



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 № 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
№ 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) of non-resident organizations of the Republic of Kazakhstan

Footnote. Rules – in the wording of the resolution of the Board of the Agency of the RK on regulation and development of financial market dated 27.12.2024 № 88 (shall enter into force dated 01.04.2025).

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 the second part of paragraph 1 of Article 52-1 of the Law of the Republic of Kazakhstan “On insurance activity”, subparagraph 2) of paragraph 3 of Article 16 of the Law of the Republic of Kazakhstan “On state statistics” and shall determine the procedure of formation of risk management and internal control system for insurance (reinsurance) non-resident organizations.

2. The Rules shall use the following concepts:

1) underwriting - a complex of procedures on acceptance for insurance or reinsurance of the declared insurance object on the basis of insurance risks assessment in order to determine insurance coverage, insurance terms, deductible level and insurance tariff within the limits set by the actuary;

2) management reporting - an instrument of internal control and assessment of the organization's activity;

3) gap analysis - methods of measuring interest rate risk and liquidity risk based on the comparison of the volume of assets and liabilities of the organisation subject to changes in interest rates or repayable within certain terms;

4) corporate management - a set of processes ensuring management of the organisation's activities, including relations between shareholders, the Board of Directors, the executive body and other bodies of the organisation in the interests of shareholders.

The corporate management system shall allow organising the distribution of powers and responsibilities in the organisation, as well as building the process of corporate decision-making;

5) limitation - establishing qualitative, quantitative limitations of accepted risks, establishing restrictions on transactions (operations) of the organisation.

When limiting the following parameters shall be determined:

the indicator on which the limit shall be set;

the method of calculation of the indicator on which the limit shall be set;

the limit (maximum, minimum) value of the indicator;

6) conflict of interest - a situation when there shall be a contradiction between personal interest of the officials of the organisation and (or) its employees and the performance of their official duties or property and other interests of the organisation and (or) its employees and (or) clients, which may entail adverse consequences for the organisation and (or) its clients;

7) client's appeal - an application or complaint of an individual for assistance in realisation of his/her rights and freedoms or rights and freedoms of other individuals or a report on violation of the legislation of the Republic of Kazakhstan on insurance and insurance activity and (or) internal documents of the organisation, shortcomings in the work of the organisation, its officials or criticism of their activity, as well as positive reviews, feedback, suggestions on the activity of the organisation;

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

9) stress testing - methods of measuring the potential impact on the organisation's financial position of exceptional but possible events that may affect the organisation's activities;

10) risk - possibility of occurrence of circumstances causing uncertainty or impossibility to obtain expected results of the organisation's activity, incurrence of expenses (losses);

11) risk culture - processes, procedures, internal rules of the organisation aimed at understanding, accepting, managing and controlling risks in order to minimise their impact on the financial condition of the organisation, as well as ethical standards and standards of professional activity of all participants of the organisational structure. Risk culture complements the existing approved procedures, processes and mechanisms of the organisation's activities and shall be an integral component of the risk management system;

12) risk assessment system - a set of ratios designed for comprehensive analysis of the financial condition of the organisation;

13) risk management system - an ongoing structured process established by the Board of Directors and the Management Board of the organisation, carried out throughout the organisation to identify, assess, monitor, mitigate risks and their consequences affecting the achievement of the organisation's objectives;

14) required risk-based capital - the amount of funds to cover potential losses determined by the organisation based on its own model, including stress testing, assessment of the probability of occurrence of risks and their correlation;

15) risk map - graphical and textual description of the organisation's risks arranged in a table, one 'axes of which shall indicate the strength of impact or significance of the risk, and the other the probability or frequency of its occurrence;

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

17) risk identification - the process of finding, listing and describing risk elements;

18) risk measurement - determination of risk probability degree and size of potential expenses (losses), which shall be carried out by means of estimation of consequences and probability of event occurrence in a mathematical way by means of application of probability theory and the law of large numbers on the basis of statistical data;

19) authorised body - an authorised body on regulation, control and supervision of the financial market and financial organisations;

20) internal audit - an integral element of management control, through which the internal audit service shall evaluate financial statements, as well as other data and information that can be quantitatively and qualitatively assessed the organisation's activity in order to further reflect the degree of its compliance with the legislation of the Republic of Kazakhstan on

insurance and insurance activity, on compulsory insurance, on joint stock companies, on the securities market, on counteraction to legalisation (laundering) of proceeds of crime, and on counteraction to legalisation (laundering) of proceeds of crime; and on insurance and insurance activities, on compulsory insurance, on joint stock companies, on the securities market, on combating legalisation (laundering) of proceeds of crime and financing of terrorism, internal documents, international professional standards of internal audit;

21) internal control - a process carried out by the board of directors, collegial bodies, management board, employees of the organisation, aimed at ensuring the achievement of objectives in the following categories:

- efficiency of activity;

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

- compliance with the legislation of the Republic of Kazakhstan on insurance and insurance activity, on compulsory insurance, on joint-stock companies, on the securities market, on anti-corruption on combating the legalisation (laundering) of proceeds of crime and the financing of terrorism;

22) internal control system - a set of control procedures, measures and techniques ensuring:

- effective conduct of financial and economic activity of the organisation;

- compliance with the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activity, on compulsory insurance, on joint-stock companies, on securities market, on counteraction to legalisation (laundering) of proceeds of crime and terrorism financing;

- effective division of responsibility;

- timely compliance by the organisation's employees with the requirements of internal documents;

- safeguarding of property;

- prevention and detection of fraud and management errors;

- timely preparation, reliability and completeness of financial statements and other management reporting.

When applying the requirements of the Rules to a branch of a non-resident insurance (reinsurance) organisation of the Republic of Kazakhstan:

- board of directors means the relevant management body of the insurance (reinsurance) organisation-non-resident of the Republic of Kazakhstan;

- the management board means the management employees of the branch of the insurance (reinsurance) non-resident organisation of the Republic of Kazakhstan;

- capital means the sum of the head office account, reserves and results of activity of the branch of the insurance (reinsurance) non-resident organisation of the Republic of Kazakhstan;

financial reporting means the reporting of the branch of the insurance (reinsurance) non-resident organisation of the Republic of Kazakhstan.

The requirements of paragraphs 16, 17 of the Rules shall not apply to a branch of insurance (reinsurance) non-resident organisation of the Republic of Kazakhstan.

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

3. The risks of organisations shall be classified as follows:

1) risks related to insurance activities:

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

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

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

catastrophic risk - the risk that a single event of significant size shall result in insurance payments higher than usual;

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

4. The Board of Directors and the Management Board shall ensure the availability of an adequate risk management and internal control system, application of corporate management practices, business ethics and risk culture and shall create conditions for the employees of the organisation to perform their duties, as well as ensure functional and organisational independence of the internal audit service.

5. The Board of Directors shall determine and oversee the functioning of the risk management system appropriate to the chosen business model, scale of operations, types and complexity of operations, and provides a process for identifying, measuring and assessing, monitoring, controlling and minimising the organisation's significant risks.

6. The Board of Directors for the purposes of implementing the requirements of the Rules, depending on the size, nature and level of complexity of the organisation's activities, organisational structure, risk profile and the number of members of the Board of Directors of the organisation shall decide to establish one and (or) several collegial bodies on various issues.

The Board of Directors shall exclude conflicts of interest when establishing committees.

7. In order to form an adequate risk management system for underwriting, reinsurance, insurance claims and investment risks, the organisation shall establish collegial bodies - the underwriting council and the asset and liability management council.

The Boards shall be composed of employees of the structural units concerned, the risk management division and senior managers, and shall be approved by the Board of Directors of the organisation.

Decisions of the Boards shall be made by a simple majority of votes of the members and shall be formalised in writing.

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

- list and detailed description of the issues under consideration;
- list of documents submitted to the board for decision-making;
- voting results on each issue under consideration;
- opinions of members with justification, including in case of their disagreement with the adopted decision and dissenting opinion.

The minutes shall be signed by all members of the given Boards present at the meeting and shall be kept by the organisation.

The Board of Directors shall evaluate the work of the above boards and the Management Board on the basis of their annual performance reports.

8. The risk management process shall include the following stages:

- 1) risk identification:
 - risk-forming factors and risk assessment (systematic and continuous monitoring, analysis of all possible causes of expenses (losses), their probability and size);
 - classification of risks (carried out on the basis of the results of research of specificity of risks and factors which lead to their occurrence, influence their development, expert estimations of historical data, analysis of the map of risks);
- 2) risk measurement, the frequency of which shall be established by the Board of Directors depending on the significance of the risk, but not less than twice a year;
- 3) regular stress testing and risk analysis;
- 4) selection and application of risk management method;
- 5) adjustment of the risk management system.

9. The internal control system shall be a system of organisation, policies, procedures and methods adopted by the organisation to:

- 1) ensuring the efficiency of the organisation's activities, including the efficiency of management of 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 compliance by the organisation with the legislation of the Republic of Kazakhstan on insurance and insurance activity, on compulsory insurance, on joint stock companies, on securities market, on counteraction to legalisation (laundering) of proceeds of crime and terrorism financing and internal documents of the organisation;
- 4) prevention of involvement of the organisation and its employees in unlawful activities, including fraud, errors, inaccuracies, deception, legalisation (laundering) of proceeds of crime and terrorism financing.

10. In order to improve the effectiveness of the risk management and internal control system, the organisation adheres to the principle of business ethics aimed at:

- providing an insurance product and/or service that meets the client's goals and needs;
- assessing the client's needs for an insurance product, taking into account their risks and financial capabilities;
- facilitating the client's understanding of the terms and conditions of insurance coverage;
- focus on providing quality service and achieving a high level of customer satisfaction.

At least once every three years, the organisation shall analyse the efficiency of the insurance product for voluntary classes of insurance, the policyholders of which shall be individuals, except for accumulative insurance products.

The efficiency analysis shall be carried out for insurance products, the volume of insurance premiums of which shall be more than 20 (twenty per cent) of the volume of insurance (reinsurance) premiums of the organisation for voluntary classes of insurance, and the coefficient characterising the loss ratio, taking into account the reinsurer's share in the insurance product, which shall be less than 30 (thirty) per cent.

Based on the results of the efficiency analysis, the organisation shall revise the terms and conditions of the insurance product to increase the list of insurance events covered by the product or revises the insurance tariff.

11 The organisation shall ensure internal audit to verify and objectively assess the effectiveness of the risk management and internal control system in all aspects of the organisation's activities.

12. The insurance (reinsurance) organisation shall ensure compliance with the requirements to the internal documents of the risk management and internal control system according to Annex 1 to the Rules.

The branch of a non-resident insurance (reinsurance) organisation of the Republic of Kazakhstan shall ensure compliance with the requirements to internal documents of the risk management and internal control system, according to Annex 2 to the Rules.

13. Employees of the organisation within the framework of their functional duties comply with the requirements to the risk management and internal control system, standards of professional ethics and internal documents, as well as adhere to the standards of corporate management and risk culture.

14. The organisation annually, not later than January 15 of the year following the reporting year, shall submit to the Authorised Body information on the assessment of the risk management and internal control system in the form according to Annex 3 to the Rules, with copies of supporting documents attached.

15. The organisation on the basis of financial and other statements of the organisation as of the reporting date performs stress testing on risks.

The organisation shall submit to the authorised body stress-testing on risks in the form according to Annex 4 to the Rules on an annual basis not later than April 30 of the year following the reporting year.

The conclusion of the head of the risk management division containing: the analysis of the organisation's exposure to risks; identification of risks affecting the financial position of the organisation to a greater extent shall be attached to the risk stress test

16. The organisation analyses the ratios of the organisation's risk assessment system on the basis of annual financial and other reporting.

The organisation annually after approval by the Board of Directors, but not later than April 30 of the year following the reporting year, shall submit to the Authorised Body the analysis of the risk assessment system coefficients (with explanations on the coefficients exceeding the standard range) in the form according to Annex 5 to the Rules for the organisation operating in the 'general insurance' industry and Annex 6 to the Rules for an organisation operating in the life insurance industry and, in case of four or more deviations of the organisation's risk assessment system coefficients from the approved limits of the standard range, an action plan approved by the Board of Directors to improve the risk assessment system coefficients or a decision of the Board of Directors that there shall be no need to develop an action plan to improve the risk assessment system coefficients.

17. If the entity is operating for less than two fiscal years as of the reporting date, the number of deviations of the entity's risk assessment system coefficients from the approved limits of the standard range does not take into account the coefficients used to calculate data at the end of each annual reporting period of the last two fiscal years.

18. In order to effectively work with customer requests and improve their service level, the organization annually shall analyze requests from customers of the organization.

19. The organization annually, no later than July 31 of the year following the reporting year, shall evaluate the required risk-based capital at the end of the reporting period.

The results of the assessment of the required capital based on risks shall be approved by the board of directors of the organization and shall be used to further make management decisions aimed at ensuring the financial stability of the organization.

20. The 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 in the form in accordance with Annex 7 to the Rules on an annual basis no later than April 30 of the year following the reporting year.

Chapter 3. Procedure for formation of risk management system

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

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

2) annually approve the analysis of the risk assessment system coefficients of the organization and, if there are four or more deviations of the risk assessment system coefficients of the organization from the approved limits of the standard range, approves an action plan to improve the risk assessment system coefficients of the organization or decides that there is no need to develop an action plan to improve the risk assessment system coefficients;

3) annually approve the results of assessment of the required capital based on risks;

4) consider the analysis of customer requests of the organization and make a decision to improve the quality of customer service and eliminate the reasons that are the basis for customer requests with an indication of the timing of their execution;

5) in terms of corporate management shall:

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

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

provide verification of the fact of granting preferential conditions to individuals associated with the organization by special relations;

other matters within the competence of the board of directors;

6) in order to adjust strategic goals, shall consider:

analysis of the current (future) capital requirements of the organization conducted by the risk management unit or other structural unit whose functions include the conduct of this analysis;

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

report of the asset and liability management board (unit responsible for investment activities) on the results of the conducted operations (transactions) on investing the assets of the organization (with a grouping of financial instruments by type and indicating the book, market value, profitability, amount of purchases and sales);

7) in terms of risk management shall:

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

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

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 the responsible employees in case of non-fulfillment of the requirements of the authorized body, untimely elimination (non-elimination) of the identified shortcomings;

limit accepted risks and establish restrictions on transactions (operations);

When approving an action plan to improve the risk assessment system coefficients, the organization monitor the implementation of the plan on a quarterly basis.

The provisions of subparagraph 2), 3), 4) of this paragraph shall not apply to a branch of an insurance (reinsurance) non-resident-organization of the Republic of Kazakhstan.

22. The risk management policy shall be developed by the risk management division and shall provide for regular stress testing, scenario analyses and defines, but shall not be limited to the following:

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

2) for an organization with a license to carry out investment portfolio management activities on the securities market - the presence in the organizational structure of the organization of a unit that shall perform investment portfolio management functions, including, but not limited to the following functions:

collection, processing and analysis of information necessary for the preparation of recommendations drawn up when developing an investment declaration, determining and revising the limits for investing the assets of policyholders, making decisions on transactions at the expense of the assets of policyholders (hereinafter referred to as recommendations);

making recommendations;

drawing up investment decisions and minutes based on the results of meetings of the organization's investment committee;

accounting for financial instruments acquired at the expense of the assets of policyholders ;

preparation of reports to policyholders on the results of investment portfolio management activities in the manner prescribed 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 documents of the organization;

3) qualification requirements for managers and employees directly related to risk management, including requirements for education and work experience;

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

5) the procedure for the exchange of information necessary for risk management between structural subdivisions, collegial bodies, the management board, and the board of directors of

the organization, a branch of an insurance (reinsurance) non-resident-organization of the Republic of Kazakhstan with an insurance (reinsurance) non-resident-organization of the Republic of Kazakhstan;

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

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

8) internal criteria for assessing the effectiveness of the risk management system;

9) the procedure for developing a risk map, including qualitative and quantitative approaches;

10) procedures for determining the risk limit, including for a branch of an insurance (reinsurance) non-resident-organization of the Republic of Kazakhstan;

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

12) procedures for monitoring, assessment and control of identified (detected) risks, drawing up a risk map of the organization, including:

measures taken by the risk management unit together with other structural units of the organization to identify risks;

risk assessment carried out by the risk management unit, including an assessment of the frequency of risks, the subsequent classification of the effects of these risks and the establishment of 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 immediately reporting to the board of directors on any significant cases that may entail expenses (losses) and/or affect the activities of the organization, or shall be of an illegal nature;

13) risk assessment testing and modelling procedures;

14) the procedure for submission by the risk management unit to the board of directors of a risk management report, including:

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 course 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;

adequacy and effectiveness of the risk management system;

15) procedure for control over the implementation of established limits for insurance, investment and other activities and transactions (operations) with an indication of the list of positions of individuals responsible for control.

