

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

Unofficial translation

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

Unofficial translation

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

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

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

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

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

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

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

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

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

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

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

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

1. These Rules and specifics of reinsurance activities, and also of insurance (reinsurance) pool (hereinafter referred to as the Rules) have been developed in accordance with the Law of the Republic of Kazakhstan "On Insurance Activities" and establish the procedure and specifics of reinsurance activities, also of insurance (reinsurance) pool.

Footnote. Paragraph 1 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 23.09.2024 № 74 (effective ten calendar days after the date of its first official publication).

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

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

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

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

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

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

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

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

8) signature sheet - a document drawn up by an insurance broker, a branch of an insurance broker-non-resident of the Republic of Kazakhstan as an attachment to the reinsurance slip, on which the reinsurer makes a mark (signature and (or) stamp) indicating the share of risk accepted by him/her for reinsurance. The signature sheet, if issued, is an integral part of the reinsurance slip;

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

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

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

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

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

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

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

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

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

reinsurer), with the obligatory indication of the last name, first name and patronymic (if any), as well as the position of the signatory.

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

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

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

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

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

When transferring risks for reinsurance through the mediation of an insurance broker (insurance brokers), a branch of an insurance broker-non-resident of the Republic of Kazakhstan (branches of insurance brokers-non-residents of the Republic of Kazakhstan), it shall be allowed to have a reinsurer (assignor) of an electronic or scanned copy of the reinsurance contract and an electronic extract from information systems for the exchange of information (messages) between participants in the insurance market Exchange-Lloyd's or Placing Platform Limited (hereinafter referred to as Information exchange systems) received

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

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

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

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

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

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

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

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

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

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

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

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

jurisdiction of the country in resolving disputes.

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

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

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

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

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

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

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

12-1. An insurance (reinsurance) pool shall be formed in the organizational and legal form of a simple partnership on the basis of an agreement on joint activities of insurance (reinsurance) organizations of participants jointly carrying out insurance activities on a separate class, type of insurance or a certain insurance risk (hereinafter referred to as the agreement on joint activities).

Footnote. The rules have been supplemented with paragraph 12-1 pursuant to the resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated 23.09.2024 № 74 (effective ten calendar days after the date of its first official publication).

13. The insurance (reinsurance) pool shall be managed by an insurance (reinsurance) organization or an insurance broker engaged to manage the insurance (reinsurance) pool, which has assumed the functions and powers of the leading insurance (reinsurance) organization in accordance with the joint activity agreement (hereinafter referred to as the leading insurance (reinsurance) organization).

In the process of managing the insurance (reinsurance) pool, the leading insurance (reinsurance) organization shall:

1) conclude, amend and early terminate coinsurance (joint reinsurance) agreements if this is provided for by the joint activity agreement;

2) keep records of insurance premiums and insurance payments, including accounting of insurance premiums and insurance payments separately on each policyholder (reinsured) and insurer (reinsurer);

3) receive insurance premiums under concluded co-insurance (joint reinsurance) agreements and transfer received insurance premiums to participating insurance (reinsurance) organizations within the timeframes specified in the joint activity agreement;

4) organize the loss settlement process;

5) organize the process of underwriting of accepted risks;

6) receive, verify and organize the exchange of information on obligations of the participants of the insurance (reinsurance) pool and the leading insurance (reinsurance) organization, also on fulfillment (termination) of the obligations of the participants of the insurance (reinsurance) pool;

7) provide information to the organization on the formation and maintenance of a database for the formation of a database of insurance statistics in the cases and in the manner stipulated by the agreement on joint activities.

In the event that the functions of the leading insurance (reinsurance) organization are performed by an insurance broker who is not a supplier of information for the formation of a database in accordance with paragraph 3 of Article 80 of the Law of the Republic of Kazakhstan "On Insurance Activities", the function of providing information to the

organization on formation and maintenance of the database for the formation of a database of insurance statistics shall be assigned to the participants of the insurance (reinsurance) pool in accordance with the joint activity agreement;

8) perform other functions and powers stipulated by the joint activity agreement.

Information on the leading insurance (reinsurance) organization, on changes in the composition of the participants in the insurance (reinsurance) pool shall be sent by the leading insurance (reinsurance) organization to the organization on formation and maintenance of the database within five working days from the date of appointment of the leading insurance (reinsurance) organization, change in the composition of the participants in the insurance (reinsurance) pool.

Footnote. Paragraph 13 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated 23.09.2024 № 74 (effective ten calendar days after the date of its first official publication).

14. Joining of a new participant of the insurance (reinsurance) pool shall be formalized by an additional agreement to the joint activity agreement, which is signed by the current participants of the insurance (reinsurance) pool and the new participant. The additional agreement is an integral part of the joint activity agreement.

