sales);

14) control over the maintenance of the register of insurance (reinsurance) contracts;

15) assessment of the adequacy and effectiveness of risk control in the field of corporate governance, operational activities of the organization and its information systems;

16) other functions within the competence of the internal audit service provided for by the internal documents of the organization.

Footnote. Paragraph 33 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

34. The internal audit service shall have an unrestricted access to all materials, information, documents (files), information necessary to carry out its functions, including those located in local area networks and autonomous computer systems, without the right to make changes thereto.

35. The head of the Internal Audit shall:

- 1) approve the internal audit program;
- 2) at least once a year confirm to the board of directors the fact of organizational independence and objectivity of internal audit;
- 3) bring to the notice of the board of directors information about violations of the independence of the internal audit service (the emergence of a conflict of interest, restrictions on the authority to access materials, information, documents (files) of the organization);
- 4) no later than a month before the beginning of the audit, request written statements from the management about the following:

full disclosure of risk assessment results of material misstatement of financial statements; disclosing information about fraud or suspicion of fraud on the part of employees (including laid-off workers), which plays an important role in the internal control system, and other persons who may have a significant impact on the financial statements.

36. The employees of the internal audit service in the process of daily work shall:

1) comply with the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance, on joint stock companies, on the securities market, on countering the legalization (laundering) of proceeds from crime, and the financing of terrorism;

2) be guided by international professional standards of internal audit;

3) identify misstatements of reporting as a result of fraud;

4) document audit decisions and evidence;

5) respect the confidentiality of information obtained in the exercise of their powers;

6) in the course of evaluating the audit evidence obtained, carry out procedures for verifying transactions (operations) that are inconsistent with the main activity of the organization, in which the conformity of the transaction (operation) with the objectives of the organization (absence of purpose) for fraud is assessed;

7) be guided by the principles of assessing the reliability of audit evidence:

evidence obtained from external official sources is more reliable than that obtained from internal sources;

evidence obtained from internal sources is more reliable if accounting and internal control are effective;

evidence collected by the auditor is more reliable than evidence provided by the structural unit;

evidence in the form of documents and written statements is more reliable than statements submitted orally.

In the event of inconsistency of evidence, the internal audit service shall conduct additional procedures in order to ascertain the true state of affairs.

37. The head and employees of the internal audit service cannot simultaneously be the head and (or) employees of other departments, as well as be members of collegial bodies.

38. Employees of the organization shall inform the internal audit service about the following transactions (operations):

1) any transactions (operations) (including under insurance (reinsurance) contracts in the amount of more than 1 (one) million tenge with payment in cash;

2) making an insurance payment in the amount of more than 3,000 (three thousand) monthly calculation indices;

3) other transactions (operations) that raise doubts about their legality.

Footnote. Paragraph 38 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

Annex 1
to the Rules for the Formation of
the Risk Management and Internal
Control System for Insurance
(Reinsurance) Organizations

Footnote. The upper right corner of Annex 1 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Requirements to internal documents of the risk management and internal control system of insurance (reinsurance) organizations

Footnote. The title - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

1. The amount of information covered by internal documents shall be reliable and sufficient for evaluating the activities of the organization and making effective decisions by the board of directors, collegial bodies, the management board and executives.

2. The general meeting of shareholders shall approve the corporate governance code, which:

1) is developed in accordance with the legislation of the Republic of Kazakhstan on joint-stock companies, the principles of corporate governance, as well as taking into account the best international practices of corporate behaviour, standards of professional ethics, needs and conditions of the organization's activities at the current stage of development;

2) regulates the principles of corporate governance in view of:

a clear division of responsibilities between the bodies of the organization and (or) structural units;

the mandatory implementation of the corporate governance code in order to ensure compliance with the norms of professional ethics in relations between shareholders, bodies and officials, as well as when interacting with third parties;

active participation of members of the board of directors, collegial bodies, the board and other executives in the implementation of continuous internal control over the activities of the organization and risk management;

independence of decision-making by the board of directors, collegial bodies, the board and executives;

mandatory recording of decisions of the board of directors, collegial bodies, the board and executives (with the attachment of the documents on the basis of which the decision was made);

written registration of the obligation of managers to refrain from actions that are directly or indirectly capable of leading to a conflict between their interests and the interests of the organization, and in the event of a conflict of interests - the obligation to inform the board of directors about this in a timely manner;

compliance of managers with the qualification requirements of the authorized body;

continuous improvement of the quality of control and management functions of executives;

generally accepted norms of professional ethics;

3) regulates the procedure for resolving conflicts of interest and other issues at the discretion of the board of directors.

3. The Board of Directors shall approve the following internal documents for the purposes of effective risk management and internal control:

1) corporate strategy;

2) the provision on the organizational and functional structure of the organization;

3) internal policy on remuneration, accrual of monetary remuneration, as well as other types of material incentives for managers;

4) accounting policies;

5) the provision on the timing and forms of management reporting.

4. The corporate strategy shall be developed by the board and shall:

1) determine the short-term (up to one year), medium-term (from 1 (one) year to 3 (three) years) and long-term (from 3 (three) or more years) goals of the organization;

2) contain:

the organization development strategy;

the main objectives and activities of the organization;

the segment of the market on which the organization is focused;

the forecast values of financial and other indicators of the organization;

the expected macroeconomic and microeconomic indicators;

other issues at the discretion of the organization.

5. The regulation on the organizational and functional structure of the organization shall be developed by the board and shall contain:

1) the structure, powers and responsibilities of the board of directors, collegial bodies, the board, the internal audit service, executives, divisions;

2) the qualification requirements for employees;

3) the procedure for interaction and accountability;

4) avoidance of assigning to employees of the internal audit service, the risk management department, the underwriter (the underwriting unit), the actuary of the functions of other units ;

5) the criteria for assessing the effectiveness of the activities of the board, structural units and employees, including the procedure for applying measures for non-fulfilment (improper, untimely fulfilment) of the functions and tasks assigned to them.

6. The internal policy on remuneration, accrual of monetary remuneration, as well as other types of material incentives for managers shall be developed by the board and shall regulate:

1) the principles, criteria for selecting candidates for the position of members of the board of directors, the board, other executives, determining the amount of remuneration;

2) types, components, grounds for the implementation of remuneration (the amount of fixed remuneration, remuneration for shares, bonds, other types of remuneration, compensation payments);

3) criteria for evaluating the work of managers and the application of remuneration;

4) the form and frequency of the report of the board provided to the board of directors regarding the development of the budget in terms of remuneration and other compensation payments made, ensuring that managers meet the qualifications of the authorized body and the requirements of the job description;

5) other issues at the discretion of the board of directors.

7. Accounting policy shall:

1) be developed by the board in accordance with international financial reporting standards, legislation of the Republic of Kazakhstan on accounting and financial reporting;

2) contain principles, fundamentals, conditions, rules and practices of accounting and financial reporting;

3) determine the unit responsible for monthly tracking of income (expenses) over time and by type of activity;

4) regulate:

the procedure for recording insurance (reinsurance) contracts, as well as maintaining their register;

requirements for assessing the value of financial instruments based on a risk assessment model and bringing current prices to market ones;

the methodology for carrying out tests for impairment of a financial instrument in the absence of the market value of a financial instrument and assessing the adequacy of insurance reserves using current estimates of future cash flows under insurance (reinsurance) agreements in accordance with international financial reporting standards;

other issues at the discretion of the board of directors.

8. The regulation on the due and forms of presentation of management reports shall be developed by the Management Board and shall regulate the procedure for presentation by the Management Board and risk management subdivision to the Board of Directors and shareholders of the management reporting organization, including:

the statement of profit and loss (including in comparison with the previous period of previous years and planned performance indicators);

investment reports (grouping financial instruments by type, indicating book and market values, returns, total purchases and sales);

report on comparison of assets and liabilities;

analysis of the risk map of the organization;

analysis of the factors of the organization's risk assessment system (with explanations on the factors outside the standard range);

a brief analysis of the organization's current and projected capital and utilization requirements, which shall not lead to a violation of prudential standards and (or) identifying factors affecting the deterioration of the financial position of the organization and (or) the insurance group specified in the resolution of the Board of the National Bank of the Republic of Kazakhstan dated April 27, 2018 No. 75 "On establishment of factors affecting the deterioration of the financial situation of the insurance (reinsurance) organization, insurance group and branch of insurance (reinsurance) organization - non-resident of the Republic of Kazakhstan, as well as approval of the Rules for approval of the plan of measures providing for early response measures, and the methodology for determining factors affecting the deterioration of the financial situation of the insurance (reinsurance) organization (insurance group) and branch of insurance (reinsurance) non-resident organization of the Republic of Kazakhstan, "registered in the Register of state registration of regulatory legal acts under No. 16944;

reporting at the request of the Board of Directors and shareholders of the organization.

The list of management reports shall be sufficient for the proper performance by the Board of Directors and the management board of functional duties and powers in order to ensure proper risk management and internal control.

Footnote. Paragraph 8 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 13.12.2021 № 107 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Annex 1-1 to the Rules
of formation of the risk
management system and
internal control for insurance
(reinsurance) organizations,
branches insurance (reinsurance)
nonresident organizations
of the Republic of Kazakhstan

Requirements to internal documents of the risk management and internal control system of branches of insurance (reinsurance) non-resident organizations of the Republic of Kazakhstan

Footnote. Rules as added by Annex 1-1 in accordance with the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

1. The amount of information covered by internal documents should be reliable and sufficient to assess the activities of the branch of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan and make effective decisions by the management body of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan, collegial bodies, the head of the branch of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan and senior employees.

2. A non-resident insurance (reinsurance) organization of the Republic of Kazakhstan shall develop a regulation on a branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan, which shall:

1) be developed in accordance with the principles of corporate governance, as well as taking into account the best international practice of corporate behavior, standards of professional ethics, needs and conditions of the branch at the current stage of development;

2) regulate the principles of organization of corporate governance of a branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan, taking into account:

clear division of responsibilities between branch authorities and (or) structural subdivisions;

active participation of members of collegial bodies, managers in the implementation of constant internal control over the activities of the branch and risk management;

independence of decision-making by the management body of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan, collegial bodies and executive employees;

mandatory recording of decisions of the management body of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan, collegial bodies and managers (with the documents attached, on the basis of which the decision was made);

execution in writing of the obligation of managers to refrain from actions that can directly or indirectly lead to a conflict between their interests and the interests of the branch, and in the event of a conflict of interest, the obligation to timely inform the management body of the non-resident insurance (reinsurance) organization of the Republic of Kazakhstan about this;

compliance of managers with the qualification requirements of the authorized body;

continuous improvement of the quality of control and management functions of managers; generally accepted standards of professional ethics shall;

3) regulate the procedure for resolving conflicts of interest and other issues at the discretion of the management body of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan.

3. The management body of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan for effective risk management and internal control shall approve the following internal documents:

1) the regulation on the branch;

2) regulation on the organizational and functional structure of the branch;

3) internal policy on remuneration, accrual of monetary remuneration, as well as other types of financial incentives for managers;

4) accounting policy;

5) Regulation on the timing and forms of management reporting.

4. The branch strategy shall be developed by the executive body of the non-resident insurance (reinsurance) organization of the Republic of Kazakhstan and shall:

1) determine the short-term (up to one year), medium-term (from 1 (one) year to 3 (three) years) and long-term (from 3 (three) or more years) goals of the branch;

2) contain:

strategy for the development of the branch's activities;

the main goals and directions of the branch;

the segment of the market to which the branch shall be focused;

forecast values of financial and other indicators of the branch's activity;

expected macroeconomic and microeconomic indicators;

other matters at the discretion of the branch.

5. The regulation on the organizational and functional structure of the branch shall be developed by the executive body of the insurance (reinsurance) organization non-resident of the Republic of Kazakhstan and shall contain:

1) structure, powers and duties of the management body of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan, collegial bodies, managers, internal audit service, subdivisions;

- 2) qualification requirements for employees;
- 3) order of interaction and accountability;
- 4) prevention of assigning to employees of the internal audit service, risk management unit, underwriter (underwriting unit), actuary of functions of other units;
- 5) criteria for assessing the effectiveness of the activities of senior employees, structural subdivisions and employees, including the procedure for applying measures for failure (improper, untimely performance) of the functions and tasks assigned to them.

6. The internal policy on remuneration, accrual of monetary remuneration, as well as other types of financial incentives for managers shall be developed by the executive body of the insurance (reinsurance) organization non-resident of the Republic of Kazakhstan and shall regulate:

- 1) principles, criteria for selecting candidates for the position of managers, determining the amount of remuneration;

- 2) types, components, grounds for remuneration (the amount of fixed remuneration, remuneration on shares, bonds, other types of remuneration, compensation payments);

- 3) criteria for assessing the work of managers and the application of remuneration;

- 4) the form and frequency of the report of the branch provided to the management body regarding the development of the budget in terms of remuneration and other compensation payments made, ensuring the compliance of managers with the qualification requirements of the authorized body and the requirements of the job description;

- 5) other issues at the discretion of the management body of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan.

7. Accounting Policy shall:

- 1) be developed by the executive body of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan in accordance with international financial reporting standards, legislation of the Republic of Kazakhstan on accounting and financial reporting;

- 2) contain the principles, foundations, conditions, rules and practices of accounting and reporting on accounting data;

- 3) determine the subdivision responsible for monthly tracking of income (expenses) in dynamics and by types of activities;

- 4) regulate:

the procedure for recording insurance contracts (reinsurance), as well as maintaining their register;

methodology for assessing the adequacy of insurance reserves using current estimates of future cash flows under insurance contracts (reinsurance) in accordance with international financial reporting standards;

other issues at the discretion of the management body of the non-resident insurance (reinsurance) organization of the Republic of Kazakhstan.

8. The Regulation on the Terms and Forms of Management Reporting Submission shall be developed by the executive body of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan and regulate the procedure for submission of management reports to the management reporting management body by the executive employees of the branch and the risk management subdivision, which shall include, but shall not be limited to:

- consolidated statement of assets and liabilities
- income and expense reporting;
- report on comparison of assets and liabilities;
- analysis of the risk map of the branch;

reporting at the request of the management body of the non-resident insurance (reinsurance) organization of the Republic of Kazakhstan.

The list of management reports shall be sufficient for the proper performance by the management body of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan and senior employees of functional duties and powers to ensure proper risk management and internal control.