23. Management Board in order to ensure the 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 management board (the relevant executive body of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan), managers of the branch of the insurance (reinsurance) non-resident -organization of the Republic of Kazakhstan and structural subdivision of the organization that ensure 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 the risk management and internal control policy;

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

6) approve risk limits for types 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 based on reliable statistics on risks;

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

10) ensure regular analysis of financial indicators and statistical information to assess the adequacy of adjustment factors to insurance premiums under contracts of compulsory insurance of an employee against accidents in the performance of his labor (official) duties.

The requirement of this subparagraph shall apply to the insurance company that determines the correction factors on the basis of paragraph 2-1 of Article 17-1 of the Law of the Republic of Kazakhstan "On compulsory insurance of an employee against accidents in the performance of his labor (official) duties";

11) provide recommendations to the board of directors in terms of drawing up annual budgets, strategic plans, taking into account the current and future economic environment, regulatory legal framework, capital size;

12) monitor the implementation of the action plan in conditions of financial instability and emergency circumstances and the provision of the corresponding quarterly report;

13) conduct regular analysis of 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 combating the legalization (laundering) of proceeds from crime and the financing of terrorism, internal documents of the organization regulating transactions with financial instruments;

14) monitor compliance by structural subdivisions with policies in managing 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 improvement of the accounting and reporting system taking into account the recommendations of external auditors;

18) conduct an analysis of audit reports, and submit proposals to the board of directors on the adoption of appropriate measures to eliminate the identified shortcomings.

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

24. In order to ensure the effectiveness of the risk management system, the Management Board shall ensure the development and approval of the internal procedure for consideration of customer requests received in the process of providing insurance services, and also monitor the organization's compliance with the requirements specified in this paragraph.

The internal procedure for considering customer requests shall take into account the requirements of the Law on insurance and insurance activities and shall determine:

1) procedures for maintaining office work on customer requests, including receiving, initial processing, registration of requests received by the organization and responses to customer requests;

2) procedures for communication (transfer) of received requests to the responsible structural subdivisions or employees who shall be entrusted with processing and preparing a response to the client's request;

3) timely processing of customer requests and preparation of responses to customer requests;

4) the procedure for interaction of structural subdivisions of organizations when considering customer requests and preparing responses to customer requests;

5) the procedure for receiving feedback from customers to assess customer satisfaction;

6) procedures for maintaining the classifier of received requests of the organization's clients.

The classifier of received applications of the organization's clients shall contain: information about the class of insurance, type of insurance, client (individual/legal entity, surname, name and patronymic (if any)/name of the legal entity, IIN/BIN), the essence of the application, and more.

25. The term of consideration of the client's request shall not exceed 15 (fifteen) working days from the date of receipt by the organization.

26. The period of consideration of a request may be extended by fifteen (15) working days if the actual circumstances that shall be important for the correct consideration of the request shall be established, which the client shall be notified of within three working days from the date of extension of the period.

27. In the process of considering the appeal, the organization shall notify the client of his rights, including the right to appeal to the insurance ombudsman, to the authorized body and (or) to the court.

28. The functions of the risk management unit shall include:

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

development of risk management policy;

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

participation in the management decision-making process;

continuous monitoring of the implementation of management decisions and determining the effectiveness of management decisions made;

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

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

3) analysis of the coefficients of the organization's risk assessment system on the basis of annual financial and other reports in the form according to Annex 5 to the Rules for an organization operating in the general insurance industry and Annex 6 to the Rules for an organization operating in the life insurance industry;

4) conducting a risk-based assessment of the required capital with the actuary;

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

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

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

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

risk monitoring, including monitoring of changes in 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 values of risk indicators with maximum permissible values of risk indicators;

promptly reporting to the Management Board and the Board of Directors on any significant cases that could cause damage and/or affect the activities of the organization or shall be of an illegal nature;

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

8) organization of measures for the implementation of the plan in case of emergency and ensuring the continuity of the organization;

9) regular analysis:

financial indicators (as part of stress testing and regular monitoring of the level of accepted risks);

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

10) forecasting the impact of macroeconomic factors on profitability, liquidity, sufficiency of solvency margin;

11) submission to the board of directors and the management board on a quarterly basis of 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 course 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;

adequacy and effectiveness of the risk management system;

brief analysis of financial indicators for the reporting period;

risk map assessment and analysis;

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

12) submission to the board of directors for approval:

not later than April 1 of the year following the reporting year, analysis of risk assessment system coefficients (with explanations on coefficients outside the standard range);

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

not later than July 31 of the year following the reporting year, the results of the assessment of the required capital based on risks;

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

14) ensuring the implementation of:

underwriting risk management requirements as per Annex 8 to the Rules;

requirements to reinsurance risk management as per Annex 9 to the Rules;

requirements for risk management of insurance payments in accordance with Annex 10 to the Rules;

requirements for managing the risk of insufficient insurance reserves in accordance with Annex 11 to the Rules;

investment risk management requirements as per Annex 12 to the Rules;

requirements to operational and associated risks management as per Annex 13 to the Rules;

compliance risk management requirements as per Annex 14 to the Rules;

15) in order to adjust the corporate strategy and internal risk management policy jointly with the strategic planning and analysis subdivision or other structural subdivision with similar functions, submit to the board at least once a year:

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, measures taken to minimize them, response measures;

a report containing a detailed review of the financial condition and results of the organization's activities, as well as changes in 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 that could affect the financial condition of the organization, risk map of the organization.

When applying the provisions of this paragraph to a branch of an insurance (reinsurance) non-resident organization 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 the insurance (reinsurance) non-resident-organization of the Republic of Kazakhstan;

the provisions of subparagraphs 3), 12) and 13) of this paragraph shall not apply to a branch of an insurance (reinsurance) non-resident-organization of the Republic of Kazakhstan

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

30. Managers of the organization and heads of structural subdivisions timely shall submit information related to risk assessment to the risk management subdivision.

31. The head of the organization's risk management subdivision (risk manager) shall meet the following qualification requirements:

- 1) have a higher education;
- 2) have one of the following international certificates in the field of risk management (FRM (Financial Risk Manager) - Financial Risk Manager, PRM (Professional Risk Manager) - Professional Risk Manager, CFA - Certified Financial Analyst) and (or) an ISO 31000/COSO Enterprise Risk Management certificate, an actuary's license, or at least one year of experience in risk management, actuarial accounting, accounting or internal audit with a financial institution or authority.

Chapter 4. Procedure for formation of the internal control system

32. The internal control system in the organization shall be created to ensure:

1) operational and financial efficiency of the organization's activities, which shall involve checking the efficiency and profitability of the organization's asset and liability management and determining the probability of losses;

2) reliability, completeness and timeliness of financial and management reporting, which shall involve checking the preparation of reliable and high-quality financial statements 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 combating the legalization (laundering) of proceeds from crime and the financing of terrorism and internal documents of the organization.

The 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.

33. 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 (assessing the effectiveness of the internal control system) and eliminating violations and non-conformities (shortcomings).

34. The internal control system shall operate on the principle of continuous sequential passage of the following three stages:

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

35. Internal control procedures shall be:

1) quarterly verification of the process of achieving the goals and objectives set in the corporate strategy of the organization by submitting by structural subdivision within the framework of their functions to the board of directors and the management board reports on the current results of financial activities with the application of planned indicators of financial activities;

2) periodic inventory, including cash and financial instruments;

3) verification of compliance with the established risk limits and implementation of measures to eliminate the identified non-conformities;

4) establishment of a list of operations requiring mandatory authorization;

5) checking the conditions of operations and the results of applying risk management models;

6) checking the timeliness, correctness, completeness and accuracy of the transactions carried out in accounting and reporting.

Chapter 5. Corporate management

36. The main elements of an effective corporate management system shall be:

1) corporate values, codes and standards of conduct, and the tools used to enforce them;

2) strategy of the organization;

3) distribution of responsibilities and powers in terms of decision-making, including a hierarchical decision-making structure both for individual employees and for organizational bodies;

4) mechanisms of interaction and cooperation between the management body, the executive body and the auditors;

5) risk management procedures and techniques;

6) internal control system;

7) financial and managerial incentives in the form of monetary remuneration, promotion and other forms of motivation that encourage employees of the organization to take appropriate actions;

- 8) availability of an adequate management reporting system;
- 9) organizational structure;
- 10) transparency of corporate management.

37. The organizational structure of the organization shall correspond to the selected business model, scale of activities, types and complexity of operations, minimizes conflicts of interest and distributes risk management powers between collegial bodies and structural subdivisions of the organization.

38. Members of the Board of Directors shall perform their functional duties in good faith and adhere to the following principles in their activities:

1) rational decision-making and action in the interests of the organization based on a comprehensive assessment of the information provided;

2) decision-making and action in the interests of the organization, not taking into account personal benefits, the interests of individuals associated with the organization with special relationships, to the detriment of the interests of the organization.

3) active involvement in the activities of the organization and awareness of significant changes in the activities of the organization and external conditions, as well as the adoption of timely decisions aimed at protecting the interests of the organization in the long term;

4) preliminary consideration of the draft corporate management code and (or) amendments to the Rules.

39. The duties of the Board of Directors shall include:

1) ensuring compliance of the corporate management system of the organization with the following principles:

compliance with the scale and nature of the organization's activities, its structure, risk profile, business model of the organization;

protection of the rights of shareholders provided for in accordance with the legislation of the Republic of Kazakhstan on joint-stock companies and support for the exercise of these rights;

ensuring timely and reliable disclosure of information in accordance with the legislation of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations, and joint-stock companies.

Members of the Board of Directors have access to complete, up-to-date and timely information to perform their duties;

2) elect members of the management board of the organization, appoint heads: risk management subdivision, internal audit and compliance controller;

3) preliminary approval of the annual financial statements certified by the audit organization;

4) control over effective compliance with the organization's procedures, through which employees of the organization confidentially report violations, concerning the activities of the organization and the requirements of civil, tax, banking legislation of the Republic of

Kazakhstan, legislation of the Republic of Kazakhstan on insurance and insurance activities, on state regulation, control and supervision of the financial market and financial organizations, on pension provision, securities market, accounting and financial reporting, anti-legalization (laundering) of proceeds from crime and financing of terrorism, joint stock companies, as well as abuse;

5) exercising control over the activities of the management board of the organization by:
monitoring the implementation by the board of the organization of the strategy and policies approved by the board of directors, decisions of the general meeting of shareholders;
approval of internal documents governing the activities of the management board of the organization in accordance with the Rules;

ensuring the implementation of the internal control system;
holding regular meetings with members of the organization's board;
analysis and critical assessment of the information provided by the board;
establishing the necessary performance standards and remuneration system for members of the management board, which shall be in line with the long-term goals defined by the organization's strategy and aimed at financial stability;

6) interaction and control of the work of the head of the risk management subdivision;

7) ensuring the keeping of records of decisions taken (minutes of meetings, brief information on issues considered, recommendations, if any, as well as dissenting opinions of members of the board of directors of the organization). Such documents and/or materials shall be provided to the authorized body upon request in accordance with the legislation of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations;

8) ensuring a developed information technology infrastructure in order to collect and analyze complete, reliable, timely information for risk management purposes.

40. An independent director of an organization shall be free from any material interests or relationship with the organization, its management or its property that could jeopardize the exercise of objective judgment, with the exception of remuneration for remuneration as a member of the board of directors.

41. The independent director shall monitor the possible loss of independence status and shall notify the chairman of the board of directors in advance in case of such situations. If there are circumstances affecting the independence of a member of the board of directors, the chairman of the board of directors immediately shall bring this information to the attention of shareholders for making an appropriate decision.

42. The corporate secretary of the organization shall control the preparation and holding of meetings of the meeting of shareholders and the board of directors of the organization, ensure the formation of materials on the agenda of the general meeting of shareholders and materials for the meeting of the board of directors of the organization, monitor the provision of access to them.

43. The competence and activities of the corporate secretary shall be determined by the internal documents of the organization, approved by the board of directors of the organization .

It shall be allowed for the corporate secretary to perform the functions of the secretary of the management board of the organization. Combining the position of the corporate secretary with any other position in the organization shall not be allowed, as well as it shall not be allowed, during the period of holding the position of the corporate secretary of the organization, his work in other organizations without obtaining the appropriate consent of the board of directors of the organization.

44. In the absence of the corporate secretary due to illness, being on regular leave and other reasons, the right to exercise his functions and powers shall be transferred to the legal service of the organization.

45. The candidate for the position of corporate secretary (corporate secretary) shall meet the following requirements:

- 1) have higher legal and (or) economic education;
- 2) have at least three (3) years of work experience, including at least one (1) year as a manager;
- 3) have knowledge of the legislation of the Republic of Kazakhstan on insurance and insurance activities, on joint-stock companies;
- 4) be not an affiliate of the company's shareholders and officials and be not related to the company's officials.

46. Collective bodies of the organization shall carry out activities in accordance with the regulations approved by the board of directors of the organization, defining their powers and competence, the procedure for work, including restrictions on the terms of work of members of the board of directors of the organization in committees.

The board of directors of the organization shall provide for periodic rotation of members of the committees of the Board of Directors (with the exception of independent experts) in order to avoid concentration of powers and to promote new views on issues within the competence of the committees of the Board of Directors.

Based on the results of consideration by the committees of the board of directors, recommendations shall be prepared to the board of directors with possible options for making decisions, with disclosure of positive and negative factors and consequences of making such decisions.

Meetings of committees of the Board of Directors shall be held in person. Members of committees of the board of directors may participate in meetings by means of technical means of communication provided for by the internal documents of the organization.

Resolutions of the board of directors adopted at its meeting shall be formalized by minutes and signed by the corporate secretary and the person who chaired the meeting.

The requirements for the chairmen and powers of the committees of the board of directors shall be determined by the internal documents of the organization.

Chapter 6. Internal audit

47. The Board of Directors, in order to ensure the effectiveness of the organization's internal control system, shall ensure the functional and organizational independence of the internal audit service:

- 1) approve the internal audit policy;
- 2) approve the regulation on the internal audit service;
- 3) approve the annual internal audit plan;
- 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 the branch of an insurance (reinsurance) non-resident-organization of the Republic of Kazakhstan.

48. The internal audit policy shall include, but shall not be limited to, the following:

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

49. The following factors shall be taken into account when developing the internal audit policy:

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

50. Collegial body on internal audit issues shall:

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

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

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

52. In its activities, the internal audit service shall be guided by the charter of the organization, the regulations on the organization of the internal control system and the internal audit service of the organization, the regulations 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.

