



**Fitch**Ratings

## **CIS Insurance Sectors: Financial Overview**

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# Agenda

Russia

Kazakhstan

Belarus

Azerbaijan

Conclusions

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Russia

Kazakhstan

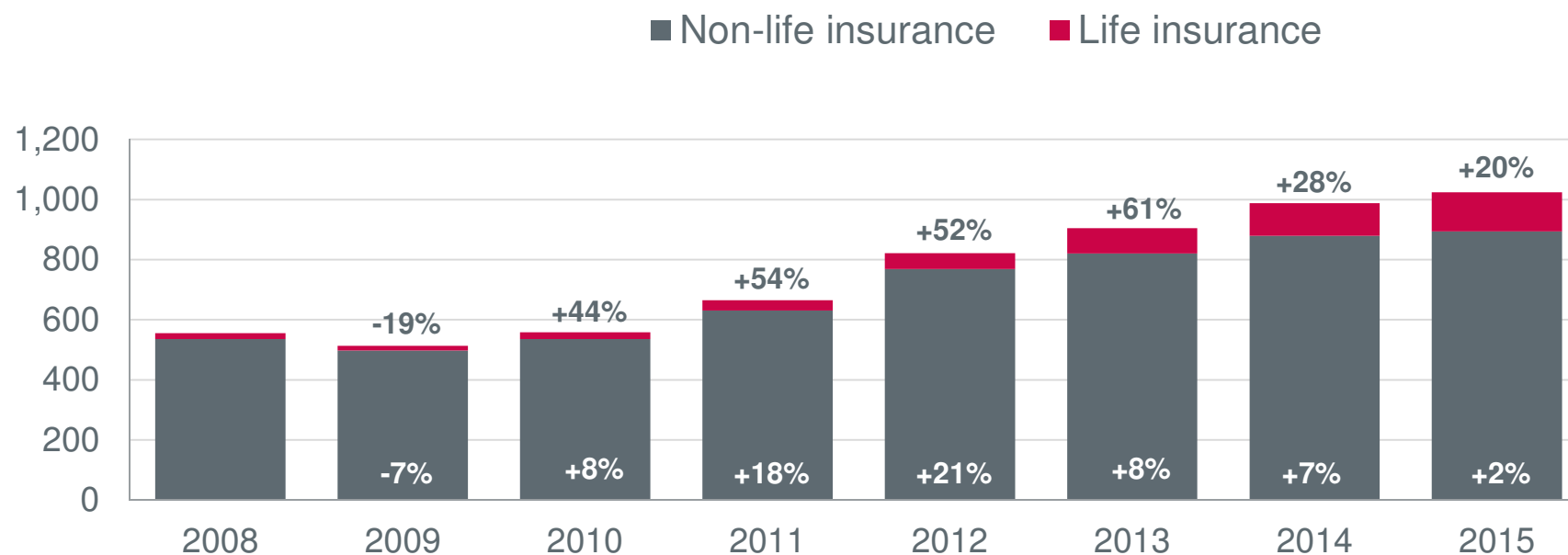
Belarus

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# Russian Insurance Sector: Non-Life Insurance Close to Recession