Annex 2
to the Rules
of formation of the
risk management system and
internal control for
insurance (reinsurance)
organizations, branches
insurance (reinsurance)
nonresident organizations
of the Republic of Kazakhstan

Footnote. The upper right corner of Annex 2 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Information on assessment of risks management system and inner control

(organization name) for _____ year (date)

Footnote. Appendix 2 - as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated December 22, 2020 No. 126 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

№	Indication of the corresponding	Assessment of compliance with	Identified disadvantages	Adopted (planned) measures to eliminate deficiencies (Responsible executors (last name, first name, patronymic (if

1	2	3	4	5	6
	paragraph, sub-clause, clause of the Rules	the requirements of the Rules		content of the event, deadlines)	any), position, contact information)

General assessment of compliance with the requirements for risk management systems and internal control

The first head of the organization or a person authorized by him to sign information

(surname, name, patronymic (if any) (signature)

Head of Risk Management Department

(surname, name, patronymic (if any) (signature)

Head of Internal Audit _____

—

(surname, name, patronymic (if any) (signature)

Date of signing " _____ " _____ 20 _____

Appendix
to the form of assessment data
of the risk management system
and internal audit

Explanations for filling out information on the assessment of the risk management and internal control system

The assessment of the compliance of the organization's risk management and internal control system with the requirements of the Rules is carried out based on the following criteria:

1) TC – "totally coincides"

when the requirement criterion is met without significant deviations;

2) PC – "partially coincides "

when deviations from the criterion of requirements (deficiencies) are found that are not considered sufficient to raise serious doubts about the organization's ability to achieve compliance with this criterion and will be eliminated shortly;

3) NR – "does not meet the requirements"

in case of failure to meet the criterion of requirements for risk management and internal control systems;

4) NA – "not applicable"

if certain requirements for the risk management and internal control system are not applicable to the organization at the date of the assessment. The assessment "not applicable"

is not included in the calculation of the proportion of criteria of the requirements of the Rules fulfilled by the organization.

Appendix 3
to the Rules for the formation
of a risk management and internal
control system for insurance (reinsurance)

companies, branches of insurance (reinsurance)
companies-non-residents
of the Republic of Kazakhstan

Footnote. Appendix 3 is in the wording of the Resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

Form

Form for collecting administrative data

Submitted to: the authorized body for regulation, control and supervision of the financial market and financial organizations

The form of administrative data is posted on the Internet resource: <https://www.gov.kz>

Risk stress testing

Index of administrative data form: 1-STRESS-TEST

Frequency: quarterly

Reporting period: as of "___" _____ 20___

Circle of persons submitting information: insurance (reinsurance) companies

Submission deadline: quarterly, no later than the 15th (fifteenth) working day of the month following the reporting quarter

Table 1

Price risk stress testing

№	Name of the issuer	Name of the security	International identification number (ISIN)	Book value of a financial instrument (in thousands of tenge)
1	2	3	4	5
1				
2				
3				
...				
1	Total losses			
2	Solvency margin adequacy ratio after stress testing			
3	Residual adequacy ratio of highly liquid assets after stress testing			

Table continuation:

Scenario of decrease in the current value of the financial instrument (in thousand tenge)			Loss in case of decrease in the value of the financial instrument (in thousand tenge)		
by 20 %	by 30 %	by 40 %	by 20 %	by 30 %	by 40 %
6	7	8	9	10	11

Note:

1. Column 2 indicates the name of the issuer of equity instruments (shares, depository receipts, the underlying asset of which is shares, equity units of Exchange Traded Funds (ETF)).

2. Columns 3 and 4 indicate the name of the security and its international identification number (ISIN).

3. Column 5 indicates the book value of the financial instrument at the reporting date.

4. Columns 6, 7 and 8 indicate the book value of the financial instrument when depreciated by 20%, 30% and 40%, respectively.

5. Columns 9, 10 and 11 indicate the difference between the financial instrument's book value and its estimated discounted value.

Commentary on stress testing

Table 2

Stress testing for interest rate risk

Interest rate risk stress testing №	Name of the issuer	Book value of the financial instrument in thousand tenge () actual)	Rate of return (actual)	Forecast value of the rate of return (+1%)
1	2	3	4	5
1				
2				
3				
...				
1	Total losses			
2	Solvency margin adequacy ratio after stress testing			
3	Highly liquid asset adequacy ratio after stress testing			

Table continuation:

Forecast value of the financial instrument at the rate of return (+1%)	Amount of losses at the rate of return (+1%) in thousand tenge
6	7

Note:

1. Column 2 indicates the name of the bond issuers.
2. Column 3 indicates the book value of the financial instrument at the reporting date, accounted for under the following balance sheet items: "Securities at fair value through profit or loss" and "Securities available-for-sale (less allowance for impairment).
3. Column 4 indicates the actual rate of return to maturity on the bond as of the reporting date.
4. Column 5 indicates the forecast value of the bond's rate of return when it is increased by 1%.
5. Column 7 indicates the expected value of the amount of loss with an increase in the bond's rate of return.

Commentary on stress testing

Table 3

Stress testing for currency risk

Name of foreign currency	Current value of assets and liabilities denominated in this foreign currency in tenge		Scenario of tenge decrease against foreign currency		Scenario of strengthening tenge against foreign currency	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
1	2	3	4	5	6	7
USD						
EURO						
RUB						
Other currencies						
Total						

Table continuation:

Loss (income) under the scenario of tenge decrease against foreign currency		Loss (income) under the scenario of strengthening tenge against foreign currency		Based on the results of tenge decrease against foreign currency		Based on the results of strengthening tenge against foreign currency	
Assets (2-4)	Liabilities (3-5)	Assets (2-6)	Liabilities (3-7)	SMR	RHLA	SMR	RHLA
8	9	10	11	12	13	14	15

Note:

1. SMR – solvency margin adequacy ratio after stress testing;
- RHLA – residuality adequacy ratio of highly liquid assets after stress testing.

2. The assets and liabilities of an insurance organization shall be subject to stress testing.
3. Scenario for stress testing: USD, EURO – $\pm 20\%$; RUB – $\pm 10\%$; other currencies – $\pm 10\%$.
4. Columns 2 and 3 indicate the current value of assets and liabilities denominated in this foreign currency in tenge as of the reporting date.
5. Columns 4, 5, 6 and 7 indicate the forecasted balance sheet amount of assets and liabilities under scenarios of decreasing and strengthening of tenge against foreign currencies, respectively.
6. Columns 8, 9, 10 and 11 indicate the forecast loss (income) under the scenario of decreasing and strengthening the tenge against foreign currency, respectively (the difference between the actual and forecast values of assets and liabilities).

Commentary on stress testing

Table 4.1

Stress testing for risks associated with the implementation of insurance activities

№	Title of the item	Scenario of suspending the collection of insurance premiums				
		For the reporting quarter	1st forecast quarter	2nd forecast quarter	3rd forecast quarter	4th forecast quarter
1	2	3	4	5	6	7
1	Total net profit (loss) after taxes (thousand tenge)					
2	Solvency margin adequacy ratio					
3	Residuality ratio of highly liquid assets					

Note:

1. In order to conduct stress testing to suspend the collection of insurance premiums of an insurance (reinsurance) company, it is necessary to forecast changes in financial indicators and values of prudential standards, taking into account the lack of income from the insurance part and maintaining fixed costs and expenses on insurance payments.

2. According to this scenario, the insurance (reinsurance) company must provide for the implementation of insurance payments under the insurance (reinsurance) contracts available

in the portfolio as of the reporting date (no new receipts, respectively, insurance payments on them).

3. The form for this stress testing is filled out for 4 (four) forecast quarters (a year by quarters).

Commentary on stress testing

Table 4.2

№	Name of the item	Scenario of increasing the reserve for non-occurred losses under annuity agreements due to an increase in the indexation rate	
		Value of the indicator as of the reporting date	Value of the indicator after stress testing
1	2	3	4
1	Indexation rate of insurance payments		8,25%
2	Reserve for non-occurred losses (under annuity agreements concluded in accordance with the Law of the Republic of Kazakhstan “On Compulsory Insurance of an Employee against Accidents in the Performance of Labor (Official) Duties”)		
3	Solvency margin adequacy ratio		
4	Highly liquid asset adequacy ratio		

Note:

1. The scenario of increasing the reserve for non-occurred losses under annuity agreements concluded in accordance with the Law of the Republic of Kazakhstan “On Compulsory Insurance of an Employee against Accidents in the Performance of Labor (Official) Duties” shall be calculated as of the reporting date using an indexation rate of 8.25% .

In case of significant deviations of the rate from the value of 8.25%, based on professional judgment, the actuary presents a reasonable alternative rate.

2. The stress testing form shall be accompanied by a report on the current annuity agreements concluded under the mandatory insurance of an employee against accidents in the performance of his labor (official) duties (taking into account the new indexation) (submitted in electronic form).

Commentary on stress testing

Table 4.3

№	Name of the item	Actual amount as of the reporting date	Scenario of termination of insurance (reinsurance) contracts for:		
			10 %	20 %	30 %
1	2	3	4	5	6
1	Insurance premiums under current insurance (reinsurance) contracts				
2	Amount of commission fee under insurance (reinsurance) contracts under which termination will occur	X			
3	Total amount of loss (lines 1+2)	X			
4	Solvency margin adequacy ratio				
5	Residuality ratio of highly liquid assets				

Note:

1. Stress testing for the risk of termination of insurance contracts provides for the scenario of termination of insurance (reinsurance) contracts from 10% to 30%.

2. Columns 4, 5 and 6 indicate the forecast values of items of the Table.

3. Line 2 of the stress testing form shall indicate the amount of the commission fee under the insurance (reinsurance) contracts that were terminated (in proportion to the insurance premium).

4. To calculate the forecasted values of prudential standards, it is necessary to take into account the amount of expenses associated with the termination of an insurance (reinsurance) contract and the amount of expenses for paying commission under these agreements.

Commentary on stress testing

Table 5.1

Credit risk stress testing

№	Name of the item	Scenario of decreasing the rating for financial instruments, reinsurers, taken into account when calculating prudential ratios		
		Actual value as of the reporting date	Forecast value	Loss/Difference
1	2	3	4	5
1	Actual solvency margin, calculated taking into account the classification of assets by quality and liquidity, in thousand tenge			
2	Minimum solvency margin			
3	Solvency margin adequacy ratio			
4	The amount of highly liquid assets in thousand tenge			
5	Highly liquid asset adequacy ratio			

Note:

1. To conduct this stress testing, it is necessary to calculate the margin adequacy ratio of solvency and calculate the adequacy ratio of highly liquid assets of an insurance (reinsurance) organization (hereinafter - calculations), taking into account the reduction in the rating of financial instruments, reinsurers taken into account when calculating prudential standards by 1 point (one notch). The decrease of rating value shall be carried out according to the lines of calculations for which the requirement for rating estimates is established, in accordance with the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated December 26, 2016 No. 304 "On the establishment of regulatory values and calculation methods of prudential standards of an insurance (reinsurance) organization and insurance group and other mandatory norms and limits, requirements for acquired insurance (reinsurance) organizations, subsidiaries of insurance (reinsurance) organizations or insurance holdings to shares (stakes in the authorized capital) of legal entities, the list of bonds of international financial organizations acquired by insurance holdings, the minimum required rating for bonds acquired by insurance holdings, and the list of rating agencies, as well as the list of financial instruments (except for shares and stakes in the authorized capital) acquired by insurance (reinsurance) organizations", registered in the Register of state registration of regulatory legal acts under No. 14794.

2. The actual solvency margin is the smallest of the two values calculated taking into account capital items and taking into account their classification by quality and liquidity after

the decrease of the financial instruments rating, reinsurers, taken into account when calculating prudential standards by 1 point (one notch).

3. For units that have a rating value of the rating agencies Morningstar (Morningstar), it is necessary to reduce the rating by 1 star.

4. The minimum margin of solvency of an insurance (reinsurance) organization should be increased by the amount of premiums transferred (transferred) to reinsurance to insurance (reinsurance) organizations - residents and non-residents of the Republic of Kazakhstan under existing reinsurance contracts, depending on the reduced rating value of the reinsurer or the value of the norm of sufficiency of the margin of solvency of a reinsurance organization-resident of the Republic of Kazakhstan as of the previous reporting date.

5. In the comments to stress testing on the risk of decreasing the rating of financial instruments, reinsurers taken into account when calculating prudential standards, the main reason for the formation of a loss based on the results of stress testing (the difference between the actual and forecast values of prudential standards) shall be indicated.

Commentary on stress testing

Table 5.2

Name of insurance class	Scenario of late payment by the reinsurer					
	Insurance contract number	Policyholder	Reinsurer	Limit of liability insurance amount)	Amount of liability of the reinsurer	5% of the amount of liability of the reinsurer
1	2	3	4	5	6	7
Total loss:						
Solvency margin sufficiency standard after stress testing						
Adequacy ratio of highly liquid assets after stress testing						

Note:

1. Columns 1-6 indicate information on the reinsurance contract with the largest sum insured. Under this reinsurance contract, the amount of liability transferred to the reinsurer in the amount of 5% shall be reset to zero.

2. The solvency margin adequacy ratio and the highly liquid assets adequacy ratio shall be calculated taking into account the deduction of the reinsurer's liability under the reinsurance contract in the amount of 5%.

Commentary on stress testing

Таблица 5.3

Scenario taking into account the probability of default (reinsurance company)							
Name of the insured	Number of the contract (policy) of insurance and (or) additional agreement	Name of the reinsurer	Reserve of unearned premiums	Credit rating of the reinsurer	Probability of default (PD) in accordance with the Table of Default Probability	Loss under the selected scenario (EL) (in tenge)	Reserve of unearned premiums taking into account the probability of default (PD)
1	2	3	4	5	6	7 = 4*6	8 = 4+7
Total:							
Solvency margin sufficiency standard after stress testing							
Adequacy ratio of highly liquid assets after stress testing							

Note:

1. Calculation of the credit risk of the reinsurer shall be carried out according to the Table of Default Probability (PD) by reducing the rating of the reinsurer by 1 category and, accordingly, the possible impact on the indicators of the prudential standards of the insurance company:

S&P, Fitch	Moody's	PD B %
AAA	Aaa	0
AA+	Aa1	0
AA	Aa2	0
AA-	Aa3	0
A+	A1	0
A	A2	0,06
A-	A3	0,1
BBB+	Baa1	0,14
BBB	Baa2	0,18
BBB-	Baa3	0,48
BB+	Ba1	0,76
BB	Ba2	1,06
BB-	Ba3	2,44
B+	B1	3,82
B	B2	5,2
B-	B3	10,07
CCC+	Caa1	14,93
CCC	Caa2	19,79
CCC-	Caa3	46,52
C	Ca	73,26
D	D	100

Commentary on stress testing

Name _____

Address _____

Telephone _____

E-mail address _____

The first head or a person authorized by him to sign the stress testing

surname, name and patronymic (if any) signature, phone number

Head of risk management subdivision

surname, name and patronymic (if any) signature, phone number

Date " ____ " _____ 20__

Appendix
to the form of stress
testing on risks

Explanation of filling out the form for collecting administrative data

Stress testing by risks (index - 1-STRESS-TEST, frequency - quarterly)

1. This explanation of filling out the form for collecting administrative data (hereinafter - the Explanation) shall determine unified requirements for filling out the form intended for collecting administrative data "Stress testing on risks" (hereinafter - the Form).