53. The internal audit service shall prepare the internal audit plan and the internal audit program.

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

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

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

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

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

- 1) development and submission for approval to the board of directors of the policy, regulation, budget, activity plan of the internal audit service, audit opinion, criteria for assessing the organization's activities;
- 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) checking the completeness of application and effectiveness of the organization's risk assessment methodology and risk management system;
- 4) checking the activities of the structural subdivision, branch of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan and submitting a report to the board of directors on its results;

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

6) ensuring 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 combating 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 standard and limits;

11) assessment of management decisions regarding asset and liability management;

12) checking 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:

consolidated balance sheet and profit and loss statement compared to 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 adequacy and effectiveness of risk control in the field of corporate management, 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.

56. The internal audit service shall have unlimited access to all materials, information, documents (files), information necessary for the performance of its functions, including those located in local area networks and autonomous computer systems, without the right to make changes to them.

57. Head of 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 the internal audit;

3) bring to the attention of the board of directors' information on the facts of violation of the independence of the internal audit service (the occurrence of a conflict of interest, restrictions on the authority to access materials, information, documents (files) of the organization);

4) not later than a month before the audit, requests written statements from managers about the following:

full disclosure of the results of assessments of the risk of material misstatement of the financial statements;

disclosure of information about fraudulent activities or suspicions of fraud by employees (including those dismissed) who play an important role in the internal control system and other persons who may have a significant impact on the financial statements.

58. Employees of the internal audit service in the course 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 combating 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 resulting from 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 assessment of the obtained audit evidence, procedures shall be carried out to verify transactions (operations) that do not correspond to the main activities of the organization, in which compliance of the transaction (operation) with the goals of the organization (lack of a goal) for fraud shall be assessed;

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

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

evidence derived from internal sources shall be more reliable if accounting and internal control shall be effective;

evidence collected by the auditor shall be more reliable than evidence provided by the structural subdivision;

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

In case of contradictory evidence, the internal audit service shall carry out additional procedures in order to clarify the reliable state of affairs.

59. The head and employees of the internal audit service may not simultaneously be the head and (or) employees of other structural subdivisions, as well as be members of collegial bodies.

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

- 1) any transactions (transactions) (including under insurance (reinsurance) contracts in the amount of more than KZT one (1) million with payment in cash;
- 2) insurance payment in the amount of more than 3,000 (three thousand) monthly calculation indicators;
- 3) other transactions (operations) that raise doubts about their legality.

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

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

1. The scope of information covered by the internal documents must be reliable and sufficient to assess the organization's activities and make effective decisions by the board of directors, collegial bodies, the management board and executives.

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

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

2) regulate the principles of corporate management taking into account:

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

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

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

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

mandatory record of decisions of the Board of Directors, collegial bodies, the Management Board and executives (with attached documents on the basis of which the decision have been made);

in writing the obligation of managers to refrain from actions that directly or indirectly can lead to a conflict between their interests and the interests of the organization, and in the event of a conflict of interests, the obligation to timely inform the board of directors about this;

compliance of managers with qualification requirements of the authorized body;

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

generally accepted standards of professional ethics;

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

3. For the purposes of effective risk management and internal control, the Board of Directors approve the following internal documents:

1) corporate strategy;

2) Regulation 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) internal policy on remuneration, accrual of monetary remuneration, as well as other types of material incentives for employees who shall not be managers;

5) accounting policy;

6) Regulation on the terms and forms of submission of management reports.

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

1) determine 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:

development strategy of the organization;

main goals and activities of the organization;

the market segment the organization shall be targeting;

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

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) structure, powers and duties of the Board of Directors, collegial bodies, Management Board, Internal Audit Service, managers, subdivisions;

2) qualification requirements for employees;

3) interaction and accountability procedure;

4) prevention of assignment of functions of other departments to employees of the internal audit service, risk management subdivision, underwriter (underwriting subdivision), actuary;

5) criteria for assessing the effectiveness of the board, structural subdivisions and employees, including the procedure for applying measures for failure (improper, untimely performance) of their functions and tasks.

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) principles, criteria for the selection of candidates for the position of members of the Board of Directors, Management Board, other managers, determination of the amount of remuneration;

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

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

4) the form and frequency of the report of the Board of Directors provided to the Board of Directors regarding the implementation of the budget in terms of remuneration and other compensation payments, ensuring the compliance of managers with the qualification requirements of the authorized body and the requirements of the job description;

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

7. The internal policy on remuneration, accrual of monetary remuneration, as well as other types of material incentives for employees who shall not be managers, shall be developed by the board and shall regulate:

1) goals, objectives of internal policy, as well as principles of employee remuneration;

2) structure of fixed and non-fixed remuneration of employees;

3) levels and rules for increasing the amount of remuneration of employees;

4) employee performance assessment system;

5) conditions under which non-fixed remuneration shall not be paid.

8. Accounting policy shall:

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

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

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

4) regulate:

procedure for accounting for 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;

a methodology for performing impairment tests of a financial instrument in the absence of a market value of the financial instrument and assessing the adequacy of insurance reserves,

using current estimates of future cash flows under insurance (reinsurance) contracts in accordance with international financial reporting standards;

other matters at the discretion of the board of directors.

9. The regulation on the terms and forms of submission of management reports shall be developed by the management board and shall regulate the procedure for submission of management reports by the management board and the risk management subdivision to the Board of Directors and shareholders of the organization, including:

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

investment reports (with a grouping of financial instruments by type, indicating the book and market value, profitability, total amount of purchases and sales);

report on comparison of assets and liabilities;

analysis of the risk map of the organization;

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

a brief analysis of the current and projected capital requirements of the organization and its use, which shall not lead to a violation of prudential standards and (or) identification of factors affecting the deterioration of the financial position of the organization and (or) insurance group specified in the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated April 27, 2018 № 75 "On establishment of 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, as well as approval of the Rules for approval of an action plan providing for early response measures, and methods 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 №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 Board of Directors and the Management Board to perform their functional duties and powers in order to ensure risk management and internal control.

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

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

1. The scope of information covered by the internal documents shall be reliable and sufficient to assess the activities of the branch of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan and to 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. The non-resident insurance (reinsurance) organization of the Republic of Kazakhstan shall develop a provision on the branch of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan, which shall:

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

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

clear subdivision of duties between branch bodies 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 the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan, collegial bodies and management employees;

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

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

compliance of managers with qualification requirements of the authorized body;

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

generally accepted standards of professional ethics;

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

- 1) branch regulations;
- 2) provision on organizational and functional structure of the branch;
- 3) internal policy on remuneration, accrual of monetary remuneration, as well as other types of material incentives for managers;
- 4) accounting policy;
- 5) Regulation on the timing and forms of submission of management reports.

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

1) determine 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:

development strategy of the branch;

main goals and activities of the branch;

The market segment the store shall be targeting

forecast values of financial and other performance indicators of the branch;

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) non-resident organization of the Republic of Kazakhstan and shall contain:

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

2) qualification requirements for employees;

3) interaction and accountability procedure;

4) prevention of assignment of functions of other departments to employees of the internal audit service, risk management subdivision, underwriter (underwriting unit), actuary;

5) criteria for assessing the effectiveness of the activities of managers, structural subdivisions and employees, including the procedure for applying measures for failure (improper, untimely performance) of their functions and tasks.

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 executive body of the insurance (reinsurance) non-resident organization 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 size of fixed remuneration, remuneration for shares, bonds, other types of remuneration, compensation payments);

3) criteria for evaluating the work of managers and the use 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, 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 the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan in accordance with international financial reporting standards, the legislation of the Republic of Kazakhstan on accounting and financial reporting;

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

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

4) regulate:

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

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

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

8. The regulation on terms and forms of management reporting shall be developed by the executive body of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan and shall regulate the procedure for submission of management reporting to the management body by the management employees of the branch and the risk management subdivision, which shall include, but shall not be limited to the following:

consolidated statement of assets and liabilities;

income and expense statement;

report on comparison of assets and liabilities;

branch risk card analysis;

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

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

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

Information on the assessment of the risk management and internal control system

_____ for _____
(name of the organization) (date)

№	Indication of the relevant paragraph, subparagraph, paragraph of the Rules	Assessment of compliance with the requirements of the Rules	Identified deficiencies	Measures taken (planned) to eliminate deficiencies (content of measures, deadlines)	Responsible persons (surname, first name, patronymic (if any), position, contact information)
1	2	3	4	5	6

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

control systems _____

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

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

Head of risk management

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

Head of internal audit _____

(surname, first name, patronymic (if any)

(signature)

Date of signing _____ " _____ " _____ 20

Annex
to assessment details form
of risk management system
and internal control

Explanations to filling in information on the assessment of the risk management and internal control system

Assessment of compliance of the risk management and internal control system of the organization with the requirements of the Rules shall be carried out on the basis of the following criteria:

1) FC - "fully complies"

if the requirement criterion is met without significant deviations;

2) PC - "partially complies"

if deviations from the criterion of requirements (shortcomings) are detected that are not considered sufficient for serious doubts about the ability of the organization to achieve compliance with this criterion and will be eliminated soon;

3) NC - "does not correspond"

failure to meet the criteria for requirements to risk management and internal control systems;

4) NA - "not applicable"

if separate requirements for the risk management and internal control system are not applicable to the organization as of the assessment date. The assessment "not applicable" shall not be included in the calculation of the share of criteria fulfilled by the organization of the Rules requirements.

Annex 4
to the Rules for formation
of risk management and
internal control system for
insurance (reinsurance)
of organizations, branches
insurance (reinsurance)
non-resident organizations
of the Republic of Kazakhstan
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 intended for collecting administrative data free of charge shall be posted on the Internet resource: <https://www.gov.kz>

Stress testing by risk

Index of the form intended for collecting administrative data free of charge: 1-STRESS-TEST

Frequency: annually

Reporting period: as of _____ 20

Circle of persons submitting a form intended for collecting administrative data free of charge: insurance (reinsurance) organizations

The deadline for submitting a form intended for collecting administrative data free of charge: annually, no later than April 30 of the year following the reporting year.

BIN: _____

Collection method: hard copy

Table 1. Stress testing in price risk

№	Issuer's name	Security name	International Identification Number (IIN)	Book value of financial instrument (in KZT thousand)
1	2	3	4	5
1				
2				
3				
...				
1	Total loss			
2	Solvency margin adequacy ratio after stress testing			
3	Adequacy ratio of highly liquid assets after stress testing			

Table continued:

Scenario of reduction of current value of financial instrument (in KZT thousand)			Loss on decrease in value of financial instrument (in KZT thousand)		
by 20 %	by 30 %	by 40 %	by 20 %	by 30 %	by 40 %
6	7	8	9	10	11

Comment on stress testing _____

Table 2. Stress testing by interest rate risk

№	Issuer's name	Book value of financial instrument in KZT (actual)	Rate of return (actual)	Forecast value of the rate of return (+1 %)
1	2	3	4	5
1				
2				
3				
...				
1	Total loss			
2	Solvency margin adequacy ratio after stress testing			
3	Adequacy ratio of highly liquid assets after stress testing			

Table continued:

Forecast value of financial instrument at rate of return (+1%)	Yield rate loss amount (+1%) in KZT thousand

6	7

Comment on stress testing_____

—

Table 3. Currency risk stress testing

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

Table continued:

Loss (income) under the scenario of decrease in KZT against foreign currency		Loss (income) under the scenario of strengthening KZT against foreign currency		According to the results of KZT reduction in relation to foreign currency		According to the results of strengthening KZT against foreign currency	
Assets (2-4)	Obligations (3-5)	Assets (2-6)	Obligations (3-7)	HMPI	HBJIA	HMPI	HBJIA
8	9	10	11	12	13	14	15

Comment on stress testing

Stress-testing for risks associated with insurance activities

Table 4.1. Premium collection suspension scenario

№	Name of the article	Premium collection suspension scenario				
		For the reporting quarter	1st forecast quarter	2nd forecast quarter	3d forecast quarter	4th forecast quarter
1	2	3	4	5	6	7
1	Total net profit (loss) after taxes (KZT thousand)					

	margin adequacy ratio					
3	Adequacy ratio of highly liquid assets					

Comment on stress testing _____

Table 4.2. Increase in the provision for non-incurred losses under annuity agreements due to the increase in the indexation rate

№	Name of the article	Increase in the provision for non-incurred losses under annuity agreements due to the increase in the indexation rate	
		Key figure value at key date	Value of the indicator after stress testing
1	2	3	4
1	Insurance payments indexation rate		8,25%
2	Provision for losses not incurred (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 his labor (official) duties")		
3	Solvency margin adequacy ratio		
4	Adequacy ratio of highly liquid assets		

Comment on stress testing _____

Table 4.3. Termination scenario of insurance contracts (reinsurance)

№	Name of the article	Actual amount at key date	Scenario of cancellation of insurance (reinsurance) contracts on:		
			10 %	20 %	30 %
1	2	3	4	5	6
1	Insurance premiums under existing insurance (reinsurance) contracts				
	Amount of commission under insurance (

2	reinsurance) contracts under which termination shall take place	X			
3	Total loss amount (lines 1 + 2)	X			
4	Solvency margin adequacy ratio				
5	Adequacy ratio of highly liquid assets				

Stress testing in credit risk _____

Stress testing in credit risk

Table 5.1. Scenario of rating downgrade for financial instruments, reinsurers taken into account when calculating prudential ratios

№	Name of the article	Scenario of rating downgrade for financial instruments, reinsurers taken into account when calculating prudential ratios		
		Actual value key 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 KZT thousand			
2	Minimum solvency margin			
3	Solvency margin adequacy ratio			
4	Amount of highly liquid assets in KZT thousand			
5	Adequacy ratio of highly liquid assets			

Comment on stress testing _____

Table 5.2. Reinsurer's late payment scenario

Name of insurance class	Reinsurer's late payment scenario					
	Insurance contract number	insurer	Overcautious person	Limit of liability insured amount)	Reinsurer's liability amount	5 % of reinsurer's liability
1	2	3	4	5	6	7

Total loss:	
Solvency margin adequacy ratio after stress testing	
Adequacy ratio of highly liquid assets after stress testing	

Comment on stress testing _____

Table 5.3. Scenario considering probability of default (reinsurance organization)

Name of the insured	Scenario considering probability of default (reinsurance organization)						
	Insurance contract (policy) number and/or supplementary agreement	Reinsurer's name	Allowance for unearned premiums	Reinsurer's credit rating	Probability of default (P D) according to the Table of probability of default	Loss under selected scenario (EL) (in KZT)	Provision for unearned premiums including probability of default (PD)
1	2	3	4	5	6	7 = 4*6	8 = 4+7
Total:							
Solvency margin adequacy ratio after stress testing							
Adequacy ratio of highly liquid assets after stress testing							

Comment on stress testing _____

Name of _____

Address of _____

Telephone _____

Email address _____

First manager or person authorized by him to sign

stress testing _____

surname, first name and patronymic (if any) signature, telephone

Head of risk management

surname, first name and patronymic (if any) signature, telephone

date _____ " _____ " _____ 20

Annex
to stress testing form
by risk

Explanation filling out a form for collecting administrative data free of charge Stress testing by risk (index - 1-STRESS-TEST, frequency - annual) Chapter 1. General provisions

1. This explanation on completion the administrative data collection form (hereinafter referred to as the Explanation) shall define the unified requirements for completing the "stress testing in risk" administrative data collection form (hereinafter referred to as the "form").

2. The form shall be filled out by the organization annually, no later than April 30 of the year following the reporting year.

3. The subdivision of measurement used when filling out the form shall be set in KZT and in percent (up to the second decimal place). The amount less than 500 (KZT five hundred) shall be rounded to 0 (zero), and the amount equal to KZT 500 (five hundred) and higher shall be rounded to KZT 1000 (thousand).

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

Chapter 2. Explanation on completion the form

5. Insurance (reinsurance) organizations operating in the general insurance industry fill out Tables 1 - 3, 4.1, 4.3, 5.1 - 5.3 of the form.

6. Insurance (reinsurance) organizations operating in the life insurance industry fill out Tables 1-3, 4.1-4.3, 5.1 of the form.