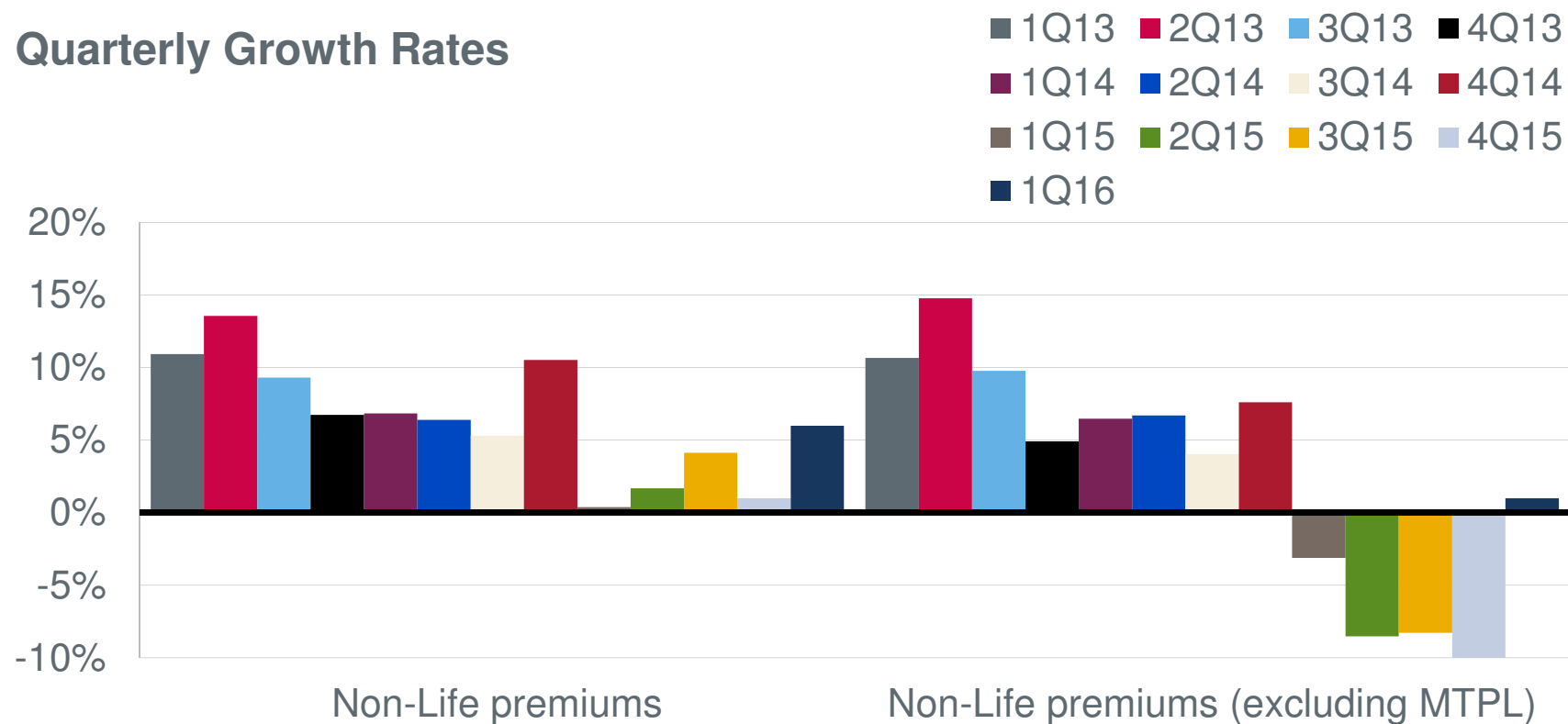
## Premiums Written and Growth Rate



Source: Fitch, CBR

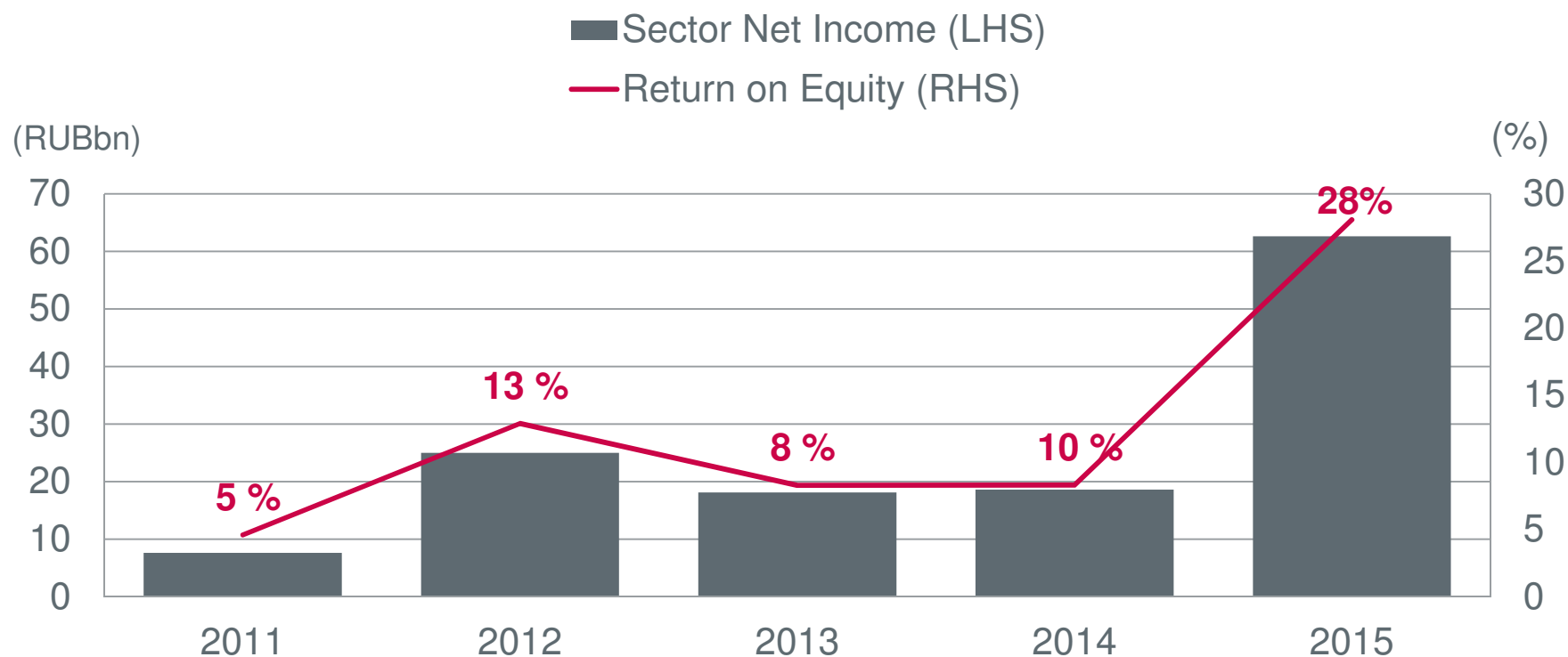
# With MTPL Excluded, Russian Non-Life Segment Contracted by 7% in 2015

## Quarterly Growth Rates



MTPL – motor third party liability insurance  
Source: Fitch, CBR

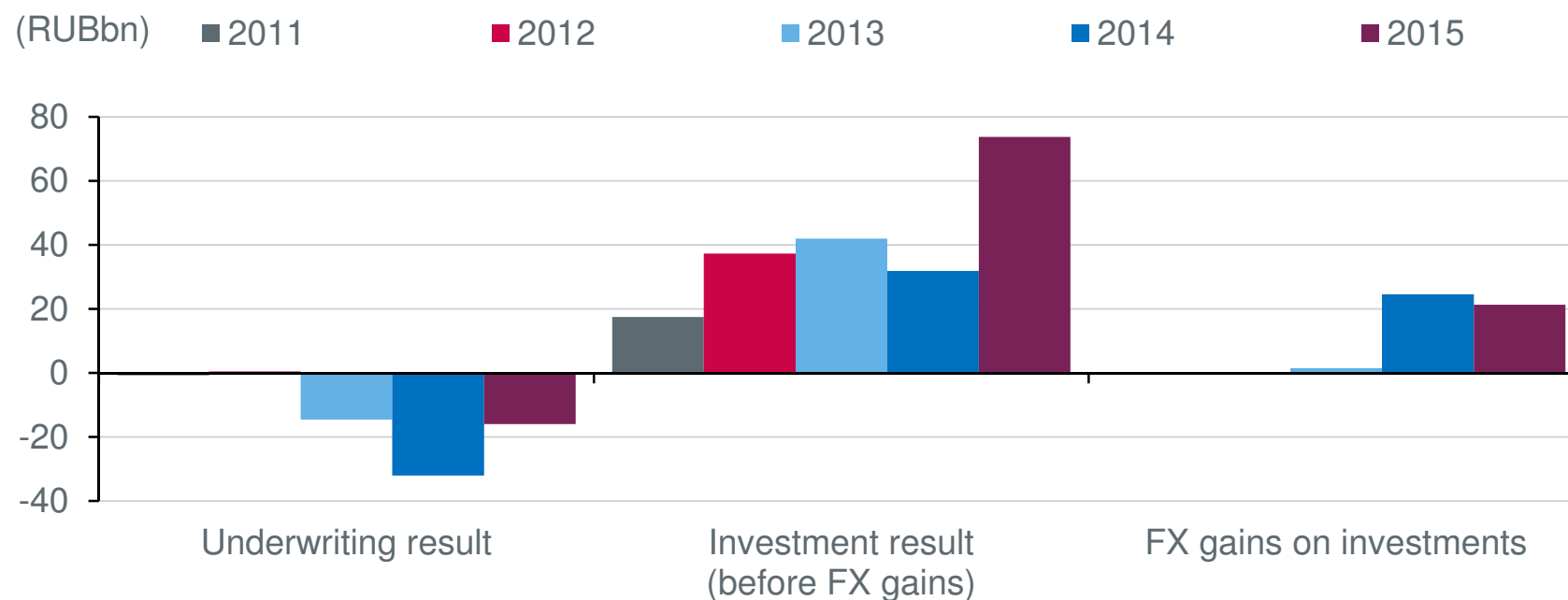
# Russian Sector Profitability Strongly Improved in 2015 Supported by Investment Result