2. The form shall be filled out by the organization on a quarterly basis as of the end of the reporting period.

3. Insurance (reinsurance) companies operating in the "general insurance" industry fill in Tables 1 - 3, 4.1, 4.3, 5.1 - 5.3 of the Form.

4. Insurance (reinsurance) companies operating in the "life insurance" industry fill in Tables 1 - 3, 4.1 - 4.3, 5.1 of the Form.

5. The unit of measurement used when filling out the Form shall be set in tenge and in percent (up to the second decimal place). An amount less than 500 (five hundred) tenge shall be rounded up to 0 (zero), and an amount equal to 500 (five hundred) tenge and more shall be rounded up to 1000 (thousand) tenge.

6. The form shall be signed by the first head or a person authorized by him to sign the Form, as well as the head of the risk management subdivision.

Annex 3-1
to the Rules of formation of the
system risk management and
internal control for insurance
(reinsurance) organizations,
branches insurance (reinsurance)

Footnote. The upper right corner of Annex 3 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication);

Footnote. Annex 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 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

Form

Form for collecting administrative data

Submitted to: the authorized body for regulation, control and supervision of the financial market and financial organizations

The administrative data form is posted on the Internet resource: <http://finreg.kz>

Analysis of the coefficients of the risk assessment system of an insurance (reinsurance) company operating in the general insurance industry

Administrative data form index: RASA_1NL

Frequency: annual

Reporting period: as of "___" _____ 20__

The circle of persons presenting information: insurance (reinsurance) organizations operating in the "general insurance" industry

Form

(name of the insurance (reinsurance) organization)

Name of the coefficient of the risk assessment system	Meaning		Standard diapason	Risks	Short description/recommendations	Brief explanation when deviating from the standard range (for the reporting year)
	previous reporting year, in %	Reporting year, in %				
1	2	3	4	5	6	7
					K1 estimates the adequacy of capital to cover losses without taking into account the share of reinsurance. For a complete	

K1 " Capital insurance premiums"			K1<300%	Underwriting, strategic	r i s k assessment, the K1 analysis is carried out taking into account K2 and K5. K1> 300% indicates an increase in the acceptable risk in relation to capital.	
K2 " Net capital premiums"			K2<200%	Underwriting, strategic	K2 provides an assessment of the adequacy of capital to cover losses, taking into account insurance premiums transferred to reinsurance. The higher the value of K2, the more the capital risk increases. When analyzing K2, K5 is analyzed . K2> 200% indicates an increase in acceptable risk in relation to capital.	
					K3 evaluates the stability / instability of operating activities / in management. A significant increase in K3 indicates business expansion (increased sales in new classes of insurance, expansion of geographic location). A	

<p>K3 " Change in net insurance premiums"</p>			<p>-33%<K3<33%</p>	<p>Underwriting, strategic</p>	<p>significant decrease in net premiums indicates a suspension / decrease in sales for certain classes of insurance, a loss of market share, and an increase in reinsurance. The analysis takes into account the valuation of K9 assets, and the adequacy of the K11, K12, K13 reserves, as well as the profit from reinsurance K4 .</p>
<p>K4 " Capital reinsurance gain"</p>			<p>K4<15%</p>	<p>Underwriting, strategic</p>	<p>K4 gives an estimate of the share of income from reinsurance activities. K4>15% indicates the lack of capital according to the expectations of the management of the insurance (reinsurance) company, or an improvement in the values of the coefficients K1, K2, K7, K10, K13, in terms of concealing capital problems. If</p>

					<p>K4> 15%, K1, K2, K7, K10, K13 are recalculated with deduction of the share of income from reinsurance.</p>
<p>K5 " 2-year operating ratio "</p>			<p>K5<100%</p>	<p>operating</p>	<p>K5 provides an estimate of the profitability / loss ratio of operating activities. With K5> 100%, the insurance (reinsurance) company incurs an operating loss, with K5 < 100%, it has an operating income. The components K5 are analyzed: loss ratio, cost ratio and investment income ratio. Should be analyzed together with K11, K13.</p>
<p>K 6 " Investment yield"</p>			<p>5%<K6<20%</p>	<p>liquidity, market, strategic</p>	<p>K6 gives an estimate of the annual income of the investment portfolio as a percentage. If K6 is low, the structure of the investment portfolio, RAPOUR transactions, commission costs, etc. are analyzed. If K6 is high, investments in high-risk instruments</p>

and the dividend payment policy by the parent subsidiary are analyzed.

K7 assesses the improvement / deterioration of the financial position of the insurance (reinsurance) company during the year . K7 > 50% indicates the instability of operating activities, capital flow within the insurance holding, significant growth of the insurance (reinsurance) company, or mergers / acquisitions. At K7 < -10%, factors influencing changes are determined:
a) net profit (K5);
b) unrealized income or loss;
c) K8;
d) paid dividends;
e) K4;
f) accounting policy / reporting adjustments;
g) deferred tax assets;

K7 "Capital changes "

-10% < K7 < 50%

Operating, strategic

					h) unrecognized assets; i) shareholders.
K8 " Change in Adjusted Equity"			-10%<K8< 25%	Operating, strategic	K8 provides an assessment of t h e improvement / deterioration of the financial situation, based on the results of the main activity of t h e insurance (reinsurance) company (the actual assessment of the main activity, taking into account withdrawals a n d replenishment of t h e authorized capital). K8> 25% indicates the instability of operating activities, capital flow within the insurance holding, significant growth of the insurance (reinsurance) company, or mergers / acquisitions. At K8 <-10%, factors influencing changes are determined: a) net profit (K5); b) unrealized income or loss;

					<p>c) in the reserve capital; d) in the reserve of unforeseen risks; e) in the stabilization reserve; f) in other reserves; g) paid dividends; h) accounting policy / reporting adjustments.</p>
K9 " Adjusted liabilities for liquid assets"			K9<100%	Liquidity	<p>K9 assesses the ability of the insurance (reinsurance) company to meet its short-term obligations, and also gives an approximate estimate of the consequences in the event of liquidation of the insurance (reinsurance) company. If K9> 100%, K9 is analyzed in the dynamics of previous years, the adequacy of reserves, assessment, structure and liquidity of assets is checked.</p>
					<p>K10 gives an estimate of the share of receivables in relation to equity. The allowable</p>

<p>K 1 0 " Insurance premiums receivable on capital"</p>			<p>K10<20%</p>	<p>credit</p>	<p>share is up to 20%. If the value is above 20%, the amounts receivable from reinsurers , insurance premiums receivable from policyholders (reinsurers) and intermediaries are analyzed for the presence of debts overdue for more than 90 days, and the feasibility of recognizing such assets.</p>	
<p>K 1 1 " Development of reported losses in one year on capital "</p>			<p>-10%<K11< 10%</p>	<p>insurance reserves</p>	<p>K11 assesses the development of unsettled losses reported a year earlier. With a positive value of K11, the insurance (reinsurance) company has insufficiently formed reserves, and with a negative value of K11, reserves have been formed in excess. K11 is analyzed together with K12.</p>	
					<p>K12 assesses the development of unsettled losses reported two years earlier. With a positive value of K12, the</p>	

K 1 2 " Development of reported losses over two years on equity "			-10%<K12<10%	Insurance reserves	insurance (reinsurance) company has formed insufficient reserves, and with a negative value of K12, reserves have been formed in excess. K12 is analyzed together with K11.
K 1 3 " Assessment of the deficit (surplus) of the current capital reserves"			-12%<K13<12%	Insurance reserves	K13 assesses the adequacy of current reserves. The deficit (surplus) is the difference between projected and actual reserves. With a positive value of K13, the reserves are insufficiently formed, with a negative value of K13, the reserves are formed in excess.

Note: An explanation of how to fill out the form for collecting administrative data is given in the annex to this form.

Explanations on risk scores outside the standard range

	Name _____ _____	Address _____ _____
	Telephone _____ _____	
	Email _____	

The first manager or person authorized by him to sign the analysis

last name, first name and patronymic (if any) signature, telephone
Head of Risk Management Department

last name, first name and patronymic (if any) signature, telephone
executor

last name, first name and patronymic (if any) signature, telephone
date " ____ " _____ 20__ year

Appendix
to the form of the
coefficient analysis form
risk assessment systems
insurance (reinsurance)
organization carrying out
activities in the general
insurance industry

Explanation of filling out the form for collecting administrative data

Analysis of the coefficients of the risk assessment system of an insurance (reinsurance)

company operating in the general insurance industry (index - RASA_1NL, frequency - annual)

Chapter 1. General provisions

1. This clarification (hereinafter referred to as the Clarification) defines uniform requirements for filling out the form intended for collecting administrative data "Analysis of the coefficients of the risk assessment system of an insurance (reinsurance) company operating in the general insurance industry" (hereinafter referred to as the Form).

2. The form is filled in by the insurance (reinsurance) company annually as of the end of the reporting period.

3. Columns 2 and 3 of the Analysis indicate the values of the coefficients of the previous reporting year and the reporting year, respectively, in percent (up to the second decimal place)

4. The Form is signed by the first manager or a person authorized by him to sign the Form, the head of the risk management department and the executor.

Chapter 2. Explanation of filling out the Form

5. Coefficient K1 "Insurance premium on the capital" shall be counted according to the following formula:

$$K1 = \frac{C\Pi_t}{K_t} * 100\% ,$$

где:

IPt – insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts, at the reporting date;

Ct – equity at the reporting date.

6. Coefficient K2 " net insurance premiums on the capital" shall be calculated using the following formula:

$$K2 = \frac{\text{ЧСП}_t}{K_t} * 100\%,$$

where:

NAPt – the net amount of insurance premiums accepted under insurance (reinsurance) contracts, less expenses related to the termination of insurance (reinsurance) contracts, at the reporting date;

Ct – equity at the reporting date..

7. Coefficient K3 " Change in net premiums" shall be calculated using the following formula:

$$K3 = \frac{\text{ЧСП}_t - \text{ЧСП}_{t-1}}{\text{ЧСП}_{t-1}} * 100\%,$$

where:

NAPt – the net amount of insurance premiums accepted under insurance (reinsurance) contracts, less expenses related to the termination of insurance (reinsurance) contracts, at the reporting date;

NAPt-1 – the net amount of insurance premiums accepted under insurance (reinsurance) contracts, less expenses related to the termination of insurance (reinsurance) contracts, at the previous reporting date.

8. Coefficient K4 " Profit from reinsurance activities on capital "shall be calculated using the following formula:

$$K4 = \frac{\text{ПП}_t}{K_t} * 100\%$$

$$\text{ПП}_t = \left\{ \frac{\text{КВ}_t}{\text{СПП}_t - \text{ИзмАПНЗП}_t} \right\} * \text{РНПП}_t,$$

where:

PRt - profit from reinsurance activities as of the reporting date;

CIIt - income in the form of commission on insurance activities as of the reporting date;

IPPt - insurance premiums transferred for reinsurance as of the reporting date;

Changes RAUP_t - change in reinsurance assets for unearned premiums at the reporting date;

RAUP - reinsurance assets for unearned premiums (net of provisions for impairment losses) at the reporting date;

K_t - equity capital at the reporting date.

9. Coefficient K5 "2-year operating ratio" shall be calculated using the following formula:

$$K5 = (KY_{2-л} + KЗ_{2-л} - ИД_{2-л}) * 100\%$$

$$KY_{2-л} = \frac{(ЧСВ_t + ЧСВ_{t-1}) + (ЧСПИ_t + ЧСПИ_{t-1}) + (РУр_t + РУр_{t-1})}{ЧЗП_{t-1} + ЧЗП_t}$$

$$KЗ_{2-л} = \frac{(ЧР_t + ЧР_{t-1})}{ЧСП_{t-1} + ЧСП_t}$$

$$ИД_{2-л} = \frac{(ДИД_t + ДИД_{t-1})}{ЧЗП_{t-1} + ЧЗП_t},$$

where:

LR2-1 - 2-year loss ratio;

CR2-1 - 2-year cost ratio;

IR2-1 - 2-year investment rate of return;

NAL is the net amount of changes in reserves for losses at the previous reporting date;

SC_{pt} - settlement costs as of the reporting date;

SC_{rt-1} - settlement costs for the previous reporting date;

NAP_t is the net amount of premiums earned less expenses related to the termination of insurance (reinsurance) contracts at the reporting date;

NAP_{t-1} is the net amount of premiums earned less expenses related to the termination of insurance (reinsurance) contracts as of the previous reporting date;

NE_t - net expenses as of the reporting date;

NE_{t-1} - net expenses for the previous reporting date;

NAIP_t is the net amount of insurance premiums accepted under insurance (reinsurance) contracts, less expenses related to the termination of insurance (reinsurance) contracts, as of the reporting date;

NAIP_{rt-1} is the net amount of insurance premiums accepted under insurance (reinsurance) contracts, less expenses related to the termination of insurance (reinsurance) contracts, as of the previous reporting date;

IIA_t - income from investment activities less expenses related to payment of remuneration at the reporting date;

IIEt-1 - investment income less expenses related to the payment of remuneration at the previous reporting date.

10. Coefficient K6 "Investment incomes " shall be calculated using the following formula:

$$K6 = 2 * \left(\frac{ДИД_t}{ДСиИИВ_{t-1} + ДСиИИВ_t} \right) * 100\% ,$$

where:

IIAt – investment income, net of interest expense, at the reporting date;

MMandIt-1 – cash and investments (net of RAPOUR transactions) at the previous reporting date, which are the amount of:

- 1) cash and cash equivalents as of the previous reporting date;
- 2) deposits placed (net of provisions for impairment) funds at the previous reporting date;
- 3) “reverse REPO” transactions as of the previous reporting date;
- 4) securities measured at fair value, changes in which are recognized in profit or loss, as at the previous reporting date;
- 5) securities available for sale (net of provisions for impairment losses) at the previous reporting date;
- 6) refined precious metals as of the previous reporting date;
- 7) derivative financial instruments as of the previous reporting date;
- 8) securities held to maturity (net of provisions for impairment losses) as at the previous reporting date;
- 9) investments in the capital of other legal entities as of the previous reporting date;
- 10) investment property as of the previous reporting date;

MMandIt - cash and investments (excluding "RAPOUR" transactions) at the reporting date, which are the amount:

- 1) cash and cash equivalents as of the reporting date;
- 2) deposits placed (net of provisions for impairment) funds at the reporting date;
- 3) operations "reverse RAPOUR" on the reporting date;
- 4) securities measured at fair value, changes in which are recognized in profit or loss, at the reporting date;
- 5) securities available for sale (net of provisions for impairment losses) at the reporting date;
- 6) refined precious metals as of the reporting date;
- 7) derivative financial instruments as of the reporting date;
- 8) securities held to maturity (net of provisions for impairment losses) as at the reporting date;
- 9) investments in the capital of other legal entities as of the reporting date;
- 10) investment property as of the reporting date.