7. In Table 1. Stress testing in price risk:

1) column 2 shall indicate the name of the issuer of equity instruments (shares, depositary receipts, the underlying asset of which shall be shares, units of exchange traded funds (ETF);

2) columns 3 and 4 shall indicate the name of the security and its international identification number (IIN);

3) column 5 shall indicate the carrying amount of the financial instrument at the reporting date;

4) columns 6, 7 and 8 shall indicate the carrying amount of the financial instrument with a decrease of 20%, 30% and 40%, respectively;

5) columns 9, 10 and 11 shall indicate the difference between the carrying amount of the financial instrument and its forecasted reduced value.

8. In Table 2. Stress testing by interest rate risk:

1) the column 2 shall indicate the name of the bond issuers;

2) column 3 shall indicate the carrying amount 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 at fair value through other comprehensive income";

3). column 4 shall indicate the actual rate of return to maturity on the bond at the key date;

4). column 5 shall indicate the forecast value of the bond yield rate when it increases by 1%;

5) column 7 shall indicate the forecast value of the loss amount when the bond yield rate increases.

9. Table 3. Stress testing in currency risk:

- 1) SMR - solvency **margin** adequacy **ratio** after stress testing;
SLA - Standard of adequacy of residual highly liquid assets after stress testing;
- 2) the assets and liabilities of the 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 shall indicate the current value of assets and liabilities denominated in this foreign currency in KZT at the reporting date;
- 5) columns 4, 5, 6 and 7 shall indicate the estimated balance sheet amount of assets and liabilities under scenarios of decrease and strengthening of KZT in relation to foreign currency, respectively;
- 6) columns 8, 9, 10 and 11 shall indicate the forecast loss (income) under the scenario of decrease and strengthening of KZT in relation to foreign currency, respectively (the difference between the actual and forecast values of assets and liabilities).

10. Stress testing for risks associated with insurance activities:

Table 4.1. Premium collection suspension scenario:

- 1) in order to conduct stress testing to suspend the collection of insurance premiums by an insurance (reinsurance) organization, it shall be necessary to forecast changes in financial indicators and values of prudential standards, taking into account the lack of income for the insurance part and the preservation of constant costs and expenses for insurance payments;
- 2) according to this scenario of the insurance (reinsurance) organization, it shall be necessary to provide for the implementation of insurance payments under the insurance (reinsurance) contracts existing in the portfolio as of the reporting date (no new receipts, respectively, insurance payments under them);
- 3) The form for this stress testing shall be filled in for 4 (four) forecast quarters (year by quarter).

Table 4.2. Increase in the provision for non-incurred losses under annuity agreements due to the increase in the indexation rate:

- 1) the scenario of an increase in the reserve of non-incurred 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 his labor (official) duties" shall be calculated at the reporting date using the indexation rate at the level of 8.25%.

In case of significant deviations from the rate of 8.25%, based on professional judgment, the actuary submits a reasonable alternative rate;

- 2) a report on existing annuity agreements concluded within the framework of compulsory insurance of an employee against accidents in the performance of his labor (official) duties (taking into account the new indexation) (submitted in electronic form) shall be attached to the stress testing form.

Table 4.3 Scenario of termination of insurance (reinsurance) contracts shall:

- 1) stress testing on the risk of termination of insurance contracts shall provide for a scenario of termination of insurance contracts (reinsurance) from 10% to 30%;
- 2) columns 4, 5 and 6 shall indicate the forecast values of the articles of the Table;
- 3) line 2 of the stress testing form shall indicate the amount of commission under the insurance (reinsurance) contracts for which the termination occurred (pro rata to the insurance premium);
- 4) to calculate the forecast values of prudential standards, it shall be necessary to take into account the amount of expenses associated with the termination of the insurance (reinsurance) contract, and the amount of expenses for the payment of commission under these contracts.

11. stress testing in credit risk:

Table 5.1 Scenario of rating downgrade for financial instruments, reinsurers taken into account when calculating prudential ratios:

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

2) the actual solvency margin shall be the smallest of two values calculated taking into account capital items and taking into account their classification by quality and liquidity after a decrease in the rating assessment of financial instruments, reinsurers taken into account when calculating prudential standards by 1 point (one notch) (one night);

3) for units rated by Morningstar rating agency, it shall be necessary to reduce the rating by 1 star;

4) the minimum amount of the solvency margin of the insurance (reinsurance) organization should increase 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

assessment of the reinsurer or the value of the adequacy ratio of the solvency margin of the 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 a decrease in the rating assessment 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.

Table 5.2 Scenario of untimely payment by the reinsurer:

1) Columns 1-6 shall contain information on the reinsurance contract with the highest insured amount. Under this reinsurance agreement, 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 adequacy ratio of highly liquid assets shall be calculated taking into account the deduction of the reinsurer's liability under the reinsurance contract in the amount of 5%.

Table 5.3 Scenario considering probability of default (reinsurance organization):

The calculation of the reinsurer's credit risk shall be carried out according to the probability of default (PD) Table by reducing the reinsurer's rating by category 1and, accordingly, the possible impact on the indicators of the prudential standards of the insurance organization:

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

Annex 5
to the Rules for formation
of risk management and
internal control system for
insurance (reinsurance)
of organizations, branches
insurance (reinsurance)
non-resident organizations
of the Republic of Kazakhstan
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 intended for collecting administrative data free of charge shall be posted on the Internet resource: <http://finreg.kz>

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

Index of the form intended for collecting administrative data free of charge: RASA_1NL

Frequency: annual

Reporting period: as of ____ 20

Circle of individuals submitting a form intended for collecting administrative data free of charge: insurance (reinsurance) organizations operating in the general insurance industry

BIN: _____

Collection method: hard copy

Form

(name of the insurance (reinsurance) organization)

Name of coefficient of the risk assessment system	Value		Standard range	Risks	Brief description/recommendations	Short explanation of deviation from standard range (for the reporting year)
	of the previous reporting year, in %	of the reporting year, in %				
1	2	3	4	5	6	7
					K1 shall provide an estimate of the adequacy of capital to cover losses without taking into	

"Capital Insurance Premium" K1			K1<300%	underwriting, strategic	account the reinsurance share. For a complete risk assessment, the K1 analysis shall be carried out taking into account K2 and K5. K1>300% shall indicate an increase in the permissible risk in relation to capital.	
"Net Capital Premiums" K2			K2 <200%	underwriting, strategic	K2 shall provide an assessment of the adequacy of capital to cover losses, taking into account insurance premiums transferred to reinsurance. The higher the K2 value, the greater the risk to capital. K2 analysis shall be performed during K5 analysis. K2 > 200% shall indicate an increase in the permissible risk in relation to capital.	
					K3 shall assess the stability/instability of operations/management. A significant increase in K3 shall indicate an expansion of the business (an increase in sales by new	

"Change in net premiums" K3			-33% 33%	<K3<	underwriting, strategic	classes of insurance, an expansion of the geographical location). A significant reduction in net premiums shall indicate a suspension/reduction in sales for individual insurance classes, loss of market share, and an increase in reinsurance. The analysis shall take into account the valuation of K9 assets, and the adequacy of K11 reserves, K12, K13, as well as the profit from reinsurance of K4.	
K4 "Profit from capital reinsurance"			K4<15%		underwriting, strategic	K4 shall give an estimate of the share of income from reinsurance activities. K4 > 15% shall indicate the insufficiency of capital according to the expectations of the management of the insurance (reinsurance) organization, or the improvement of the values of the	

					coefficients K1, K2, K7, K10, K13, in terms of hiding problems related to capital. With $K4 > 15\%$, K1, K2, K7, K10 shall be recalculated, K13 with the deduction of the share of reinsurance income.	
K5 "2-year operating performance ratio"			K5<100%	operational	K5 shall give an estimate of the profitability/unprofitability of operating activities. With $K5 > 100\%$, the insurance (reinsurance) organization incurs an operating loss, with $K5 < 100\%$ it shall have an operating income. The K 5 components shall be analysed: loss ratio, cost ratio and investment income ratio. To be analysed together with K11, K13.	
					K6 shall give a percentage estimate of the annual income of the investment portfolio. If the K6 value is low, the structure of the	

K 6 Investment return"	"		5%<K6<20%	liquidity, market, strategic	investment portfolio, R E P O operations, commission costs, etc., are analysed. If the K6 value shall be high, investments in high-risk instruments and the dividend payment policy of the parent subsidiary are analysed.	
K7 "Change in capital"			-10%<K7< 50%	operational, strategic	K7 shall assess t h e improvement/ deterioration of the financial position of the insurance (reinsurance) organization during the year . K7 > 50% shall indicate instability of operating activities, capital flow within the insurance holding, significant growth of the insurance (reinsurance) organization, or merger/ acquisition. With K7 < - 10%, factors affecting the changes shall be determined: a) net profit (K5); b) unrealized income or loss;	

					<p>c) K8; d) dividends paid; e) K4; f) accounting policy/ adjustment of reporting; g) deferred tax assets; h) unrecognized assets; a n d) shareholders.</p>	
K8 "Change in adjusted capital"			-10%<K8<25%	operational, strategic	<p>K8 shall assess t h e improvement/ deterioration of the financial situation based on the results of the main activity of the insurance (reinsurance) organization (a c t u a l assessment of the main activity, taking into account t h e withdrawals a n d replenishment o f t h e authorized capital). K8 > 25% shall indicate instability of operating activities, capital flow within the insurance holding, significant growth of the insurance (reinsurance) organization or</p>	

					<p>merger/ acquisition. With $K8 < -10\%$, factors affecting the changes are determined:</p> <ul style="list-style-type: none"> a) net profit (K5); b) unrealized income or loss; c) in reserve capital; d) contingency risks; e) in stabilization reserve; f) in other reserves; g) dividends paid; h) accounting policy/ adjustment of reporting. 	
K9 "Adjusted liabilities for liquid assets"			K9<100%	liquidities	<p>K9 shall give an assessment of the ability of the insurance (reinsurance) organization to respond to its short-term obligations, and also shall give an approximate assessment of the consequences in the event of liquidation of the insurance (reinsurance) organization.</p> <p>With $K9 > 100\%$, the K9 in the dynamics of previous years shall be analysed, the</p>	

					adequacy of reserves, assessment, structure and liquidity of assets shall be checked.	
K 1 0 Insurance premiums receivable on capital"			K10<20%	credit	K10 shall estimate the share of receivables in relation to capital. The permissible share shall be up to 20%. If the value exceeds 20%, the amounts to be received from reinsurers, insurance premiums to be received from policyholders (reinsurers) and intermediaries for debts overdue by more than 90 days, and the feasibility of recognizing such assets are analysed.	
K 1 1 Development of reported losses per year on capital"			-10%<K11 <10%	insurance reserves	K11 shall estimate the development of unsettled losses declared a year earlier. If the K11 is positive, the insurance (reinsurance) organization has not sufficiently formed reserves, and if the value is negative, K11 reserves are	

					formed in excess. K11 shall be analysed together with the K12.	
K 1 2 "Development of reported losses over two years on capital"			-10%<K12<10%	insurance reserves	K12 shall estimate the development of unsettled losses claimed two years earlier. If the K12 is positive, the insurance (reinsurance) organization has not sufficiently formed reserves, and if the value is negative, K12 reserves are formed in excess. K12 shall be analysed jointly with the K11.	
K 1 3 "Assessment of the deficit (surplus) of current reserves for capital"			-12%<K13<12%	insurance reserves	K13 shall assess the adequacy of current reserves. A deficit (surplus) is the difference between projected and actual reserves. If the K13 is positive, reserves are not sufficiently formed, if the K13 shall be negative, reserves are formed in excess.	

Note: an explanation of how to complete the administrative data collection form shall be provided in the Annex to this form.

Explanation of risk assessment system factors outside the standard range

	Name _____	Address _____
	Phone number _____	
	Email address _____	

First manager or person authorized by him to sign analysis _____

surname, first name and patronymic (if any) signature, telephone
Head of risk management

surname, first name and patronymic (if any) signature, telephone
Contractor _____
surname, name and patronymic (if any) signature,
date _____ " ____ " ____ 20

Annex
to coefficient analysis form
risk assessment systems
insurance (reinsurance)
organization, carrying out
industry activities
"general insurance"

Explanation filling out a form for collecting administrative data free of charge Analysis of the coefficients of the risk assessment system of the insurance (reinsurance) organization operating in the "general insurance" industry (index - RASA_1NL, frequency - annual) Chapter 1. General provisions

1. This explanation (hereinafter referred to as the Explanation) shall define unified requirements for filling out the form intended for collecting administrative data "Analysis of the coefficients of the risk assessment system of the insurance (reinsurance) organization operating in the industry" general insurance "(hereinafter referred to as the Form).
2. The form shall be filled out by the insurance (reinsurance) organization annually as of the end of the reporting period.
3. Columns 2 and 3 of the Analysis shall indicate the values of coefficients of the previous reporting year and the reporting year, respectively, in percent (up to the second decimal place)

4. The form shall be signed by the first manager or a person authorized by him to sign the form, the head of the risk management subdivision and the executor.

Chapter 2. Explanation to complete the form

5. The K1 ratio "Capital insurance premiums" shall be calculated using the following formula:

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

where:

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

K_t – equity at the reporting date.

6. The K2 ratio "Net capital premiums" shall be calculated using the following formula:

$$K2 = \frac{\Psi C\Pi_t}{K_t} * 100\% ,$$

where:

$\Psi C\Pi_t$ - net amount of insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to termination of insurance (reinsurance) contracts, at the reporting date;

K_t –equity at the reporting date.

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

$$K3 = \frac{\Psi C\Pi_t - \Psi C\Pi_{t-1}}{\Psi C\Pi_{t-1}} * 100\% ,$$

where:

$\Psi C\Pi_t$ –net amount of insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to termination of insurance (reinsurance) contracts, at the reporting date;

$\Psi C\Pi_{t-1}$ –net amount of insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to termination of insurance (reinsurance) contracts, as of the previous reporting date.

8. The K4 ratio "Profit from reinsurance activities per capital" shall be calculated using the following formula:

$$K4 = \frac{\Pi\Pi_t}{K_t} * 100\%$$

$$\Pi\Pi_t = \left\{ \frac{KB_t}{C\Pi\Pi_t - \text{ИЗМА}\Pi\Pi_t} \right\} * \text{РН}\Pi\Pi_t,$$

where:

$\Pi\Pi_t$ – profit from reinsurance activities at the reporting date;

KB_t – income in the form of commission for insurance activities at the reporting date;

$C\Pi\Pi_t$ – insurance premiums transferred for reinsurance at the reporting date;

$\text{ИЗМА}\Pi\Pi_t$ – change in reinsurance assets for unearned premiums at the reporting date;

$\text{РН}\Pi\Pi_t$ – reinsurance assets for unearned premiums (net of impairment provisions) at the reporting date;

K_t – equity at the reporting date.