Source: Fitch, companies' IFRS reporting

# Russian Sector Underwriting Result Moderately Improved in 2015

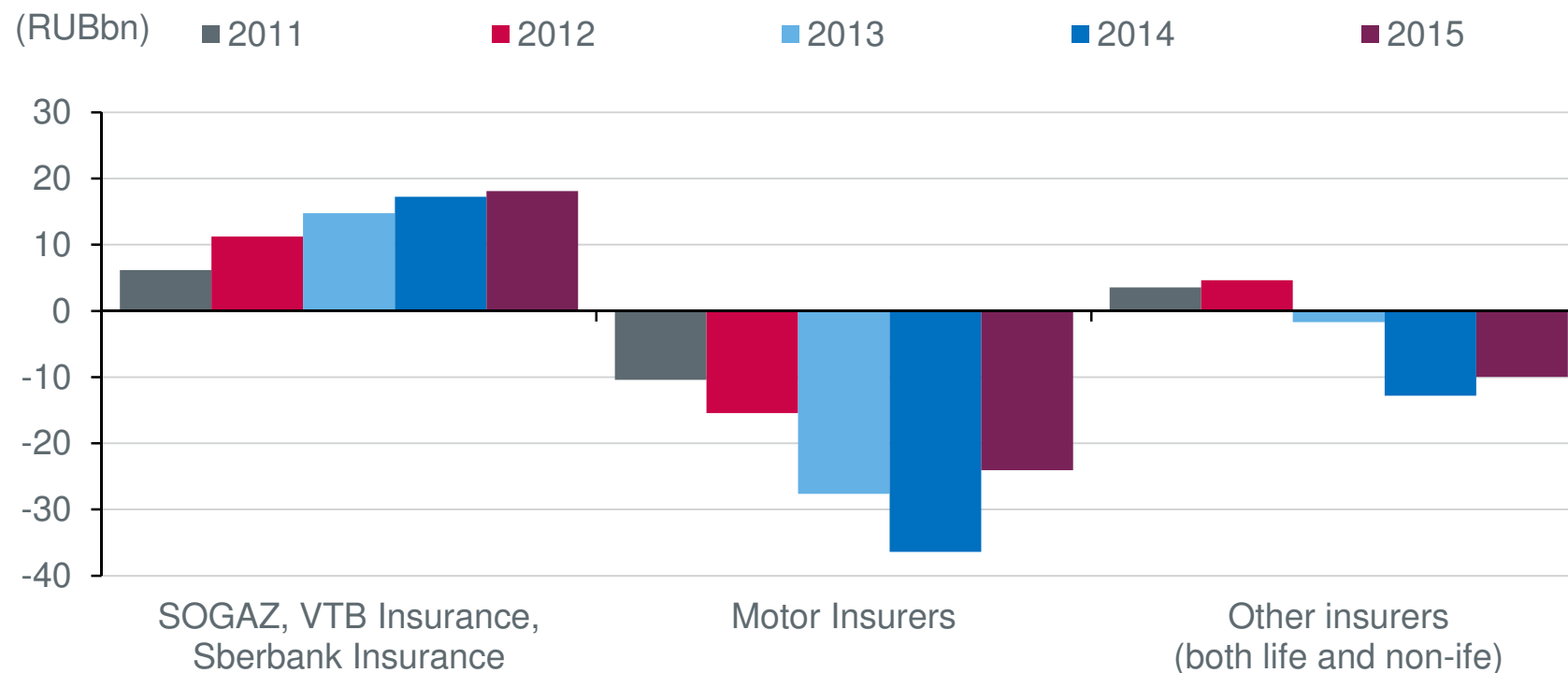
## Key Components of Pre-Tax Income



Source: Fitch, companies' IFRS reports

# Underwriting Profit Concentrated At Three Domestic Groups with 23% Market Share in 2015

## Underwriting Result



Source: Fitch, companies' IFRS reports



## MTPL: Average Premium Growth Now Exhausted, Average Claim Will Continue to Grow

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	Full Year	Floating Year	One Quarter
Growth (%)	2015 / 2014	2Q15-1Q16/ 2Q14-1Q15	1Q16/1Q15
Premiums written	+ 45	+ 46	+ 35
Policies Issued	- 7	- 8	- 8
Average Premium	+ 56	+ 59	+ 46
Average Claim	+ 38	+ 45	+ 59

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Source: Fitch calculations based on CBR data

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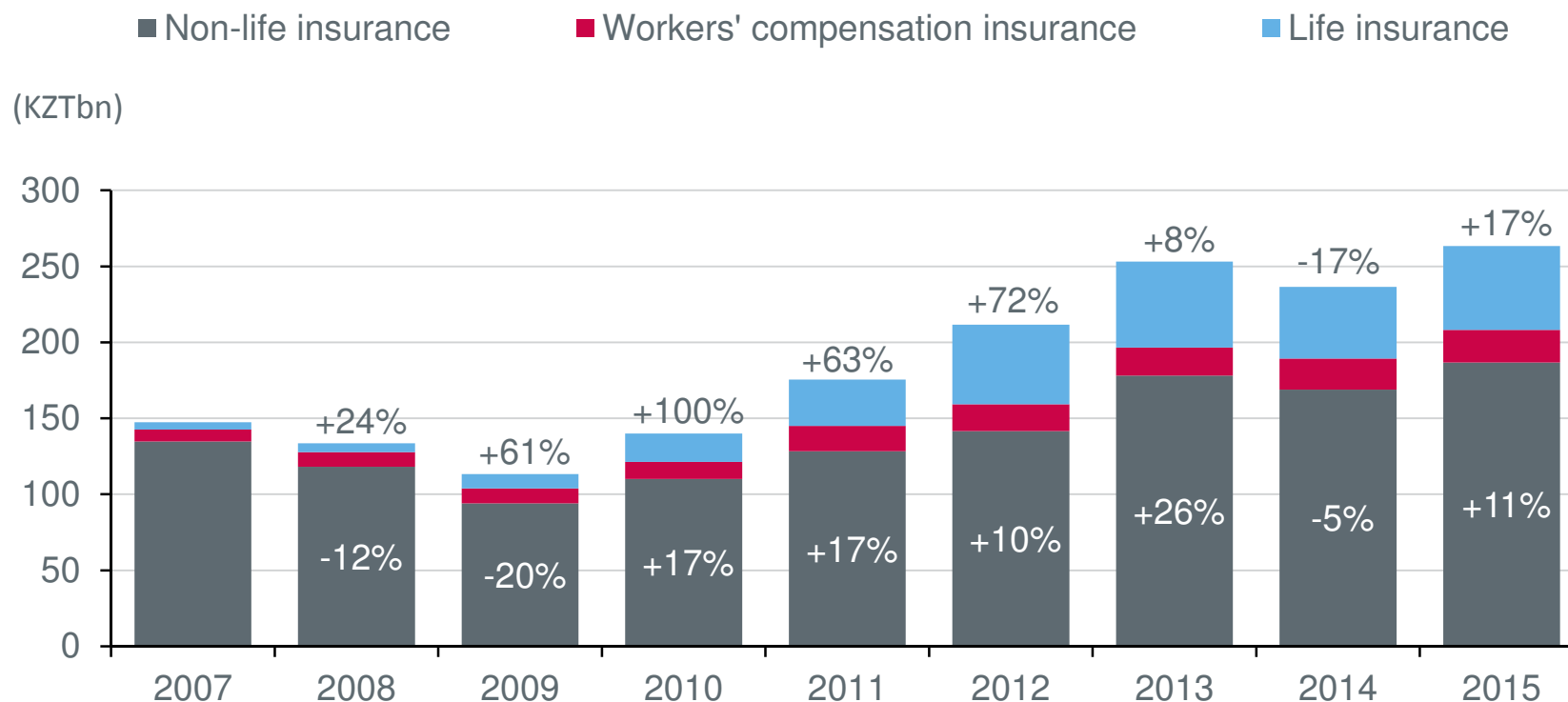
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# Kazakhstan: Bancassurance – Driver in 2012-2014 Commercial P&C Helped to Resume Growth in 2015