11. Coefficient K7 "Capital change" shall be calculated by the following formula:

$$K7 = \left(\frac{K_t - K_{t-1}}{K_{t-1}} \right) * 100\% ,$$

where:

K_t - equity as of the reporting date;

K_{t-1} - equity capital as of the previous reporting date.

12. Coefficient K8 "Change in adjusted capital" shall be calculated using the following formula:

$$K8 = \left(\frac{K_t - \Delta YK_t - K_{t-1}}{K_{t-1}} \right) * 100\% ,$$

Where :

K_t -

– equity at the reporting date;

K_{t-1} -

– equity at the previous reporting date;

ΔYK_t

– change in the share capital, calculated as the difference between the amount of the share capital at the reporting date and the share capital at the previous reporting date.

13. Coefficient K9 "Liabilities for liquid assets" shall be calculated according to the following formula:

$$K9 = \left(\frac{\text{Обязательства}_t}{\text{ВЛА}_t} \right) * 100\% ,$$

where:

responsibilityt – total liabilities less deferred income at the reporting date;

ВЛА_t

– the cost of highly liquid assets specified in clause 38 of the Regulatory Values and Methods for Calculating Prudential Standards of an Insurance (Reinsurance) Organization and an Insurance Group and other mandatory standards and limits established by Resolution of the Board of the National Bank of the Republic of Kazakhstan dated December 26, 2016 No. 304,

registered in the Register state registration of regulatory legal acts under No. 14794 (net of obligations under RAPOUR transactions), as of the reporting date.

14. Coefficient K10 "Insurance premiums receivable on capital" shall be calculated according to the following formula:

$$K10 = \left(\frac{C\Pi\Pi_t}{K_t} \right) * 100\% ,$$

где:

$IP_{\kappa R}t$ – insurance premiums receivable from policyholders (reinsurers) and intermediaries (net of provisions for impairment losses) at the reporting date;

K_t – equity at the reporting date.

15. Coefficient K11 "Development of declared losses for one year on capital" shall be calculated according to the following formula:

$$K11 = \left(\frac{\text{развитие заявленных убытков за один год}}{K_{t-1}} \right) * 100\%$$

$$\text{развитие заявленных убытков за один год} = (PЗНУ^*_t + CB_t + PY_t - PЗНУ_{t-1}),$$

where:

K_{t-1} - equity capital as of the previous reporting date;

$NRDt^*$ - net reserve of declared but unsettled losses (hereinafter - NRDUL) as of the reporting date for losses that occurred and were declared as of the date before t-1;

$NRDUL_{t-1}$ - net RDUL as of the previous reporting date;

IP_t - insurance payments without taking into account the share of the reinsurer and less compensation on recourse claim, paid in the reporting period, for losses that occurred and were reported on the date before t-1;

EL_t - expenses for the settlement of losses paid in the reporting period, for losses that occurred and were reported on the date before t-1.

16. Coefficient K12 "Development of reported losses over two years" shall be calculated using the following formula:

$$K12 = \left(\frac{\text{развитие заявленных убытков за два года}}{K_{t-2}} \right) * 100\%$$

$$\text{развитие заявленных убытков за два года} = (PЗНУ^{**}_t + CB_{t,t-1} + PY_{t,t-1} - PЗНУ_{t-2}),$$

where:

K_{t-2} – equity at date $t-2$;

$NRDUL_t^{**}$ - net RDUL as of the reporting date for losses that occurred and were reported as of the date before $t-2$;

$NRDUL_{t-2}$ - net RDUL for the date $t-2$;

$IP_{t,t-1}$ - insurance payments without taking into account the share of the reinsurer and less compensation for recourse claims, paid in the reporting period and in the previous period, for losses that occurred and were reported on the date before $t-2$;

$EL_{t,t-1}$ - expenses for the settlement of losses paid in the reporting period and in the previous period, for losses that occurred and were reported on the date before $t-2$.

The calculation of this coefficient is not performed by an insurance (reinsurance) company that has been operating for less than three years.

17. Coefficient K13 "Deficit (surplus) in the assessment of current reserves for capital" is calculated according to the following formula:

$$K13 = \frac{((NEP_t * (ARRP) - ES_t) / C_t) * 100\%}{\left(\frac{((RDUL_{(t-1)} + ROUL_{(t-1)} + \text{development of the declared losses for one year}) / NEP_{(t-1)})}{((RDUL_{(t-2)} + ROUL_{(t-2)} + \text{development of the declared losses for two years}) / NEP_{(t-2)})} \right)}$$

$ARRP$ = average

$\left(\frac{((RDUL_{(t-1)} + ROUL_{(t-1)} + \text{development of the declared losses for one year}) / NEP_{(t-1)})}{((RDUL_{(t-2)} + ROUL_{(t-2)} + \text{development of the declared losses for two years}) / NEP_{(t-2)})} \right)$

development of the declared losses for one year =

$$(RDUL_t * IP_{t,t-1} + ES_{t,t-1} - RDUL_{t-1})$$

development of the declared losses for two years =

$$(RDUL_t^{**} + IP_{t,t-1} + ES_{t,t-2} - RDUL_{t-2})$$

where:

C_t - equity as of the reporting date;

NEP_t - the net amount of premiums earned less expenses related to the termination of insurance (reinsurance) contracts as of the reporting date;

RL_t - reserve of losses as of the reporting date;

NEP_{t-1} - the net amount of premiums earned less expenses related to the termination of insurance (reinsurance) contracts as of the previous reporting date;

NEP_{t-2} - the net amount of premiums earned less expenses related to the termination of insurance (reinsurance) contracts as of the second previous reporting date;

$ARRP$ - average ratio of reserves for premiums;

$IP_{t,t-1}$ - insurance payments, excluding the reinsurer's share and less compensation under the recourse claim, paid in the reporting period for losses that occurred and were declared as of the date before $t-1$;

ESt,t-1 - expenses for the settlement of losses paid in the reporting period, for losses that occurred and were declared as of the date before t-1;

IPt,t-1 - insurance payments, excluding the reinsurer's share and less the compensation under the recourse claim, paid in the reporting period and in the previous period, for losses that occurred and were declared as of the date before t-2;

RSt,t-2 - expenses for the settlement of losses paid in the reporting period and in the previous period, for losses that occurred and were declared as of the date before t-2;

RDULt* - net RDUL as of the reporting date for losses that occurred and were declared as of the date before t-1;

RDULt** - net RDUL as of the reporting date for losses that occurred and were declared as of the date before t-2;

RDULt-1 - net RDUL as of the previous reporting date;

ROULt-1 - net reserve of occurred but undeclared losses (hereinafter - ROUL) as of the previous reporting date;

RDULt-2 - net RDUL as of the second previous reporting date;

ROULt-2 - net ROUL as of the second previous reporting date.

This coefficient shall not be calculated by an insurance (reinsurance) company that has been operating for less than three years.

Footnote. Paragraph 17 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

Appendix 3-2
to the Rules of formation of the
risk management system and
internal control for insurance
(reinsurance) organizations,
branches insurance (reinsurance)
nonresident organizations
of the Republic of Kazakhstan

Footnote. The upper right corner of Annex 3-2 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Form

Form for collecting administrative data

Submitted to: the authorized body for regulation, control and supervision of the financial market and financial organizations

The administrative data form is posted on the Internet resource: <http://finreg.kz>

Analysis of the coefficients of the risk assessment system of an insurance (reinsurance) company operating in the life insurance industry

Administrative data form index: RASA_2LI

Frequency: annual

Reporting period: as of "___" _____ 20__

The circle of persons presenting information: insurance (reinsurance) organizations operating in the "life insurance" industry

Form

(name of the insurance (reinsurance) organization)

Name of the coefficient of the risk assessment system	Meaning		Standard range	Risks	Short description / recommendations	Brief explanation when deviating from the standard range (for the reporting year)
	the previous reporting year, in %	Reporting period, в %				
1	2	3	4	5	6	7
K1 " Change in Adjusted Equity"			-10%<K1<50%	operational, strategic	K1 assesses the improvement / deterioration of the financial position of the insurance (reinsurance) company during the year . K1> 50% may indicate instability of operating activities, capital flow within an insurance holding, significant growth of an insurance (reinsurance) company, or merger / acquisition. At K1 <-10%, it is necessary to determine	

the factors influencing the changes.
Factors that may affect: a) paid dividends; b) unrealized investment gain or loss; c) changes in reserves as a result of revaluation; d) changes in unrecognized assets; e) changes in accounting principles; f) changes in the taxation system.

K2 assesses the improvement / deterioration of the financial situation, based on the results of the main activity of the insurance (reinsurance) company (actual assessment of the main activity, taking into account the withdrawals and replenishment of the authorized capital).
K2 must be considered in conjunction with K1. If the result of the K2 ratio is higher than the

K2 "Capital changes "

-10%<K2<50%

operational, strategic

result of the K1 ratio, then this may indicate a strong parent organization or support from the shareholder and related parties wishing to maintain an adequate level of capital. In this regard, the analysis should take into account the stability of the parent organization, the insurance group, as well as checking the nature of the assets that finance additional capital. If, despite additional capitalization, K2 takes a negative value or goes beyond the lower limit of the range, the reasons for the decrease in capital and surpluses should be analyzed to determine the reasons for the decline and the trend. If K2 shows a negative trend for several years, there may be problems with the operating activities of the

					insurance (reinsurance) company.
K 3 "Profitability"			K3>0%	operating	<p>K3 assesses the ability of an insurance (reinsurance) company to use assets for profit.</p> <p>Factors that can influence the level of profitability: a) the rate of mortality and morbidity; b) the sufficiency of investment income K4; c) the level of commission expenses; d) mandatory reserve requirements, current interest rates and mortality rates.</p>
					<p>K4 gives an assessment of the adequacy of investment income to meet interest-bearing claims on the obligations of an insurance (reinsurance) company.</p> <p>Factors that can affect the low level of K4: a) speculative investments intended to generate large income in the long term, provide a small income in the interim period;</p>

<p>K4 " Adequacy of investment income"</p>			<p>125%<K4<900%</p>	<p>market, strategic, insurance reserves</p>	<p>b) large investments of an insurance (reinsurance) company in subsidiaries or enterprises of a shareholder; c) large investments in the supply of office premises ; d) large investments in tax-free bonds; e) high investment costs. If K4 goes outside the standard range over the past two years, the insurance (reinsurance) company needs to take measures to improve and prevent further deterioration of the situation .</p>	
					<p>K5 evaluates the degree of unrecognized assets or risky assets acquired by the insurance (reinsurance) company, the effectiveness of the asset structure. When analyzing, it is recommended to determine the nature of unrecognized assets and the reasons for the inclusion of</p>	

<p>K5 " The ratio of unrecognized assets to recognized assets"</p>			<p>K5<10%</p>	<p>liquidity, credit</p>	<p>assets in this category, compare the amount of unrecognized assets with capital in order to determine the impact of unrecognized assets on the financial condition of the insurance (reinsurance) company. When analyzing, it is recommended to take into account the ratio of premiums transferred for reinsurance to premiums accepted under insurance (reinsurance) contracts K8.</p>	
					<p>K6 provides an estimate of the gap between investment and liability. K6> 0% indicates a narrowing gap between the terms of return on investment and fulfillment of obligations both for the aggregate portfolio and for investments and obligations with maturities of more than 10 years</p>	

<p>K6 " Relative change in duration"</p>			<p>K6>0%</p>	<p>credit, liquidity , operating</p> <p>compared to the previous year. K6≤0% indicates an increase / non-change in the gap between the terms of return on investment and fulfillment of obligations both for the total portfolio and for investments and obligations with a maturity of more than 10 years compared to the previous year. When analyzing, it is necessary to study the change in the structure of insurance premiums by classes K10 and the change in the structure of recognized assets K11.</p>	
				<p>K7 gives an estimate of investments in the capital of affiliated and / or related parties. When K7> 20%, it is necessary to determine whether the investments of the insurance (reinsurance) company and the amounts</p>	

<p>K 7 " Investments in the capital of affiliated and (or) related parties"</p>			<p>K7<20%</p>	<p>credit, liquidity , market</p>	<p>due to it from affiliated and (or) related persons correspond to the protection of the interests of the policyholders, since if the amount of investments in affiliated and (or) related persons is large, then the insurance (reinsurance) company may experience high illiquidity or low profitability.</p>	
<p>K8 " The ratio of premiums transferred for reinsurance to premiums accepted under insurance (reinsurance) contracts"</p>			<p>K8<50%</p>	<p>underwriting, reinsurance</p>	<p>K8 evaluates the reinsurance activity of an insurance (reinsurance) company. If K8> 50%, outgoing reinsurance may be exceeded, it is necessary to assess the effectiveness of reinsurance by assessing the probable loss based on statistical data, compensation from the reinsurer and its solvency.</p>	
					<p>K9 evaluates the stability / instability of operating activities in management.</p>	

With $K9 > 50\%$, a sharp increase in the volume of insurance premiums of an insurance (reinsurance) company, a change in the range of insurance products, a change in the sales system, withdrawal from the insurance market of insurers, changes in the economic sphere, legislative changes, change of a shareholder or management of an insurance (reinsurance) company, and etc.

At $K9 < -10\%$, a sharp decrease in the volume of insurance premiums of an insurance (reinsurance) company, a change in the range of insurance products, a change in the sales system, the appearance of new insurers on the insurance market, a change in the economic

K 9 "Modification of signed awards"

$-10\% < K9 < 50\%$

underwriting

sphere, legislative changes, a change in the shareholder or management of an insurance (reinsurance) company are possible organizations, etc.

When analyzing, it is recommended to take into account the change in the structure of insurance premiums by K10 classes and the change in provisioning in relation to K12 insurance premiums.

In addition, it is necessary to consider the key areas that influenced the change, evaluate the business plan of management in terms of guidance on managing the situation necessary to maintain financial stability.