9. The K5 ratio "2-year operating ratio" is calculated using the following formula:

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

$$KY_{2-л} = \frac{(\text{ЧСВ}_t + \text{ЧСВ}_{t-1}) + (\text{ЧСПИ}_t + \text{ЧСПИ}_{t-1}) + (\text{РУР}_t + \text{РУР}_{t-1})}{\text{ЧЗП}_{t-1} + \text{ЧЗП}_t}$$

$$KЗ_{2-л} = \frac{(\text{ЧР}_t + \text{ЧР}_{t-1})}{\text{ЧСП}_{t-1} + \text{ЧСП}_t}$$

$$\text{ИД}_{2-л} = \frac{(\text{ДИД}_t + \text{ДИД}_{t-1})}{\text{ЧЗП}_{t-1} + \text{ЧЗП}_t},$$

where:

$KY_{2-л}$ – 2-year loss ratio;

$KЗ_{2-л}$ – 2-year cost ratio;

$\text{ИД}_{2-л}$ – 2-year investment return ratio;

ЧСВ_t – net amount of insurance payments at the reporting date;

ЧСВ_{t-1} – net amount of insurance payments at the previous reporting date;

ЧСПИ_t – net amount of changes in loss provisions at the reporting date;

ЧСПИ_{t-1} – net amount of changes in loss provisions at the previous reporting date;

РУР_t – adjustment expenses at the reporting date;

РУР_{t-1} – adjustment expenses at the previous reporting date;

ЧЗП_t – net premiums earned, net of costs incurred in terminating insurance contracts (reinsurance), at the reporting date;

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

ЧП_t – net expenses at the reporting date;

ЧП_{t-1} –net expenses at the previous reporting date;

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

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

ДИД_t –income from investing activities less expenses related to the payment of remuneration at the reporting date;

ДИД_{t-1} –income from investing activities, net of expenses related to the payment of remuneration, at the previous reporting date.

10. "The Investment Return" K6 ratio shall be calculated using the following formula:

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

where:

ДИД_t –income from investing activities less expenses related to the payment of remuneration at the reporting date;

ДСИИНВ_{t-1} –cash and investments (net of "REPO" transactions) at the previous reporting date, being the amount of:

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

ДСИИНВ_t –cash and investments (net of "REPO" transactions) at the reporting date, being the amount of:

- 1) cash and cash equivalents at the reporting date;
- 2) deposits of funds placed (net of impairment provisions) at the reporting date;
- 3) "reverse REPO" transactions at the reporting date;
- 4) securities at fair value through profit or loss at the reporting date;
- 5) available-for-sale securities (net of impairment provisions) at the reporting date;
- 6) refined precious metals at the reporting date;
- 7) derivative financial instruments at the reporting date;
- 8) held-to-maturity securities (net of impairment provisions) at the reporting date;
- 9) investments in capital of other legal entities as of the reporting date;
- 10) investment property at the reporting date.
11. The K7 ratio "Capital change" shall be calculated using the following formula:

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

where:

K_t – equity at the reporting date;

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

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

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

where:

K_t – equity at the reporting date;

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

$\Delta Y K_t$ – change in share capital shall be calculated as the difference between the amounts of the share capital at the reporting date and the share capital at the previous reporting date.

13. The K9 ratio "Liabilities for liquid assets" shall be calculated using the following formula:

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

where:

Обязательства_t - total liabilities less deferred income at the reporting date;

ВЛА_t - the value of highly liquid assets specified in paragraph 38 of the regulatory values and methods for calculating prudential standards of insurance (reinsurance) organization and

insurance group and other mandatory standards and limits established by resolution of the Board of the National Bank of the Republic of Kazakhstan № 304 dated December 26, 2016, registered in the Register of State Registration of Regulatory Legal Acts under № 14794 (minus obligations under REPO operations), at the reporting date.

14. The K10 ratio "Insurance premiums receivable per equity" is calculated using the following formula:

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

where:

СПкП_t - insurance premiums receivable from policyholders (reinsurers) and intermediaries (net of impairment provisions) at the reporting date;

K_T - equity at the reporting date.

15. The K11 ratio "Development of declared losses for one year per capital" is calculated using the following formula:

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

$$\text{развитие заявленных убытков за один год} = (P3HY^*_t + CB_t + PY_t - P3HY_{t-1}),$$

where:

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

P3HY_t* - the net reserve of declared but unresolved losses (hereinafter referred to as P3HY) at the reporting date for losses that occurred and declared at the date before t-1;

P3HY_{t-1} - net P3HY as of the previous reporting date;

CB_t - insurance payments excluding the reinsurer's share and less compensation for recourse claims paid in the reporting period for losses that occurred and were declared on the date before t-1;

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

16. The K12 ratio "Development of declared losses over two years" shall be calculated using the following formula:

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

$$\text{развитие заявленных убытков за два года} = (P3HY^{**}_t + CB_{t,t-1} + PY_{t,t-1} - P3HY_{t-2}),$$

where:

K_{t-2} - equity on the date t-2;

$P3HY^{**}_t$ - net P3HY at the reporting date for losses that occurred and declared at the date before t-2;

$P3HY_{t-2}$ - net P3HY as of the date t-2;

$CB_{t,t-1}$ - insurance payments excluding the reinsurer's share and net of recourse compensation paid in the reporting period and in the previous period for losses that occurred and were declared as of the date before t-2;

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

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

17. The K13 ratio "Deficit (surplus) of the assessment of current capital reserves" shall be calculated using the following formula:

$$K13 = \left(\frac{\text{ЧЗП}_t * (\text{СКРП}) - PY_t}{K_t} \right) * 100\%$$

СКРП = среднее

$$\left\{ \begin{array}{l} \frac{P3HY_{t-1} + PПНУ_{t-1} + \text{развитие заявленных убытков за один год}}{\text{ЧЗП}_{t-1}}; \\ \frac{P3HY_{t-2} + PПНУ_{t-2} + \text{развитие заявленных убытков за два года}}{\text{ЧЗП}_{t-2}} \end{array} \right\}$$

развитие заявленных убытков за один год

$$= (P3HY^*_t + CB_t + PY_{t,t-1} - P3HY_{t-1})$$

развитие заявленных убытков за два года

$$= (P3HY^{**}_t + CB_{t,t-1} + PY_{t,t-2} - P3HY_{t-2})$$

where:

K_t - equity at the reporting date;

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

PY_t - loss reserve at the reporting date;

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

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

CKПП - average premium provision ratio;

CB_t - insurance payments excluding the reinsurer's share and less compensation for recourse claims paid in the reporting period for losses that occurred and were declared on the date before $t-1$;

$\text{PY}_{t,t-1}$ - expenses for settlement of losses paid in the reporting period for losses that occurred and were declared as of the date before $t-1$;

$\text{CB}_{t,t-1}$ - insurance payments excluding the reinsurer's share and net of recourse compensation paid in the reporting period and in the previous period for losses that occurred and were declared as of the date before $t-2$;

$\text{PY}_{t,t-2}$ - expenses for the settlement of losses paid in the reporting period and in the previous period, for losses that occurred and declared on the date before $t-2$;

P3HY_t^* - net P3HY at the reporting date for losses that occurred and declared at the date before $t-1$;

P3HY_t^{**} - net P3HY at the reporting date for losses that occurred and declared at the date before $t-2$;

P3HY_{t-1} - net P3HY as of the previous reporting date;

ПIIHY_{t-1} - net provision for incurred but undeclared losses (hereinafter referred to as "ПIIHY ") at the previous reporting date;

P3HY_{t-2} - net P3HY at the second previous reporting date;

ПIIHY_{t-2} - net ПIIHY at the second preceding reporting date.

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

Annex 6
to the Rules for formation
of risk management and
internal control system for
insurance (reinsurance)
of organizations, branches
insurance (reinsurance)
non-resident organizations
of the Republic of Kazakhstan
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 intended for collecting administrative data free of charge shall be posted on the Internet resource: <http://finreg.kz>

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

Index of the form intended for collecting administrative data free of charge: RASA_2LI

Frequency: annual

Reporting period: as of ____ ____ 20

Circle of persons presenting a form intended for collecting administrative data free of charge: insurance (reinsurance) organizations operating in the "life insurance" industry

BIN: _____

Collection method: hard copy

Form

(name of the insurance (reinsurance) organization)

Name of risk assessment system factor	Meaning		Standard range	Risks	Brief description/ recommendations	Brief explanation in case of deviation from the standard range (for the reporting year)
	previous reporting year, in %	reporting year, in %				
1	2	3	4	5	6	7
					K1 shall assess the improvement/ deterioration of the financial position of an insurance (reinsurance) organisation over the course of a year. K1 > 50% may indicate instability in operating activities, capital flows within the insurance holding	

K1 'Change in adjusted capital'			-10%<K1<50%	operational, strategic	<p>company, significant growth of the insurance (reinsurance) organisation, or a merger/acquisition.</p> <p>If K1<-10%, it shall be necessary to identify the factors influencing the changes.</p> <p>Factors that may have an impact: a) dividends paid; b) unrealised income or loss on investments ; c) changes in reserves as a result of revaluation; d) changes in unrecognised assets; e) changes in accounting principles; f) changes in the taxation system.</p>	
					<p>K2 shall assess the improvement/deterioration of the financial position based on the results of the core activities of the insurance (reinsurance) organisation (actual assessment of core activities, taking into account withdrawals</p>	

K2 "Change in capital"	-10%<K2<50%	operational, strategic	<p>and replenishments of authorised capital).</p> <p>K2 should be considered in conjunction with K1. If the result of the K2 ratio is higher than the result of the K1 ratio, this may indicate a strong parent organisation or support from shareholders and related parties wishing to maintain a sufficient level of capital. In this regard, the analysis should take into account the stability of the parent organisation, the insurance group, and the nature of the assets financing the additional capital.</p> <p>If, despite recapitalisation, K2 takes on a negative value or falls below the lower limit of the range, the reasons for the decrease in capital and surpluses must be analysed to determine the causes of the decline and the trend. If K2 shows a</p>
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					negative trend over several years, there may be problems with the operational activities of the insurance (reinsurance) organisation.	
K 3 Profitability "	"		K3>0%	operational	K3 shall assess the ability of an insurance (reinsurance) organisation to use assets to generate profit. Factors that may affect the level of profitability: a) mortality and morbidity rates ; b) adequacy of investment income K4; c) level of commission expenses; d) mandatory reserve requirements, current interest rates and mortality rates.	
					K4 shall assess the adequacy of investment income to meet the interest requirements of an insurance (reinsurance) organisation's liabilities. Factors that may influence a low K4 level: a) speculative investments intended to	

K 4 Sufficiency of investment income"			125%<K4<900%	market, strategic, insurance reserves	<p>generate high returns in the long term provide low returns in the interim period;</p> <p>b) large investments by an insurance (reinsurance) organisation in subsidiaries or shareholder enterprises; c) large investments in office supplies; d) large investments in tax-free bonds; e) high investment costs.</p> <p>If K4 shall exceed the standard range over the last two years, the insurance (reinsurance) organisation must take measures to improve the situation and prevent further deterioration.</p>	
					<p>K5 shall assess the extent of unrecognised assets or risky assets acquired by the insurance (reinsurance) organisation and the effectiveness of the asset structure.</p> <p>When analysing, it is recommended</p>	

K5 "Ratio of unrecognised assets to recognised assets"			K5<10%	liquidity, credit	to determine the nature of unrecognised assets and the reasons for assets falling into this category, compare the amount of unrecognised assets with capital to determine the impact of unrecognised assets on the financial condition of the insurance (reinsurance) organisation. When conducting the analysis, it is recommended to take into account the ratio of premiums ceded for reinsurance to premiums accepted under insurance (reinsurance) contracts K8.
					K6 shall assess the gap between investments and liabilities. K6>0% shall indicate a reduction in the gap between the investment return period and the liability fulfilment period for both

K6 "Relative change in duration"			K6>0%	credit, liquidity , operational	<p>the aggregate portfolio and investments and liabilities with a return and fulfilment period of more than 10 years compared to the previous year.</p> <p>K6≤0% shall indicate an increase/no change in the gap between the investment return period and the fulfilment of obligations, both for the aggregate portfolio and for investments and obligations with a return and fulfilment period of more than 10 years, compared to the previous year.</p> <p>When analysing, it is necessary to study the change in the structure of insurance premiums by class K10 and the change in the structure of recognised assets K11.</p>	
					K7 shall assess investments in the capital of affiliated and/or related parties.	

<p>K 7 ‘Investments in the capital of affiliated and/or related parties’</p>			<p>K7<20%</p>	<p>credit, liquidity, market</p>	<p>If K7>20%, it is necessary to determine whether the investments of the insurance (reinsurance) organisation and the amounts due to it from affiliated and/or related parties are in line with the protection of policyholders' interests, since if the number of investments in affiliated and/or related parties is large, the insurance (reinsurance) organisation may experience high illiquidity or low profitability.</p>	
<p>K8 "Ratio of premiums ceded to reinsurance to premiums accepted under insurance (reinsurance) contracts"</p>			<p>K8<50%</p>	<p>underwriting, reinsurance</p>	<p>K8 shall assess the reinsurance activities of an insurance (reinsurance) organisation. If K8>50%, outgoing reinsurance may be exceeded. It is necessary to assess the effectiveness of reinsurance by evaluating the probable loss based on statistical data, compensation</p>	

from the reinsurer and its solvency.

K9 shall assess the stability/instability of operational activities in management.

When $K9 > 50\%$, there may be a sharp increase in the volume of insurance premiums of an insurance (reinsurance) organisation, a change in the range of insurance products, a change in the sales system, the departure of insurers from the insurance market, changes in the economic sphere, legislative changes, a change in the shareholder or management of an insurance (reinsurance) organisation, etc.

If $K9 < -10\%$, there may be a sharp decrease in the volume of insurance premiums of the insurance (reinsurance) organisation, changes in the range of

K9 "Change in signed premiums"

-10%<K9<50%

underwriting

insurance products, changes in the sales system, the emergence of new insurers on the insurance market, changes in the economic sphere, legislative changes, changes in the shareholder or management of the insurance (reinsurance) organisation, etc.

When analysing, it is recommended to take into account changes in the structure of insurance premiums for classes K10 and changes in reserves in relation to insurance premiums K12.

In addition, it shall be necessary to consider the key areas that have influenced the change and evaluate the management's business plan in terms of guidance on managing the situation necessary to

					maintain financial stability.	
K10 "Change in the structure of insurance premiums by class"			K10<5%	underwriting, strategic	K10 shall assess changes in the structure and direction of sales depending on changes in the economic environment, the development of new products, etc. When K10>5%, there may be a sharp increase in the volume of insurance premiums of an insurance (reinsurance) organisation, a change in the range of insurance products, a change in the sales system, the departure of insurers from the insurance market, changes in the economic sphere, legislative changes, a change in the shareholder or management of an insurance (reinsurance) organisation, etc. This leads to changes in the structure of	

					<p>insurance premiums by class.</p> <p>When analysing, it is recommended to take into account the relative change in the duration of K6, the change in written premiums K9, and the change in reserves in relation to insurance premiums K12.</p>	
K11 "Change in the structure of recognised assets"			K11<5%	credit, market, strategic	<p>K11 shall assess changes in the structure and direction of investments made by an insurance (reinsurance) organisation.</p> <p>A K11 value greater than 5% may indicate changes in the structure and direction of investments depending on changes in the investment policy of the insurance (reinsurance) organisation, changes in the economic environment, etc.</p> <p>When analysing, it is recommended to take into account the</p>	

					relative change in the duration of K6.	
K12 "Change in provisions in relation to insurance premiums"			-40%<K12<40%	insurance reserves	<p>K12 shall assess the change in the increase in reserves for premiums compared to the previous year.</p> <p>Deviations may indicate changes in the structure and direction of sales depending on changes in the economic environment, sales system, withdrawal from the insurance market or the emergence of new insurers on the insurance market, legislative changes, the result of a change in shareholders/management, etc.</p> <p>When analysing, it is recommended to take into account the change in written premiums K9 and the change in the structure of insurance premiums by class K10.</p>	

Note: Instructions for completing the form intended for the collection of administrative data shall be provided in the Annex to this form.