## Premiums Written and Growth Rate

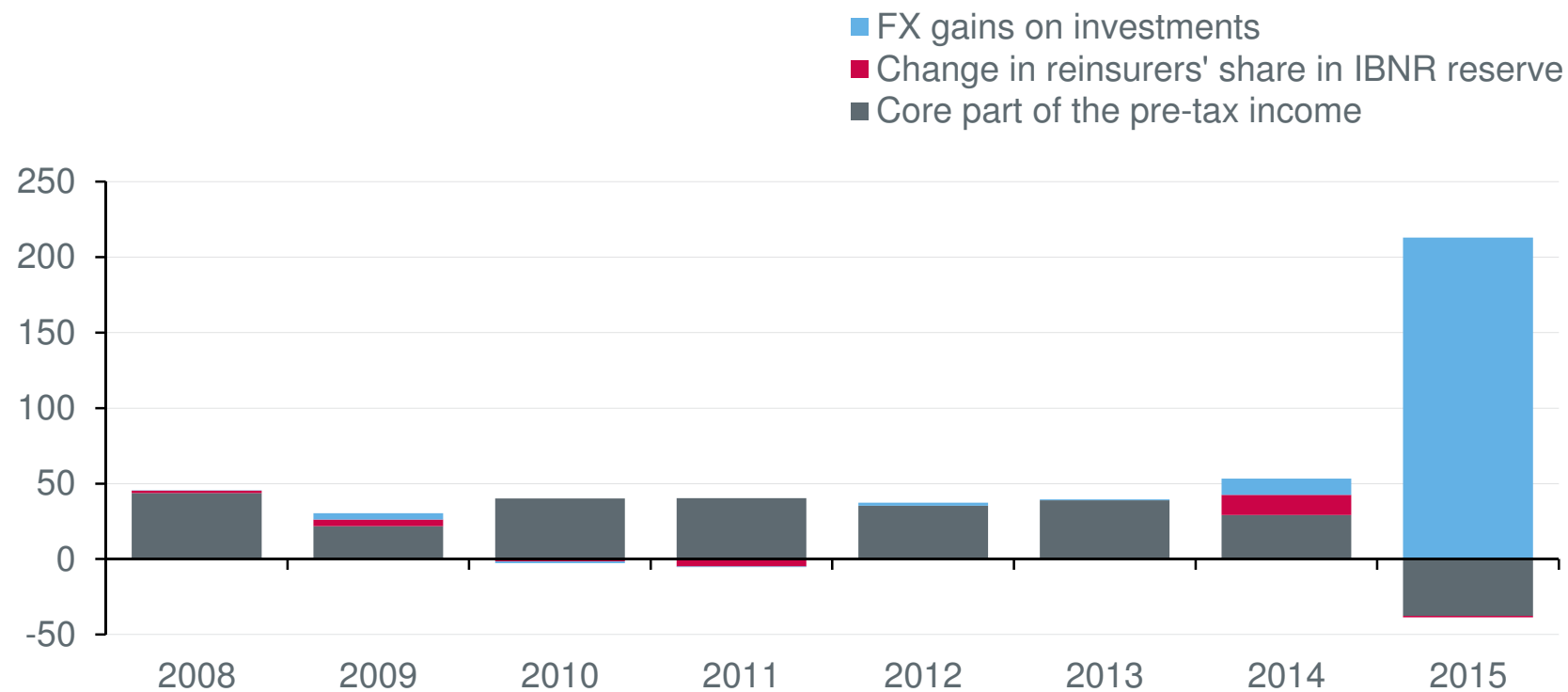


Source: Fitch, NBK

# Kazakh Sector Profit Made on One-Off Item in 2015

## Sector Pre-Tax Income

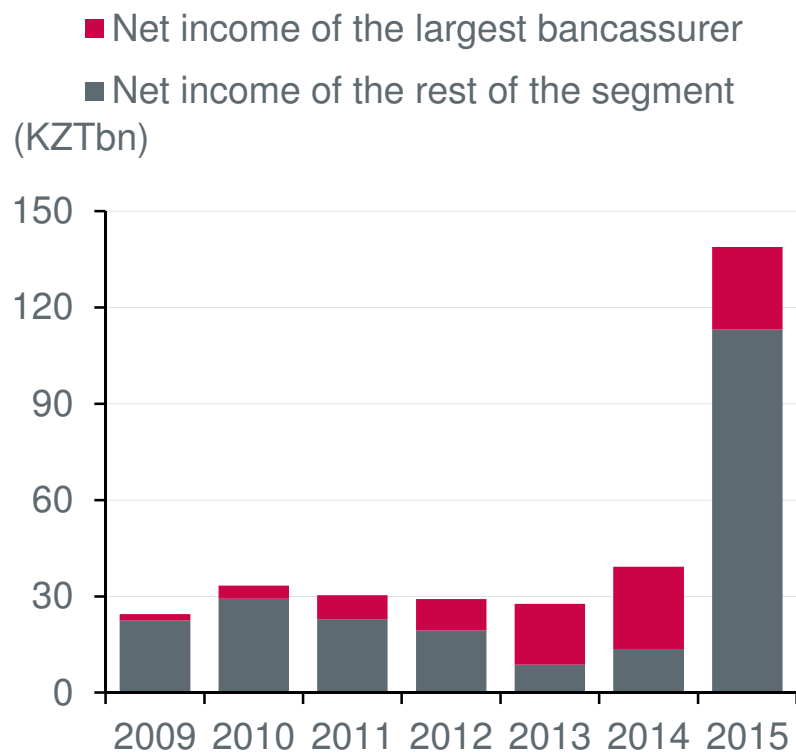
(KZTbn)