The new participant of the insurance (reinsurance) pool is not subject to obligations under co-insurance agreements concluded prior to its accession to the joint activity agreement, unless otherwise provided in the joint activity agreement.

Footnote. Paragraph 14 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 23.09.2024 № 74 (effective ten calendar days after the date of its first official publication).

15. In cases of transfer by a participant of an insurance (reinsurance) pool of an insurance portfolio for a class (type) of insurance that was the subject of activity of the insurance (reinsurance) pool, to other participants in accordance with Article 37-1 of the Law of the Republic of Kazakhstan "On Insurance Activities" or revocation of a participant's license for a class (type) of insurance that was the subject of activity of the insurance (reinsurance) pool, its obligations shall be redistributed and fulfilled by the current participants of the insurance (reinsurance) pool in accordance with the joint activity agreement.

The procedure for excluding a participant in an insurance (reinsurance) pool in cases unrelated to the events provided for in Article 37-1 of the Law of the Republic of Kazakhstan "On Insurance Activities" or revocation of a participant's license for the class (type) of insurance that was the subject of the insurance (reinsurance) pool's activity, is determined by a joint activity agreement.

Footnote. Paragraph 15 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 23.09.2024 № 74 (effective ten calendar days after the date of its first official publication).

16. Notification of the conclusion of a joint activity agreement and additional agreements thereto, signed by an authorized person of the leading insurance (reinsurance) organization, shall be sent to the authorized body in the form of an electronic copy of the document and on paper within ten calendar days from the date of the conclusion.

Information on the insurance (reinsurance) pool, including information on the accession of new participants to it, exclusion of participants, shall be posted on the official Internet resources of the leading insurance (reinsurance) organization and its participants within ten calendar days from the date of change in the composition of the participants of the insurance (reinsurance) pool.

Footnote. Paragraph 16 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated 23.09.2024 № 74 (effective ten calendar days after the date of its first official publication).

17. Upon the occurrence of an insured event under a co-insurance (joint reinsurance) agreement, the insurant (insured, beneficiary), reinsurer shall submit a claim for insurance payment to the leading insurance (reinsurance) organization, unless otherwise provided by the joint activity agreement, with the attachment of documents confirming the occurrence of the insured event.

The procedure for settling insured events shall be determined by the leading insurance (reinsurance) organization and the participants of the insurance (reinsurance) pool in the joint activity agreement.

The decision to make an insurance payment or to decline an insurance payment shall be adopted by the participants of the insurance (reinsurance) pool in accordance with the joint activity agreement and shall be communicated to the insurant (insured, beneficiary), the reinsurer by the leading insurance (reinsurance) organization.

Footnote. Paragraph 17 as amended by the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated 23.09.2024 № 74 (effective ten calendar days after the date of its first official publication).

18. For the conclusion, maintenance, execution, termination of co-insurance (joint reinsurance) agreements, organization and execution of settlements and mutual settlements by participants in the insurance (reinsurance) pool, electronic information systems of the insurance (reinsurance) pool are used in cases stipulated by the agreement on joint activities.

Electronic information systems of an insurance (reinsurance) pool are created by participants of the insurance (reinsurance) pool and (or) the leading insurance (reinsurance) organization for the purposes of the activities of this insurance (reinsurance) pool and are managed by the leading insurance (reinsurance) organization.

The leading insurance (reinsurance) organization shall provide the safety, reliability and confidentiality of the information contained in the electronic information system, and also the transfer of the information system and (or) information contained in the electronic information system, including when the leading insurance (reinsurance) organization changes.

The leading insurance (reinsurance) organization shall provide access to the electronic information system for the participants of the insurance pool with regard to the corresponding right of access necessary for them to fulfill the obligations stipulated in the joint activity agreement.

The leading insurance (reinsurance) organization shall provide the authorized body with round-the-clock access to information in the electronic information system without a possibility of the data correction.

To maintain operability of the electronic information system, to restore the electronic information system in the event of an accident and other force majeure circumstances, a backup copy of the information contained in the electronic information system shall be made in the insurance (reinsurance) pool. The backup copy of the information contained in the electronic information system shall be stored in accordance with the agreement on joint activity.

In the event of a change in the leading insurance (reinsurance) organization, the electronic information system and the information contained therein shall be subject to transfer to the newly appointed leading insurance (reinsurance) organization or to one of the participants in the insurance (reinsurance) pool in the manner determined by the joint activity agreement.

Footnote. The rules have been supplemented with Paragraph 18 pursuant to the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market dated 23.09.2024 № 74 (effective ten calendar days after the date of its first official publication).