Explanations of risk assessment system coefficients that fall outside the standard range_____

	Name _____	Address _____
	Phone number _____	
	Email address _____	

First manager or person authorized by him to sign
analysis of _____

surname, name, patronymic (if any) signature, phone number
Head of risk management department

surname, name, patronymic (if any) signature, phone number
Contractor _____
surname, name, patronymic (if any) signature, phone number
date _____ " ____ " 20 ____

Annex
to coefficient analysis form
risk assessment system
insurance (reinsurance)
organization carrying out
activities by industry
"life insurance"

Explanation for filling out a form for collecting administrative data free of charge Analysis of the coefficients of the risk assessment system of the insurance (reinsurance) organization operating in the life insurance industry (index - RASA_2LI, frequency - annual) Chapter 1. General provisions

1. This explanation (hereinafter referred to as the Explanation) shall define unified requirements for filling out the form intended for collecting administrative data "Analysis of the risk assessment system coefficients of the insurance (reinsurance) organization operating in the" life insurance "industry (hereinafter referred to as the Form).
2. The form shall be filled out by the insurance (reinsurance) organization annually as of the end of the reporting period.

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

4. The form shall be signed by the first manager or a person authorized by him to sign the Form, the head of the risk management subdivision and the executor.

Chapter 2. Explanation of how to complete the form

5. The K1 factor "Change in adjusted capital" 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 share capital compared to the previous year;

$\Delta \Delta K_t$

— change in additional paid-in capital from the previous year;

K_{t-1}

—equity at the previous reporting date.

6. The K2 ratio "Capital change" shall be calculated using 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. The profitability K3 factor shall be calculated using the following formula:

$$K3 = \frac{\pi_t}{\Delta_t} * 100\% ,$$

where:

ЧП_t – total net profit (loss) after taxes at the reporting date;

Д_t – total income at the reporting date.

8. The K4 ratio "Sufficiency of investment income" shall be calculated according to the following formula:

$$K4 = \frac{\Phi Д_t}{ИД_t} * 100\%$$

$$ИД_t = \left(\frac{PHY_t + PHY_{t-1}}{2} \right) * i ,$$

where:

$\Phi Д_t$

–actual income from investment activities at the reporting date in KZT;

$ИД_t$

–investment income pledged under insurance products at the reporting date in KZT;

PHY_t

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

PHY_{t-1}

–provision for non-incurred losses under life insurance (reinsurance) contracts and annuity contracts as of the previous reporting date;

i

– reserve basis rate of return in%.

9. The K5 ratio "Ratio of non-recognizable assets to recognizable 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 referred to as the AQL) at the reporting date, the amount on the balance sheet;

$АкПЗНУ_t$

– reinsurance assets for stated but unresolved losses (net of impairment provisions) at the reporting date.

10. The K6 factor "Relative duration change" shall consist of two parts K61 and K62, for which the calculation formula and permissible values shall be the same. K61 shall be calculated for the entire term of the portfolio of insurance (reinsurance) organizations, while K62 shall be calculated for a term of more than 10 years. In this case, the K6 value shall take the minimum value from the K61 and K62 and shall be calculated using the following formula:

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

where:

$ДИ_t$

– the term of return of the investment at the reporting date;

$ДО_t$

– due date at the reporting date;

$ДИ_{t-1}$

– the term of return of the investment on the previous reporting date;

$ДО_{t-1}$

– due date as of the previous reporting date.

The return period of an investment shall be calculated by finding a weighted average of durations calculated separately for each investment that has a maturity date.

The term of performance of obligations is calculated by finding a weighted average of the terms of performance of obligations calculated separately for each insurance contract.

11. The K7 ratio "Investments in equity of affiliates and/or related parties" shall be calculated using the following formula:

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

where:

$ДЗА_t$

– receivables from affiliates and/or related parties at the reporting date;

$ИА_t$

– investments in affiliates and/or related parties at the reporting date;

K_t

– equity at the reporting date.

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

$$K8_i = \frac{СПП_{ti}}{СП_{ti}} * 100\%,$$

where:

$СПП_{ti}$ – insurance premiums transferred for reinsurance at the reporting date for the i-th insurance class;

$СП_{ti}$ insurance premiums accepted under insurance (reinsurance) contracts, net of expenses related to termination of insurance (reinsurance) contracts, as of the reporting date under the i-th insurance class.

13. The K9 factor "Change in signed premiums" shall be calculated using the following formula:

$$K9 = \frac{СП_t - СП_{t-1}}{СП_{t-1}} * 100\%,$$

where:

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

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

14. The coefficient K10 "Change in the structure of insurance premiums by classes" shall be calculated using the following formula:

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

where:

СП_т^{*i*}

–insurance premiums for the *i*- class of insurance accepted under insurance (reinsurance) contracts, less expenses related to the termination of insurance (reinsurance) contracts, as of the reporting date;

СП_т

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

СП_{т-1}^{*i*}

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

СП_{т-1}

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

N

– number of insurance classes.

15. Coefficient K11 "Change in the structure of recognised assets" shall be calculated using the following formula:

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

where:

BA_t^i

– the amount of the i- recognised asset as at the reporting date, the balance sheet amount;

BA_t

– the number of recognised assets as at the reporting date, the balance sheet amount;

BA_{t-1}^i

– the amount of the i- recognised asset as at the previous reporting date, the balance sheet amount;

BA_{t-1}

– the amount of recognised assets as at the previous reporting date.

Recognised assets shall be assets at book value that fall under the definition of AQL in accordance with paragraph 39 of the regulatory values and calculation methods for prudential standards of insurance (reinsurance) organisations and insurance groups and other mandatory standards and limits, established by resolution № 304 of the Board of the National Bank of the Republic of Kazakhstan dated December 26, 2016, registered in the register of state registration of regulatory legal acts under № 14794.

Structure of recognised assets for calculating the K11 ratio:

- 1) cash;
- 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 organisations;
- 9) securities of investment funds included in the official list of the stock exchange;
- 10) shares;
- 11) Islamic financing instruments of legal entities of the Republic of Kazakhstan;
- 12) other assets.

16. Coefficient K12 ‘Change in reserves 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:

$C\Pi_t$ – insurance premiums accepted under insurance (reinsurance) contracts, less expenses related to the termination of insurance (reinsurance) contracts, as at the reporting date;

$C\Pi_{t-1}$ – insurance premiums accepted under insurance (reinsurance) contracts, less expenses related to the termination of insurance (reinsurance) contracts, as of the previous reporting date;

CP_t – the number of insurance reserves of an insurance (reinsurance) organisation as at the reporting date;

CP_{t-1} – the number of insurance reserves of the insurance (reinsurance) organisation as of the previous reporting date;

CP_{t-2} – the number of insurance reserves of the insurance (reinsurance) organisation as at the second preceding reporting date.

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

Annex 7
to the Rules for the Formation of a
risk management and internal control
system for
insurance (reinsurance)
of organizations, branches
of insurance (reinsurances)
of non-resident organizations of the
Republic of Kazakhstan
Form

Form, designed for collecting administrative data

Submitted to: the authorised body for the regulation, control and supervision of the financial market and financial organisations

The form for collecting administrative data free of charge, available at: <http://finreg.kz>

Gap analysis for insurance (reinsurance) organisations operating in the life insurance sector

Index of the form designed for collecting administrative data free of charge: GAP-LI1

Frequency: annually

Reporting period: as of ' ____ ' _____ 20____

Persons required to submit the form for the collection of administrative data free of charge
: insurance (reinsurance) organisations operating in the life insurance sector

Deadline for submitting the form intended for the collection of administrative data free of charge: annually, no later than 30 April of the year following the reporting year.

BIN: _____

Method of collection: on paper

(name of insurance organisation)

(KZT in thousand)

	Maturity date	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 3 years	from 3 to 5 years	from 5 to 10 years	over 10 years
1	2	3	4	5	6	7	8	9	10
1	Assets								
1.1	Amount of 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-' on the international scale of Standard & Poor's (Standard								

1.2.1	& Poor's) or a rating of a similar level from one of the other rating agencies, or a rating of at least 'kzBB' on the national scale of Standard & Poor's (Standard & Poor's), or a rating of a similar level on the national scale of one of the other rating agencies (taking into account the principal debt and accrued interest), less the allowance for doubtful debts; are resident subsidiary banks whose non-resident parent banks have a long-term credit rating in								
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foreign currency of at least 'A-' on the internatio nal scale of Standard & Poor's (Standard & Poor's) or a rating of a similar level from one of the other rating agencies (taking into account the principal amount and accrued interest), less the allowance for doubtful debts								
deposits in second-tier banks of the Republic of Kazakhsta n with a long-term credit rating of 'B' to 'B+' on the internatio nal scale of Standard & Poor's (

1.2.2	Standard and Poor's) or a rating of a similar level from one of the other rating agencies, or a rating of 'kzB+' to 'kzBB-' on 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 (taking into account the principal amount and accrued interest), less the allowance for doubtful debts								
	Governm e n t securities of the Republic o f Kazakhstan n (

1.3	including those issued in accordance with the legislation of foreign states), issued by the 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								

	n (taking into account the principal amount and accrued interest), less the allowance for doubtful debts								
1.5	Non-government 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:								
	shares of issuers with a long-term credit rating of at least ‘BB-’ on the international scale of Standard								

1.5.1	<p>& Poor's (Standard and Poor's) or a rating of a similar level from one of the other rating agencies, or a rating of at least 'kzBB' on t h e national scale of Standard & Poor's (Standard and Poor's), or a rating of a similar level on t h e national scale of one of the other rating agencies, a n d depositary receipts whose underlyin g asset is these shares, less the allowance f o r doubtful debts</p>								
	<p>shares of issuers included in the representa tive list of t h e Kazakhstan</p>								

1.5.2	n stock exchange index and depository receipts whose underlyin g assets shall be these shares, except for the shares specified in line 1.4.1, less the allowance for doubtful debts							
1.5.3	shares of issuers with a long-term credit rating of " B" to "B+ " on the internatio nal 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 "kzB+" to "kzBB- " on 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, and depositary receipts whose underlying asset shall be these shares, less the allowance for doubtful debts								
shares issued in accordance with the legislation of the Republic of Kazakhstan on the securities market, admitted to trading on the stock exchange in accordance with the Requirements for issuers and their securities admitted to trading								

1.5.4

on the stock exchange, as well as to certain categories of the official list of the stock exchange, approved by resolution № 54 of the Board of the National Bank of the Republic of Kazakhstan dated 27 March 2017, registered in the Register of State Registration of Regulatory Legal Acts under № 15175 (hereinafter referred to as Requirements № 54), and depositary receipts whose underlying asset shall be these shares, except for the shares specified

	in lines 1.4.1, 1.4.2 and 1.4.3, less the allowance for doubtful debts.								
1.5.5	debt securities issued in accordance with the legislation of the Republic of Kazakhstan on the securities market and other states, which have (whose issuer has) a long-term credit rating of at least ‘ BB-’ on 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 of not less than "								

<p>kzBB" on 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 (taking into account the principal amount and accrued interest), less the 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, which have (whose issuer has</p>								

1.5.6	<p>) a long-term credit rating of "B" to "B+" on 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-" on 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 (taking into account the principal amount and accrued interest), less the allowance</p>									
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[illegible]

1.7	Securities with government status issued by central governments of foreign countries with a sovereign rating of at least "B-" on the international scale of Standard & Poor's (Standard & Poor's) or a rating of a similar level from one of the other rating agencies, less the allowance for doubtful debts.							
1.8	Non-government securities issued by foreign organisations:							
	shares of issuers with an international rating not lower than BBB- of Standard & Poor's, or a rating							

1.8.1	of a similar level of one of the other rating agencies, and depositary receipts, the underlying asset of which shall be these shares, minus the allowance for doubtful debts								
1.8.2	debt securities with an international rating not lower than BBB - of Standard & Poor's, or a rating of a similar level of one of the other rating agencies (taking into account the amounts of principal and accrued remuneration), net of an allowance for								

	doubtful debts								
1.9	Securities of international financial organizations, the list of which shall be determined by paragraph 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 resolution of the Board of the National Bank of the Republic of Kazakhstan № 304 dated December								

	26, 2016, registered in the Register of State Registration of Regulatory Legal Acts under № 14794 (hereinafter referred to as the Standards)								
1.10	Refined precious metals meeting international quality standards adopted by the London precious metals market association (London Bullion Market Association) and designated in the documents of this association as the standard " London quality delivery" "London good delivery" and metal deposits, including in								

	non-resident banks of the Republic of Kazakhstan with a rating not lower than "AA" on the international scale of Standard & Poor's, or a rating of a similar level of one of the other rating agencies								
1.11	Shares - total, including:								
1.11.1	units meeting the requirements of subparagraph 23) of paragraph 38 of the Standards, net of allowance for doubtful debts								
1.11.2	subdivisions meeting the requirements of subparagraph 24) of paragraph 38 of the Standards,								

	net of allowance for doubtful debts								
1.11.3	open and interval mutual fund units, net of allowance for doubtful debts								
1.12	Islamic financing instruments meeting the requirements of paragraphs 25), 26) of paragraph 38 of the Standards								
1.13	Requirements to securities issuers for payment of the face value of securities arising from the expiration of their circulation period stipulated by the securities issue prospectus (not overdue under the terms of the securities								

	issue prospectu s)								
2	Balance sheet assets								
3	Liabilities b y insurance class								
3.1	Life insurance								
3.2	Annuity insurance								
3.3	Accident insurance								
3.4	Health insurance								
4	Gap key figure (line 1- line 3)								
5	G a p percentag e of assets (line 4/ line 2)								
6	Cumulati ve gap								
7	Cumulati ve gap as a percentag e of assets (line 6/ line 2)								

Note: an explanation of how to complete the administrative data collection form, provided in

the Annex to this form.

Name of _____

Address of _____

Telephone _____

Email address _____

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

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

Head of risk management

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

" _____ " date _____ 20

Annex
to gap analysis form
for insurance (reinsurance)
of organizations, carrying out
industry activities
"life insurance"

Explanation filling out a form for collecting administrative data free of charge Gap analysis for insurance (reinsurance) organizations operating in the "life insurance" industry (index - GAP-LI1, frequency - annual) Chapter 1. General provisions

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

2. The form shall be filled out by the insurance (reinsurance) organization operating in the "life insurance" industry annually no later than April 30 of the year following the reporting year.

3. The unit of measurement used when filling out the Form shall be set KZT in thousands 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 higher is rounded to KZT1000 (thousand).

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

Chapter 2. Explanation to complete the Form

5. Lines 1-2 shall indicate the financial instruments of the insurance (reinsurance) organization.

6. Lines 3-3.4 shall indicate the financial obligations of the insurance (reinsurance) organization.

7. Columns 3-9 shall indicate the assets (liabilities) with the shortest period after which the insurance (reinsurance) organization shall require the fulfillment of debtors' obligations and fulfills creditors' claims.

8. Column 10 shall indicate assets with no maturity.

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

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

Requirements to underwriting risk management

1. Board of Directors to effectively manage underwriting risk shall:

1) approve underwriting policies;

2) make a decision on the conclusion of a separate insurance (reinsurance) contract or on the implementation of an insurance payment, the amount of obligations (insurance amount) or the amount of insurance payment for which exceeds twenty-five percent of the amount of assets minus the reinsurer's share in the organization's insurance reserves, based on the conclusions of the surveyor (if any) and underwriter (underwriting unit), actuary, risk management subdivision;

3) establish and revise at least once a year the limits of liability (insurance amounts) under a separate insurance (reinsurance) contract in the context of classes (types) of insurance, according to which the decision to conclude an insurance (reinsurance) contract shall be made by an insurance intermediary, underwriter (underwriting unit), management board, underwriting board, board of directors;

4) approves insurance rules separately for each type of insurance.

2. The underwriting policy shall govern:

1) information on the main risks associated with underwriting;

2) procedures for development and approval of insurance rules;

3) procedures for registration of insurance (reinsurance) contracts (insurance policies);

4) the rights, obligations and liabilities of the insurance intermediary, underwriter, (underwriting subdivision) and underwriting board;

5) the procedure for collecting, processing and analyzing information for underwriting;

6) factors influencing the risk assessment;

7) underwriting decision-making process by the underwriter (underwriting subdivision) and underwriting board, including negotiating insurance risk with the reinsurer;

8) requirements for the terms of contracts with insurance intermediaries (agency agreements);

9) methodology for determining adjustment factors to insurance premiums under compulsory insurance contracts for an employee against accidents in the performance of his labor (official) duties based on the analysis of financial indicators and statistical information.