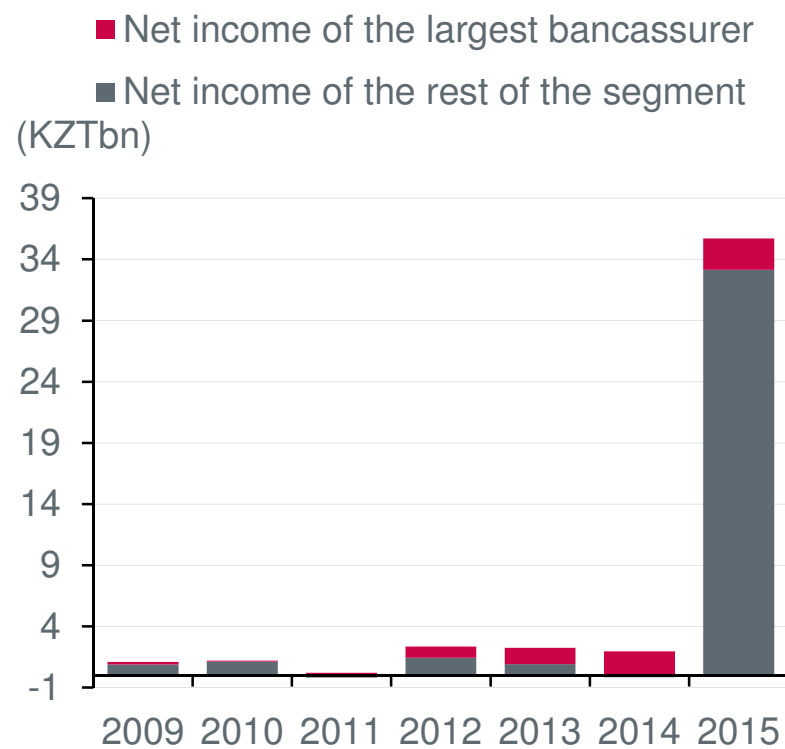
Source: Fitch, NBK, companies' reports

# Profit Highly Concentrated in Both Segments

## Non-Life Insurance



## Life Insurance

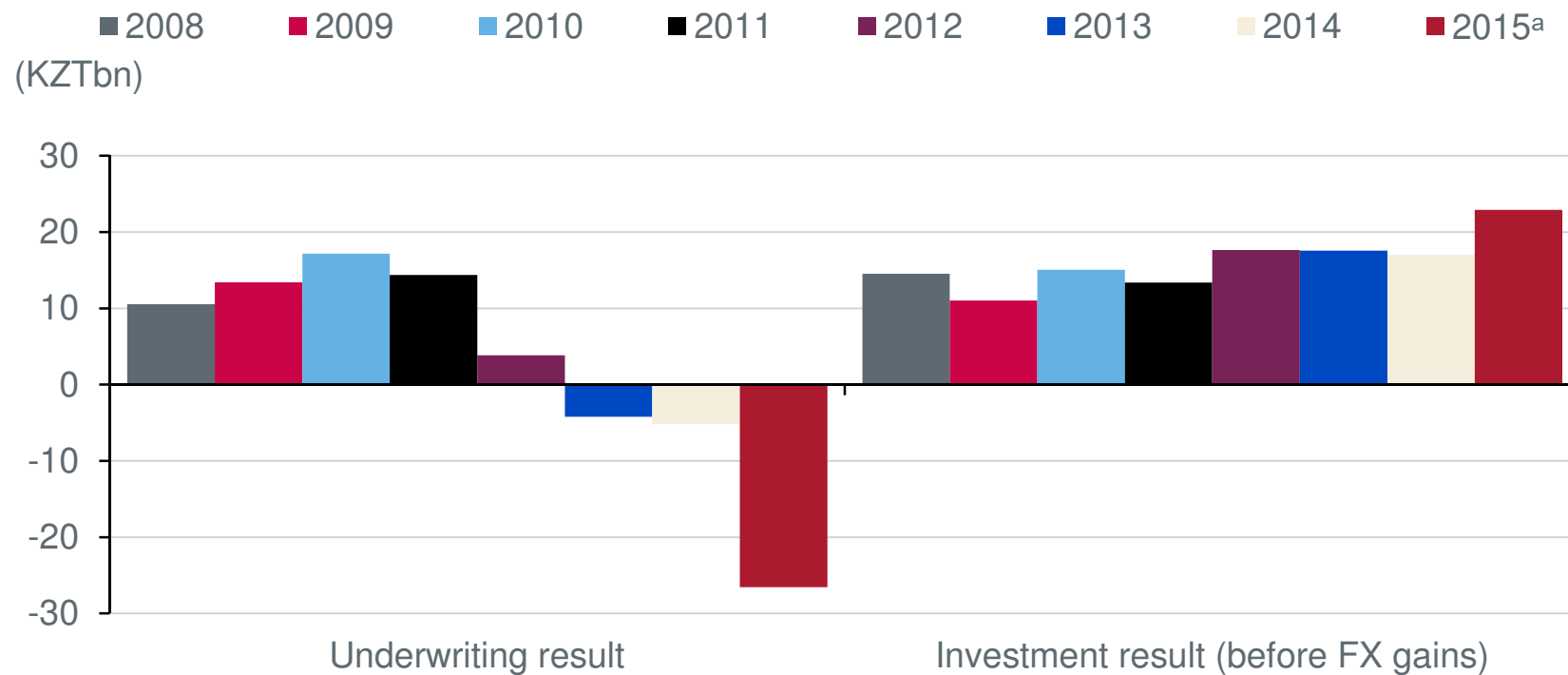


Source: Fitch, NBK, companies' reports

# Non-Life Insurance: Major Weakening of Underwriting Result in 2015

## Operating Result

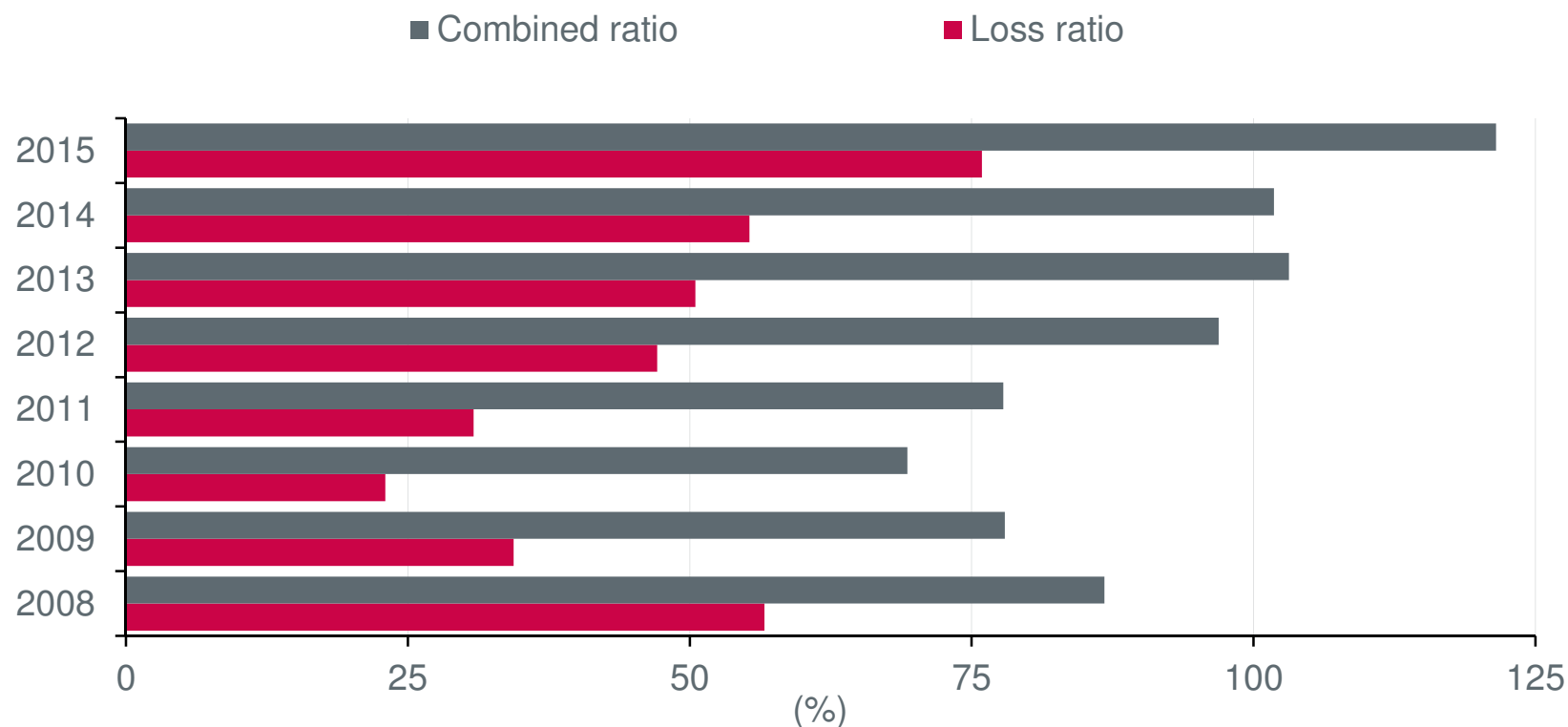
('KASPI Insurance' excluded)



2015<sup>a</sup> based on unaudited reporting  
Source: Fitch, NBK, companies' reports

# Loss Ratio – Key Factor Of Non-Life Underwriting Result Weakening

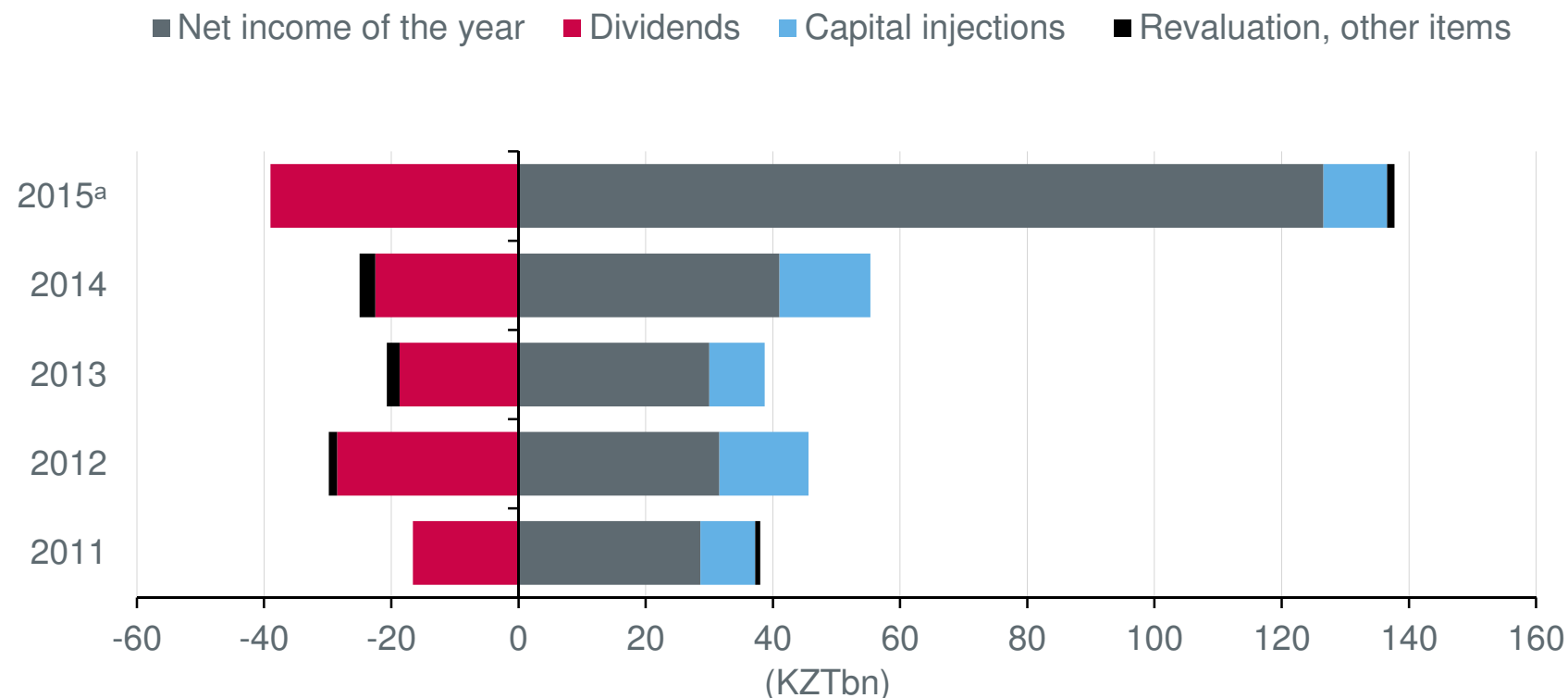
(‘KASPI Insurance’ Excluded )