K10 evaluates changes in the structure and direction of sales depending on changes in the economic environment,

development of new products, etc. At $K_{10} > 5\%$, a sharp increase in the volume of insurance premiums of an insurance (reinsurance) company is possible, a change in the range of insurance products, a change in the sales system, withdrawal from the insurance market of insurers, changes in the economic sphere, legislative changes, change of a shareholder or management of an insurance (reinsurance) company, and etc., which leads to a change in the structure of insurance premiums by class. When analyzing it is recommended to consider the relative change in the duration of K_6 , the change in signed premiums at K_9 and the change in provisioning in

underwriting, strategic

$K_{10} < 5\%$

K_{10} " Changes in the structure of insurance premiums by class"

					relation to the insurance premiums at K12.
K11 " Change in the structure of recognized assets"			K11<5%	credit, market, strategic	<p>K11 assesses changes in the structure and direction of investment of an insurance (reinsurance) company.</p> <p>K11> 5% may indicate a change in the structure and direction of investment, depending on changes in the investment policy of the insurance (reinsurance) company, changes in the economic environment, etc.</p> <p>When analyzing, it is recommended to take into account relative change in duration K6.</p>
					<p>K12 assesses the change in the growth of the reserve to premiums compared to the previous year.</p> <p>Deviations may indicate a change in the structure and direction of sales depending on changes in the economic</p>

K12 " Change in reservations in relation to premiums"			-20%<K12<20%	Insurance reserves	environment, the sales system, withdrawal from the insurance market or the appearance of new insurers on the insurance market, legislative changes, the result of a change in shareholder / management, etc. When analyzing, it is recommended to take into account the change in signed K9 premiums, the change in the structure of insurance premiums by K10 classes.	
---	--	--	--------------	--------------------	--	--

Note: An explanation of how to fill out the form for collecting administrative data is given in the annex to this form.

Explanations on risk scores outside the standard range

	Name _____	Address _____

	Telephone _____ _____
	Email _____

The first manager or person authorized by him to sign the analysis

last name, first name and patronymic (if any) signature, telephone
Head of Risk Management Department

last name, first name and patronymic (if any) signature, telephone
executor _____

last name, first name and patronymic (if any) signature, telephone
date " ____ " _____ 20__ year

Appendix
to the form of the coefficient
analysis of the system of the risks
assessment of the insurance
(reinsurance) organizations,
working on the "life insurance"

Explanation of filling out the form for collecting administrative data

Analysis of the coefficients of the risk assessment system of an insurance (reinsurance)

company operating in the "life insurance" industry (index - RASA_2LI, frequency - annual)

Chapter 1. General provisions

1. This clarification (hereinafter referred to as the Clarification) defines uniform requirements for filling out the form intended for collecting administrative data "Analysis of the coefficients of the risk assessment system of an insurance (reinsurance) company operating in the life insurance industry" (hereinafter referred to as the Form).

2. The form is filled in by the insurance (reinsurance) company annually as of the end of the reporting period.

3. Columns 2 and 3 of the Analysis indicate the values of the coefficients of the previous reporting year and the reporting year, respectively (as a percentage, up to the second decimal place).

4. The Form is signed by the first manager or a person authorized by him to sign the Form, the head of the risk management department and the executor.

2. Explanation of filling out the Form

5. Coefficient K1 " Change in Adjusted Equity " shall be calculated using the following formula:

$$K1 = \frac{K_t - \Delta YK_t - \Delta \Delta K_t - K_{t-1}}{K_{t-1}} * 100\% ,$$

Where :

K_t

– equity at the reporting date;

ΔYK_t

– change in the authorized capital compared to the previous year;

$\Delta ДK_t$

– change in additionally paid-up capital compared to the previous year;

K_{t-1}

– equity at the previous reporting date

6. Coefficient K2 "Capital change" is calculated according to the following formula:

$$K2 = \frac{K_t - K_{t-1}}{K_{t-1}} * 100\% ,$$

where:

K_t – equity at the reporting date;

K_{t-1} – equity at the previous reporting date.

7. Coefficient K3 "Profitability" shall be calculated according to the following formula:

$$K3 = \frac{\text{ЧП}_t}{\Delta_t} * 100\% ,$$

Where:

NP_t – total net profit (loss) after tax at the reporting date;

I_t – total income at the reporting date.

8. Coefficient K4 "Adequacy of investment income" shall be calculated according to the following formula:

$$K4 = \frac{\Phi \Delta_t}{И \Delta_t} * 100\%$$

$$И \Delta_t = \left(\frac{\text{PHY}_t + \text{PHY}_{t-1}}{2} \right) * i ,$$

where:

$\Phi Д_t$

– actual income from investing activities at the reporting date in tenge;

$ИД_t$

– investment income pledged on insurance products at the reporting date in tenge;

PHY_t

– reserve for non-incurred losses under life insurance (reinsurance) contracts and annuity contracts at the reporting date;

PHY_{t-1}

– reserve for non-incurred losses under life insurance (reinsurance) contracts and annuity contracts at the reporting date;

i

– the rate of return on the reserve basis in %.

9. Coefficient K5 "The ratio of unrecognized assets to recognized assets" shall be calculated using the following formula:

$$K5 = \frac{A_t - ПА_t - АКПЗНУ_t}{ПА_t} * 100\% ,$$

where:

A_t

– total assets at the reporting date;

$ПА_t$

– the total amount of assets, taking into account their classification by quality and liquidity (hereinafter - QL) at the reporting date, the amount on the balance sheet;

$АКПЗНУ_t$

– reinsurance assets for reported but unsettled losses (less allowance for impairment losses) at the reporting date.

10. Coefficient K6 "Relative change in duration" consists of two parts K61 and K62, for which the calculation formula and permissible values are the same. K61 is calculated for the entire term for the portfolio of insurance (reinsurance) organizations, while K62 is calculated for a term over 10 years. In this case, the value of K6 takes on the minimum value of K61 and K62 and is calculated according to the following formula:

$$K6 = \left(\frac{ДИ_t}{ДО_t} - \frac{ДИ_{t-1}}{ДО_{t-1}} \right) * 100\% ,$$

where:

$ДИ_t$

– investment return period as of the reporting date;

$ДО_t$

– the deadline for fulfilling obligations at the reporting date;

$ДИ_{t-1}$

– investment return period for the previous reporting date;

$ДО_{t-1}$

– deadline for fulfillment of obligations at the previous reporting date.

The return on investment is calculated by calculating the weighted average of the durations calculated separately for each investment that has a maturity date.

The term for the fulfillment of obligations is calculated by finding the weighted average value for the timing of the fulfillment of obligations, calculated separately for each insurance contract.

11. Coefficient K7 "Investments in capital of affiliated and (or) related parties" shall be calculated according to the following formula:

$$K7 = \frac{ДЗА_t + ИА_t}{К_t} * 100\% ,$$

where:

$ДЗА_t$

– receivables from affiliated and (or) related parties at the reporting date;

ИА_t

– investments in affiliated and (or) related persons at the reporting date;

К_t

– equity at the reporting date.

12. Coefficient K8 "The ratio of premiums transferred for reinsurance to premiums accepted under insurance (reinsurance) contracts" is calculated for each class of insurance. In this case, the value of K8 takes on the maximum value among, which shall be calculated by the following formula:

$$K8_i = \frac{C\Pi_{t_i}}{C\Pi_{t_i}} * 100\%,$$

where:

IPR_t – insurance premiums ceded for reinsurance at the reporting date for the i-th class of insurance;

IP_t – insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts, at the reporting date for the i-th class of insurance.

13. Coefficient K9 "Change in signed premiums" shall be calculated according to the following formula:

$$K9 = \frac{C\Pi_t - C\Pi_{t-1}}{C\Pi_{t-1}} * 100\%,$$

where:

IP_t – insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts, at the reporting date;

IP_{t-1} – insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts at the previous reporting date.

14. Coefficient K10 "Change in the structure of insurance premiums by class" shall be calculated according to the following formula:

$$K10 = \frac{\sum_{i=1}^N \left| \frac{C\Pi_t^i}{C\Pi_t} - \frac{C\Pi_{t-1}^i}{C\Pi_{t-1}} \right|}{N} * 100\%,$$

where:

$СП_t^i$

– insurance premiums for the i - th class of insurance accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts at the reporting date;

$СП_t$

– insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts, at the reporting date;

$СП_{t-1}^i$

– insurance premiums for the i - th class of insurance accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts at the previous reporting date;

$СП_{t-1}$

– insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts at the previous reporting date;

N

– number of insurance classes.

15. Coefficient K11 "Change in the structure of recognized assets" shall be calculated according to the following formula:

$$K11 = \frac{\sum_{i=1}^{12} \left| \frac{BA_t^i}{BA_t} - \frac{BA_{t-1}^i}{BA_{t-1}} \right|}{12} * 100\% ,$$

where:

BA_t^i

– the amount of the i-th recognized asset at the reporting date, the balance sheet amount;

BA_t

– the amount of recognized assets at the reporting date, the amount on the balance sheet;

BA_{t-1}^i

– the amount of the i-th recognized asset at the previous reporting date, the amount on the balance sheet;

BA_{t-1}

– the amount of assets recognized at the previous reporting date.

As recognized assets, assets are accepted at book value that fall within the definition of the ALC in accordance with clause 39 of the Regulatory Values and Methods for Calculating Prudential Standards of an Insurance (Reinsurance) Organization and an Insurance Group and other mandatory standards and limits established by the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated 26 December 2016 No. 304, registered in the Register of State Registration of Normative Legal Acts under No. 14794.

The structure of recognized assets for calculating the K11 ratio:

- 1) money;
- 2) deposits;
- 3) government securities of the Republic of Kazakhstan;
- 4) debt securities issued by local executive bodies of the Republic of Kazakhstan;
- 5) non-government securities of legal entities of the Republic of Kazakhstan;
- 6) securities of foreign states;
- 7) non-government securities of foreign issuers;
- 8) non-government debt securities issued by international financial organizations;
- 9) securities of investment funds included in the official list of the stock exchange;
- 10) shares;
- 11) instruments of Islamic financing of legal entities of the Republic of Kazakhstan;
- 12) other assets.

16. Coefficient K12 "Change in provisioning in relation to insurance premiums" shall be calculated using the following formula:

$$K12 = \left(\frac{CP_t - CP_{t-1}}{C\Pi_t} - \frac{CP_{t-1} - CP_{t-2}}{C\Pi_{t-1}} \right) * 100\% ,$$

where:

IP_t – insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts, at the reporting date;

IP_{t-1} – insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to the termination of insurance (reinsurance) contracts at the previous reporting date;

1.1	Money - total								
1.2	Deposits - total, including:								
	deposits in second-tier banks of the Republic of Kazakhstan that meet one of the following requirements: have a long-term credit rating of at least "BB-" according to the international scale of Standard & Poor's (Standard and Poor's) or a rating of a similar level from one of the other rating agencies, or a rating not lower than below "kzBB" according to the national scale of Standard & Poor's (Standard								

1.2.1

and Poor's), or a rating of a similar level according to the national scale of one of the other rating agencies (taking into account the amounts of the principal debt and accrued interest), less an allowance for doubtful debts; are resident subsidiary banks whose parent non-resident banks have a long-term credit rating in foreign currency not lower than "A-" according to the international scale of Standard & Poor's (Standard and Poor's) or a rating of a

<p>similar level from one of the other rating agencies (taking into account the amounts of the principal debt and accrued interest), net of allowance for doubtful debts</p>								
<p>deposits in second-tier banks of the Republic of Kazakhstan with a long-term credit rating from "B" to "B +" according to the international scale of Standard & Poor's (Standard and Poor's) or a rating of a similar level from one of the other rating agencies, or a rating from "</p>								

<p>1.2.2</p> <p>kzB +" to "kzBB-" according to the national scale of Standard & Poor's (Standard and Poor's), or a rating of a similar level according to the national scale of one of the other rating agencies (taking into account the amounts of the principal debt and accrued interest), net of allowance for doubtful debts</p>								
<p>State securities of the Republic of Kazakhstan (including those issued in accordance with the legislation of foreign states) issued by the</p>								

1.3

Ministry of Finance of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan, net of allowance for doubtful debts

1.4

Debt securities issued by local executive bodies of the Republic of Kazakhstan included in the official list of the stock exchange operating in the territory of the Republic of Kazakhstan (taking into account the amounts of the principal debt and accrued interest), net of allowance

	for doubtful debts								
1.5	<p>on-state securities of legal entities of the Republic of Kazakhstan included in the official list of the stock exchange operating in the territory of the Republic of Kazakhstan , including:</p>								
	<p>shares of issuers with a long-term credit rating of at least "BB-" according to the international scale of Standard & Poor's (Standard & Poor's) or a rating of a similar level from one of the other rating agencies, or a rating of at least "kzBB"</p>								

<p>1.5.1</p> <p>according to the national scale of Standard & Poor's (Standard & Poor's), or a national scale rating of one of the other rating agencies, and depositary receipts, the underlying asset of which is these shares, net of allowance for doubtful debts</p>								
<p>1.5.2</p> <p>shares of issuers that are on the representative list of the index of the Kazakhstan Stock Exchange and depositary receipts, the underlying asset of which is these shares, except for the shares specified in line</p>								

1.4.1, net of allowance for doubtful debts								
1.5.3	shares of issuers with a long-term credit rating from "B" to "B+" according to the international scale of Standard & Poor's (Standard and Poor's) or a rating of a similar level from one of the other rating agencies, or a rating from "kzB+" to "kzBB-" according to the national scale of Standard & Poor's (Standard and Poor's) or a rating of a similar level on the national scale of one of the other rating agencies,							

<p>a n d depositor y receipts, t h e underlyin g asset of which is these shares, net of allowance f o r doubtful debts</p>								
<p>shares issued in accordanc e with the legislation of the Republic o f Kazakhsta n on the securities market, admitted t o circulatio n on the stock exchange i n accordanc e with the Requirem ents for issuers and their securities admitted t o circulatio n on the stock exchange, as well as to certain categories of the official list of the stock exchange,</p>								

<p>1.5.4</p>	<p>approved by the resolution of the Board of the National Bank of the Republic of Kazakhstan dated March 27, 2017 No. 54, registered in the Register of state registration of regulatory legal acts under No. 15175 (hereinafter - Requirements No. 54), and depositor y receipts, the underlying asset of which is these shares, except for the shares specified in the lines 1.4.1, 1.4.2 and 1.4.3, net of allowance for doubtful debts</p>								
	<p>debt securities issued in</p>								

1.5.5

accordance with the legislation of the Republic of Kazakhstan on the securities market and other states, having (the issuer of which has) a long-term credit rating of at least "BB-" according to the international scale of Standard & Poor's agency (Standard and Poor's) or a rating of a similar level one of the other rating agencies, or a rating not lower than "kzBB" according to the national scale of Standard & Poor's (Standard and Poor's), or a rating of a similar

<p>level according to the national scale of one of the other rating agencies (taking into account the amounts of the principal debt and accrued interest), net of allowance for doubtful debts</p>								
<p>debt securities issued in accordance with the legislation of the Republic of Kazakhstan on the securities market and foreign countries, having (the issuer of which has) a long-term credit rating from "B" to "B +" according to the international scale of the</p>								

1.5.6	<p>agency Standard & Poor's (Standard and Poor's) or a rating of a similar level by one of the other rating agencies, or a rating from “kzB+” to “kzBB-” according to the national scale of Standard & Poor's (Standard and Poor's), or a rating of a similar level according to the national scale of one of the other rating agencies (taking into account the amounts of the principal debt and accrued interest), net of allowance for doubtful debts</p>								
	debt securities								