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

3. The underwriting board shall:

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

Net premium - the amount of money estimated by the actuary on the basis of actuarial methods, which shall be payable by the organization for the assumption of obligations solely for the payment of insurance payments, excluding the coverage of other expenses of the organization;

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

4. The Management Board shall make an underwriting decision to enter into a separate insurance (reinsurance) contract within the limit set by the Board of Directors.

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

1) prior to the conclusion of an insurance (reinsurance) contract, the underwriting division shall carry out:

determining and taking into account risk factors that significantly affect the increase in the probability of occurrence of an insured event, depending on the types of insured events and objects of insurance, as well as the possibility of taking them into account when calculating insurance tariffs;

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

risk selection by hazard level;

control over the assessment of the state of the insured object, factors contributing to and preventing the development of risks, and the implementation of risk mitigation measures;

determination of insurance amounts, calculation of rates, deductibles and other estimated indicators together with the actuary on the basis of the approved underwriting policy and internal documents of the organization;

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

participates in support of the insurance (reinsurance) contract, monitoring the state of the insurance object, except for types of personal insurance and monitoring the implementation of the risk mitigation plan (if any);

in case of changes in the parameters of risks accepted for insurance, recalculates the insurance rate, develops and provides recommendations to the board or structural unit, whose

functions include the conclusion of insurance (reinsurance) contracts regarding the need to amend the insurance (reinsurance) contract;

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

3) preparation of a recommendation for the underwriting board;

4) making underwriting decisions within the limits established by the board of directors;

5) establishing, in agreement with the actuary, numerical values of correction factors that take into account the presence (absence) of factors that significantly affect the likelihood of an insured event, as well as the presence (absence) of a condition in the insurance (reinsurance) contract;

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

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

6. The underwriting decision to enter into a separate insurance (reinsurance) contract above the limit on the underwriter (underwriting unit) established by the board of directors shall be made on the basis of a recommendation issued by the underwriter (underwriting unit) 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 board, providing for mandatory coordination 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 for the type of insurance to which the insurance object shall belong;

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

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

5) other factors affecting the adoption of an underwriting decision.

7. The underwriting decision shall contain:

1) date of acceptance and its number;

2) the date of issue and the number of the recommendation on the basis of which the underwriting decision have been made;

3) type and terms of the insurance (reinsurance) contract;

4) information about the insured;

5) validity period of the insurance (reinsurance) contract;

6) belonging to insurance class (s);

7) information about the insurance agent or insurance broker with the help of which it is planned to conclude an insurance (reinsurance) contract;

8) signatures of persons who made an underwriting decision, indicating their positions.

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

1) accidental damage (unknown time of occurrence and amount of expenses (losses), independence of occurrence of expenses (losses) from the actions of interested parties);

2) assessment of possible damage (the expected amount of expenses (losses) shall be calculated, on the basis of which the amount of insurance premiums shall be calculated);

3) unambiguity (clarity) of the definition of expenses (losses) (the contract clearly stipulates possible risks, insurance objects, the amount of the expected amount of insurance payment in the event of an insured event);

4) the independence of the distribution of insurance risks from each other.

9. The organization forms an insurance case containing:

1) an application signed by the insured (insured) for insurance, including information on familiarizing the insured with the terms of insurance and receiving a copy of the insurance rules (if the insurance (reinsurance) contract shall be concluded in the form of an accession agreement (insurance policy).

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

2) underwriting decision or its copy under the insurance (reinsurance) contract, with the exception of contracts concluded according to the classes of compulsory insurance of civil liability of vehicle owners, civil liability of the carrier to passengers;

3) copies of documents provided by the insured (insured, beneficiary) and the surveyor for making an underwriting decision;

4) insurance (reinsurance) contract and (or) insurance policy and amendments;

5) records on the results of monitoring the state of the object of insurance (reinsurance) of movable and (or) real estate.

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

Annex 9
to the Rules for formation
of risk management and
internal control system for
insurance (reinsurance)
of organizations, branches
of insurance (reinsurance)
non-resident organizations
of the Republic of Kazakhstan

Requirements to reinsurance risk management

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

1) reinsurance policy;

2) limits (types) of outgoing reinsurance contracts (reinsurance contract, according to which the organization transfers part of the insurance risks to reinsurance), according to which decisions shall be made by the board, underwriting board or board of directors.

2. The reinsurance policy shall contain:

- 1) 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 concluding reinsurance contracts;
- 3) criteria for choosing a reinsurance counter partner;
- 4) the procedure for assessing the activities of reinsurance counter-partners before establishing business relations (concluding an agreement);
- 5) the procedure for regular monitoring of the financial condition in the process of further interaction with reinsurance counter-partners (reinsurers), including their rating indicators;
- 6) description of the types of reinsurance used to cover insurance risks;
- 7) limits on the amounts (sizes) and types of insurance, the risks of which shall be automatically covered by reinsurance (obligatory reinsurance) or transferred to reinsurance in whole or in part (in a certain share) (optional reinsurance);
- 8) the maximum amount of reinsurance coverage from one reinsurer;
- 9) own retention limits for the insurance portfolio, class, type and contract of insurance (reinsurance) calculated by the actuary. Own retention limits may be set for an insured risk and /or occurrence;
- 10) other matters at the discretion of the board of directors.

3. The Board annually shall evaluate the reinsurance policy for compliance with current market conditions and, in case of non-compliance, initiates its revision. 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 audit of:

- 1) reinsurance contracts;
- 2) systems for informing the relevant reinsurer about the occurrence of an insured event;
- 3) receiving payment from the reinsurer upon the occurrence of an insured event.

5. The reinsurance subdivision documents all decisions made related to the implementation of the reinsurance policy.

6. The reinsurance subdivision shall monthly submit to the risk management subdivision, for further submission to the board of directors on a quarterly basis, a report on the results of assessment, measurement and analysis:

- 1) risk factors for reinsurance (including regional, market, political, economic conditions, etc.);
- 2) monitoring the credit rating of each reinsurance counter partner (reinsurer), as well as the impact of changing the credit rating on the calculation of prudential standards and other mandatory standards and limits established by the authorized body.

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

- 1) name of the reinsurer;
- 2) the reinsurer's financial stability rating;
- 3) share of liability transferred for reinsurance;
- 4) contact details of the underwriter of the reinsurer, insurance broker (person responsible for concluding the reinsurance contract)
- 5) the person responsible for accepting the reinsurance risk (who made the decision to accept the reinsurance risk).

8. The reinsurance subdivision annually shall analyze the financial stability of each reinsurer (including analysis of assets, insurance reserves, capital adequacy for repaying liabilities, expenses and income, cash flow for resident reinsurers, analysis of financial stability for non-resident reinsurers based on available information) with which a reinsurance contract has been concluded or shall be planned to be concluded, based on the financial statements for the last three (3) financial years completed (for resident reinsurers).

9. Reinsurance subdivision shall collect and store copies of documents confirming:

registration of the reinsurer as a legal entity;

availability of a license or permit of the relevant authorized body of the relevant state to carry out reinsurance activities, except for cases when a license or permit to carry out reinsurance activities shall not be required under the legislation of the relevant state;

the authority of the underwriter (underwriting unit) or other employee of the reinsurer to enter into a reinsurance contract on behalf of the reinsurer.

10. If the insurance broker services are used, the reinsurance division shall store and control the execution of reinsurance coverages 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 subdivision shall conduct and submit to the Asset and liability management board and the risk management subdivision at least once a quarter:

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

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

an analysis of the adequacy of the self-deduction limits set by the actuary.

Requirements for the risk insurance management

1. Within the framework of insurance payment risk management, the Board of Directors shall approve the limits of insurance payments, the decision-making on which falls within the competence of the Board of Directors, the Asset and liability management board, the management board, another head of the insurance (reinsurance) organization who coordinate and (or) control the activities of the payment unit, payment subdivision, as well as branches of the organization.

2. In order to ensure the process of insurance payments, the organization immediately upon notification of the occurrence of an insured event presents to the insured (insured, beneficiary):

1) the appropriate form of statement about the occurrence of an insured event by type of insurance, together with instructions and other information on how to fulfill the terms of the insurance contract and the requirements of the organization;

2) the legal entity information necessary for the preparation of documents and a list of documents for the implementation of insurance payments;

3) to an individual:

exhaustive list of documents for insurance payment;

information on the deadline for consideration of documents and the implementation of insurance payments after the submission of all necessary documents.

The deadline for the consideration of documents and the implementation of insurance payments under voluntary insurance contracts for individuals, after submitting all the necessary documents to the organization, shall not be more than 15 (fifteen) working days.

Under compulsory insurance contracts, insurance payment shall be made within the period established by the legislation of the Republic of Kazakhstan on compulsory insurance.

3. The Management Board shall ensure unhindered access of the insured (insured, beneficiary) to the insurance benefits department and (or) a representative of the organization. If the representative of the organization has the opportunity to receive documents from the insured (insured, beneficiary), the assignment agreement with him sets the deadline for sending documents to the organization.

4. After receipt of documents for insurance payment, the organization shall provide the applicant with information indicating the list of accepted documents and information on the right of the insured (insured, beneficiary) to apply to the organization in case of disagreement with the amount of insurance payment or refusal of insurance payment, as well as to appeal to the insurance ombudsman, to the authorized body and (or) to the court to protect their rights.

5. Under property insurance contracts, the organization shall provide the insured (insured, beneficiary) with a calculation of the amount of the insurance payment, indicating information about the applied procedure for calculating the depreciation of the insured property.

6. If the decision on the insurance payment cannot be made on time, additional information or information on the submitted documents shall be required, the organization shall notify the insured (insured, beneficiary) with an explanation of the reasons for the need to extend the terms of the insurance payment.

At the same time, the Management Board shall ensure the implementation of insurance payment within a period not exceeding fifteen (15) working days from the date of the deadline for consideration of documents for the implementation of insurance payment under voluntary insurance contracts for individuals.

If the event cannot be recognized as an insured event, including the event that occurred does not correspond to the signs of the insured event, the organization shall send the insured (insured, beneficiary) a reasoned written refusal to make insurance payments on the grounds provided for by the insurance contract and (or) the legislation of the Republic of Kazakhstan on insurance and insurance activities, on compulsory insurance.

7. After registration of the notice of the occurrence of the insured event, the insurance payment unit forms and stores the insurance file of the insured (insured, beneficiary) for the insurance payment in electronic and (or) paper form, which contains the following information and documents:

- 1) date of opening the case;
- 2) a statement of the occurrence of an insured event indicating the amount of the alleged loss;

The amount of the estimated loss shall be indicated if there are assumptions about the amount of the insured (insured, beneficiary) under contracts concluded with legal entities by classes:

voluntary insurance of property against damage, with the exception of the classes specified in subparagraphs 3) -7) of paragraph 3 of Article 6 of the Law of the Republic of Kazakhstan "On insurance activities";

voluntary insurance of civil liability, with the exception of the classes specified in subparagraphs 9), 10), 11), 11-1) and 11-2) of paragraph 3 of Article 6 of the Law of the Republic of Kazakhstan "On insurance activities";

voluntary insurance of losses of financial institutions, with the exception of the classes specified in subparagraphs 13), 14), 15) and 16) of paragraph 3 of Article 6 of the Law of the Republic of Kazakhstan "On insurance activities";

- 3) applications for insurance payments registered with the organization;
- 4) insurance contract (policy);
- 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) description of the loss;
- 8) information about applicants;
- 9) evaluation date, 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) date of refusal to pay insurance;
- 15) the date of completion of the insurance business;
- 16) decision on insurance payment.

8. The insurance benefits subdivision shall analyze insurance events by class, type of insurance, insured (insured, beneficiaries) and shall submit it to the risk management subdivision on a quarterly basis to determine the organization's risk map.

9. The decision on the insurance payment, with the exception of decisions on the implementation of insurance payments related to survival, shall be made by the Asset and Liability Management Board and the Management Board after the agreement with the risk management subdivision and the compliance controller in accordance with the established limits.

10. Risk management subdivision annually shall:

- 1) measure and predict catastrophic risks, providing for the use of models that include scenarios of natural and man-made disasters;
- 2) evaluate the insurance portfolio for its ability to withstand catastrophic events.

The catastrophic risk report shall be submitted to the Board of Directors and the Management Board for review.

Annex 11
to the Rules for Formation
of risk management and
internal control system for
insurance (reinsurance)
of organizations, branches
of insurance (reinsurance)
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Requirements for risk management of insufficient insurance reserves

1. The Board of Directors, in order to effectively manage the risk of insufficient insurance reserves, shall approve:

- 1) insurance reserve formation policy;

2) internal procedures for the collection, processing and analysis of statistical information necessary for calculating insurance reserves.

2. In order to effectively manage the risk of insufficient insurance reserves, the Management Board shall:

1) developing and ensuring the effective implementation of the policy for the formation of insurance reserves;

2) developing and ensuring the effective implementation of internal procedures for the collection, processing and analysis of statistical information necessary for the formation of adequate insurance reserves;

3) control over timely formation of insurance reserves;

4) ensuring that the organization shall have an actuary with a sufficient level of qualifications;

5) determination of the procedure for maintaining and maintaining the loss log.

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

1) methods for calculating the loss reserve (declared, but unresolved losses and incurred, but undeclared losses);

2) methods for calculating the reserve of unearned premiums (for general insurance) and the reserve of non-incurred losses (for life insurance);

3) the procedure for testing the adequacy of the formed insurance reserves;

4) frequency and terms of calculation of insurance reserves;

5) indication of the structural subdivision and (or) the person responsible for 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 internal audit of the formation of insurance reserves, including the following measures:

1) verification of the reliability of statistical information used in the formation of insurance reserves;

2) checking the loss log to ensure adequate formation of a reserve for claimed but unresolved losses;

3) monitoring of insured events for which the insurance payment has not been made or has not been made in full;

4) regular check of the register of insurance (reinsurance) contracts for the presence of all concluded insurance (reinsurance) contracts in it;

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

5. The actuary shall:

1) timely and adequate calculation of insurance reserves;

2) use of reliable and objective statistical information when calculating insurance reserves

;

- 3) adequate and economically reasonable forecasting of financial and other indicators used in calculating insurance reserves;
- 4) use of reliable mortality tables;
- 5) adequate calculation of insurance reserves under insurance (reinsurance) contracts concluded at low insurance rates to attract policyholders;
- 6) conducting a test for the adequacy of insurance reserves by type of insurance;
- 7) calculation of insurance reserves to estimate the required risk-based capital;
- 8) advanced training and skills in calculating insurance reserves.

6. The actuary shall submit a monthly report on insurance reserves to the risk management subdivision, containing a description of the methods and indicators used in the calculation, the professional opinion of the actuary on the sufficiency of insurance reserves, to form a risk map of the organization.

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Requirements for investment risk management

1. Board of Directors to effectively manage investment risks shall:
 - 1) approve 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 investment fund share, the investment declaration and the methodology for determining the current value of the assets of the investment portfolio created (formed) at the expense of part of the 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 participation of the policyholder in investments;
 - 4) agree upon the rules of the investment fund subdivision, the investment declaration and the methodology for determining the current value of the assets of the investment portfolio created (formed) by the manager of the investment portfolio by agreement with the organization at the expense of part of the 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 participation of the policyholder in investments;

5) create an investment committee within ten (10) business days if the organization receives a license to carry out investment portfolio management activities on the securities market.