Source: Fitch, NBK, companies' reports

# Sector Repatriated 66% of Net Income As Dividends in 2011-2014 and 31% in 2015<sup>a</sup>

## Capital Flows



2015<sup>a</sup> based on unaudited reporting of companies representing 80% of the sector by premiums written  
Source: Fitch, NBK, companies' reports



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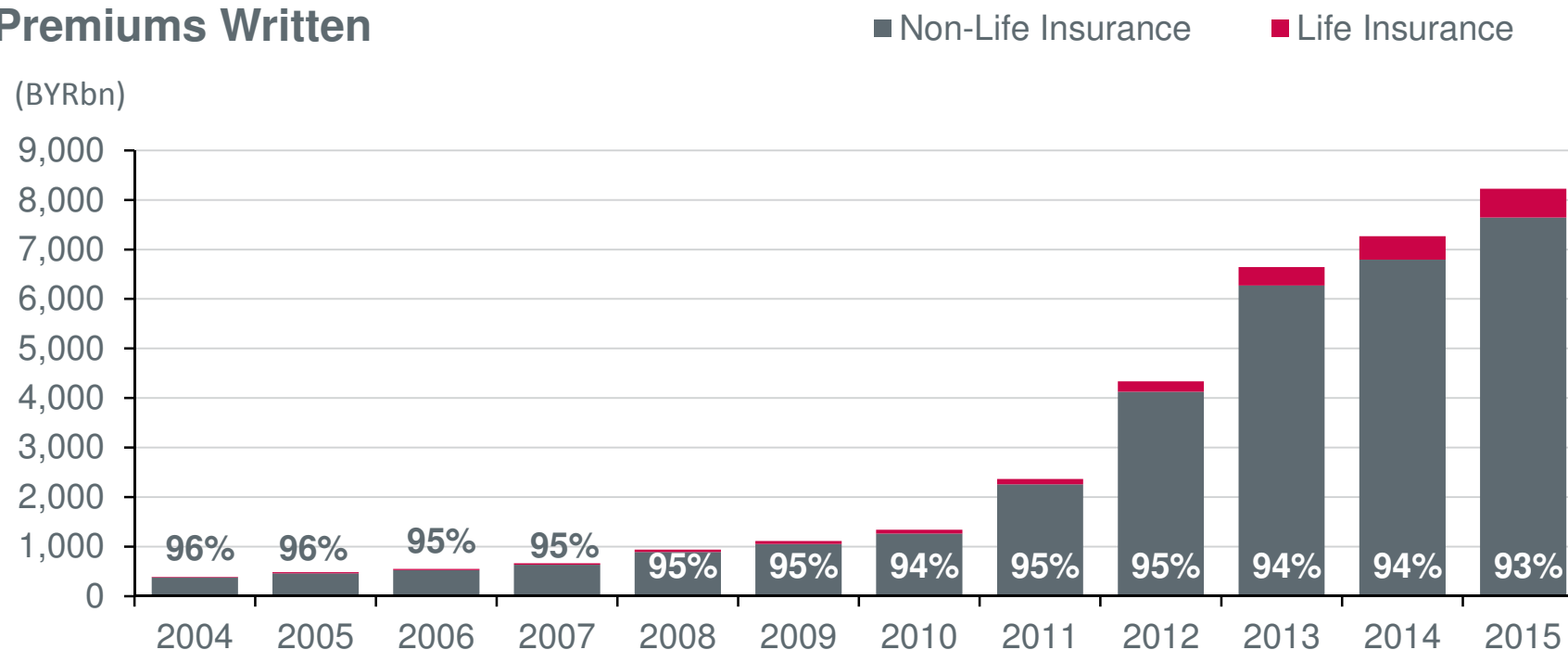
Belarus

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# Belarus: Life Insurance Constrained by Limited Consumer Lending