<p>1.5.7</p> <p>admitted to circulation on the stock exchange in accordance with Requirements No. 54, except for the debt securities specified in lines 1.4.5 and 1.4.6 (taking into account the amounts of the principal debt and accrued interest), net of allowance for doubtful debts</p>								
<p>1.6</p> <p>Shares of joint-stock company "Insurance Payments Guarantee Fund", net of allowance for doubtful debts</p>								
<p>Securities with the status of state-owned issued by central</p>								

<p>1.7</p> <p>governments of foreign countries with a sovereign rating of at least "B - " according to the international scale of Standard & Poor's (Standard and Poor's), or a rating of a similar level from one of the other rating agencies, net of allowance for doubtful debts</p>								
<p>1.8</p> <p>Non-state securities issued by foreign organizations:</p>								
<p>shares of issuers with an international rating of at least "BBB-" by Standard & Poor's (Standard and Poor's), or a rating of a similar level from one of the</p>								

1.8.1

other rating agencies, and depositary receipts, the underlying asset of which is these shares, net of allowance for doubtful debts

1.8.2

debt securities with an international rating of at least "BBB-" by Standard & Poor's (Standard and Poor's), or a rating of a similar level by one of the other rating agencies (taking into account the amount of principal debt and accrued interest), net of allowance for doubtful debts

Securities of internatio

1.9

n a l
financial
organizati
ons, the
list of
which is
determine
d by
paragraph
39 of the
Regulator
y values
a n d
methods
f o r
calculatin
g the
prudential
standards
of an
insurance
(
reinsuranc
e)
company
a n d
insurance
group and
other
mandator
y
standards
and limits
establishe
d by the
Resolutio
n of the
Board of
t h e
National
Bank of
t h e
Republic
o f
Kazakhsta
n dated
December
26, 2016
No. 304,
registered
in the
Register
of state
registratio

<p>n of regulatory legal acts under No. 14794 (hereinafter - the Standards)</p>								
<p>1.10 Refined precious metals that meet international quality standards adopted by the London Bullion Market Association and designated in the documents of this association as the standard " London Good Delivery" and metal deposits, including in non-resident banks of the Republic of Kazakhstan, with a rating of at least " A A " according to the international scale of the agency</p>								

	Standard & Poor's (Standard and Poor's), or a rating of a similar level from one of the other rating agencies								
1.11	Equity units - total, including:								
1.11.1	equity units that meet the requirements of subparagraph 23) of paragraph 38 of the Standards, net of allowance for doubtful debts								
1.11.2	equity units that meet the requirements of subparagraph 24) of paragraph 38 of the Standards, net of allowance for doubtful debts								
1.11.3	equity units of open and interval mutual investment fund, net								

	o f allowance for doubtful debts							
1.12	Islamic finance instruments that meet the requirements of subparagraphs 25), 26) of paragraph 38 of the Standards							
1.13	Requirements to issuers of securities for payment of the nominal value of securities arising in connection with the expiration of their circulation period provided for in the securities issue prospectus (not overdue under the terms of the securities issue prospectus)							
2	Assets by balance							
	Liabilities by							

3	insurance classes								
3.1	Life insurance								
3.2	Annuity insurance								
3.3	Accident insurance								
3.4	Health insurance								
4	Gap indicator (line 1 - line 3)								
5	Gap ratio as a percentage of assets (line 4/line 2)								
6	Cumulative gap								
7	Cumulative gap as a percentage of assets (line 6/line 2)								

Note: An explanation of filling out the form for collecting administrative data is given in the Appendix to this form.

Name _____

Address _____

Telephone _____

E-mail address _____

The first head or a person authorized by him to sign the gap analysis

 surname, name, patronymic (if any) signature, phone number

Head of risk management subdivision

 surname, name, patronymic (if any) signature, phone number

Date " _____ " _____ 20 _____

for insurance organizations,
carrying out activities
in the "life insurance" industry

Explanation for filling out the form for collecting administrative data

Gap analysis for insurance organizations operating in the "life insurance" industry (index - GAP-LI1, frequency - quarterly)

Chapter 1. General provisions

1. This explanation on filling in the form intended for collection of administrative data (hereinafter referred to as the "Explanation") shall define unified requirements on filling in the form intended for collection of administrative data "Gap analysis for insurance organizations operating in the industry" life insurance "(hereinafter referred to as the" Form ").

2. The form shall be filled out by the insurance company operating in the "life insurance" industry on a quarterly basis as of the end of the reporting period.

3. The unit of measure used when filling out the Form shall be set in thousands of tenge and in percent (up to the second decimal place). The amount less than KZT 500 (five hundred) shall be rounded to 0 (zero), and the amount equal to KZT 500 (five hundred) and above shall be rounded to KZT 1000 (thousand).

4. The form shall be signed by the first manager or person authorized by him to sign the gap analysis, as well as the head of the risk management department.

Chapter 2. Explanation for filling out the form

5. Column 10 shall indicate assets that have no maturity.

6. In line 6, the cumulative gap shall be calculated using the following formula:

$$\text{Кумулятивный_гэп}_i = \sum_{i=1}^i \text{Показатель_гэп}_i$$

Annex 5
to the Rules of formation of the
risk management system and
internal control for insurance
(reinsurance) organizations,
branches insurance (reinsurance)
non-resident organizations
of the Republic of Kazakhstan

Footnote. The upper right corner of Annex 5 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of

the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Underwriting Risk Management Requirements

Footnote. Annex 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 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

1. The Board of Directors for the effective management of underwriting risk shall:
 - 1) approve the underwriting policy;
 - 2) take decision on the conclusion of a separate insurance contract (reinsurance) or on the implementation of the insurance payment, the amount of liabilities (insurance amount) or the amount of insurance payment for which exceeds twenty-five percent of the amount of assets minus the reinsurer's share of the organization's insurance reserves (if available) and underwriter (underwriting unit), actuary, risk management department;
 - 3) establish and revise at least once a year the limits of liability (insurance sums) under a separate insurance (reinsurance) contract in terms of classes (types) of insurance, for which the decision to enter into an insurance (reinsurance) contract shall be made by an insurance intermediary, underwriter (division for underwriting), board, underwriting board, board of directors;
 - 4) approve insurance rules separately for each type of insurance.
2. The underwriting policy shall govern:
 - 1) the information about the main risks associated with underwriting;
 - 2) the procedures for the development and harmonization of insurance regulations;
 - 3) the procedures for registration of insurance contracts (reinsurance) (insurance policies);
 - 4) the rights, duties and responsibilities of the insurance intermediary, underwriter (underwriting division) and the underwriting board;
 - 5) the procedure for collecting, processing and analysing information for underwriting;
 - 6) the factors affecting the risk assessment;
 - 7) the process of underwriting decision by the underwriter (underwriting division) and the underwriting board, including the coordination of insurance risk with the reinsurer;
 - 8) the requirements for the terms of contracts with insurance intermediaries (agency agreements);
 - 9) the methodology for determining correction coefficients for insurance premiums under contracts of compulsory insurance of an employee against accidents during the performance of his labor (official) duties based on the analysis of financial indicators and statistical information.

The requirement of this sub-paragraph shall apply to an insurance organization that determines correction factors on the basis of paragraph 2-1 of Article 17-1 of the Law of the

Republic of Kazakhstan dated February 7, 2005 “On Mandatory Insurance of Employees from Accidents in the Performance of Labor (Service) Responsibilities”;

10) other issues at the discretion of the board of directors.

Footnote. Clause 2 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated December 22, 2020 No. 126 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

3. The Underwriting Council shall carry out:

- 1) adoption of underwriting decisions within the limits set by the board of directors;
- 2) control over adequate assessment of risks taken;
- 3) ensuring an adequate insurance rate for the object and the risks taken for insurance;
- 4) determination of the conditions of insurance coverage for risks taken on insurance;
- 5) ensuring an increase in the positive difference (taking into account probabilistic criteria for the occurrence of insured events) between the net premiums received and the insurance payments made under insurance (reinsurance) contracts concluded during a certain period of time.

Net premium shall be an amount of money estimated by an actuary on the basis of actuarial methods, which is payable by an organization for accepting its obligations exclusively to make insurance payments without taking into account other expenses of the organization;

6) determination of the list of basic and additional conditions included in the insurance (reinsurance) contract.

4. The Board shall make an underwriting decision on the conclusion of a separate insurance (reinsurance) contract within the limit set by the board of directors.

5. The main functions of the underwriter (units underwriting) shall include:

1) before entering into an insurance (reinsurance) contract, the underwriting unit shall carry out:

identification and accounting of risk-forming factors that significantly affect the increase in the probability of an insured event, depending on the types of insurance claims and insurance objects, as well as the possibility of taking them into account when calculating insurance rates;

individual assessment and analysis of accepted risks and their possible consequences;

selection of risks according to the degree of danger;

control over the assessment of the state of the insured object, the factors contributing to and hindering the development of risks, and the implementation of measures to reduce risks;

determination of insurance sums, calculation of tariffs, deductibles and other calculated indices together with an actuary on the basis of an approved underwriting policy and internal documents of the organization;

2) after the conclusion of the insurance (reinsurance) contract, the underwriter (underwriting division):

participate in accompanying an insurance (reinsurance) contract, monitoring the condition of the insurance object, except for types of personal insurance and monitoring the implementation of the risk mitigation plan (if any);

in the event of changes in the parameters of risks accepted for insurance, recalculate the insurance tariff, develops and submits to the management board or structural subdivision whose functions include entering into insurance (reinsurance) agreements regarding the need for changes in the insurance (reinsurance) agreement;

in case of violation of the obligations by the insurer, develop a conclusion on the need to terminate the insurance contract or reduce the amount of insurance payment;

3) preparation of recommendations for the underwriting board;

4) adoption of underwriting decisions within the limits set by the board of directors;

5) the establishment, in agreement with the actuary, of numerical values of correction factors taking into account the existence (absence) of factors that significantly affect the probability of occurrence of the insured event, as well as the availability (absence) in the insurance (reinsurance) contract of a particular condition;

6) constant interaction with employees, insurance intermediaries on underwriting issues;

7) development and provision of recommendations to the underwriting advice regarding the necessary changes in the terms of the insurance (reinsurance) contract.

6. The adoption of an underwriting decision on the conclusion of a separate insurance (reinsurance) agreement above the limit point per underwriter (underwriting subdivision) established by the board of directors shall be carried out on the basis of a recommendation issued by the underwriter (underwriting subdivision) and the conclusion of the risk management subdivision.

The insurance company in the internal document shall establish the minimum and maximum thresholds for amounts up to the limit of the underwriting council, providing for mandatory agreement with the underwriter (underwriting subdivision).

When making an underwriting decision, the following conditions shall be taken into account:

1) the state of the insurance portfolio;

2) loss ratios by type of insurance to which the object of insurance belongs;

3) risks associated with the insured and the object of insurance;

4) compliance with own retention limits established by the actuary and the legislation of the Republic of Kazakhstan on insurance and insurance activities;

5) other factors influencing the underwriting decision.

Footnote. Paragraph 6 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated

23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

7. Underwriting solution shall contain:

- 1) the date of adoption and its number;
- 2) the date of issue and the number of the recommendation on the basis of which the underwriting decision was made;
- 3) the type and terms of the insurance (reinsurance) contract;
- 4) the information about the policyholder;
- 5) the term of the insurance (reinsurance) contract;
- 6) belonging to the class (classes) of insurance;
- 7) the information about the insurance agent or insurance broker, through which the conclusion of an insurance (reinsurance) contract is expected;
- 8) the signatures of the persons who made the underwriting decision, indicating their positions.

8. When concluding insurance (reinsurance) contracts, the principles of evaluating insurable risks shall be taken into account:

- 1) accidental damage (unknown time of occurrence and amount of expenses (losses), independence of expenses (losses) from the actions of interested parties);
- 2) assessment of possible damage (the expected amount of expenses (losses) is calculated, on the basis of which the amount of insurance premiums is calculated);
- 3) unambiguity (clarity) of determining costs (losses) (the contract explicitly specifies possible risks, insurance objects, the size of the expected amount of insurance payment in the event of an insurance event)
- 4) independence of distribution of insurance risks from each other.

9. The organization shall form an insurance case containing:

- 1) an application signed by the policyholder (insured person) for insurance, including information on the policyholder's familiarization with the insurance conditions and receipt of a copy of the insurance rules (if the insurance (reinsurance) contract is concluded in the form of an adhesion contract (insurance policy)).

The requirement for the signature of the policyholder (insured person) in the application shall not apply to contracts concluded in electronic form;

- 2) an underwriting decision or a copy thereof under an insurance (reinsurance) agreement, with the exception of agreements concluded under classes of compulsory insurance of civil liability of vehicle owners, civil liability of a carrier to passengers;
- 3) copies of documents provided by the policyholder (insured, beneficiary) and the surveyor for making an underwriting decision;
- 4) an insurance (reinsurance) contract and (or) an insurance policy and the changes made;
- 5) records on the results of monitoring the condition of the object of insurance (reinsurance) of movable and (or) immovable property.

Footnote. Paragraph 9 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

10. Under insurance (reinsurance) contracts concluded in electronic form, the insurance business shall be formed in electronic form.

The insurance file shall be kept on paper and (or) in electronic form.

Footnote. Paragraph 10 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

Annex 6
to the Rules of formation of the
risk management system and
internal control for insurance
(reinsurance) organizations,
branches insurance (reinsurance)
non-resident organizations
of the Republic of Kazakhstan

Footnote. The upper right corner of Annex 6 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Reinsurance risk management requirements

1. In order to effectively manage reinsurance risk, the Board of Directors shall approve:

1) the reinsurance policy;

2) the limits (types) of outgoing reinsurance contracts (reinsurance contracts, in accordance with which the organization transfers part of the insurance risks to reinsurance), under which decisions are made by the board, underwriting board or board of directors.

2. The reinsurance policy shall contain:

1) the information on the main risks associated with reinsurance;

2) the procedure for ensuring control over compliance with the legislation of the Republic of Kazakhstan on insurance and insurance activities when entering into reinsurance contracts;

3) the criteria for selecting a reinsurance counterparty;

4) the procedure for evaluating the activities of counterinsurgency partners before establishing a business relationship (entering into a contract);

5) the procedure for conducting regular monitoring of the financial condition in the process of further interaction with reinsurance counter-partners (reinsurers), including their rating indicators;

6) the description of the types of reinsurance used to cover insurance risks;

7) the limits on amounts (amounts) and types of insurance, the risks for which are automatically covered by reinsurance (obligatory reinsurance) or transferred to reinsurance in whole or in part (to a certain extent) (optional reinsurance);

8) the maximum amount of reinsurance coverage for one reinsurer;

9) own retention limits for the insurance portfolio, class, type and insurance (reinsurance) contract calculated by the actuary. The limits for own deduction can be set at the insured risk and (or) the insured event;

10) other issues at the discretion of the board of directors.