2. Management Board in order to effectively manage investment risks shall:

1) define operational procedures to prevent excessive expenses on transactions with financial instruments, including those associated with sharp fluctuations in prices in the market of financial instruments (stop-loss limits), as well as critical levels of prices and yields on financial instruments, after which the likelihood of a decrease in the market value of a financial instrument increases (take-profit limits). Limits "stop-loss" and "take-profit" be set for financial instruments for which there shall be an active market, as well as for other financial instruments, the list of which shall be determined by the Asset and Liability Management Board;

2) initiate a revision of the limits and the maximum allowable number of losses in accordance with the scale and dynamics of the market for financial instruments and the liquidity of the financial instrument;

3) prepare a conclusion on the exposure to credit, interest and currency risks of the investment portfolio and submit it to the Asset and Liability Management Board.

3. When transferring assets to the investment portfolio manager, the management board shall ensure that the agreement with the investment portfolio manager shall specify the requirements for:

1) strict compliance by the investment portfolio manager with the investment policy of the organization;

2) effective exchange of information for risk monitoring, including stress testing;

3) 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.

4. The investment policy shall be developed by the asset and liability management unit taking into account the principles of return, diversification, profitability, liquidity.

The principle of return shall imply an effective assessment of the risks of placing assets in order to reduce or prevent possible losses.

The principle of investment diversification 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 return on investment while ensuring the rest of the principles, taking into account the situation on the investment market, as well

as the high return on investment when managing insurance reserves, which shall allow you to maintain the real value of the invested funds throughout the entire investment period, to sell assets as soon as possible.

The principle of liquidity shall involve the provision of the organization's obligations with financial instruments sold as soon as possible in an amount sufficient to cover them.

5. Investment policy shall regulate:

- 1) goals and strategies for investing assets;
- 2) description and list of investment objects;
- 3) limits on the investment of assets and the size of the open currency position, taking into account the requirements of the legislation of the Republic of Kazakhstan on insurance and insurance activities;
- 4) conditions and restrictions established in relation to investment activities;
- 5) conditions of hedging and diversification of assets with indication of the list and description of hedging instruments;
- 6) information on the main risks associated with investment activities;
- 7) aggregate maximum allowable amount of losses on the investment portfolio;
- 8) other matters at the discretion of the board of directors.

6. Investment limits of assets stipulated by the investment policy shall include:

- 1) investment limits by types of financial instruments;
- 2) investment limits in financial instruments of issuers who shall be residents of a certain state ("country limit");
- 3) limits on open foreign currency positions and the limit of foreign currency net position;
- 4) limits on investment in financial instruments of issuers whose main activity shall be related to a certain 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 assets of the policyholders.

The functions of the investment committee shall be transferred to the asset and liability management board, if necessary.

8. In order to adjust the investment policy, the risk management subdivision shall conduct and submit to the Asset and Liability Management Board at least once a quarter:

- 1) macroeconomic analysis by the degree of attractiveness of investment markets depending on the emerging geopolitical situation, investment currency, economic sector;
- 2) analysis of issuers and financial instruments issued (provided) by them, including analysis of the issuer's financial condition, potential for further growth in the value of its assets, ability to meet obligations assumed, risks associated with investing in financial instruments of this issuer;

3) analysis of the investment portfolio, including information on the portfolio structure, dynamics of profitability, analysis of unprofitable positions and recommendations for optimizing the portfolio structure;

4) forecast analysis of the receipt of insurance premiums and the implementation of insurance payments for the next twelve (12) calendar months, as well as the structure of the organization's obligations by the timing of their occurrence.

5) gap analysis, including an overview of limits on cash gap positions, taking into account changes in the ability to mobilize liquid assets, including monitoring the ability to form liquid assets necessary to repay obligations.

Based on the analyses performed, the structural subdivisions of the organization develop recommendations containing a detailed list of factors that served as the basis for providing these recommendations.

Recommendations shall be provided when:

development of corporate strategy, investment policy, as well as amendments and additions to these documents;

determination and revision of investment limits;

determination and revision of maximum allowable losses;

making investment decisions.

9. In case of independent placement of the company's assets, investment shall be carried out on the basis of investment decisions made by the Asset and Liability Management Council, taking into account the conclusion of the investment subdivision and the risk management subdivision.

10. Conclusion of the investment subdivision shall contain the following information:

1) the purpose of concluding the proposed transaction (operation);

2) description of the financial instrument with indication of the type, volume, price range, profitability level and other characteristics (conditions) of this instrument.

11. Conclusion of the risk management subdivision shall contain the following information:

1) the impact of the transaction (operation) on the estimated change in income by assets;

2) risks associated with the acquisition of this financial instrument;

3) the impact of the transaction (operation) on changes in the values of prudential standards and other mandatory standards and limits;

4) proposed investment solution options.

12. The investment solution shall contain:

1) date and number of the investment decision;

2) type of transaction (operation) to be performed;

3) the identifier of the financial instrument on which the transaction shall be made;

4) volume, price and amount (range of volume, price and amount) of the transaction (operation) to be performed;

- 5) terms of the transaction (operation);
- 6) indication of the type of market (primary or secondary, organized or unorganized, international markets) in which the transaction (operation) shall be performed;
- 7) name of the intermediary (broker) with which the transaction (operation) shall be performed (if any);
- 8) indicating that any member of the Asset and Liability Management Board shall have a dissenting opinion regarding the adoption (rejection) of an investment decision;
- 9) signatures of members of the Asset and Liability Management Board who made the investment decision.

13. The investment solution for hedging instruments transaction shall contain:

- 1) date and number of the investment decision;
- 2) type of transaction (operation) to be performed;
- 3) a detailed description of the hedging instrument indicating the type, term of its conclusion, volume, value (premium), market in which the hedging transaction shall be planned, and other characteristics (conditions) of this instrument;
- 4) expected results from the use of this hedging instrument;
- 5) assessment of the risk of the hedged item (underlying asset), indicating its type (interest rate, price, currency, etc.), as well as the method of its assessment;
- 6) hedged item with required details (identifier of financial instrument, quantity, value, volume, currency);
- 7) calculation confirming that the execution of this transaction (operation) shall lead to a decrease in the number of possible losses (loss of income) on the hedged item;
- 8) the name of the intermediary (broker) with which the transaction (operation) shall be supposed to be performed (if any);
- 9) indicating that any member of the Asset and Liability Management Board shall have a dissenting opinion regarding the adoption (rejection) of an investment decision;
- 10) signatures of the members of the Asset and Liability Management Board who made the investment decision.

14. The investment decision for making a transaction (transaction) with hedging instruments as part of investing the assets of policyholders additionally shall specify:

- 1) the limit of the open position per trader if the trader is given the opportunity to carry out trading operations within the established amount;
- 2) information about the client at whose expense the transaction (operation) shall be supposed to be performed, or an indication that the investment decision shall be made in relation to own assets.

15. In case of violation by the investment portfolio manager of the requirements of the rules of the unit 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 the 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 participation of the insured in investments, the subdivision of the organization responsible for risk management shall be obliged to notify the authorized body of the presence of such a violation within 3 (three) working days from the date of the violation.

16. An organization with a license to carry out investment portfolio management activities on the securities market automates the following processes:

1) investment portfolio management (conducting transactions (transactions) with financial instruments, settlement of transactions (transactions), control over investment limits, keeping accounting journals);

2) collecting information necessary for the functioning of the risk management system;

3) managing the risks to which the investment portfolio shall be exposed, providing the ability to track risks in real time. Information support subdivision of the organisation

17. The information support subdivision of the organization licensed to manage its investment portfolio in the securities market shall keep records of actual systemic problems, taking into account which immediate measures shall be taken to develop security measures to prevent the recurrence of problems by carrying out the following measures:

1) filling out technical problem sheets and reporting on them;

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) conducting at least once a quarter checks of technical complexes that ensure the functioning of the automated database;

4) monitoring and identification of users of automated database management terminals, including control of the types and volume of operations carried out by them for their compliance with the user's functional duties.

Annex 13
to the Rules for Formation
of risk management and
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of organizations, branches
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Requirements to operational and associated risk management

1. The Board of Directors to manage operational, associated risks shall:

1) approve the policy on operational and associated risk management;

2) ensure effective identification, measurement, monitoring and control of operational risks associated with the risks of the organization;

3) approve the plan in case of emergency and ensuring the continuity of the organization and changes to it.

2. The policy on management of operational, associated risks shall contain, but shall not be limited to the following:

- 1) goals and objectives of operational and associated risk management;
- 2) basic principles of operational risk management, associated risks;
- 3) classification of the main types of operational risks, associated risks;
- 4) acceptable level of operational risk, associated risk of the organization;
- 5) determining the procedure and procedures for identifying, measuring, monitoring and controlling the operational risk associated with the risk;
- 6) requirements for amendments to internal documents and procedures in cases of detection of deficiencies in the management of operational risk, related risks and (or) the occurrence of conditions affecting the level of exposure of the organization to operational risk, related risks.

3. Collegial bodies and (or) the management board shall be responsible for:
developing a policy to manage operational, associated risks and an emergency and business continuity plan for the organization;
monitoring and control of compliance by the organization and its employees with the policy on operational risk management and associated risks.

4. The organization's contingency and business continuity plan shall contain:
different types of plausible scenarios to which the organization shall be exposed, commensurate with the scale and complexity of the organization's activities;
responsibility of structural subdivisions and 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. Management Board to manage operational, associated risks shall:
1) annually revise the plan in case of emergency 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:
list of information data with limited access;
access procedure;
procedure for controlling access to information data;
list of individuals with access to information data;
3) approve failure prevention procedures, including equipment inspection and verification of work reports.

When applying the provisions of this paragraph to a branch of an insurance (reinsurance) non-resident organization of the Republic of Kazakhstan, the requirements of subparagraphs 2) and 3) of this paragraph shall fall within the competence of the executive body of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan.

6. The internal audit service shall assess operational risk management, associated risks and annually shall submit to the Board of Directors a report on compliance with the requirements for operational risk management, associated risks, including automation of the organization's activities and documentation, document management and document storage.

7. Risk management subdivision shall:

1) in order to manage the risk, the group annually shall 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 affiliated individuals:

the impact of bankruptcy (compulsory 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 shall analyze and shall 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 an insurance (reinsurance) non-resident organization of the Republic of Kazakhstan on the reputation, demand for insurance products, and channels for the sale of insurance services of the organization.

8. Information support subdivisions shall conduct at least once a quarter:

1) checking the technical complexes that ensure the functioning of the automated database ;

2) provide the board with information on the state of technical complexes.

Annex 14
to the Rules for formation
of risk management and
internal control system for
insurance (reinsurance)
of organizations, branches
of insurance (reinsurance)
nonresident organizations
of the Republic of Kazakhstan

Requirements for compliance risk management

1. The Board of Directors shall:

1) exercise general control over compliance risk management in the organization;

2) approve compliance risk management policy;

3) appoint a compliance controller responsible for organizing and coordinating compliance risk management;

4) at least once a year shall evaluate the effectiveness of compliance risk management in the organization;

5) exercise control over the implementation of the compliance risk management policy, including ensuring effective and prompt resolution of compliance risk management issues.

2. The compliance risk management policy of the organization shall be developed by the compliance controller and shall establish:

1) goals and objectives of compliance risk management;

2) principles of compliance risk management, including the principles of creating a compliance culture in the organization (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 combating legalization (laundering) of proceeds from crime and financing of terrorism, legislation of foreign states influencing the activities of the organization, and internal documents regulating the activities of the organization);

3) compliance risk management procedure, methods and procedures;

4) the procedure, methods and procedures for managing the risks of deliberate or unintentional involvement of the organization in the processes of legalization (laundering) of proceeds from crime and financing of terrorism, or other criminal activity;

5) powers and responsibilities of the compliance controller;

6) the procedure for interaction and exchange of information between structural subdivisions within the framework of compliance risk management.

3. In order to effectively manage compliance risk, the Management Board shall ensure:

1) adoption and communication of compliance risk management policy to employees;

2) compliance with the compliance risk management policy and submission of quarterly reports to the board of directors;

3) development of internal documents for employees of the organization on compliance risk management, including the risks of legalization (laundering) of proceeds from crime and terrorism financing;

4) taking appropriate corrective or disciplinary measures in case of detection of violations entailing compliance risk;

5) improvement of software for timely automated detection of operations subject to mandatory internal control and suspicious operations.

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 indicators and signals of fraud.

8) approval of the internal procedure for considering customer requests, with the maintenance of a statistical database that shall allow tracking activities for the timely settlement of claims, as well as identifying trends in insurance payments.

When the provisions of this paragraph are applied to a branch of an insurance (reinsurance) non-resident organization of the Republic of Kazakhstan, the provision of subparagraph 8) of this paragraph shall apply to the executive body of the insurance (reinsurance) non-resident organization of the Republic of Kazakhstan.

6. Compliance controller shall:

1) develop a set of measures to control compliance risks and implement a program to counter (launder) proceeds from crime and terrorist financing in accordance with the requirements of the legislation of the Republic of Kazakhstan on combating legalization (laundering) of proceeds from crime and terrorist financing;

2) contact any employee on his own initiative and gain access to documents and archives;

3) conduct investigations of possible violations of the compliance risk management policy and seek advice from employees of the organization;

4) set priorities for compliance risk management 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 related to compliance with external and internal regulatory documents, including the corporate management code, with clarification of the causes of non-conformities;

6) provide the risk management subdivision with a quarterly report on the results of monitoring compliance risks, containing information on identified shortcomings, omissions, violations and possible ways to eliminate them, as well as recommendations for improving compliance control and corporate management processes;

7) monitor unofficial information from external and internal sources, if necessary, organize an internal investigation;

8) take measures to prevent the legalization (laundering) of proceeds from crime and the financing of terrorism.

Annex
to the resolution of the Management
Board
of the National Bank
of the Republic of Kazakhstan
dated August 27, 2018 № 198

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, recognized as invalid

1. Resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and supervision of financial market and financial organizations dated February 1, 2010 № 4 "On approval of the instruction on the requirements for the presence of risk management and internal control systems in insurance (reinsurance) organizations" (registered in the register of state registration of regulatory legal acts under № 6113).

2. Resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and supervision of financial market and financial organizations dated December 27, 2010 № 181 "On introduction of amendments and additions to the resolution of the Board of the Agency of the Republic of Kazakhstan for regulation and supervision of financial market and financial organizations dated February 1, 2010 № 4 "On approval of instructions on the requirements for the presence of risk management and internal control systems in insurance (reinsurance) organizations" (registered in the register of state registration of regulatory legal acts under № 6767, published dated September 20, 2011 in the collection of acts of central executive and other central state bodies of the Republic of Kazakhstan № 8).

3. Paragraph 11 of the List of regulatory legal acts of the Republic of Kazakhstan, which shall be amended and added, approved by the resolution of the Board of the National Bank of the Republic of Kazakhstan dated August 27, 2014 № 168 "On introduction of amendments and additions to some regulatory legal acts of the Republic" (registered in the register of state registration of regulatory legal acts under № 9796, published dated November 12, 2014 in the "Adilet LIS").

4. Paragraph 4 of the List of regulatory legal acts of the Republic of Kazakhstan on the issues of the official list of securities of the stock exchange, which shall be being amended, approved by resolution of the Board of the National Bank of the Republic of Kazakhstan dated December 24, 2014 № 244 "On introduction of amendments to some 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 № 10339, published dated March 18, 2015 in the "Adilet LIS").

5. Paragraph 9 of the List of regulatory legal acts of the Republic of Kazakhstan on the regulation of insurance activities, which shall be introduced as amended, approved by the resolution of the Board of the National Bank of the Republic of Kazakhstan dated May 30, 2016 № 127 "On introduction of amendments to some regulatory legal acts of the Republic of Kazakhstan on the regulation of insurance activities" (registered in the register of state registration of regulatory legal acts under № 14277, published dated October 24, 2016 in the "Adilet LIS").