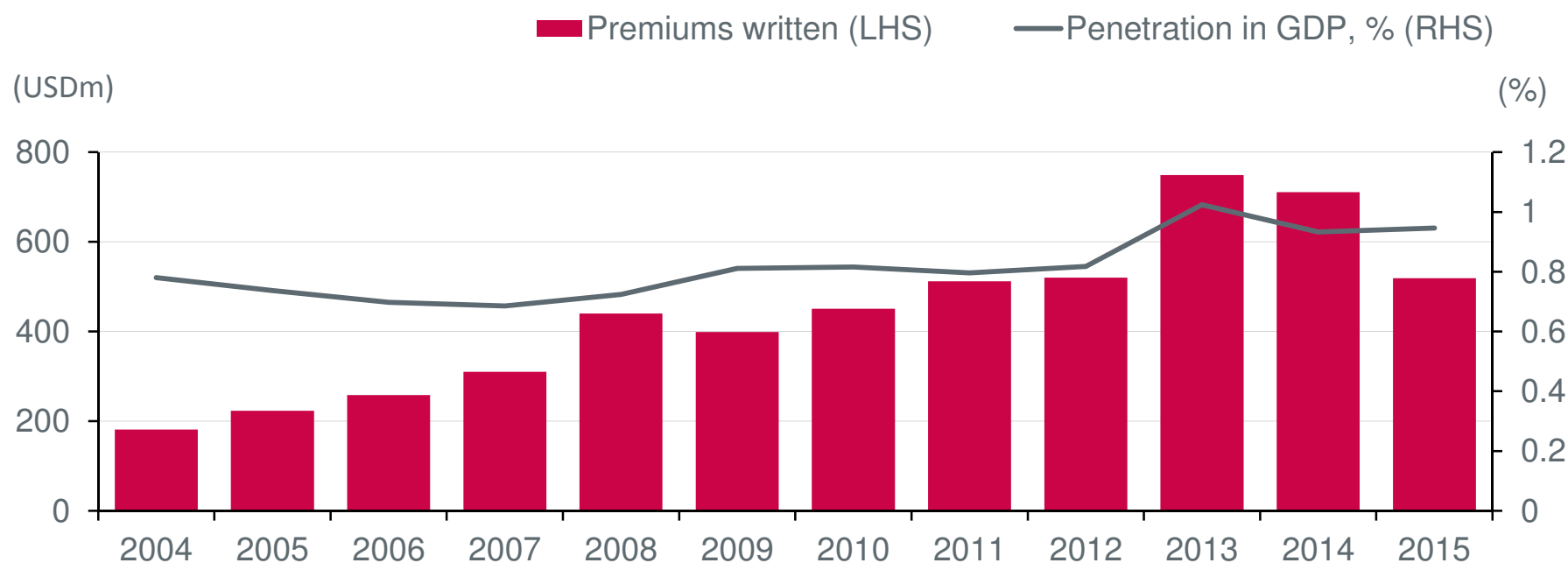
## Premiums Written



Source: Fitch, MinFin of Belarus

# Belarus: Penetration of Insurance Sector in GDP Tends to Increase

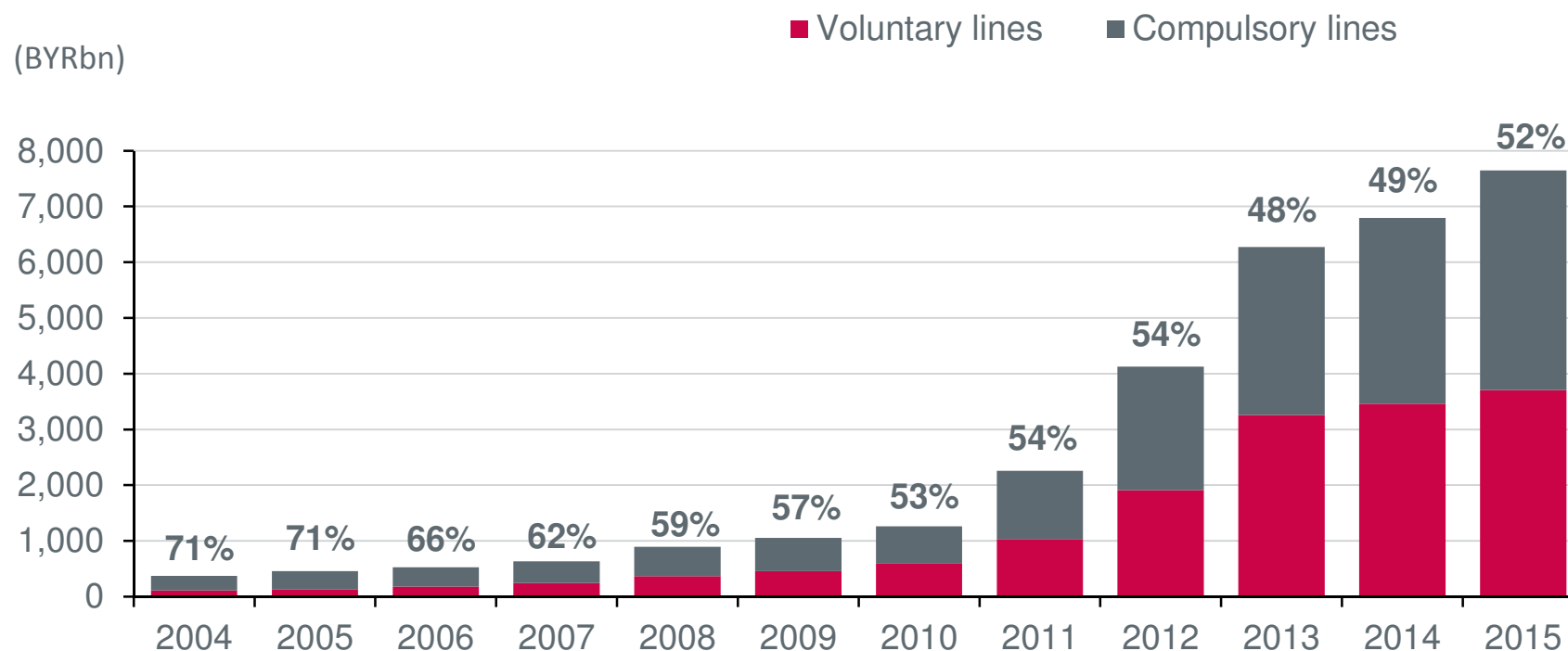
## Premiums written



Source: Fitch, National Bank, MinFin of Belarus

# Weight of Compulsory Lines Averaged 52% in 2010-2015

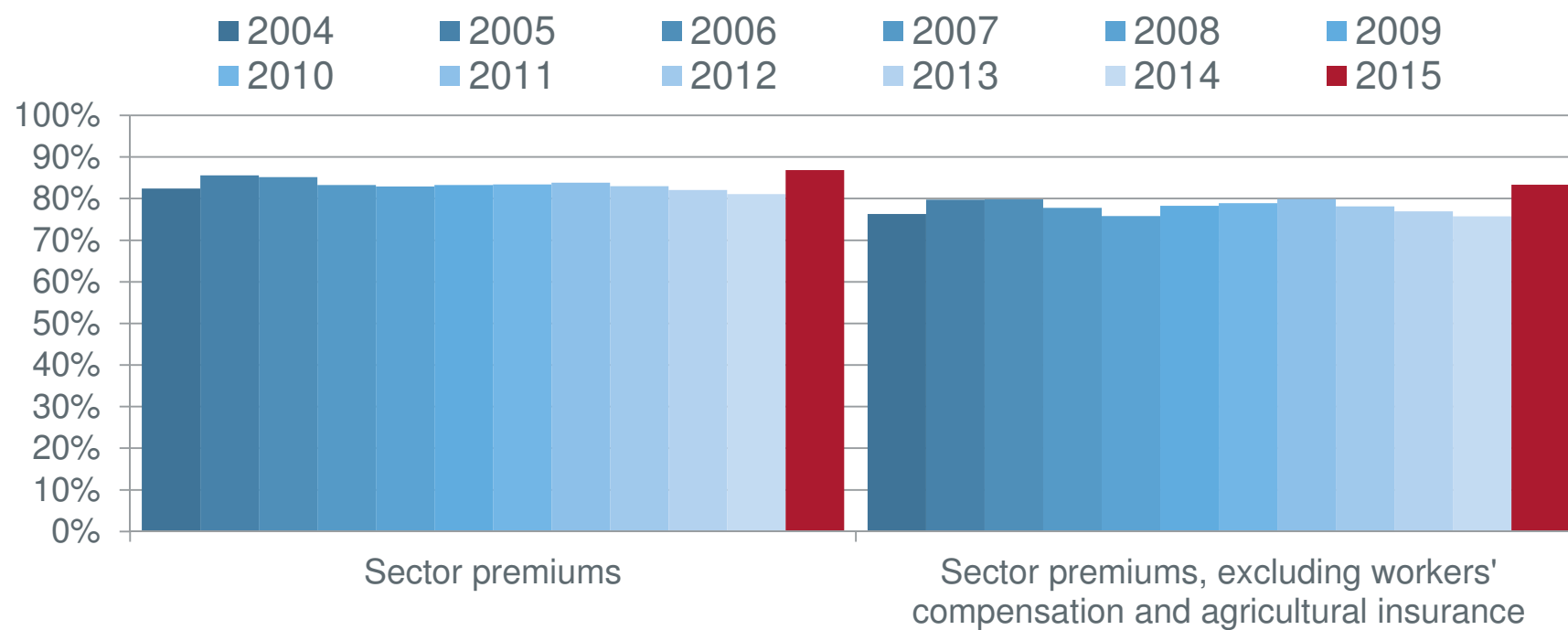
## Premiums Written



Source: Fitch, MinFin of Belarus

# State-Controlled Insurers Had 87% Market Share in 2015

## Market Share per Premiums Written



Source: Fitch, MinFin of Belarus

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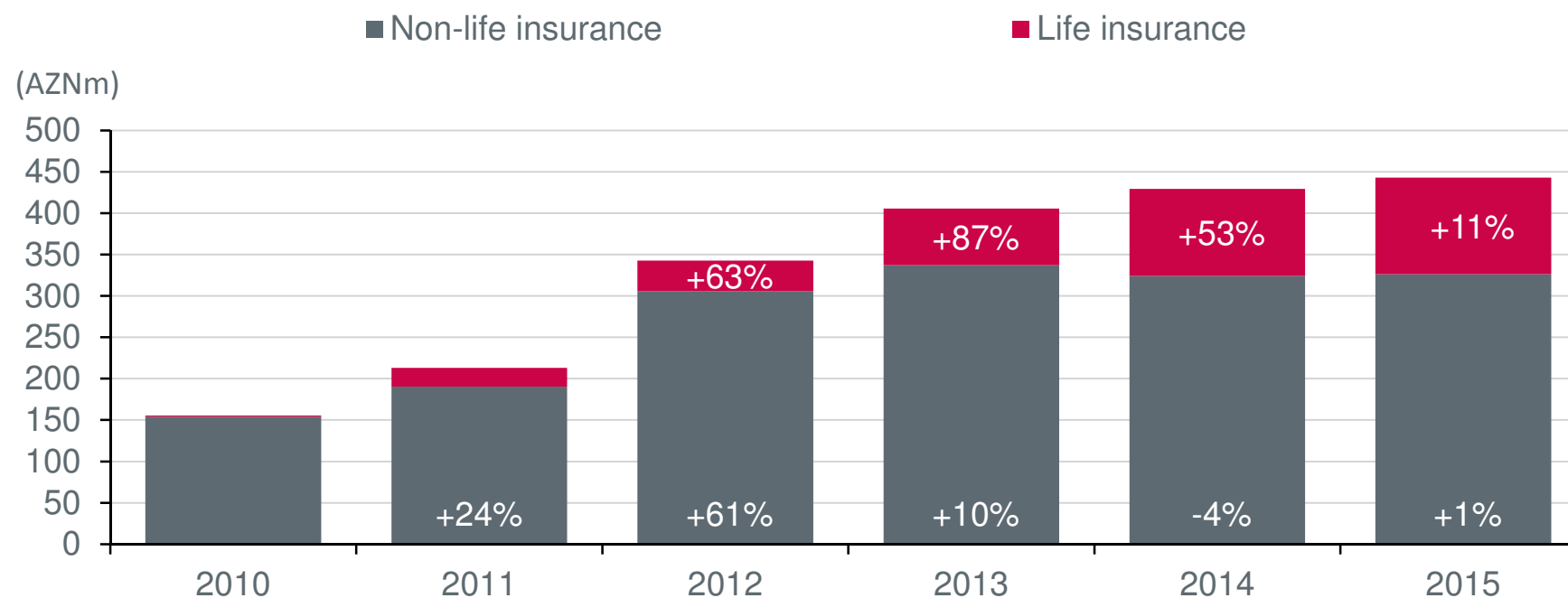
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**Azerbaijan**