3. The Board shall annually evaluate the reinsurance policy for compliance with current market conditions and, if necessary, shall carry out its review. The reinsurance policy shall be adjusted in the event of a change in the underwriting policy or the status of reinsurers.

4. The internal audit service shall perform an audit:

1) on reinsurance contracts;

2) on the system of informing the relevant reinsurer about the occurrence of the insured event;

3) on receiving payment from the reinsurer in the event of an insured event.

5. The reinsurance department shall document all taken decisions related to the implementation of the reinsurance policy.

6. The reinsurance department shall submit to the risk management department, on a quarterly basis, a report on the results of evaluation, measurement and analysis to the board of directors on a quarterly basis:

1) risk-forming factors for reinsurance (including regional, market, political, economic conditions, etc.);

2) monitoring the credit rating of each reinsurance counterpart (reinsurer), as well as the impact of changes in the credit rating on the calculation of prudential standards and other mandatory standards and limits established by the authorized body.

7. The reinsurance department shall maintain a register of reinsurers containing the following information:

1) the name of the reinsurer;

2) reinsurer's financial strength rating;

3) the share of responsibility transferred to reinsurance;

4) contact details of the underwriter of the reinsurer, insurance broker (the person responsible for entering into the reinsurance contract)

5) the person responsible for taking the risk of reinsurance (made the decision to accept the risk of reinsurance).

8. The reinsurance department shall annually analyse the financial stability of each reinsurer (including for reinsurers-residents analysis of assets, insurance reserves, capital adequacy for repayment of liabilities, expenses and income, cash flow, for reinsurers-non-residents, financial stability analysis is carried out on the basis of available

information), with which a reinsurance contract has been concluded or is planned to be concluded, based on the financial statements for s completed three (3) fiscal years (for reinsurers - residents).

9. The reinsurance division shall collect and shall store copies of documents confirming:
registration of a reinsurer as a legal entity;

availability of a license or permission of the relevant authorized body of the relevant state to carry out reinsurance activities, except in cases where a license or permission to carry out reinsurance activities is not required by the legislation of the relevant state;

powers of the underwriter (subdivision for underwriting) or another employee of the reinsurer to conclude a reinsurance contract on behalf of the reinsurer.

10. In the case of using the services of an insurance broker, the reinsurance department shall maintain and shall control the registration of reinsurance cornet in accordance with the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activities.

11. In order to adjust the reinsurance policy, the reinsurance department shall be held and presented to the assets and liabilities management board and the risk management department at least once a quarter:

analysis of the financial condition of reinsurers with whom reinsurance contracts were concluded;

analysis of payments received from reinsurers for the last 5 (five) years and assessment of the feasibility of reinsurance of insurance risks;

analysis of the adequacy of the limits of own deduction established by the actuary.

Annex 7

to the Rules of formation of the
risk management system and
internal control for insurance
(reinsurance) organizations,
branches insurance (reinsurance)
non-resident organizations
of the Republic of Kazakhstan

Footnote. The upper right corner of Annex 7 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Insurance Risk Management Requirements

1. Within the framework of risk management of insurance payments, the Board of Directors shall approve the limits of insurance payments, the decision on which falls within the competence of the board of directors, the board of assets and liabilities management, the board, the division for payments, and the branches of the organization.

2. In order to ensure the process of making insurance payments, the organization immediately from the moment of notification of the occurrence of an insured event shall submit to the insured (insured, beneficiary):

1) the appropriate application form for the occurrence of the insured event for the type of insurance, along with instructions and other information on how to comply with the terms of the insurance contract and the requirements of the organization;

2) information necessary for the preparation of documents and a list of documents for the implementation of the insurance payment.

3. The Board shall provide unhindered access for the policyholder (the insured, the beneficiary) to the insurance benefit department and (or) the insurance intermediary. If the insurance intermediary has the ability to obtain documents from the policyholder (insured, beneficiary), he/she shall establish the timing of sending the documents to the organization in the contract of assignment.

4. After receiving the documents for insurance payments, the organization shall provide the applicant with a certificate indicating the list of accepted documents.

5. If the decision on the implementation of the insurance payment can not be made in a timely manner, the organization shall notify the policyholder (insured, beneficiary) explaining the reasons for the need to extend the insurance payment, while the board shall ensure that the insurance payment is made in the period specified in the insurance contract and (or) the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance.

If the event cannot be recognized as an insured event, the organization shall send a reasoned written refusal to the policyholder (insured, beneficiary) to make insurance payments on the grounds stipulated by the insurance contract and (or) the legislation of the Republic of Kazakhstan on insurance and insurance, on compulsory insurance.

6. After registration of the notification of the occurrence of an insured event, the insurance payments division forms and stores the insurance file of the policyholder (insured, beneficiary) for the insurance payment in electronic or paper form, which contains the following information and documents:

1) the date of the opening of the case;

2) applications for insurance payments registered with the organization;

3) an insurance contract (policy);

4) a brief report on the process of considering the application, including the terms of consideration by the interested divisions;

5) the date of the insured event (event considered as an insured event);

6) the date of notification of an insured event (an event considered as an insured event);

7) a description of the loss;

8) information about the applicants;

9) the date of assessment, if required in accordance with the insurance contract;

10) a copy of the report of the appraiser, adjuster, independent expert, if required in accordance with the insurance contract;

11) brief data of the appraiser, adjuster, independent expert, if required in accordance with the insurance contract;

12) the estimated value of the loss;

13) date and amount of insurance payment;

14) the date of refusal to make insurance payment;

15) the date of completion of the insurance business;

16) the decision on the implementation of the insurance benefit.

Footnote. Clause 6 - as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated December 22, 2020 No. 126 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

7. The insurance benefit division shall analyse the insurance cases by class, type of insurance, policyholders (insured, beneficiaries) and shall quarterly submit it to the risk management department to determine the organization's risk card.

8. The decision on the payment of insurance payments, with the exception of decisions on the implementation of insurance payments related to survival, shall be made by the assets and liabilities management board and the management board, after consultation with the risk management department and compliance controller according to the established limits.

9. The risk management department shall annually:

1) measure and predict catastrophic risks involving the use of models that include scenarios of the onset of natural and man-made disasters;

2) evaluate the insurance portfolio for the ability to withstand catastrophic events.

10. A report on catastrophic risks shall be submitted to the board of directors and the management board.

Annex 8

to the Rules of formation of the
risk management system and
internal control for insurance
(reinsurance) organizations,
branches insurance (reinsurance)
nonresident organizations
of the Republic of Kazakhstan

Footnote. The upper right corner of Annex 8 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Requirements to the insufficiency risk management of insurance reserves

1. In order to effectively manage the risk of insufficiency of insurance reserves, the Board of Directors shall approve:

- 1) the policy of formation of insurance reserves;
- 2) internal procedures for the collection, processing and analysis of statistical information required to calculate insurance reserves.

Footnote. Clause 1 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated December 22, 2020 No. 126 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

2. In order to effectively manage the risk of insufficiency of insurance reserves, the Board shall carry out:

- 1) the development and maintenance of effective implementation of the policy of formation of insurance reserves;
- 2) developing and ensuring the effective implementation of internal procedures for collecting, processing and analysing the statistical data necessary to form adequate insurance reserves;
- 3) control of the timely formation of insurance reserves;
- 4) providing the organization with an adequate level of qualification;
- 5) determining the procedure for maintaining and maintaining a loss log.

3. The policy of formation of insurance reserves shall contain:

- 1) the methods for calculating the reserve of losses (claimed but unresolved losses and incurred but undeclared losses);
- 2) the methods for calculating the reserve of unearned premiums (for general insurance) and the reserve for losses that have not occurred (for life insurance);
- 3) the procedure for conducting a test for the adequacy of the formed insurance reserves;
- 4) the frequency and timing of the calculation of insurance reserves;
- 5) an indication of the structural unit and (or) the person responsible for the calculation of insurance reserves.

4. The internal audit service shall develop and submit for approval to the board of directors the rules of internal control and the conduct of internal audit of the formation of insurance reserves, including the following measures:

- 1) checking the reliability of statistical information used in the formation of insurance reserves;
- 2) checking the loss log to ensure adequate reserve formation for declared but unsettled losses;
- 3) monitoring of insurance claims for which the insurance payment has not been made or has not been fully implemented;
- 4) regular inspection of the register of insurance (reinsurance) contracts for the availability of all concluded insurance (reinsurance) contracts;

5) control over timely informing by insurance agents about concluded insurance contracts.

Footnote. Clause 4 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated December 22, 2020 No. 126 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

5. An actuary shall carry out:

- 1) timely and adequate calculation of insurance reserves;
- 2) the use of reliable and objective statistical information in the calculation of insurance reserves;
- 3) adequate and economically sound forecasting of financial and other indicators used in the calculation of insurance reserves;
- 4) use of reliable mortality tables;
- 5) adequate calculation of insurance reserves under insurance (reinsurance) agreements concluded at low insurance rates to attract policyholders;
- 6) a test for the adequacy of insurance reserves by type of insurance;
- 7) training and skills for calculating insurance reserves.

Footnote. Clause 5 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan on Regulation and Development of the Financial Market dated December 22, 2020 No. 126 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

6. The actuary shall submit a monthly report on insurance reserves to the risk management division, containing a description of the methods and indicators used in the calculation, the professional opinion of the actuary on the sufficiency of insurance reserves for the organization's risk map.

Annex 9
to the Rules for the Formation of
the Risk Management and Internal
Control System for Insurance
(Reinsurance) Organizations

Footnote. The upper right corner of Annex 9 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Footnote. Annex 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 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

Investment Risk Management Requirements

1. The Board of Directors in order to effectively manage investment risks shall:

- 1) approve the investment policy;
- 2) make a decision on the independent placement of assets covering insurance reserves, or on the transfer of assets partially or completely to the management of the organization engaged in the management of the investment portfolio (hereinafter referred to as the investment portfolio manager);
- 3) approve the rules of the subdivision investment fund, the investment declaration and the methodology for determining the current value of assets of the investment portfolio created (formed) at the expense of a part of insurance premiums (insurance premiums) received from insurers for investment purposes, and income (losses) received from their investment, under insurance contracts providing for the condition of the insured's participation in investments;
- 4) agree on the rules of an asset investment fund, an investment declaration and a methodology for determining the current value of assets of an investment portfolio created (formed) by the investment portfolio manager by agreement with the organization at the expense of a part of insurance premiums (insurance premiums) received from insurers for investment purposes, and income (losses) received from their investment, under insurance contracts providing for the condition of the insured's participation in investments;
- 5) create an investment committee within ten (10) working days if the organization receives a license to carry out activities to manage the investment portfolio in the securities market.

Footnote. Paragraph 1 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 25.05.2020 № 60 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

2. For the effective management of investment risks the Board shall:

- 1) determine operational procedures for avoiding excessive expenses on transactions with financial instruments, including those related to sharp price fluctuations in the market of financial instruments (“stop-loss” limits), as well as critical price and yield levels for financial instruments, after which increases the likelihood of a decrease in the market value of a financial instrument (take-profit limits). The “stop-loss” and “take-profit” limits shall be set for financial instruments for which there is an active market, as well as for other financial instruments, the list of which is determined by the assets and liabilities management board;
- 2) initiate a revision of the limits and the maximum allowable amount of losses in accordance with the scale and dynamics of the financial instrument market and the liquidity of the financial instrument;
- 3) provide preparation of a conclusion on the exposure of the credit portfolio, interest rate and currency risks of the investment portfolio and submits it to the asset and liability management board.

3. When transferring assets for management to the investment portfolio manager, the management board shall ensure that the contract with the investment portfolio manager specifies the requirements for:

1) strict observance of the investment policy of the organization by the investment portfolio manager;

2) effective exchange of information for risk monitoring, including for stress testing;

3) the responsibility of the investment portfolio manager for causing losses to the organization as a result of managing the investment portfolio as a result of deliberate actions.

Footnote. Paragraph 3 is in the wording of the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 23.01.2023 No. 1 (shall be enforced upon expiry of ten calendar days after the day of its first official publication).

4. The investment policy shall be developed by the division of assets and liabilities taking into account the principles of repayment, diversification, profitability, liquidity.

The repayment principle shall imply an effective assessment of the risks of asset allocation in order to reduce or prevent possible losses.

The principle of diversification of investments shall be to distribute investment risks in order to achieve maximum stability of the investment portfolio, to prevent the prevalence of any financial instruments, regional, sectoral and other concentration of assets.

The principle of profitability shall be to maximize the profitability of investments while ensuring the remaining principles, taking into account the situation on the investment market, as well as the high profitability of investments in managing insurance reserves, allowing to save the real value of invested funds during the entire time of investment, to realize assets as soon as possible.

The principle of liquidity shall presuppose the provision of an organization's liabilities with financial instruments sold in the shortest possible time in an amount sufficient to cover them.

5. Investment policy shall regulate:

1) the goals and strategies of asset investment;

2) description and list of investment objects;

3) limits on the investment of assets and the size of an open foreign exchange position, taking into account the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activities;

4) the conditions and restrictions imposed on investment activities;

5) conditions for hedging and diversification of assets with an indication of the list and description of hedging instruments;

6) information on the main risks associated with investment activities;

7) the cumulative maximum allowable amount of losses on the investment portfolio;

8) other issues at the discretion of the board of directors.

6. The asset investment limits set by investment policy shall include:

- 1) investment limits by types of financial instruments;
- 2) limits on investing in financial instruments of issuers that are residents of a particular state (“limit on the country”);
- 3) limits on open currency positions and net currency position limit;
- 4) limits on investing in financial instruments of issuers whose main activity is related to a specific sector of the economy;
- 5) stop-loss limits for financial instruments;
- 6) take-profit limits for financial instruments.

7. The Investment Committee shall make an investment decision on concluding transactions with financial instruments at the expense of the insured assets.

The functions of the investment committee shall be transferred to the assets and liabilities management board, if necessary.

8. In order to adjust the investment policy, at least once a quarter the risk management department shall conduct and provide the following to the assets and liabilities management council:

- 1) macroeconomic analysis on the degree of attractiveness of investment markets, depending on the current geopolitical situation, investment currency, and the economic sector;

- 2) analysis of issuers and financial instruments issued (provided) by them, including analysis of the issuer's financial condition, the potential for further growth in the value of its assets, ability to meet its obligations, risks associated with investing in the issuer's financial instruments;

- 3) analysis of the investment portfolio, including information on the structure of the portfolio, the dynamics of changes in profitability, analysis of unprofitable positions and recommendations for optimizing the structure of the portfolio;

- 4) the forecast analysis of the receipt of insurance premiums and the implementation of insurance payments for the next 12 (twelve) calendar months, as well as the structure of the organization's obligations in terms of their occurrence.

- 5) gap analysis, which includes a review of limits on gap positions of cash, taking into account changes in the ability to mobilize liquid assets, including monitoring the ability to form liquid assets necessary to repay liabilities.

Based on the analysis carried out by the structural units of the organization, the recommendations shall be developed, containing a detailed list of factors that served as the basis for the provision of these recommendations.

The recommendations shall be provided with:

development of corporate strategy, investment policy, as well as making changes and additions to the specified documents;

determination and revision of investment limits;

determining and revising the maximum allowable amount of damages;

making investment decisions.

9. In case of self-placement of the organization's assets, the investment shall be made on the basis of investment decisions made by the asset and liability management council, taking into account the opinion of the investment unit and the risk management department.

10. The conclusion of the investment department shall contain the following information:

1) the purpose of the conclusion of the proposed transaction (operation);

2) a description of the financial instrument with an indication of the type, volume, price range, level of profitability and other characteristics (conditions) of the instrument.

11. The opinion of the risk management department shall contain the following information:

1) the impact of the transaction (operation) on the expected change in income on assets;

2) risks associated with the acquisition of this financial instrument;

3) the impact of the transaction (operation) on the change in the values of prudential standards and other mandatory norms and limits;

4) the proposed investment decision options.

12. The investment decision shall contain:

1) the date of adoption and the number of the investment decision;

2) the type of transaction (operation) to be performed;

3) the identifier of the financial instrument for which the transaction (operation) is to be made;

4) the volume, price and amount (range of volume, price and amount) of the transaction (operation) to be committed;

5) the timing of the transaction (operation);

6) an indication of the type of market (primary or secondary, organized or unorganized, international markets) in which the transaction (operation) is intended;

7) the name of the intermediary (broker) with which the transaction (operation) is supposed to be executed (if any);

8) an indication that a member of the asset and liability management board has a special opinion regarding the adoption (rejection) of the investment decision;

9) the signatures of the members of the assets and liabilities management board who made the investment decision.

13. The investment decision for making a transaction (operation) with hedging instruments shall contain:

1) the date of adoption and the number of the investment decision;

2) the type of transaction (operation) to be performed;

3) a detailed description of the hedging instrument with an indication of the type, term of its conclusion, volume, value (premium), the market in which the hedging operation is planned, and other characteristics (conditions) of the instrument;

4) expected results from the use of this hedging instrument;

5) risk assessment of the hedged item (underlying asset), indicating its type (interest, price, currency, etc.), as well as the method of its assessment;

6) the object of hedging with the indication of the necessary details (financial instrument identifier, quantity, value, volume, currency);

7) calculation confirming that the execution of this transaction (operation) will lead to a reduction in the amount of possible losses (loss of income) on the hedged item;

8) the name of the intermediary (broker) by which the transaction (operation) is to be executed (if any);

9) an indication that a member of the asset and liability management board has a special opinion regarding the adoption (rejection) of the investment decision;

10) signatures of members of the asset and liability management board who made the investment decision.

14. The investment decision for making a transaction (operation) with hedging instruments as part of investing the insured assets shall additionally state:

1) the limit of the open position on the trader in the case of providing the trader the opportunity to trade within the established amount;

2) information about the client for whose assets it is intended to complete the transaction (operation), or an indication that an investment decision is made in respect of its own assets.

15. If the investment portfolio manager violates the requirements of the rules of the asset investment fund, investment declaration of the investment portfolio created (formed) by the manager of the investment portfolio by agreement with the organization at the expense of part of insurance premiums (insurance premiums) received from policyholders for investment purposes and income (losses) received from their investment under insurance contracts providing for the condition of the insured's participation in investments, the division of the organization responsible for risk management is obliged to notify the authorized body of such a violation within 3 (three) working days from the date of the violation.

Footnote. Paragraph 15 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 25.05.2020 № 60 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

16. An organization with a license to carry out investment portfolio management in the securities market shall automate the processes of:

1) management of the investment portfolio (conducting transactions (operations) with financial instruments, making settlements on transactions (transactions), monitoring investment limits, maintaining accounting logs)

2) collection of information necessary for the functioning of the risk management system;

3) managing the risks to which the investment portfolio is exposed, ensuring the ability to monitor risks in real time.

17. The information support department of an organization that has a license to carry out investment portfolio management activities on the securities market, shall keep records of actual system problems, taking into account which immediate measures are taken to develop security measures to prevent re-occurrence of problems through the following measures:

- 1) filling in the lists of technical issues and reporting;
- 2) tracking the causes of the problem, notifying the manufacturer of the information system about them and taking corrective measures to prevent their recurrence;
- 3) carrying out at least once a quarter inspections of technical complexes ensuring the functioning of an automated database;
- 4) implementation of monitoring and identification of users of the automated database management terminals, including control of the types and volume of operations performed by them for their compliance with the functional responsibilities of the user.

Annex 10
to the Rules of formation of the
risk management system and
internal control for insurance
(reinsurance) organizations,
branches insurance (reinsurance)
nonresident organizations
of the Republic of Kazakhstan

Footnote. The upper right corner of Annex 10 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Operational and Risk Management Requirements

1. In order to manage operational, attendant risks, the Board of Directors shall:
 - 1) approve the policy for managing operational, attendant risks;
 - 2) ensure the effective identification, measurement, monitoring and control of operational risks associated with the risks of the organization;
 - 3) approve the contingency plan and ensuring the continuity of the organization's activities and changes thereto.
2. The policy on management of operational, attendant risks shall contain, but not limited to the following:
 - 1) the goals and objectives of operational management, attendant risks;
 - 2) basic principles of operational risk management, attendant risks;
 - 3) classification of the main types of operational risks, associated risks;
 - 4) the permissible level of operational risk, attendant risk of the organization;
 - 5) determining the procedure and procedures for identifying, measuring, monitoring and controlling operational risk, attendant risk;

6) requirements for introducing changes to internal documents and procedures in cases of detection of deficiencies in the management of operational risk, associated risks and (or) the occurrence of conditions affecting the level of an organization's exposure to operational risk and associated risks.

3. The collegial bodies and / or the board shall be responsible for:

developing operational, collateral risk management policies and contingency plans and ensuring the continuity of the organization;

monitoring and control of compliance by the organization and its employees with the policy for managing operational risk with attendant risks.

4. The contingency and business continuity plan shall contain:

the various types of likely scenarios to which an organization is exposed, commensurate with the scale and complexity of the organization's activities;

responsibility of structural units and a description of their actions in case of emergency;

mechanisms to restore (resume) insurance activities, including the availability of backup copies of paper and electronic documentation.

5. The Management Board for the management of operational and associated risks shall:

1) annually review the plan for emergency circumstances and ensuring the continuity of the organization's activities, taking into account the compliance of the organization's current activities and its corporate strategy;

2) approve procedures to prevent leakage of confidential information and distortion of information data, providing for:

a list of information data with limited access;

procedure for obtaining access;

procedure for controlling access to information data;

list of persons who have access to information data;

3) approve procedures for preventing failures, including inspection of equipment and verification of work reports.

When applying the provisions of this clause to a branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan, the requirements of subparagraphs 2) and 3) of this paragraph fall within the competence of the executive body of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan.

Footnote. Paragraph 5 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

6. The Internal Audit Service shall perform an assessment of operational risk management , associated risks and shall annually submit to the board of directors a report on compliance

with the operational risk management requirements and related risks, including automation of the organization's activities and documentation, document management and document storage.

7. Risk management subdivision:

1) in order to manage the risk of the group, annually analyze and submit to the board of directors a report on:

the need for additional capitalization of the organization by shareholders and (or) the parent organization;

influence and dependence of the organization's activities on the activities of affiliates;

the impact of bankruptcy (forced liquidation) of a group member on the financial condition and solvency of the organization;

concentration of the organization's assets within the group;

2) in order to manage systemic risk, annually analyze and submit to the Board of Directors a report on the impact of the forced liquidation of another insurance (reinsurance) organization, the forced termination of the activities of another branch of the insurance (reinsurance) organization of the Republic of Kazakhstan on reputation, demand for insurance products, channels for the implementation of insurance services of the organization.

Footnote. Paragraph 7 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

8. the information support departments shall at least once a quarter:

1) conduct the verification procedure of technical systems that ensure the functioning of an automated database;

2) provide the board with information on the status of technical complexes.

Annex 11

to the Rules of formation of the
risk management system and
internal control for insurance
(reinsurance) organizations,
branches insurance (reinsurance)
nonresident organizations
of the Republic of Kazakhstan

Footnote. The upper right corner of Paragraph 11 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

Compliance Risk Management Requirements

1. For the effective compliance - risk management the Board of Directors shall:

1) exercise general control over the management of compliance risk in the organization;

- 2) approve the compliance risk management policy;
- 3) appoint a compliance controller responsible for the organization and coordination of compliance risk management;
- 4) at least once a year assess the effectiveness of the management of compliance risk in the organization;
- 5) control the implementation of compliance risk management policy, including ensuring effective and expeditious resolution of compliance risk management issues.

2. The organization's compliance risk management policy shall be developed by the compliance controller and shall establish:

- 1) the goals and objectives of compliance risk management;
- 2) the principles of compliance risk management, including the principles of creating a compliance culture in an organization (the culture of compliance of the organization and its employees with the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance, on joint-stock companies, on the securities market, on opposition legalization (laundering) of criminally obtained incomes and the financing of terrorism, legislation of foreign states affecting the organization's activities, and internal documents Comrade regulating the activity of the organization);
- 3) the procedure, methods and procedures for managing compliance risk;
- 4) the procedure, methods and procedures for managing the risks of intentionally or unintentionally involving the organization in the process of legalizing (laundering) criminal proceeds and financing of terrorism, or other criminal activities;
- 5) powers and responsibilities of the compliance controller;
- 6) the procedure for interaction and information exchange between structural units in the framework of compliance risk management.

3. In order to effectively manage compliance risk, the Management Board shall ensure that:

- 1) adoption and communication to employees of compliance risk management policy;
- 2) compliance with compliance risk management policy and provision of quarterly reports to the Board of Directors;
- 3) development of internal documents for employees of the organization on compliance risk management, including risks of legalization (laundering) of proceeds from crime and financing of terrorism;
- 4) taking appropriate corrective or disciplinary measures in case of detection of violations entailing compliance risk;
- 5) improvement of software in order to timely automated identification of transactions subject to mandatory internal control and suspicious transactions.
- 6) the presence in the form of an application for insurance payment of a reference to the consequences of providing false information to the organization provided for in the legislation

of the Republic of Kazakhstan on insurance and insurance activities, the charter of the organization, insurance rules;

7) training of employees of the subdivision on insurance payments for indicators and signals of fraud.

8) approval of the procedure for the consideration of complaints, appeals and settlement of disputes, with the maintenance of a statistical database that allows you to track the activities of timely settlement of claims, as well as identify trends in insurance payments.

when applying the provisions of this paragraph to a branch of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan, the provision of subparagraph 8) of this paragraph applies to the executive body of a non-resident insurance (reinsurance) organization of the Republic of Kazakhstan.

Footnote. Paragraph 3 - in the wording of the resolution of the Management Board of the Agency for regulation and development of the financial market of the Republic of Kazakhstan dated 24.02.2021 № 43 (shall enter into force upon expiry of ten calendar days after the day of its first official publication).

6. The compliance controller shall:

1) develop a set of measures to control compliance risks and implement a program to counter (launder) proceeds from crime and finance terrorism in accordance with the requirements of the legislation of the Republic of Kazakhstan on countering legalization (laundering) proceeds from crime and financing terrorism;

2) upon his/her own initiative contact with any employee and get access to documents and archives;

3) conduct investigations of possible violations of the compliance risk management policy and seek advice from the employees of the organization;

4) establish priorities for managing risk in accordance with the approved corporate strategy and compliance risk management policy;

5) carry out regular control and monitoring of compliance functions and compliance risks associated with the compliance of external and internal regulatory documents, including the corporate governance code, with ascertaining the causes of nonconformities;

6) provide the risk management department with a quarterly report on the results of monitoring compliance risks, containing information on identified deficiencies, omissions, violations or violations and possible ways to eliminate them, as well as recommendations for improving compliance control and corporate governance processes;

7) monitor unofficial information from external and internal sources, if necessary, organizes an internal investigation;

8) take measures to prevent the legalization (laundering) of criminal proceeds and the financing of terrorism.

The list of regulatory legal acts of the Republic of Kazakhstan, as well as structural elements of some regulatory legal acts of the Republic of Kazakhstan, deemed to have lost force

1. Resolution of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations No. 4 of February 1, 2010 “On Approval of the Instruction on Requirements for the Existence of Risk Management and Internal Control System in Insurance (Reinsurance) Organizations” (registered in the Register of State Registration of Regulatory Legal Acts under No. 6113).

2. Resolution of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations No. 181 dated December 27, 2010 “On Introduction of Amendments and Additions to Resolution No. 4 of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations dated February 1, 2010 “On Approval of the Instruction on Requirements for the Existence of the Risk Management and Internal Control System in Insurance (Reinsurance) Organizations” (registered in the State Register of the Regulatory Legal Acts under No. 6767, published on September 20, 2011 in Collection of Acts No. 8 of the Central Executive and Other Central State Bodies of the Republic of Kazakhstan).

3. Paragraph 11 of the List of Regulatory Legal Acts of the Republic of Kazakhstan with amendments and additions thereto, approved by Resolution of the Board No. 168 of the National Bank of the Republic of Kazakhstan dated August 27, 2014 “On Introduction of Amendments and Additions to Certain Regulatory Legal Acts of the Republic” (registered in the Register of State Registration of Regulatory Legal Acts under No. 9796, published on November 12, 2014 in Adilet, the information legal system).

4. Paragraph 4 of the List of Regulatory Legal Acts of the Republic of Kazakhstan on the official list of securities of the stock exchange with amendments thereto, approved by Resolution No. 244 of the Board of the National Bank of the Republic of Kazakhstan of December 24, 2014 "On Amendments to Certain Regulatory Legal Acts of the Republic of Kazakhstan on the Issues of the Official List of Securities of the Stock Exchange ”(registered in the Register of State Registration of Regulatory Legal Acts under number 10339, published on March 18, 2015 in Adilet, the information legal system).

5. Paragraph 9 of the List of Regulatory Legal Acts of the Republic of Kazakhstan on the regulation of insurance activities with amendments thereto, approved by Resolution No. 127 of the Board of the National Bank of the Republic of Kazakhstan dated May 30, 2016 “On Amendments to Certain Regulatory Acts of the Republic of Kazakhstan on Insurance Regulation Activities ”(registered in the Register of State Registration of Regulatory Legal Acts under No. 14277, published on October 24, 2016 in Adilet, the information and legal system).

© 2012. «Institute of legislation and legal information of the Republic of Kazakhstan» of the Ministry of Justice of the Republic of Kazakhstan