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# Azerbaijani Insurance Sector: Growth Supported by Life Business

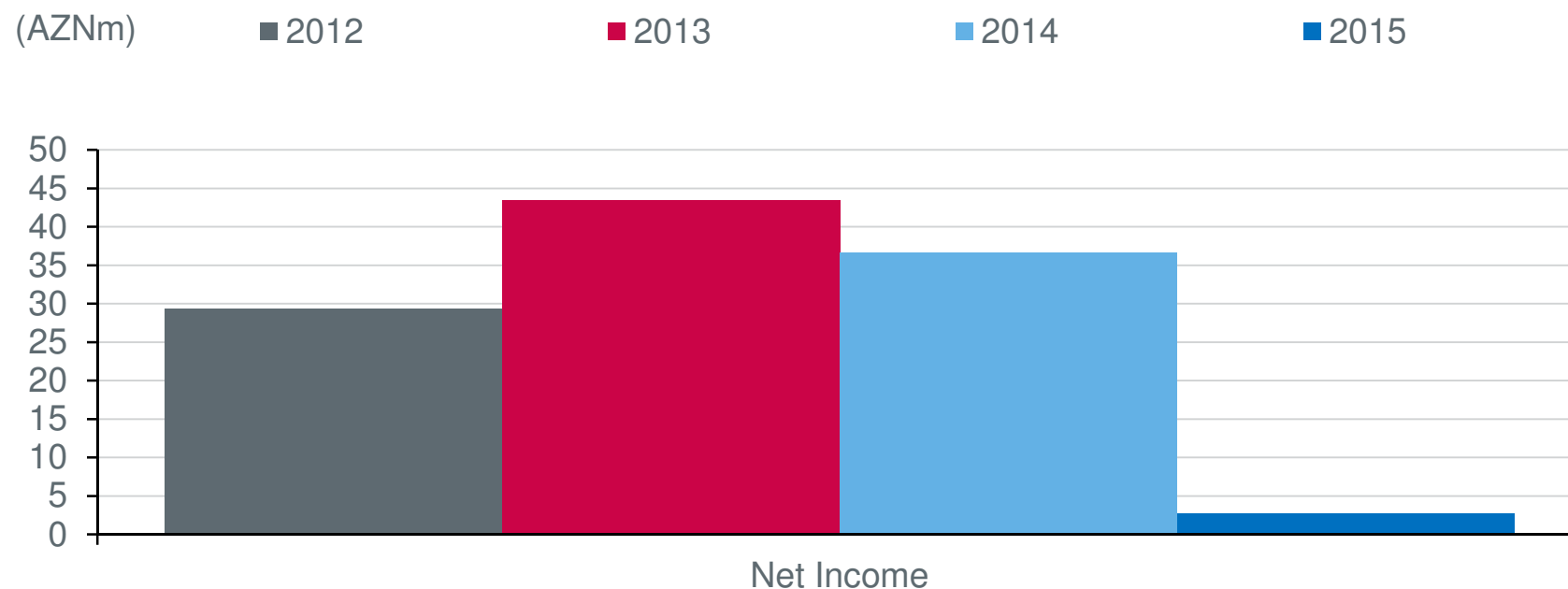
## Premiums Written and Growth Rate



Source: Fitch, MinFin

# Sector Profitability Dropped in 2015

## Sector Net Income

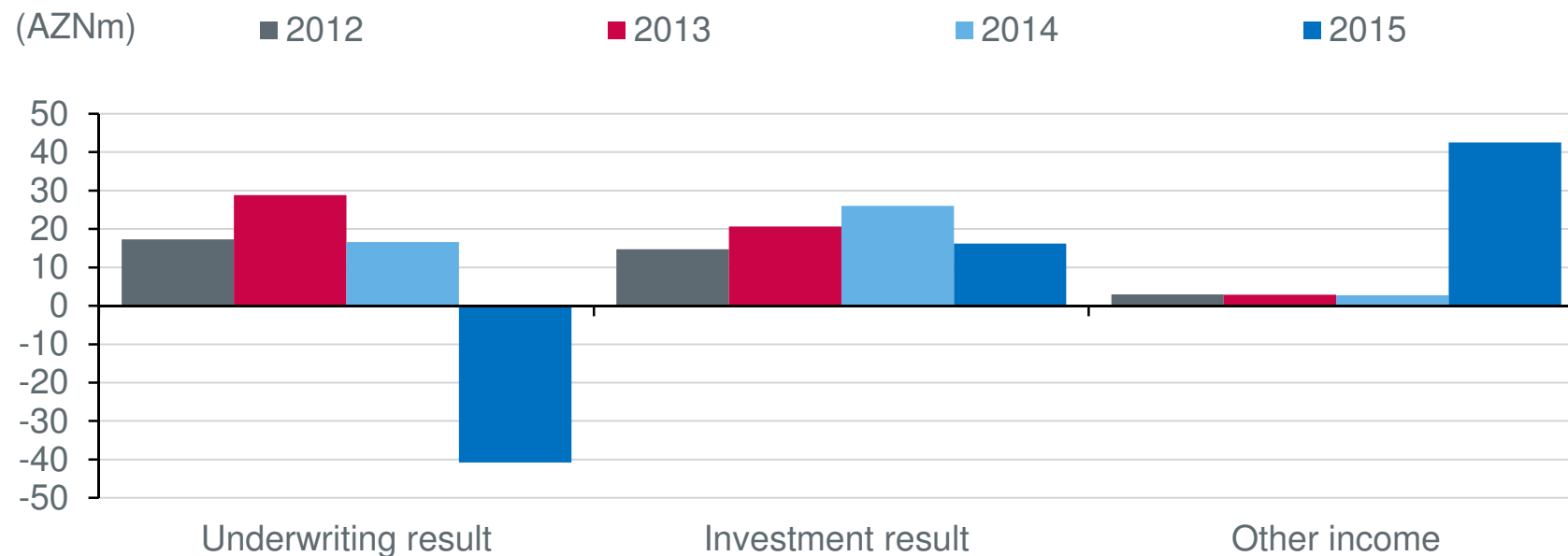


Source: Fitch calculation for 80% of the sector per premiums written, companies' AZ GAAP reports



# Life Underwriting Losses Offset by FX Gains on Asset Side

## Key Components of Pre-Tax Income



Source: Fitch calculations for 80% of the sector per premiums written, companies' AZ GAAP reports

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# CIS Insurance Sectors: Common Features

- Relatively small element of the local financial sectors
  - Low GDP penetration
  - Small institutional investors
  - Limited weight of life premiums
  - Mainly dominated by domestic players
- Dependence on External Distribution or Regulation
  - Compulsory business is significant, with inflexible tariffs but inflation-exposed claims
  - Banks have strong bargaining power as intermediaries
  - Commercial non-life insurance is distributed on affiliated basis
- High Exposure to FX Risks
  - Non-life underwriting result exposed to FX through claims and outwards reinsurance
  - FX risks on the life side usually better matched

# CIS Insurance Sectors: Key Differences

- Quality of insurance regulation and supervision
- Consumer lending and bancassurance volumes
- Concentration of players and price competition
- Direct state participation
- Investment opportunities

# Key Challenges for Sectors Development

- Limited focus on healthy underwriting performance
- Absence of capital management philosophy
- Low capacity to assume commercial risks
- Weak macroeconomic context to develop life insurance
- High investment risk appetite

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